

BANCA SISTEMA

STRATEGIC PLAN 2021 - 2023

25 March 2021

Gruppo Banca Sistema's ambition…

Be there «first and always», catching the macrotrends in terms of household liquidity needs and PA expenditure acceleration

Grow further in our core markets continuing to increase our market share

Return on RWA maximization through the selective development of new businesses featuring a high profitability and a low capital absorption

Leveraging technology to create new market opportunities and efficiency gains, while avoiding the commoditization of our services

Create the conditions for a possible future demerger/flotation of Divisions, to crystallize their value

…played out on the 3 core segments and cross-cutting enablers



Factoring

Expand our leadership in the sector of **PA receivables in Italy and abroad**, strengthening **third-party recovery services**, and selectively scaling up our **business in Football industry and with corporates**



Salary and pension-backed loans (CQ)

Accelerate **direct origination** by strengthening the **agent network** and industrializing the channel, also by exploiting the digital capabilities developed in the last three years



Pawn loans

Expand the **physical network**, launch **new innovative digital services**, grow by leveraging **the discontinuities of the larger generalist players by assesing possible listing**



Cross-cutting enablers

Bring a **new Flexible operational model** to fruition and keep a strong **focus on curbing administrative expenses**. Support growth with **significant investments in digital marketing**. Define optimal **corporate structures** to accelerate key initiatives

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Agenda

Slides 4-8

- The first 10 years
- 10Y key figures
- Last years strategic actions
- Divisionalization
- Diversification

Slides 10-18

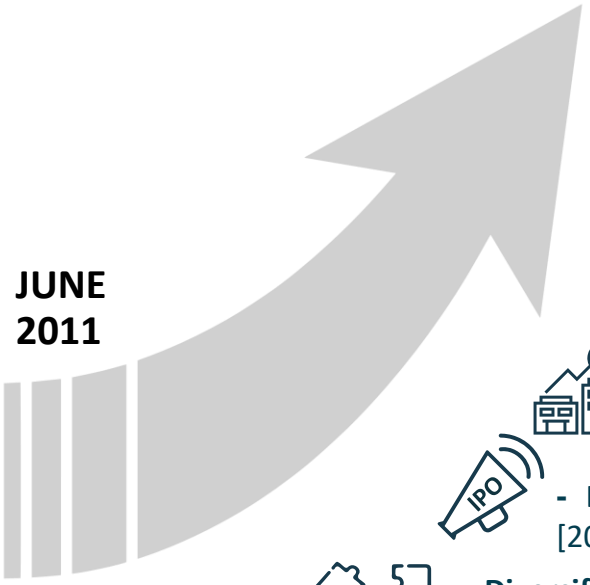
- Macroeconomic and regulatory backdrop
- Banca Sistema's potential in the next three years
- New initiatives - 2021-2023 Strategic Plan
- Factoring
- CQ
- Pawn loans
- Cross-cutting enablers
- Our balance sheet in 3 years' time
- Diversification in 2023

Slides 20-XX

- Financial targets
- Key takeaways
- Appendix

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The first 10 years of Banca Sistema



JUNE 2011

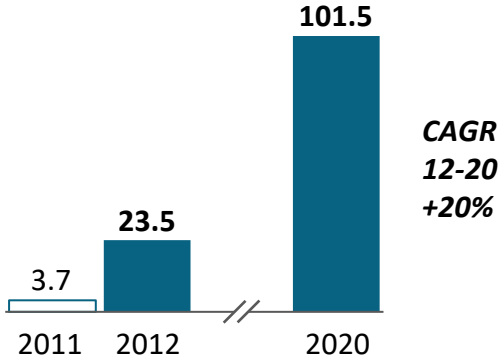
- **Initial focus on non-healthcare factoring, even though SF Trust's historical focus had been healthcare** [2011]
- **Online Retail funding: current accounts/term deposits**
- **First purchase of Tax receivables**
- **Diversification in Salary and Pension backed loans (CQ) and funding abroad through online platforms**
- **IPO, exit of the Private Equity** [2015]
- **Acquisition of Beta Stepstone and first CQ securitization**
- **First senior wholesale bond issuance**
- **Start of the pawn loans business**
- **Atlantide acquisition for direct CQ origination and further diversification in factoring**
- **Acquisition of Pawn loans business unit from ISP** [2020]

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10Y Key figures | One of the best performers in Italy's specialty finance

