Strategic Plan 2024-2026

Milan, 20 May 2024

BANCA SISTEMA

2024 - 2026 STRATEGIC PLAN



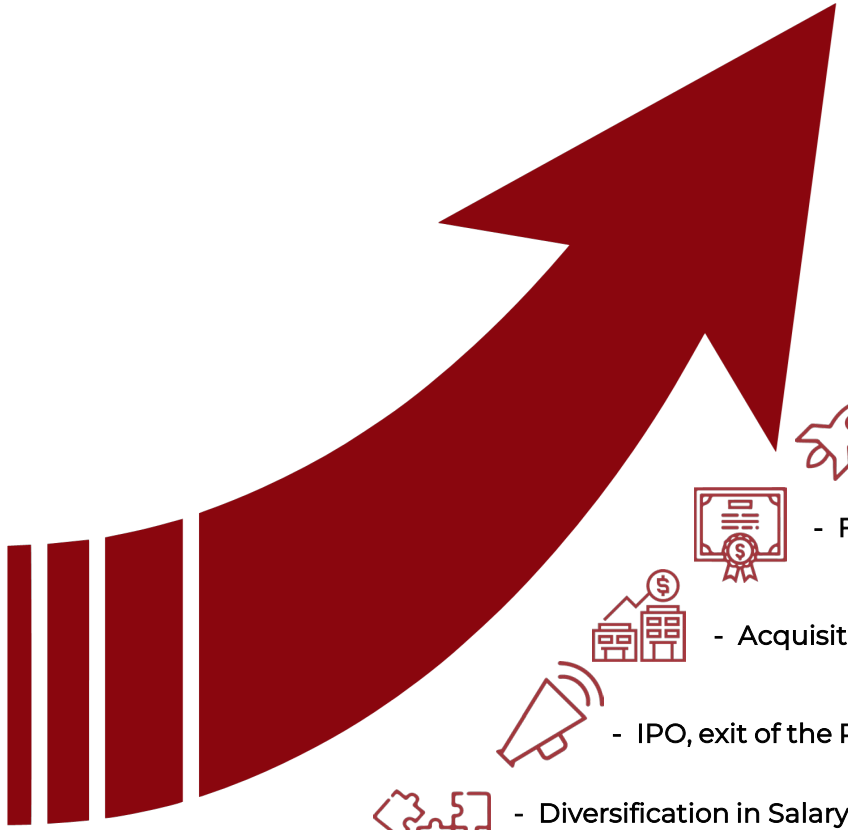
1. A story of consistency
2. 2021-2023 results and takeaways
3. Context of the new business plan
4. Ambition and guidelines
5. Financial targets and KPIs

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1

A story of consistency

DISCIPLINED APPROACH AND FOCUS ON NICHES WITH HIGH RETURNS



JUNE 2011

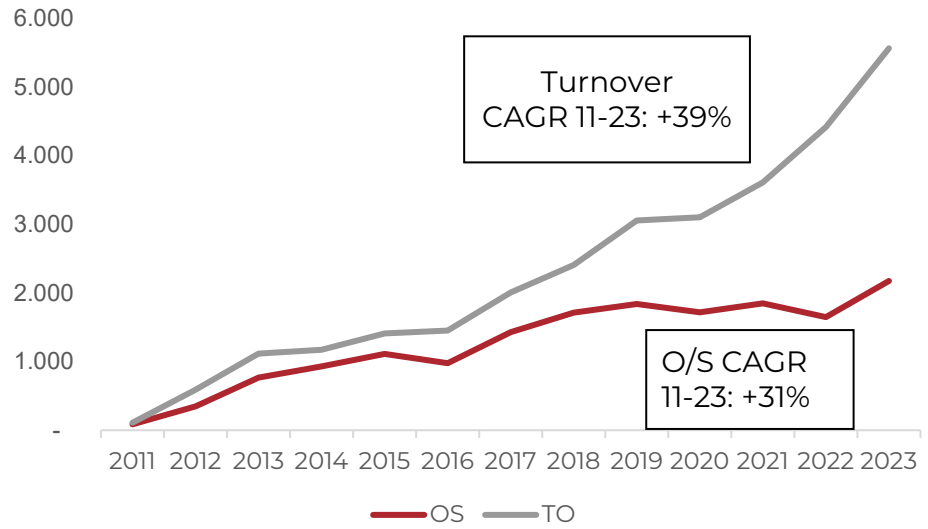
- Initial focus on non-healthcare factoring, even though SF Trust's historical focus had been healthcare [2011]
- Online Retail funding: current accounts/term deposits
- First purchase of Tax receivables
- Diversification in Salary and Pension backed loans (CQ) and funding abroad through online platforms
- 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 [2016]
- Atlantide acquisition for direct CQ origination and further diversification in factoring [2019]
- Acquisition of Pawn loans business unit from ISP [2020]
- Internazionalization Factoring in Spain – Pawn Loans in Greece
- Acquisition of Auction House –Art-Rite [2022]
- Kruso Kapital (Pawn Loans) IPO [2024]

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A STORY OF CONSISTENT AND SOLID GROWTH...

Factoring: Steady Market Outperformance

Factoring: O/S & Turnover Evolution (Eu mn)



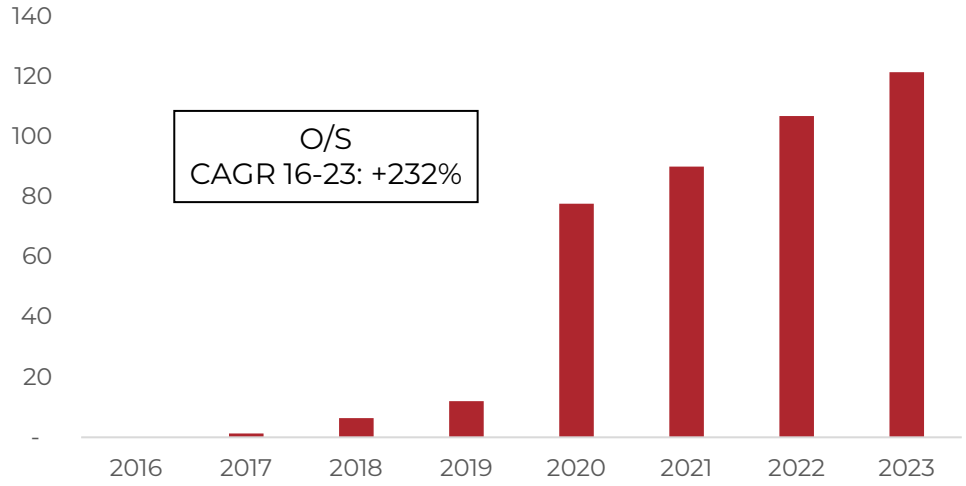
Factoring: organic growth thanks to commercial strength and new product lines development, reducing clients' concentration risk

CQ: organic growth and M&A helped the bank to grow faster than the market; in the last couple of years we have been more selective due to sudden increase in interest rates

Pawn Broking: relatively recent business line, with high margins and potential growth thanks also to digitalization process

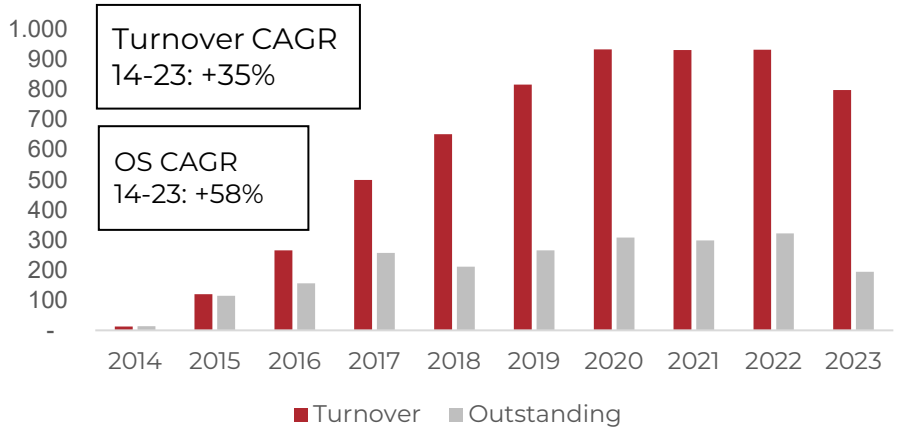
Pawn Broking: Strong Growth also through M&A

Pawn Broking: O/S Evolution (Eu mn)



