BANCA SISTEMA

PRESS RELEASE

BANCA SISTEMA: 2024-2026 STRATEGIC PLAN APPROVED

The three-year 2024-2026 plan hinges on the strategic vision pursued by the bank since its inception of a sound and prudent growth to drive its ongoing development as a multi-specialized financial group.

Strategic goals:

- **Strengthen the proposition on high-potential businesses (Factoring and Pawn loans)** to consolidate our leadership and continue to expand our franchise, increasing our self-financing capability
- **Evolve the CQ Division (Salary- and Pension-backed loans) into a Retail Division** to offer our clients a full range of services, leveraging the **distribution of third-party products to complement the CQ loan business**
- **Streamline CQ operations** to speed up the process designed to bring the Division back to breakeven, in view also of **future partnerships**
- **Creation of a managerial buffer**, by implementing measures to **improve capital absorption**, so as to increase our financial flexibility to take advantage of any **accretive** opportunities while **increasing the visibility on shareholders remuneration**

Financial goals:

Total income 23-26 CAGR: +12.9%
Cost/income ratio: from 61% (2023) to 57% (2026)
Net income 23-26 CAGR: +27%
Rote: from 9% (2023) to 15% (2026)
Average loans 23-26 CAGR of +1.3%
Range Cet1 ratio/ Total capital ratio 2026: 14.8/15.8% and 18.0/19.0%, respectively
Aggregate dividends 2024-2026: €18 million

Gianluca Garbi, CEO of Banca Sistema remarked**:** *"The bank will continue to grow its core businesses, those we know well and believe we can develop and manage well. New opportunities arising in these niche markets - such as the National Recovery and Resilience Plan (PNRR), tax bonuses, the constant evolution of the entertainment industry or the turnover of collectibles, as well as the digitalization of services and internationalization - can ensure a steady growth for our group. This plan, albeit challenging, rests on a solid base, as 70/75% of future revenues are tied to existing clients and to loans and receivables already on the books."*

***Luitgard Spögler, Chair of the Board of Directors**, commented: "The three-year 2024-2026 Strategic Plan of Gruppo Banca Sistema stems from an in-depth analysis and processing activity and is based on an approach aimed at leveraging the experience and capabilities accrued by the Group, bolstering an efficient use of resources, seizing and developing new business opportunities. We are committed to keep steering the Group along a solid and successful route."*

Milan, 20 May 2024

Today, the Board of Directors has approved the 2024-2026 strategic plan, to be presented to the financial community this afternoon at 3:00 p.m. CET.

The strategic plan aims to strengthen Banca Sistema's operational and financial model to consolidate its role as a "multi-specialist" player that can reach leadership positions in highly specialized and highly profitable market niches.

To achieve the Group's goals, we identified the following strategic levers for each reference core business:

Factoring: pursue a strategic expansion on adjacent businesses and establish a leadership position in the entertainment sector. The plan sets out measures to reduce capital absorption and leverage the specific characteristics of this business (e.g. late-payment interest), that are not fully displayed in the Group's current profitability.

Retail Division: turn the CQ Division into a Retail Division, broadening the offer of third-party products and attaining an overall reduction in allocated capital. The evolution of the retail offering (e.g., personal loans, mortgages, lifetime mortgages, leases, long-term rentals, SME loans) involves entering new business agreements with the leading market players that use Banca Sistema's commercial platform (agents, introducing brokers). Measures to improve capital absorption and streamline operations will be implemented over the plan's timeframe. Getting the Division back into profit involves accelerating the amortization of the backbook that is weighing on the Groups profitability.

Kruso Kapital (pawn loans): continue to meet the growing demand for liquidity associated with the availability of illiquid assets, including valuables and collectibles, also by launching new products and using digital services. Kruso Kapital's listing on the EGM segment in January 2024 marked an important milestone along the growth path of the subsidiary, which will continue to pursue its expansion organically and through acquisitions in Italy and abroad.

The Plan's primary transformative elements include the industrialization of the **originate to distribute model**, **cost efficiency gains** and **streamlined** operations thanks to the use of tools based on **Artificial Intelligence.**

The plan does not factor in acquisitions, contributing to minimizing the execution risk. 70-75% of revenues accrued over the plan's timeframe are generated by initiatives that have already been set in motion and that have a **low execution risk,** while the remaining 25/30% originate from new initiatives. Among the already ongoing initiatives, 25% of factoring contracts are revolving and 30% of clients are recurring. Most of the late-payment interest to be recognized in the P&L over the plan's timespan has already accrued. Moreover, for the most part the superbonus tax credits that will generate revenues in the next 3 years have already been purchased, while for CQ loans, 30% of clients are recurring and renew their loans, and the same goes with Kruso Kapital, where 70% of clients are recurring.

Divisional goals:

Factoring Division

Average net receivables 2023-2026 CAGR: +11%

Adjusted Income margin: from 7.2% (2023) to 6.9% (2026)

Retail Division

Average net loans 2023-2026 CAGR: -7.2%

Adjusted Income margin: from 2.8% (2023) to 4.5% (2026)

Kruso Kapital (Pawn loans)

Average net loans 2023-2026 CAGR: +14.2% (+10.5% PF for the acquisition in Portugal)

Adjusted Income margin: from 19.6% (2023) to 21.0% (2026)

2026 Group financial targets:

Total income: €149 million

Cost/Income ratio: 57%

Cost of credit: 19bps

Net income: €34 million

Range CET1 ratio / Total capital ratio: 14.8/15.8% and 18.0/19.0% respectively

Rote: 15%

Aggregate dividends 2024-2026: €18 million

The strategic plan presentation to analysts and investors will be held today, 20 May, at 15.00 CET. To view the presentation, click on the registration link: 2024-2026 Banca Sistema Strategic Plan presentation

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Gruppo Banca Sistema

Banca Sistema, founded in 2011 and listed since 2015 on Borsa Italiana's Euronext Star Milan segment, is a financial institution specialized in purchasing trade receivables owed by the Italian Public Administrations and tax receivables, and engages in salary- and pension-backed loans, by purchasing loan pools and through the direct origination of the QuintoPuoi product. The Group offers also deposit products, including current accounts, deposit accounts and securities accounts, in addition to other services, such as securitization servicing activities, credit management and recovery, bank guarantees and security bonds, PA receivables certification and e-billing. Kruso Kapital S.p.A., a subsidiary of Gruppo Banca Sistema, is the first operator belonging to a banking group engaging in both the collateralized loans business, under the ProntoPegno brand, and in the art, luxury and collectibles auction business, through Art-Rite. With head offices in Milan and Rome, Gruppo Banca Sistema is present in Italy with branches in Bologna, Pisa, Naples, Palermo, Asti, Brescia, Civitavecchia, Florence, Mestre, Parma, Rimini and Turin, as well as in Spain and Greece. It has more than 100,000 clients, a headcount of 302 employees and relies on a multichannel structure.