Total Income

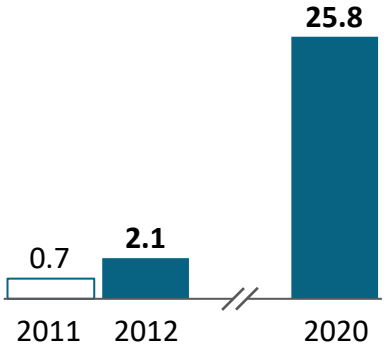
€m



CAGR 12-20 +20%

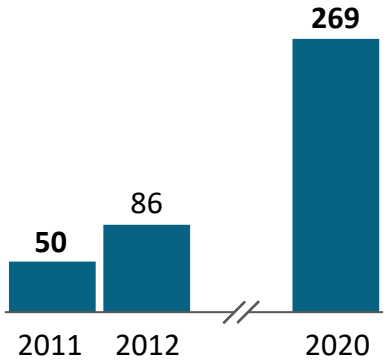
Net Income

€m



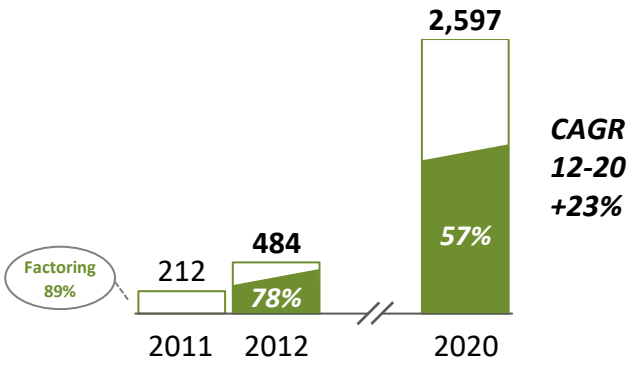
CAGR 12-20 +37%

Headcount



Total Customer Loans

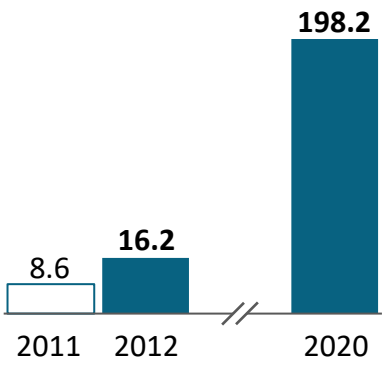
€m



CAGR 12-20 +23%

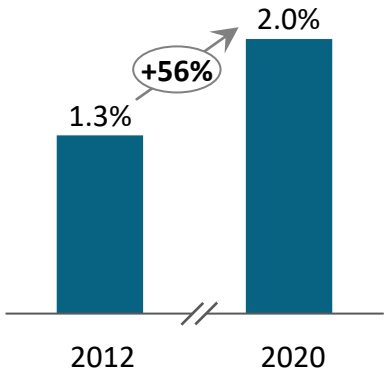
Book Value

€m



CAGR 12-20 +37%

Return on RWA[1]



Note: 1) Net Income / Total RWA.

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2018-2020 | In particular, the Bank has evolved along three strategic lines



Core business growth (Factoring, CQ loans)

- Strong growth of core businesses in the last 3 years (+31% CAGR loans to customers)
- Main contribution coming from organic growth
- Additional CQ loan business growth by acquisition (Atlantide)
- Cumulative Net Income in 2018 – 2020 ~€83m



Expansion in businesses with a low risk profile

- Confirmed focus on segment with a low risk profile (c. 85% of Factoring) and on PA/Central Governament employees and retirees (~80% of CQ)
- Consolidation of our footprint in the Pawn loans business through the establishment of the company ProntoPegno S.p.A. and a targeted growth-by-acquisition action (acquisition of ISP's pawn loan business unit)