CQ: Recently More Selective due to Cost of Funding

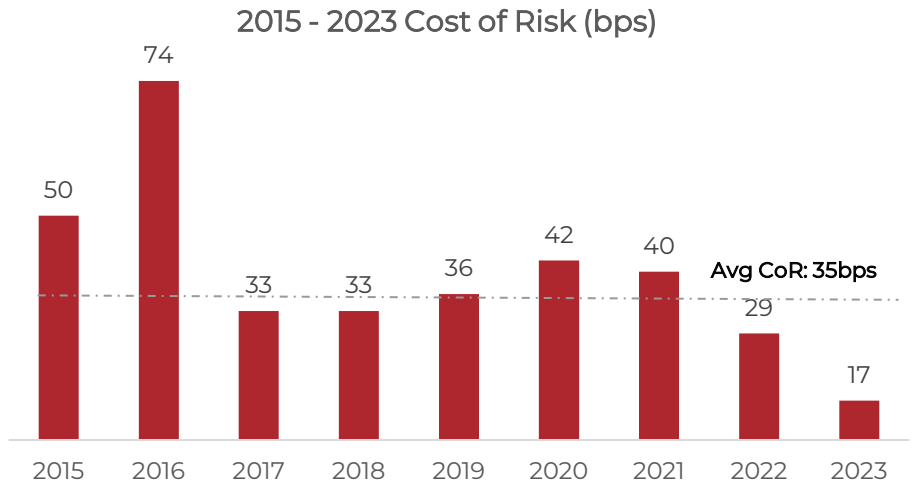
CQ: O/S and Turnover Evolution (Eu mn)

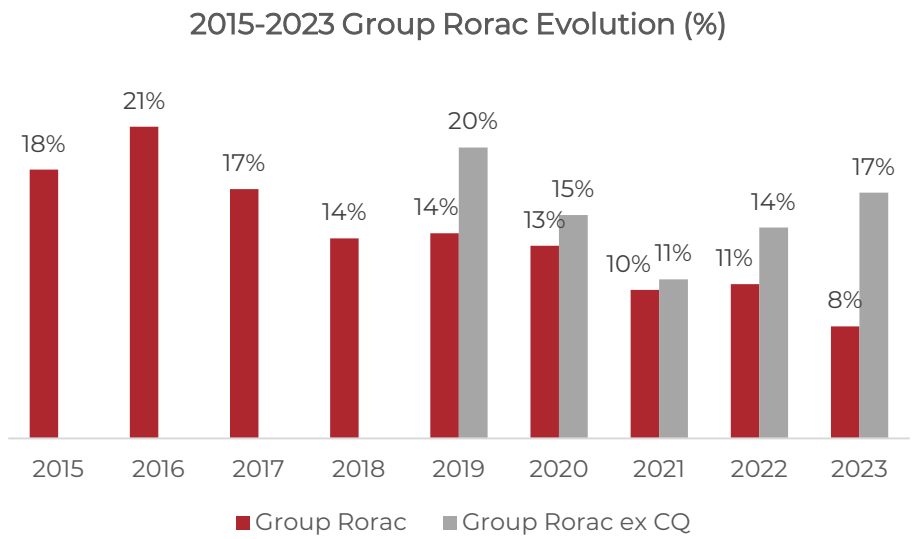


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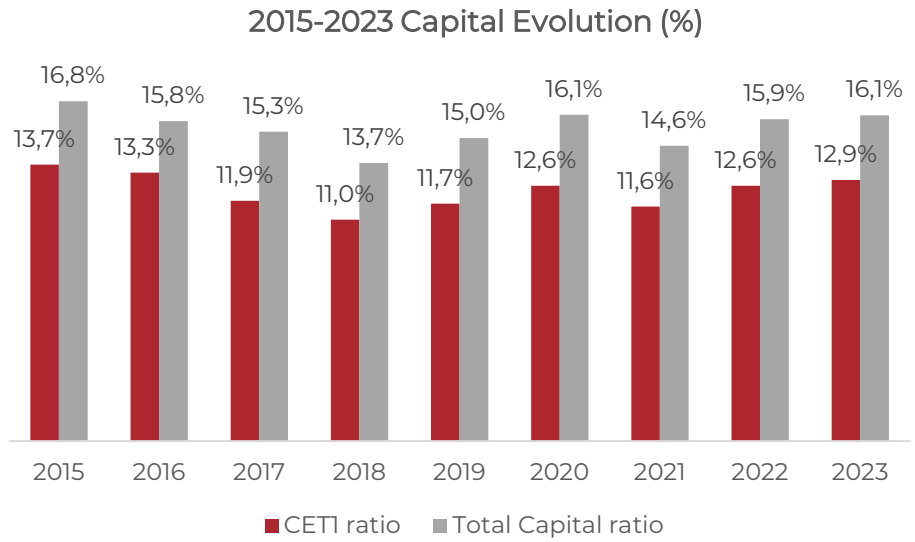
...IN MARKET NICHES WITH LOW RISK AND HIGH RETURNS...

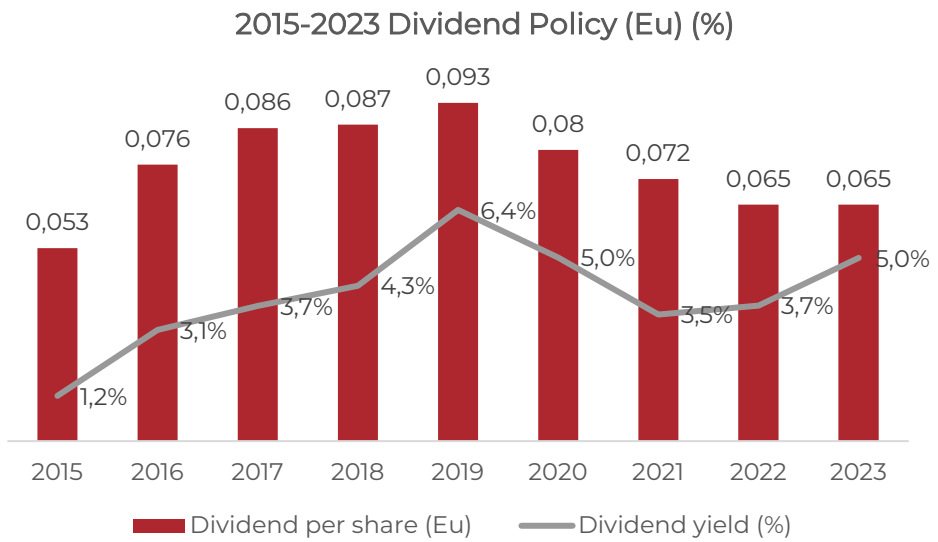
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...TO DELIVER SOLID CAPITAL AND HIGH REMUNERATION THROUGH THE CYCLE





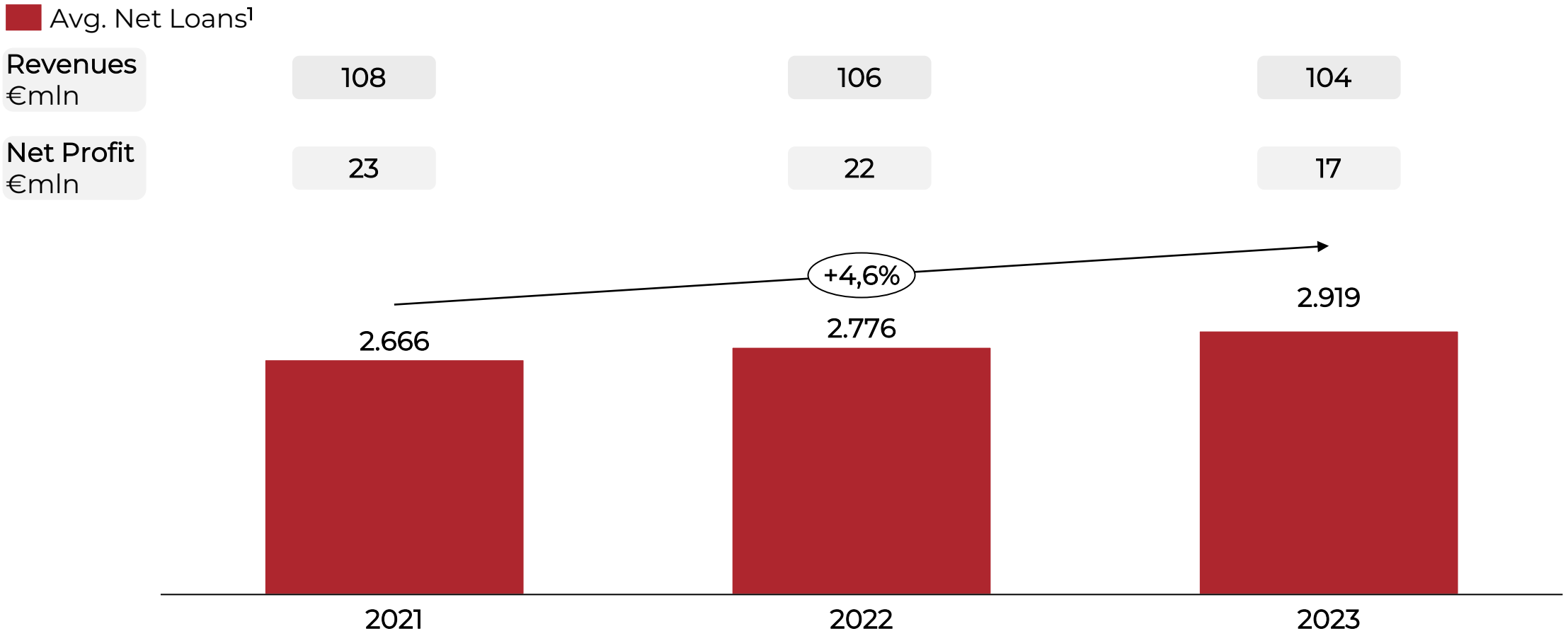
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2

2021-2023 results and takeaways

IN THE LAST 3Y THE BANK REGISTERED A STEADY LOANS GROWTH...