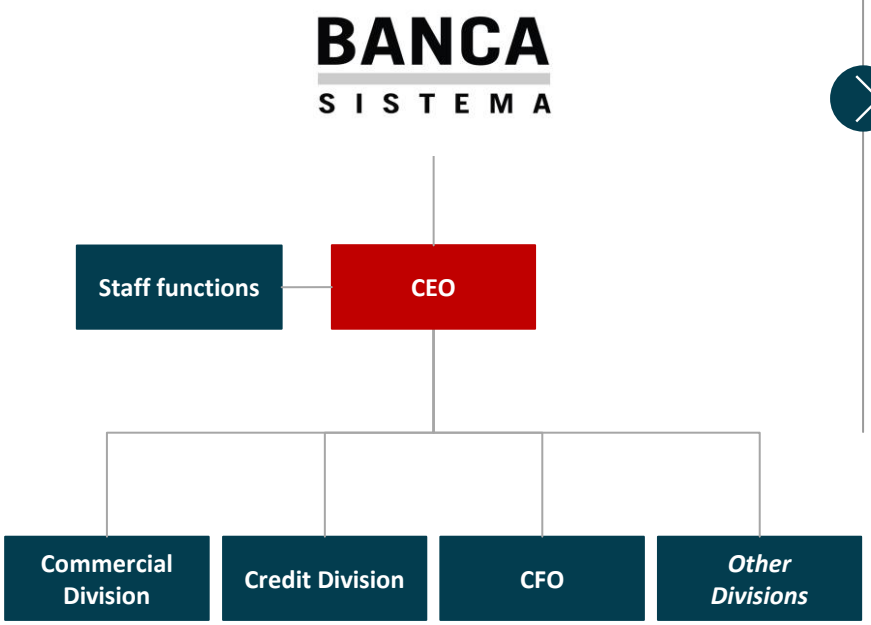


Revision of the organizational structure

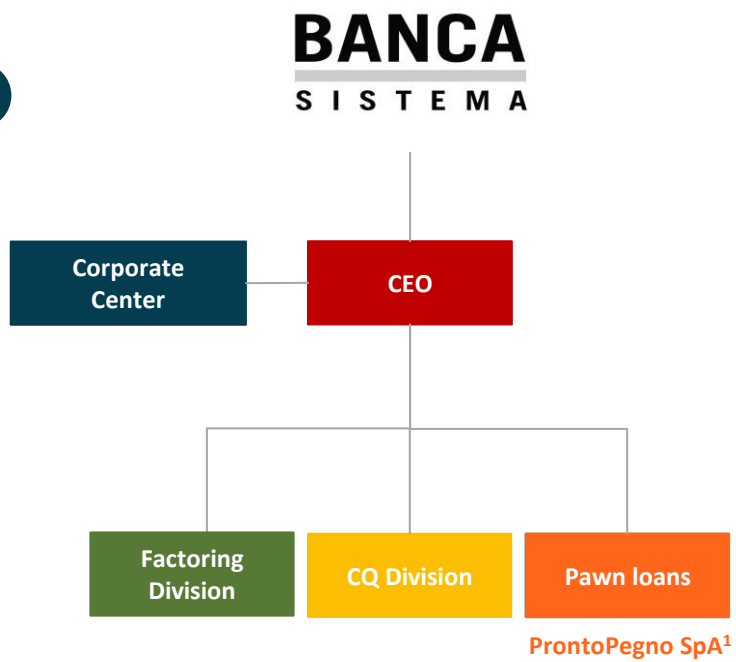
- Completion of the divisionalization of the three Business Units (Factoring, Pawn loans, CQ) to better manage and develop the single businesses

Organizational results | Completion of the divisionalization and pure-play specialization

Centralized departments cutting across each Business segment prior to the divisionalization process



Pure-play specialization following the Group's divisionalization completed in 2020



Note: 1) Banca Sistema owns 75% stake in Pronto Pegno SPA.

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2020/Covid-19 | Diversification contributed to the resilience of our business model during the worst year for the Italian economy

Factoring

++ **Exposure to Italian Public Administrations**
\+ **Origination not 100% based on physical contact with all our customers**
\+ **More than 50% of yearly Turnover is originated by revolving contracts and recurrent customers**
\- **Lower Tax receivables turnover**

Actions: *We had to overcome the organizational difficulties of the PAs, whose employees were not in the office; we have provided loans with State Guarantee to corporates who were already customers*



Pawn loans

++ **Fast way to receive financing during a very difficult economic phase**
++ **Gold: high quality as a guarantee**
\+ **Proven skills to integrate the business unit purchased in 2020**
\- **Less customers in our branches in March/April during stricter lockdown**

Actions: *customer management through appointments via ProntoPegno APP; support to customers who could not repay the loan during the first months after the lockdown; postponement of the auctions*

CQ

++ **Unchanged Asset Quality**
++ **No impact on Indirect origination (89% of new lending in 2020)**
\+ **At market level CQ has registered a better performance vs Consumer Finance**
\- **Direct origination negatively impacted during stricter lockdown**

Actions: *We have helped agents/ intermediaries through digital processes to reach customers more easily during the lockdown; we had to overcome the organizational difficulties of the employers and INPS, whose employees were not in the office, processing loans disbursement and repayments*

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- Last years strategic actions
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- Diversification



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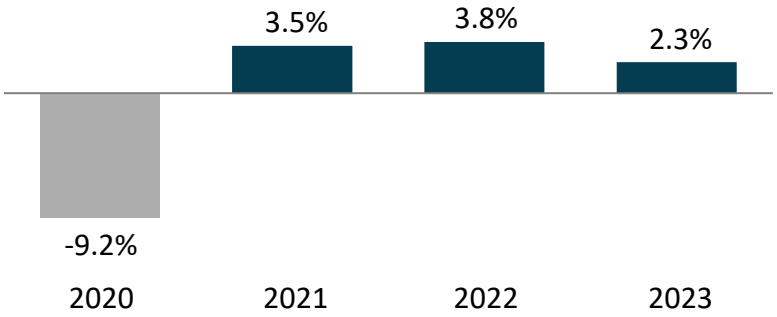
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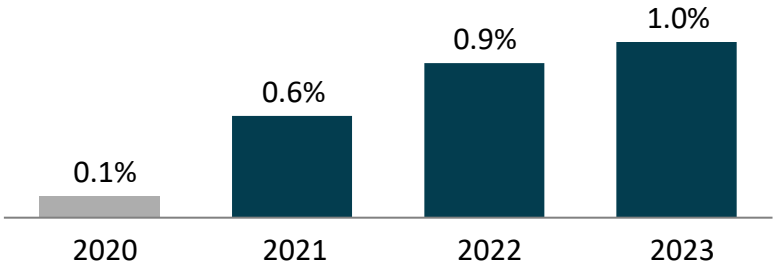
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The 2021-23 business plan backdrop appears challenging from a macroeconomic and regulatory standpoint

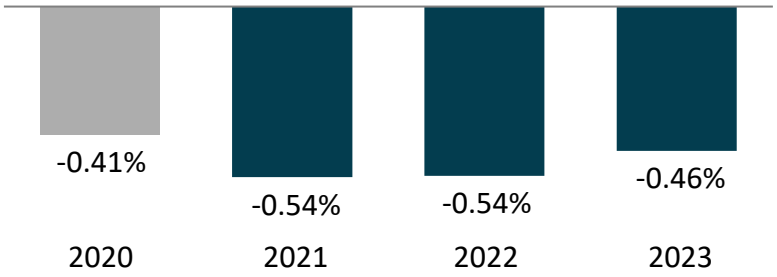
Italian GDP growth (%)



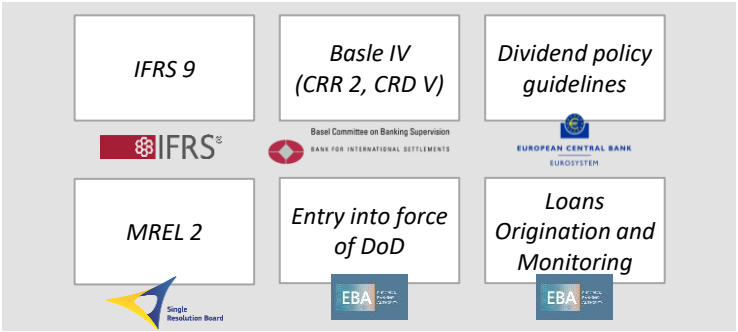
Inflation rate (%)



3M Euribor (%)



New regulations in 2021-23



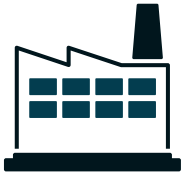
Sources: Bank of Italy - Bollettino Economico, January 2021; IMF October 2020; Bloomberg Forward Rates, January 2021.

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Market failures due to the macroeconomic environment will enhance Banca Sistema's potential in the next three years



- Increase in **household need for liquidity**, against a **significant personal wealth** mostly made up of **illiquid assets**

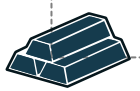


- Increased **need for credit**, especially for **mid-market unrated or crossover** players underserved by the traditional banking system
- Strong **increase in public spending**, that will primarily spawn a **significant increase in orders to the private sector**



Personal finance and pawn loans acceleration

especially if in synergy with platforms enabling a rapid asset remarketing (e.g. valuables, used goods, devices)



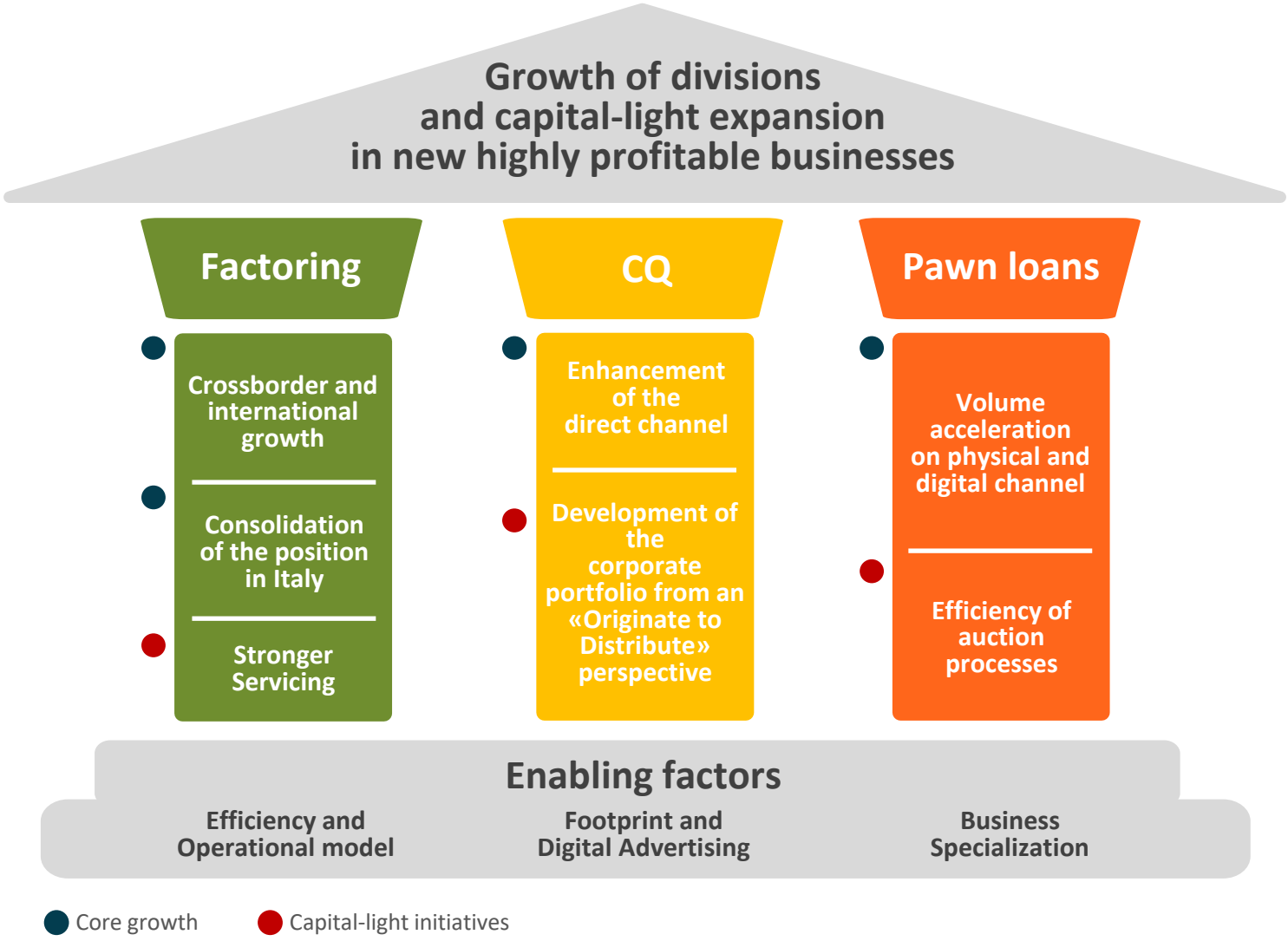


Further boost to the PA and corporate factoring business

"capturing" the market at the beginning of its life cycle, (i.e., at the bidding stage) and leveraging external guarantees to limit capital effects