Loans Evolution, Revenues and Net profit
€mln



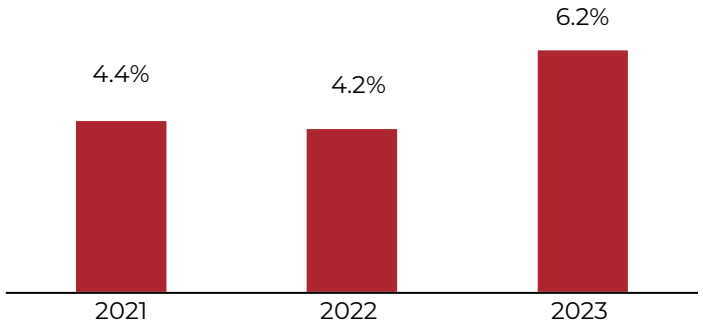
1. Avg. Net Loans = Avg. Net Loans to Customers + Avg. Superbonus – Avg.Securities

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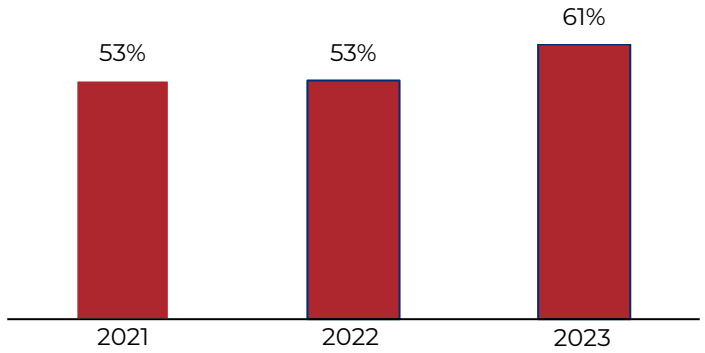
...STRENGHTENED THE BALANCE SHEET AND PROFITABILITY EX CQ...

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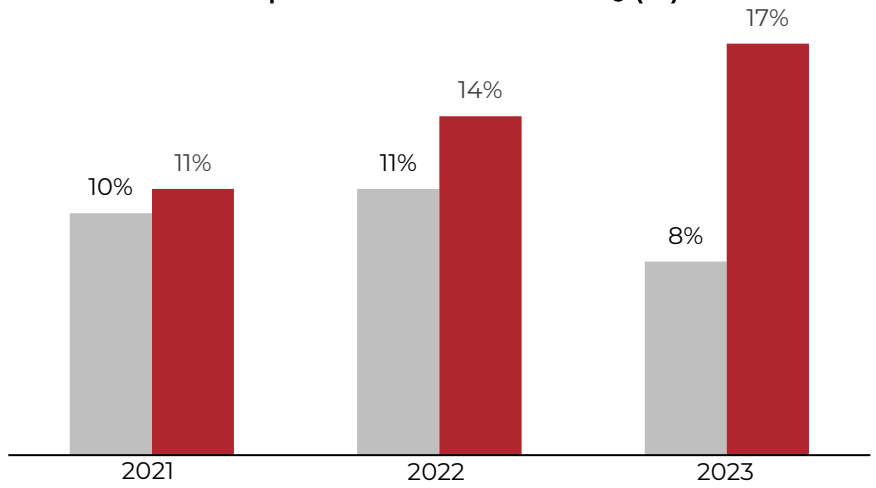
Adjusted Income Margin[1] (%)



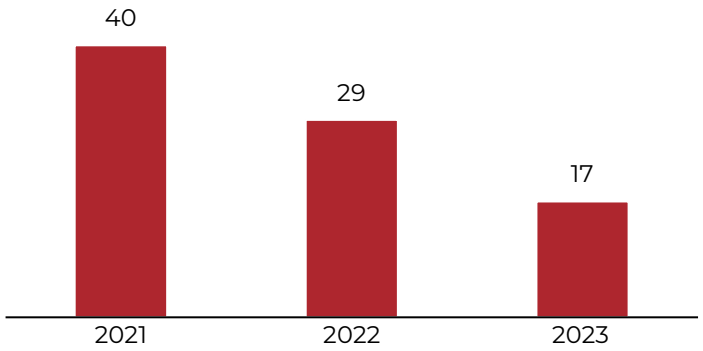
Cost-Income[2] (%)



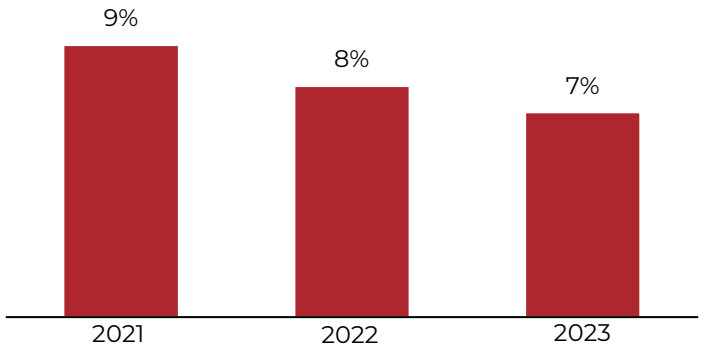
Group Rorac & Rorac ex CQ (%)[3]



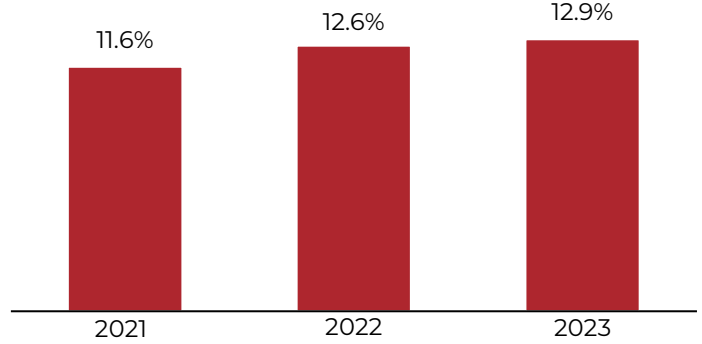
CoR (bps)



NPE Ratio (%)



CET1 ratio (%)



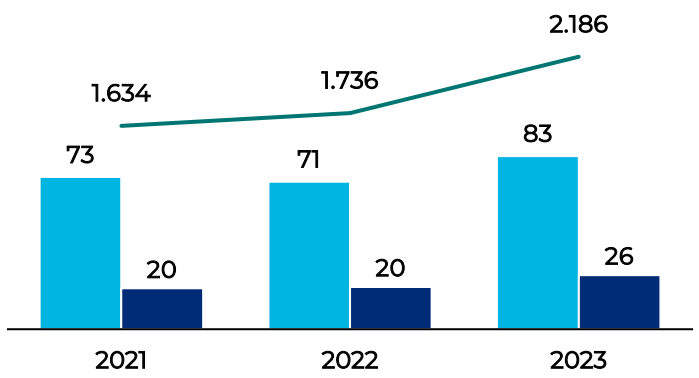
1. Adjusted income margin: c*alculated as [Period Interest Income + Commission Income + Gain for asset disposals + trading Ecobonus] / [Average net customer loans at the end of the period] - excluding the contribution from securities portfolio, PPA, credit due from banks and Repo (Balance Sheet and Financial Statement figures);* **2.** C/I ratio: calculated as *[*Operating costs – integration costs – SRF and DGS *] / [Total income]* **3.** RORAC: calculated as *[Net Profit] / [RWA* targeted Total capital ratio @ 15%] RORAC ex CQ:* calculated as *[Net Profit ex CQ] / [RWA* targeted Total capital ratio @ 15%]*

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...RECORD PROFITS FOR FACTORING, CQ SUFFERED DUE TO SUDDEN RISE IN RATES

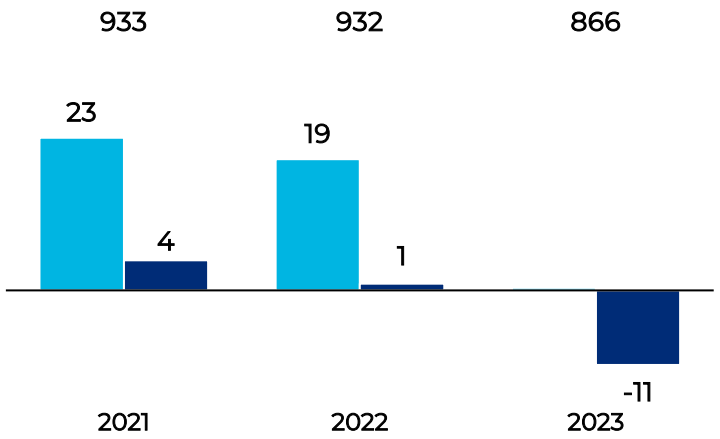
1 Factoring

OS evolution and BU profit
€m/n



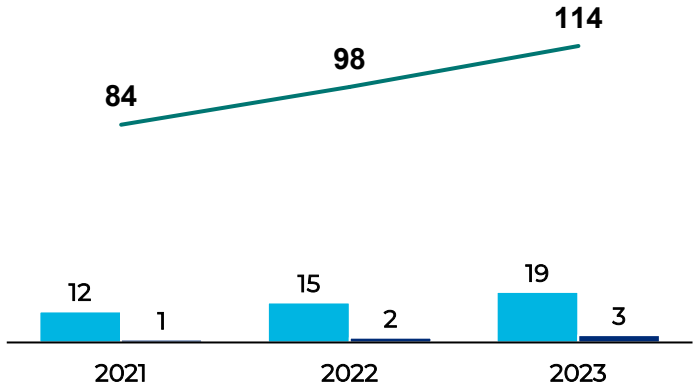
2 CQ business

OS evolution and BU profit
€m/n



3 Pawn Broking (Kruso Kapital)

OS evolution and BU profit
€m/n



Key elements of the business lines

Business highly specialised in specific segments and high profitability (i.e. healthcare, subsidies, tax receivables, etc...)

Anti-cyclical business, at low risk which registered a drop in profitability due to the unexpected pace of the increase in interest rates

Strong growth (driven also by M&A) which brought to listing through IPO at the beginning of 2024

Revenues | Net profit[1] | Avg. Net loans[2]

1. Includes Treasury profits. **2.** Avg net loans incl securities

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GROUP RORAC AT ~ 20% NET OF CQ BUSINESS CONTRIBUTION

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% totale OS	71%	5%	24%
	Factoring	Kruso Kapital	CQ
Turnover Factoring represents 95% of total turnover	Core Business	Innovation area	First line of diversification
Mkt share 2023[1]	**2%** (1°/ 2° mkt player in PA segment)	**13%** (2° mkt player)	**3%** (15° mkt player)
Strenghts	• Business that generates high returns on which to consolidate leadership in high profitability segments • High predictability as turnover consists of ~25% multi-year revolving contracts and ~30% recurring customers	• Successful business model with a high profitability	• Progressive introduction of direct origination model through agent and broker network
Risk Profile	• High rotation of assets • Presence of insurance policies (Retail). PA as main obligor	• Low risk profile thanks to gold as collateral	• Historically very low risk profile due to compulsory insurance policies
Elements to address to develop the business line	• Full appreciation of late payment interests vs capital absorption on specific segments	• Ramp up full potential	• Interest rates increase has caused losses • Scale not yet reached on direct origination

RORAC '23
8%

vs

RORAC '23 (escl. CQ)
17%

1. Mkt share for Factoring and CQ calculated on annual turnover vs mkt turnover – Pawn Broking calculated on EoP Outstanding | Source: Assofin, Assifact, pubblic reports, Banca Sistema's proprietary data

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3

Context of the new business plan

THE BUSINESS PLAN IS BASED ON A STRATEGIC VISION IN LINE WITH THE BANK'S GROWTH PATH AND THE EXPECTED MACRO SCENARIO

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VISION



Optimize Banca Sistema's operational and financial model to continue being a **"multi-specialist *squared*" player** that positions itself as **a leader in niche markets with deep specialization and high profitability**

STRATEGIC OBJECTIVES



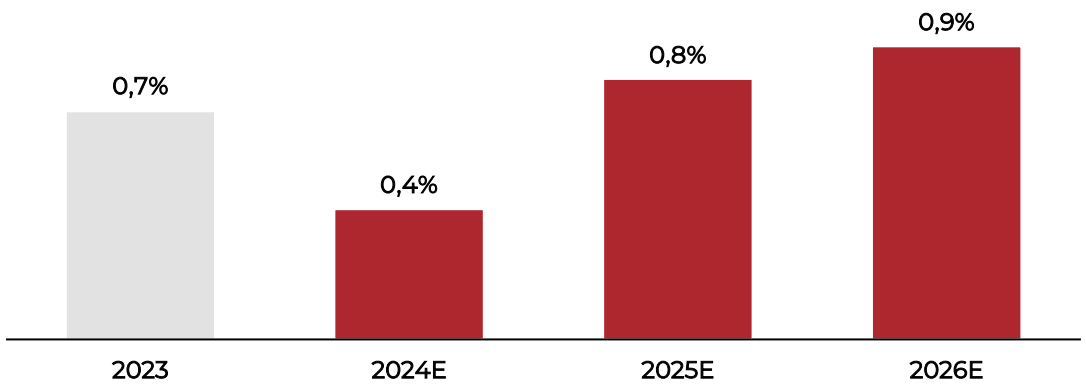
- Strengthen the proposition on high-potential **businesses (Factoring** and Pawning) to **consolidate leadership** and **expand franchises**
- Enable **the emergence of economic value** that is currently "**off balance**"
- Enable the **evolution** of the CQ BU into Retail BU offering a **full suite of services** to customers through the distribution of other retail products through Banca Sistema's commercial platform
- Conduct an **operational efficiency program** of the brand-new Retail BU, to accelerate the return to break-even
- Fuel the creation of a **capital "managerial buffer"** through the enhancement of existing collateral
- Enhance capital management and financial risks **by integrating them at Group level**, promoting logics of proactive capital management and ALM
- Foster a **rationalization of expenditures**

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BASIC ASSUMPTIONS: A SLIGHT GDP RECOVERY AND LOWER INTEREST RATES

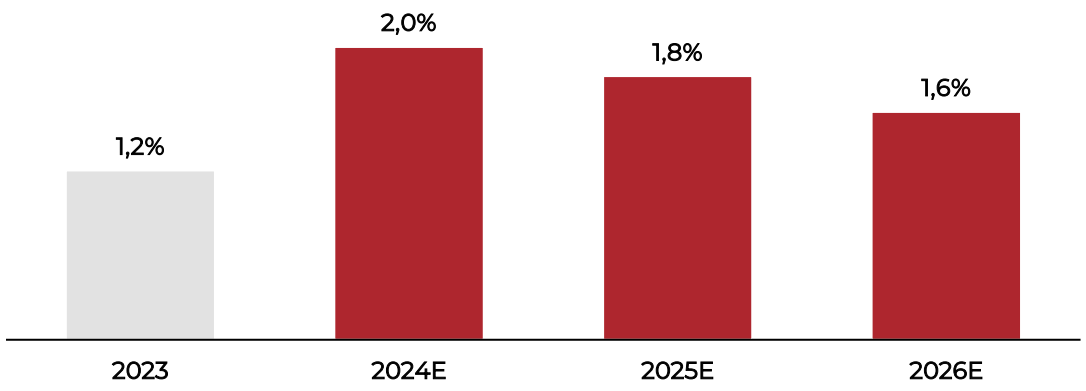
Forecast annual change in Italian GDP

%



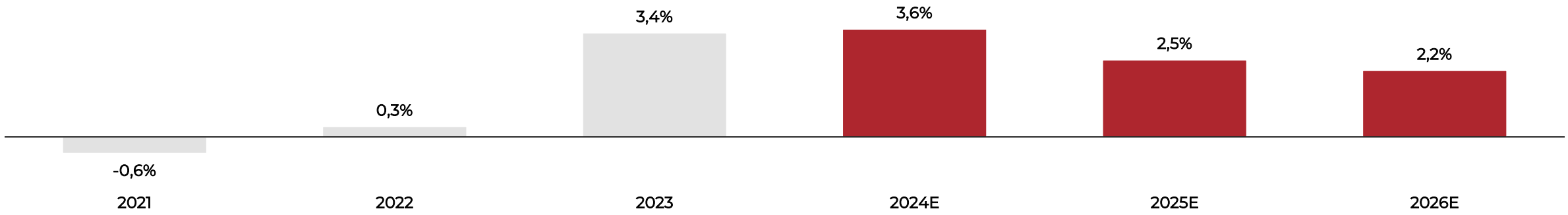
Inflation rate forecast

%



Euribor 3M forecast (annual average)