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New initiatives | The pillars of the 2021-2023 Strategic Plan



Factoring | PA and Corporates development in Italy and abroad

Strategic new initiatives

Crossborder and international growth

- Launch and progressive acceleration of the commercial **JV with EBN Banco on the Spanish PA market**
- Drive towards **purchasing opportunities of recourse and non recourse Football receivables** abroad

Consolidation of the position in Italy

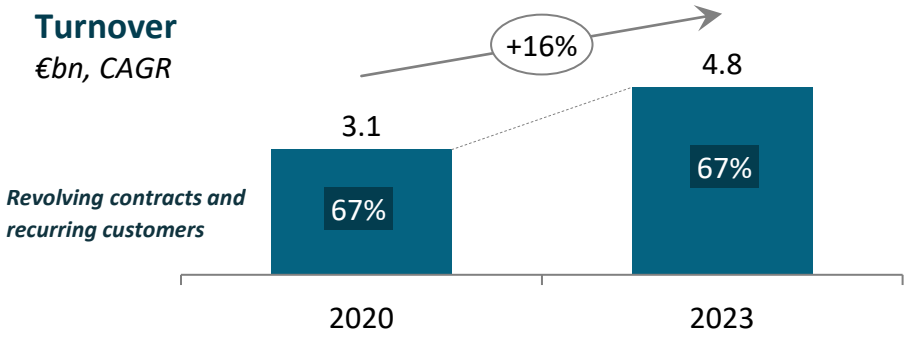
- Drive to increase volumes generated by **partner banks and agents**, and development of new agreements
- Targeted purchases of **Trade receivables backed by EIB/EIF – SACE guarantees** (capital absorption limitation)
- Costant growth also from Tax receivables
- Greater support to our customers for participation in **public tenders**

Stronger Servicing

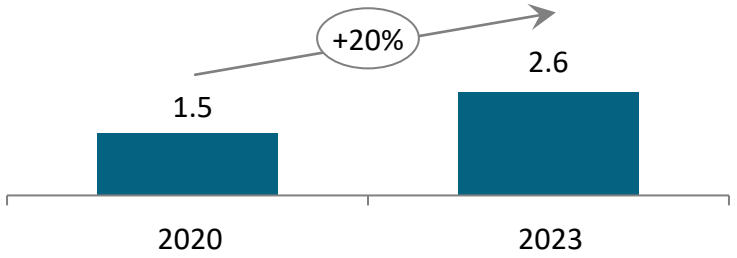
- Strengthening of the Servicing activities with **stronger out-of-court service and launch of the in-court service** in favor of non-competing counterparties

Targets

Turnover
€bn, CAGR



Net customer loans
€bn, CAGR



Income margin consolidates at around 5%[1]

Note: 1) [Interest Income + Commission Income + Gain from loans portfolio sale] / [Average Net Customer loans], 5.3% in 2020.

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CQ | Enhancement of the direct channel and further process digitization

Strategic new initiatives

Enhancement of the direct channel

- Expansion of agents network to **increase own product origination**, while retaining the current agents network and aggregation platforms
- **B2C phone channel strengthening** by setting up a center of excellence for remote sales and investments in digital marketing campaigns
- Continued **development of digital tools and processes** to support growth and a greater operational efficiency

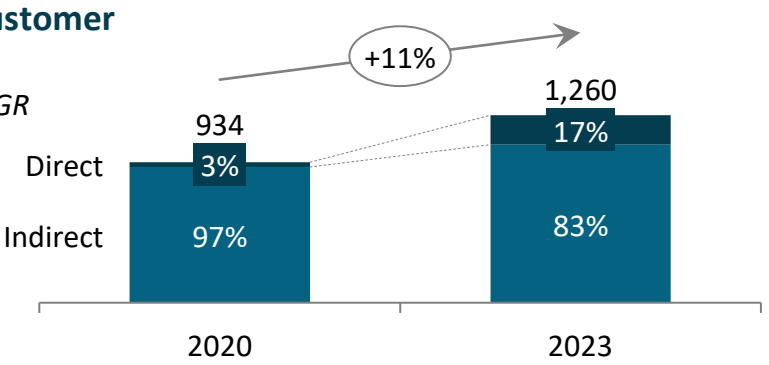
Development of corporate portfolios

- Regular **portfolio disposals** to banking and non-banking institutions, to fund growth and rebalance the sources of the overall portfolio

Targets

Net Customer loans

€m, CAGR



Income margin evolves to 3.1%[1]

Note: 1) [Interest Income + Gain from loans portfolio sale] / [Average Net Customer loans]; 2.7% in 2020.