%



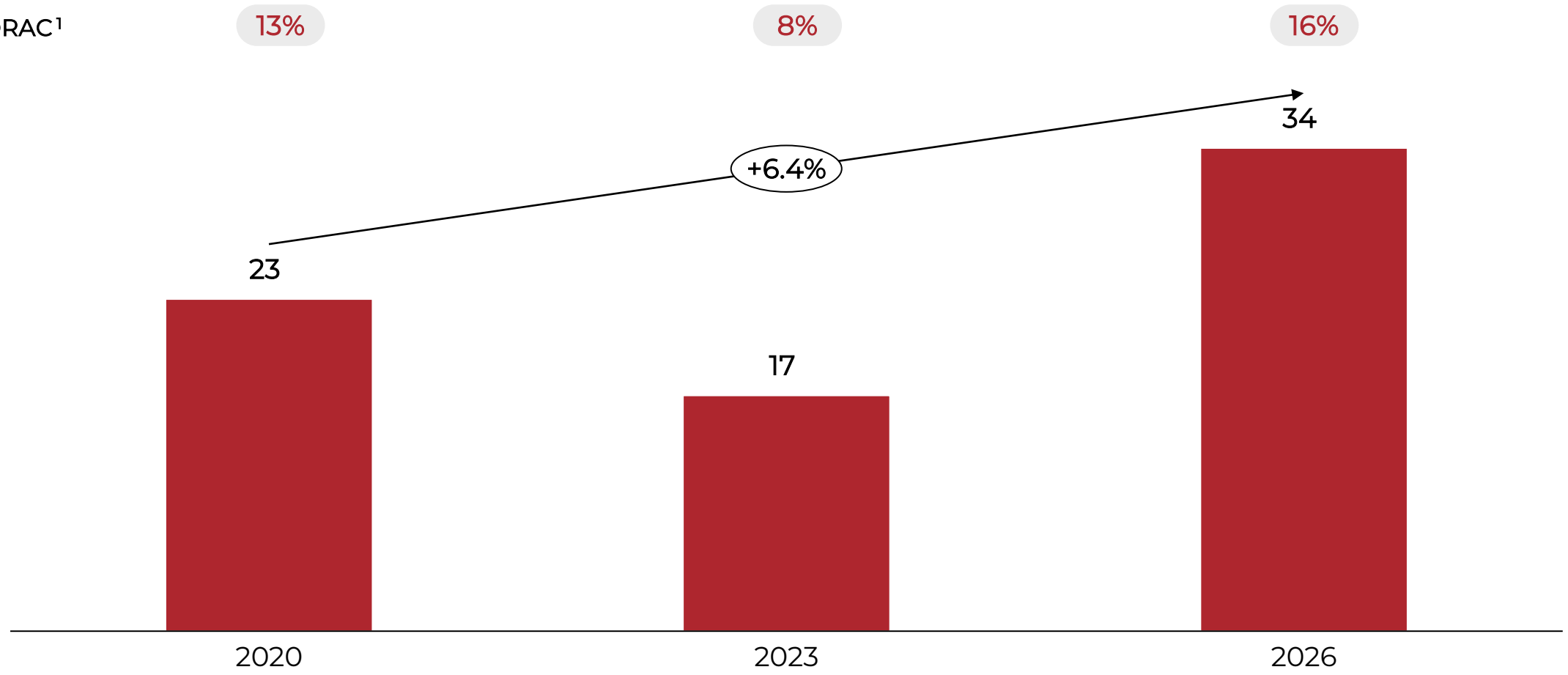
Source: Prometeia for GDP and inflation projections, Banca Sistema research department and Bloomberg for interest rates assumptions

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IN THE LAST 3 YEARS FOCUS ON BANCA SISTEMA STRENGTHENING, NOW READY TO FURTHER BOOST PROFITABILITY…

Net income,
€mln, 2020-2026

RORAC[1]
(%)



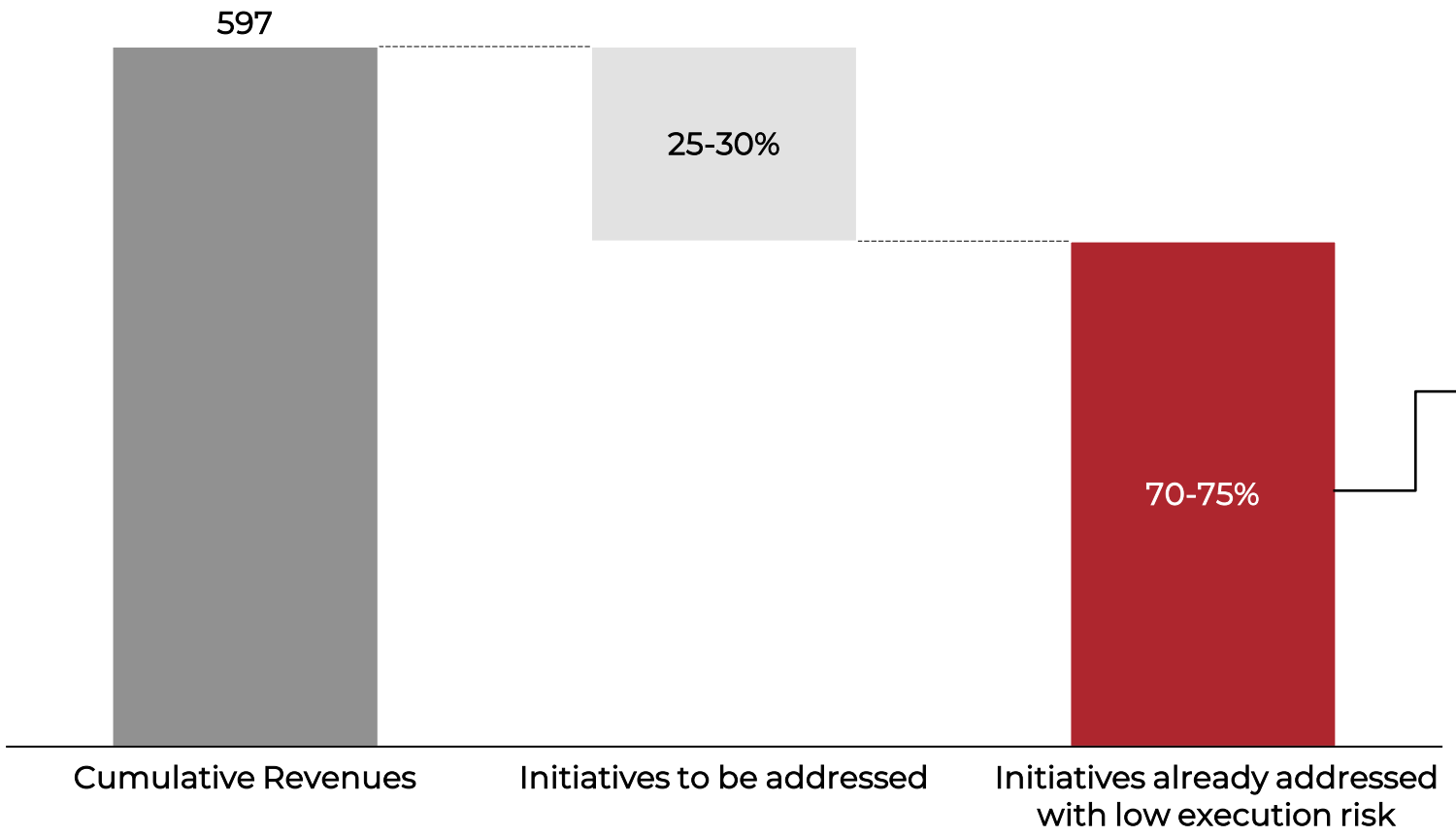
1.RORAC: calculated as *[Net Profit] / [RWA* targeted Total capital ratio @ 15%]*

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...WITH A LOW EXECUTION RISK

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Cumulative Revenues[1]
€mln, 2024-2026



Addressed initiatives details:

- **Factoring commercial loans**:
  - ~25% revolving contracts
  - ~30% recurring clients
- **Factoring Healthcare contracts renewal**:
  - Healthcare Contracts already renewed for ~60% of the portfolio
- **Ecobonus**:
  - Total asset related to Ecobonus to be acquired by June 2024
- **Late Payment interest (LPI)**:
  - ~159€mln LPI cumulated from loans already in house (of which ~22€mln through P&L in the plan time horizon from Municiplaity exiting conservatorship)
- **CQ bearing interests**:
  - ~33 €mln from the back-book
  - ~30% clients are recurring (renewal)
- **Kruso Kapital loans**:
  - ~70% from recurring clients

1. Cumulative Revenues calculated as gross interest income + Trading Superbonus

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4

Ambition and guidelines

THE KEY OPERATIONAL OBJECTIVES OF THE 2024-2026 BUSINESS PLAN

Business units	Key operational objectives	Transformative elements
1 Factoring	Consolidating the position as specialist market leader	Central oversight of financial resources and industrialization of the Originate to Distribute model
2 Retail	Loss absorption through amortization of the back-book And evolution of the BU into a wider-focus Retail business	ESG and AI initiatives to support business growth
3 Kruso Kapital	Continuing the fast-paced growth of the business	Cost efficiency and operating machine

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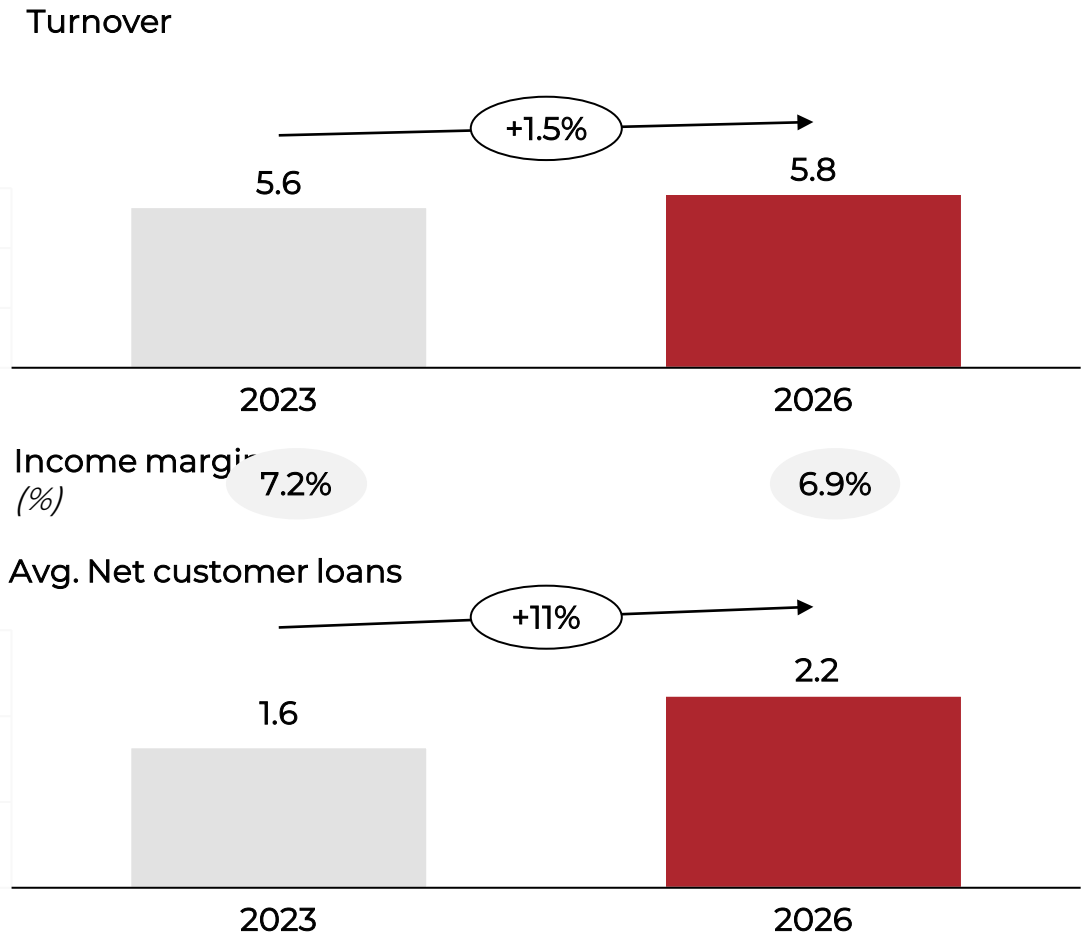
FACTORING | CONSOLIDATING THE POSITION AS SPECIALIST MARKET LEADER

1

Strategic levers

- **Financial** initiatives aimed at optimizing capital utilization
- Expansion **initiatives on business adjacencies** to continue growth trajectory (in progress) and strategic positioning:
  - Growth on **the Entertainment** sector, aiming to position itself **as the sector's Bank of Reference**
  - **Pricing review** on specific clients' categories and overall increase of commercial spread on entire portfolio
  - **Reduction of trade receivables disposals** thanks to capital optimization initiatives

Turnover, Net customer loans and CAGR (%)
€bn



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RETAIL | EVOLUTION OF CQ BU INTO A WIDER-FOCUS RETAIL BUSINESS

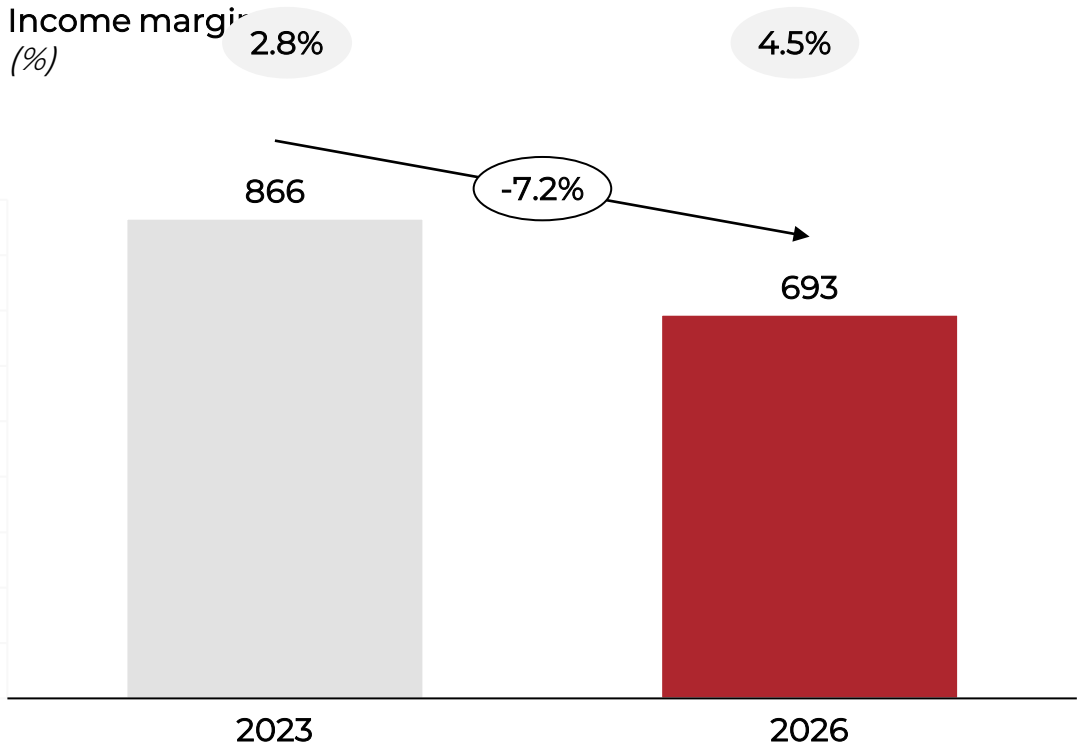
2

Strategic levers

- Acceleration of the **CQ back-book amortization** to accelerate return to break-even
- **Evolution** of CQ BU into a **Retail BU,** distributing:
  - **Third-party retail products** through agreements with major players (see next slide)
  - **CQ** through own platform
- **Business efficiency program** through:
  - Pricing optimization
  - Zero-based cost interventions
- **No increase in capital allocation to the BU**