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Pawn loans | Strong business acceleration and innovation

Strategic new initiatives

Volume acceleration on physical and digital channel

- Opening of **new branches in Italy in marketplaces featuring a high potential**, leveraging light operational models
- Selective loan portfolio acquisitions from local players or small **business units** under disposal from banking players
- Activation of **online pawn renewal processes** (dematerialization and simplification of procedures) and **online applications**
- Further **digitalization** of origination processes

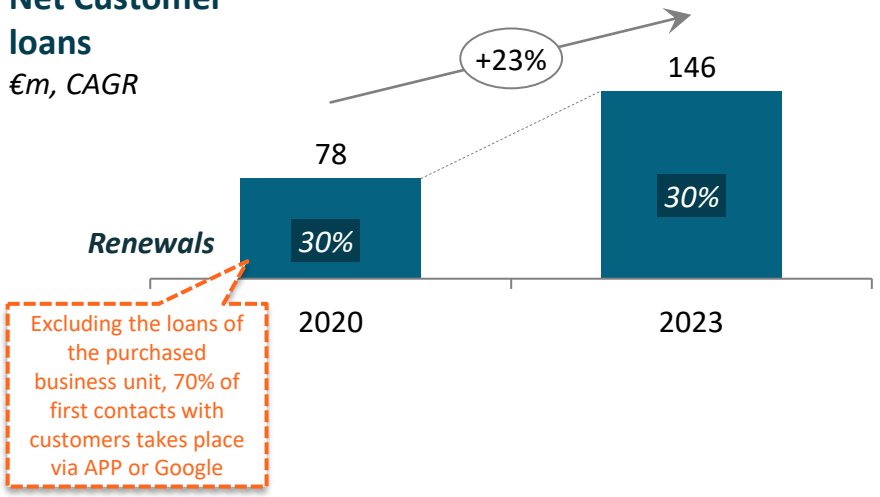
Efficiency of auction processes

- Making the **auction process** more efficient

Targets

Net Customer loans

€m, CAGR



Income margin boost: 16.6%in 2023[1]

Note: 1) [Interest Income + Commission Income] / [Average Net Customer loans]; 13.9% in 2020.

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Cross-cutting enablers | Accelerate key initiatives by focusing on digital and operating/corporate model efficiency

Strategic new initiatives

Efficiency and Operational Model

- Acceleration and **expansion of remote working** (target: ca. 30% adoption rate) to obtain qualitative benefits (flexibility, resilience, attracting talents, employee satisfaction) as well as quantitative benefits (cost savings, hiring new resources as the adoption of remote working increases)
- Launch of **targeted activities to reduce administrative expenses** through procurement, demand and operational model levers (e.g. supplier consolidation, process redesign)

Footprint and Digital Advertising

- Acceleration of **Digital Marketing to acquire customers and generate additional traffic**
  - Efficiency gain actions on investments and processes already underway: **KPI improvement** (e.g. Cost per Lead, Conversion Rate) and implementation of **«mobile responsive« websites**
  - Implementation of a single and integrated **CRM** between the Pawn loans and the CQ loans divisions
  - Possible adoption of a **Marketing Automation** software as of 2022-23

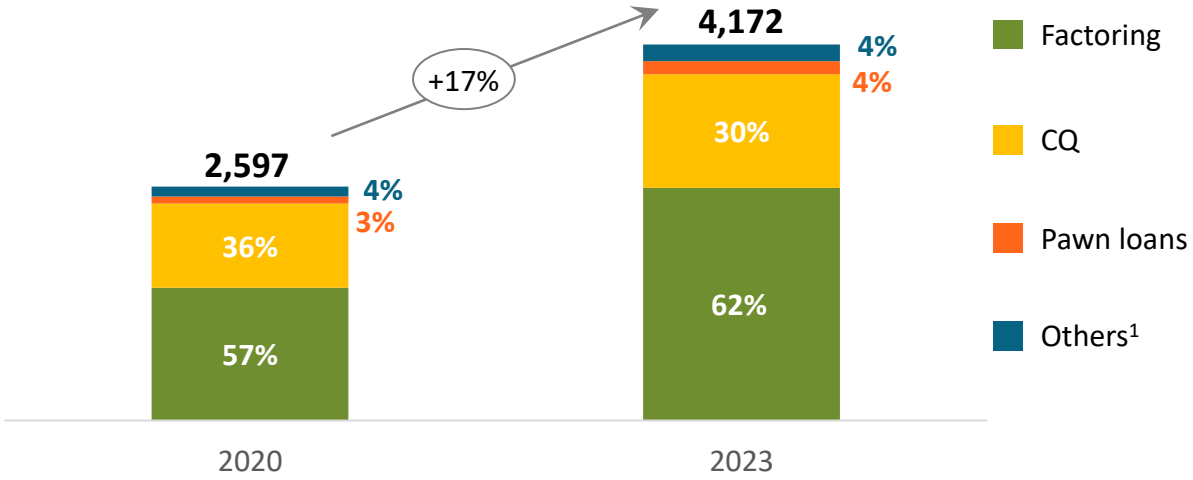
Business specialization

- **Structuring of optimal corporate vehicles** that can accelerate key initiatives, also in light of possible consolidation opportunities
  - **Factoring and CQ**: possibile demerger/NewCo to facilitate viable partnership opportunities
  - **Pawn loans**: valuation of possible future flotation