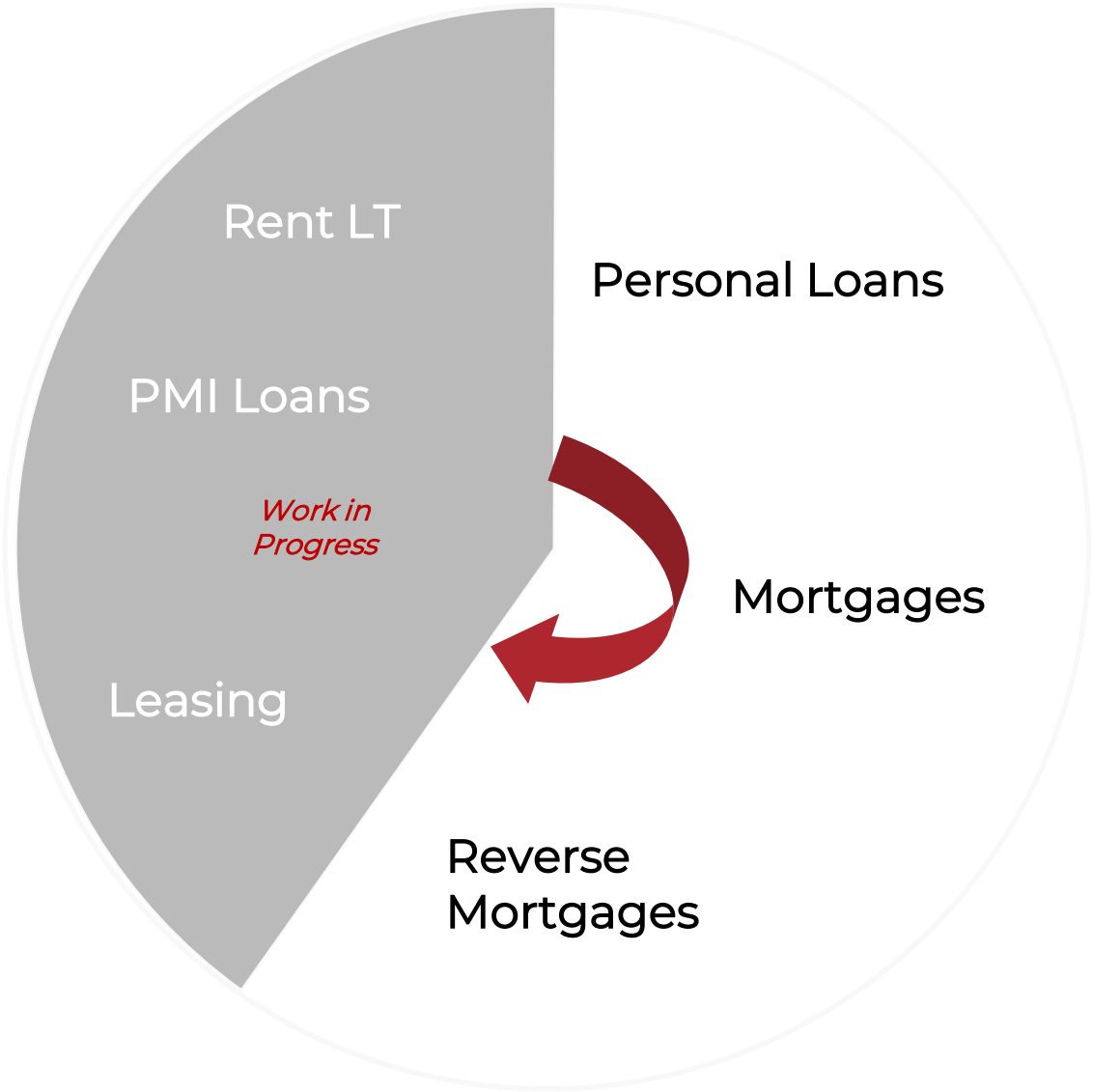
Avg. Net customer loans and CAGR (%)

€mln



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MORE THIRD PARTY RETAIL PRODUCTS



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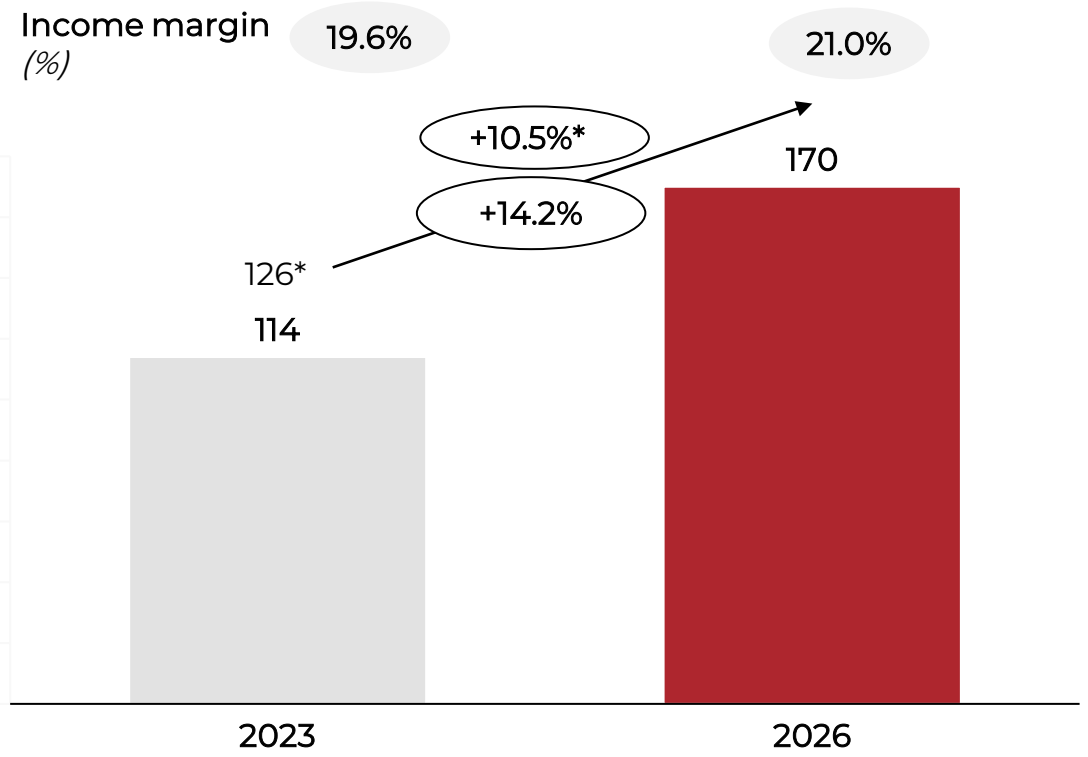
KRUSO KAPITAL CONTINUING THE FAST-PACED GROWTH OF THE BUSINESS

3

Strategic levers

- **Organic expansion path** and launch of **new services/products**
- **Increasing focus on** improving the digital proposition of the business
- Assessment on **potential inorganic expansion** in Italy and abroad
- **Volumes** and **profitability** estimates are based on the assumption of **gold price** to be **flat** throughout the business plan horizon

Net customer loans and CAGR
€mln



**Including acquisition in Portugal already announced to the mkt*

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THE KEY CAPITAL OBJECTIVES OF THE 2024-2026 BUSINESS PLAN

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CAPITAL INITIATIVES...

Capital Relief Initiatives to optimize Factoring and CQ capital absorption

TO IMPROVE MANAGERIAL BUFFERS...

~150-200bps TCR equivalent to 25-30€mln	The capital "managerial buffer" amounts to approximately €25-30 million at YE26, which corresponds to ~150-200bps compared to the target TCR threshold (including the countercyclical reserve expected between '24 and '25)

... TO BE USED FOR...

More factoring & Pawn Loans / accretive acquisitions	It can potentially be invested in short-term assets (e.g. factoring to private sector which have short durations) and/or accretive acquisitions
Higher Flexibility on Investments / dividend policy	Investments in digital transformation (e.g. gen AI, digitalization of the processes) and /or more flexibility on shareholders' remuneration

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ESG AND AI ACTIVITIES

ESG

Sustainable governance	Credit sustainability	Human capital development	Workspaces and colleagues	Inside-out actions
• Establishment of the internal audit, risk management and sustainability committee within the BoD • Assignment of coordination of ESG activities to Risk and Sustainability Department	• Supporting the green transition of companies by assigning ratings produced by third parties • Supporting circular economy • Introduction of KPIs and KRIs on % outstanding and "sustainable" turnover	• ESG ambassador identification by BU • Initiatives to support Diversity • Volunteer activities with Purple Cross agreement for employees • Proactive actions on gender pay gap	• Headquarters efficiency • Car fleet management policy • Proactive property management • Focus on sports and culture groups	• Risk culture and sustainability actions on retail products and pawn loans • Cultural initiatives with Sistemarte

ARTIFICIAL INTELLIGENCE

Governance / IR	Sales Distribution	Human Resources	Compliance / Risk management	Back office
• Speeding up BoD and AGM activities, management processes, IR and marketing activities with a multi language approach	• Data analysis to support lead origination and replies and to optimize pricing process	• Improvement recruitment and evaluation processes	• Remote KYC and fraud prevention • Data analysis on Client – debtor behaviour to reduce default risk	• Cash allocation, collection optimization • Automation processes to improve reporting and analysis