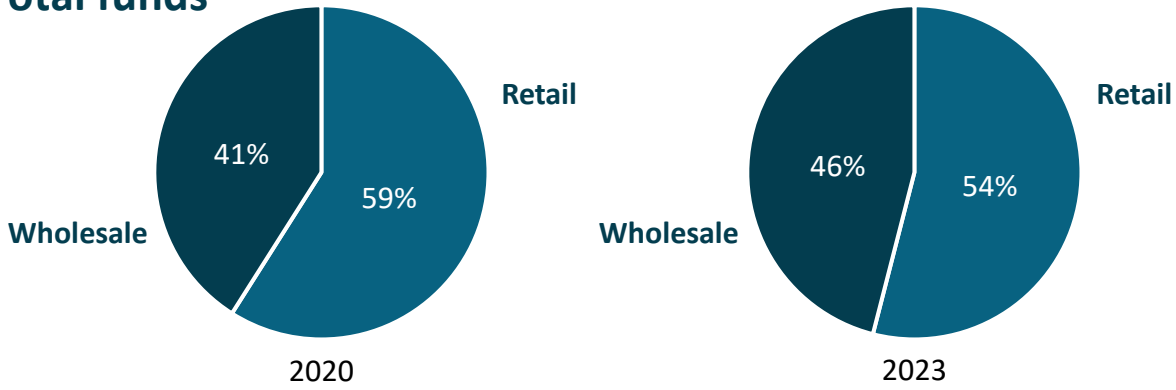
Our balance sheet in 3 years time

Net Customer loans

€m, CAGR



Total funds

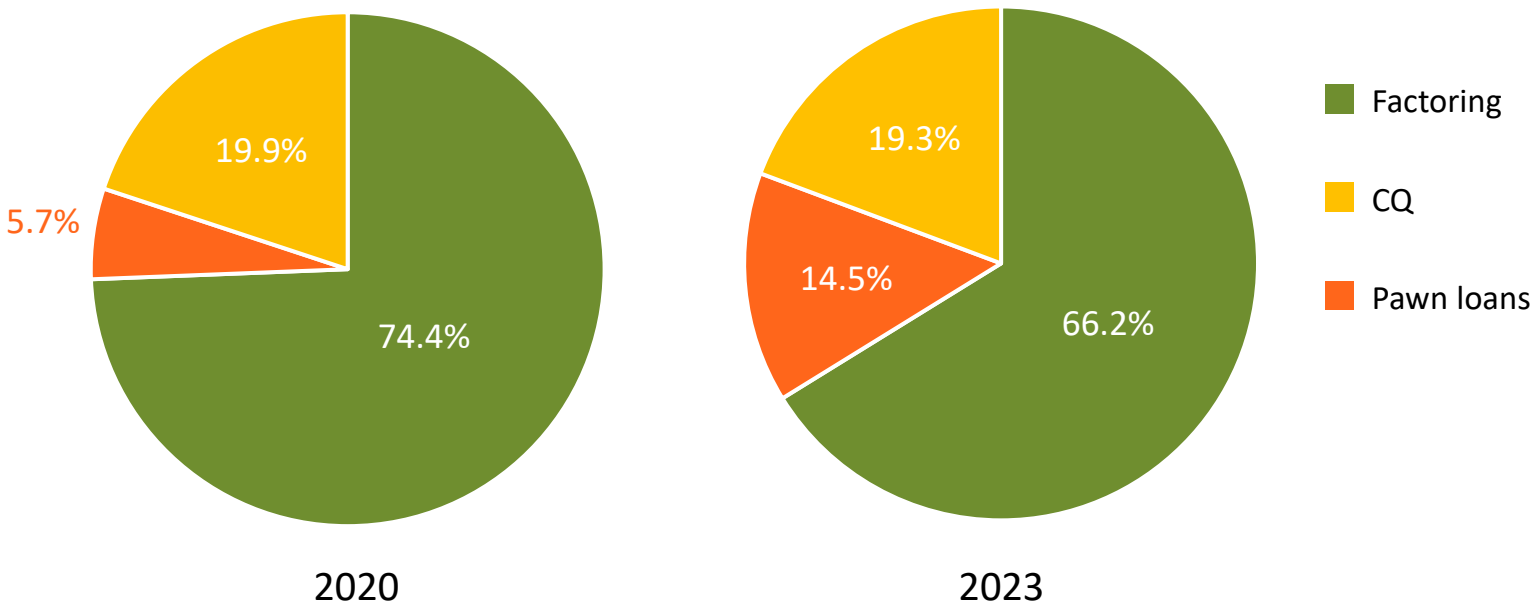


Note: 1) Includes €65m in 2020 and €90m in 2023 of loans granted by State guarantees.

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Diversification reached in 2023

Total Income by Division[1]



Note: 1) Revenues, including also those related to Govies' portfolio, are allocated to the three Divisions.

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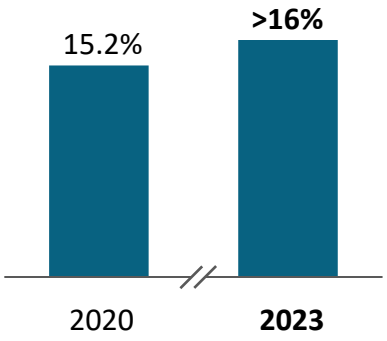
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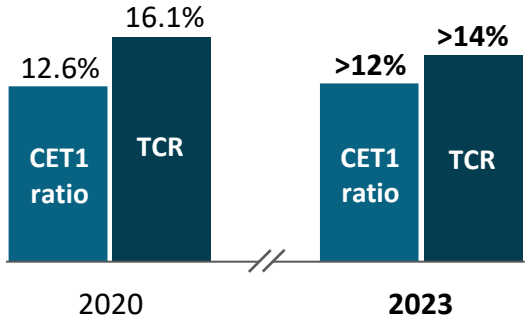
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2023 Financial Targets

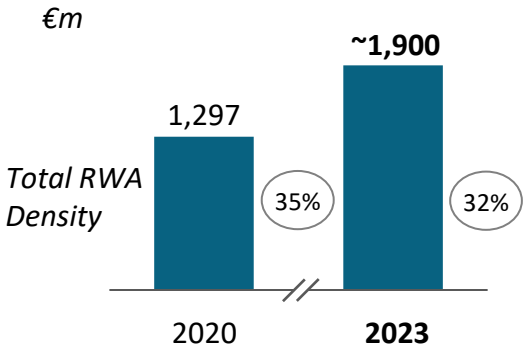
RoTE[1]



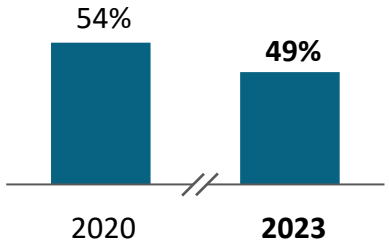
CET1 ratio and TCR



Total RWA[2]



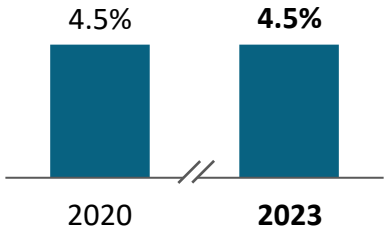
Cost Income



Cost of risk in [35 - 40 bps][3]

Funding Cost [50 - 60 bps]

Total income margin[4]



Note: 1) Based on average Tangible Book Value; 2) Total RWA/ Total Assets; 3) LLP/Net customer loans; 4) Total Income Margin is based on Margin of Factoring, Pawn Loans, CQ and also Interest Income of the Loans granted by State guarantee.

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OUR #SUSTAINABILITY #JOURNEY…




FIT THE #EVOLUTION #NEEDS
OF THE MACROECONOMIC ENVIRONMENT


#FACTORING BUSINESS
#CONSOLIDATE


#CQ BUSINESS #EVOLVE

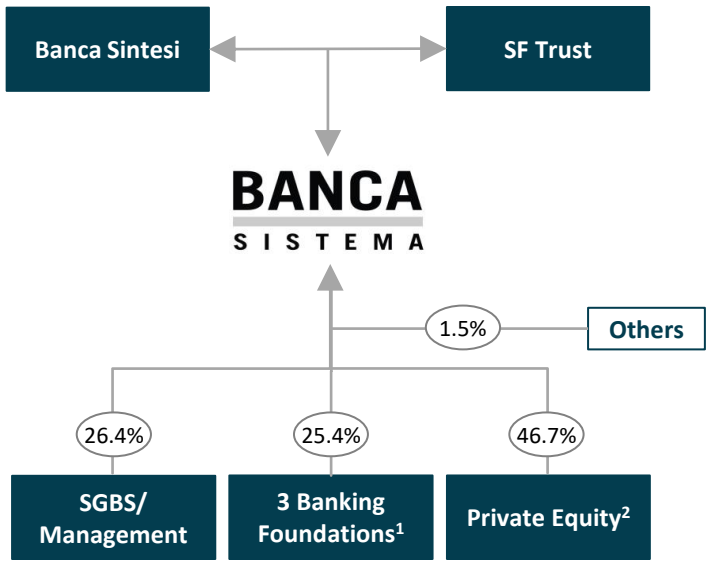

#PRONTOPEGNO #BOOST


3

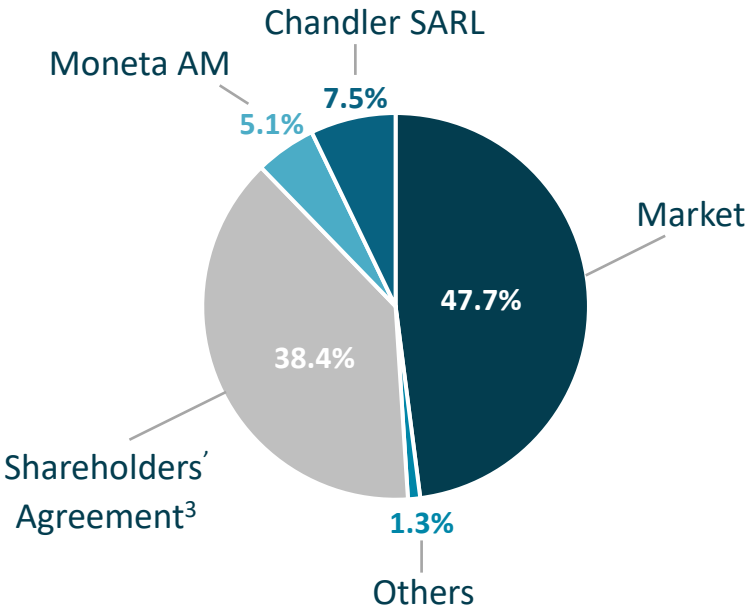
Appendix

Shareholder structure

June 2011



Actual Shareholders



TOTAL SHARES OUTSTANDING AS AT 31.12.2020: 80,421,052

Note: 1) Fondazione Cassa di Risparmio di Alessandria, Fondazione Pisa and Fondazione Sicilia; 2) Pollen Street Capital (through the company SOF Luxco Sarl); 3)On 29 June 2020, SGBS Srl, Fondazione Cassa di Risparmio di Alessandria and Fondazione Sicilia entered into a Shareholders' Agreement, which came into force on day 2 July 2020, effective until 1 July 2022.

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