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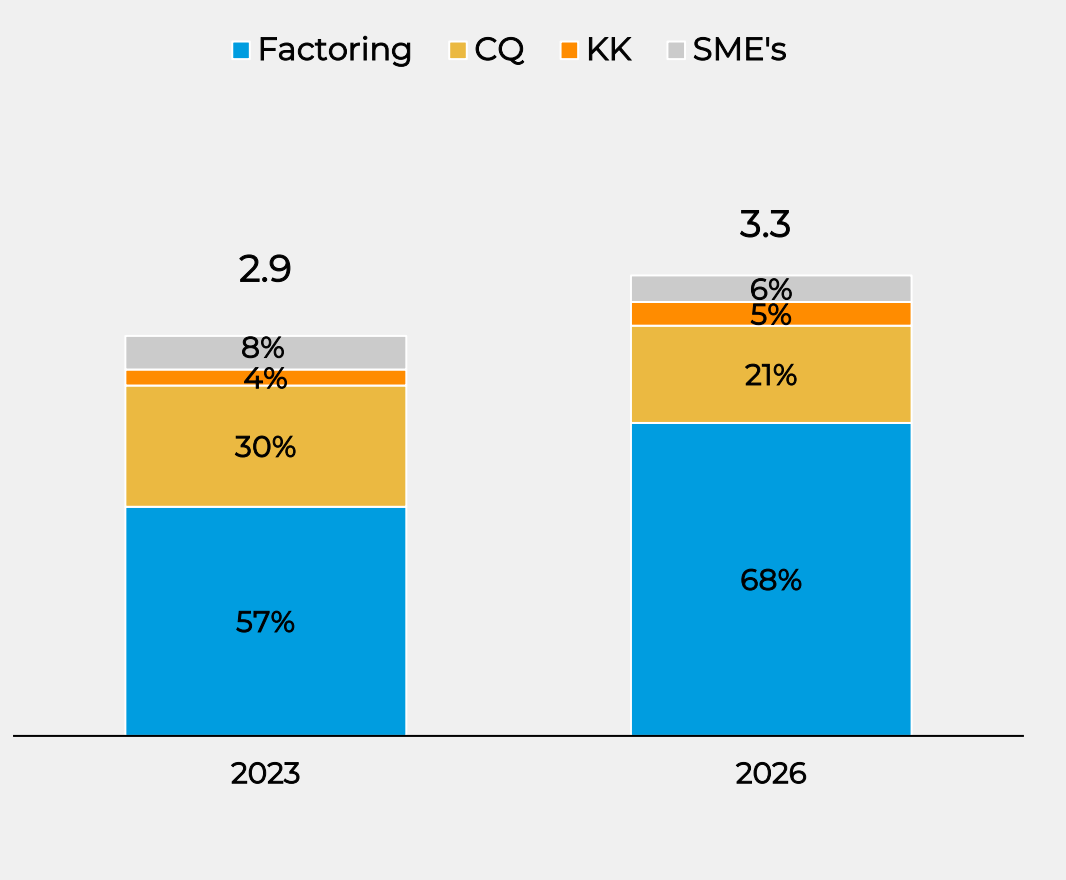
Financial targets and KPIs

NET CUSTOMER LOANS AND TOTAL INCOME

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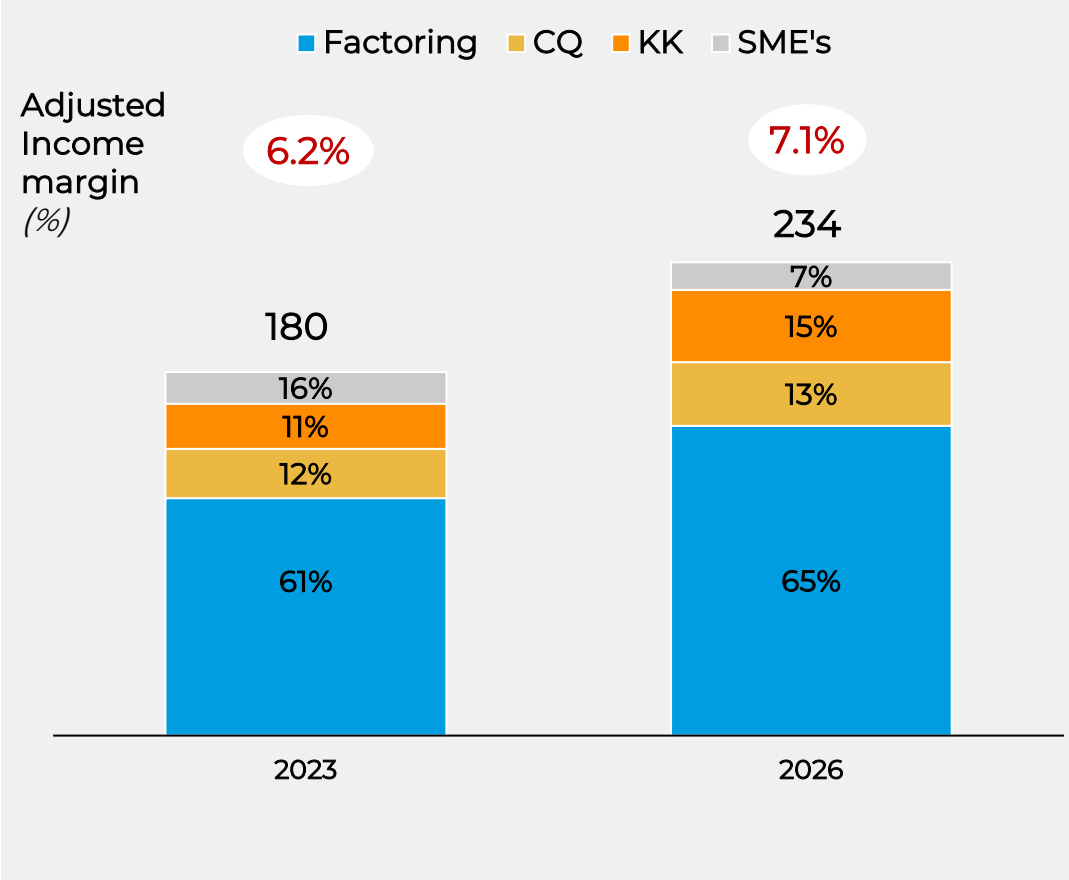
Avg. Net customer loans[1]

€bn, %



Total Gross income[2]

€mln, %



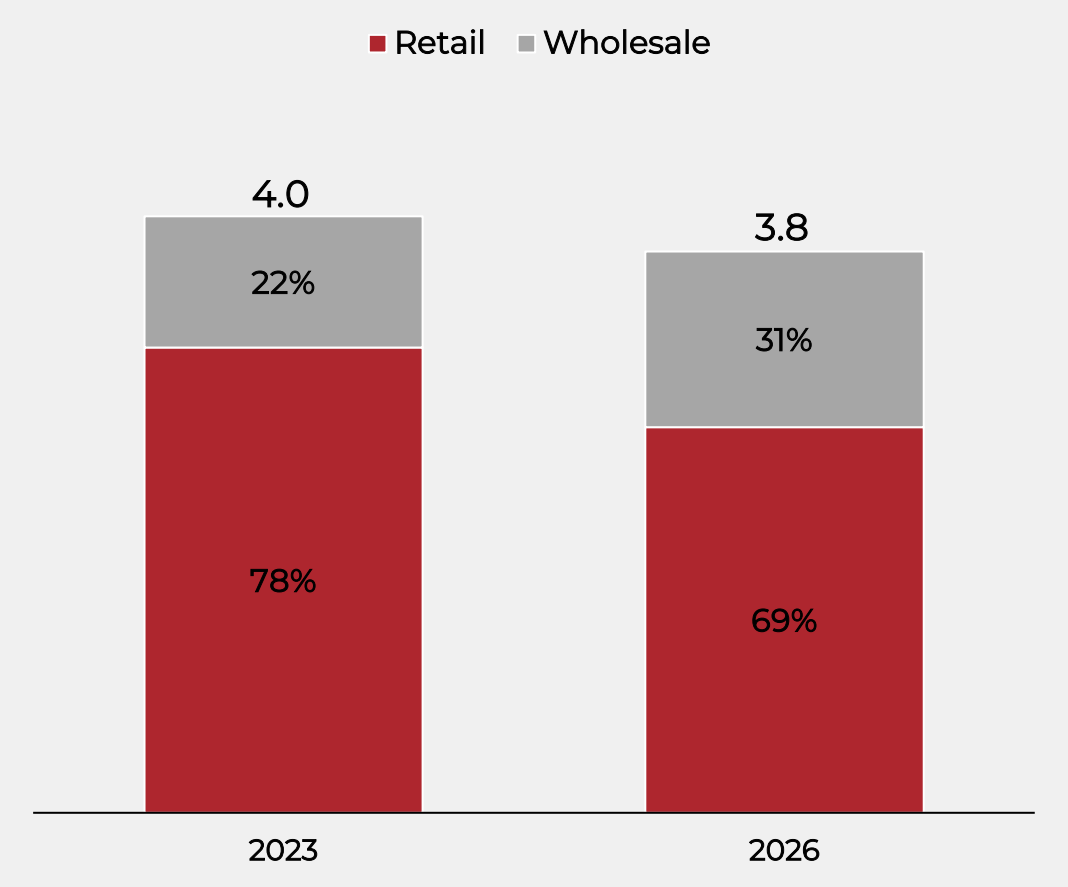
1. Net customer loans calculated as /net customer loans + Trading Superbonus excluding securities /; **2.** Total gross income calculated as /gross net interest income + gross commission income + trading superbonus + capital gains from loans disposals /

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FUNDING BREAKDOWN AND EXPECTED COST

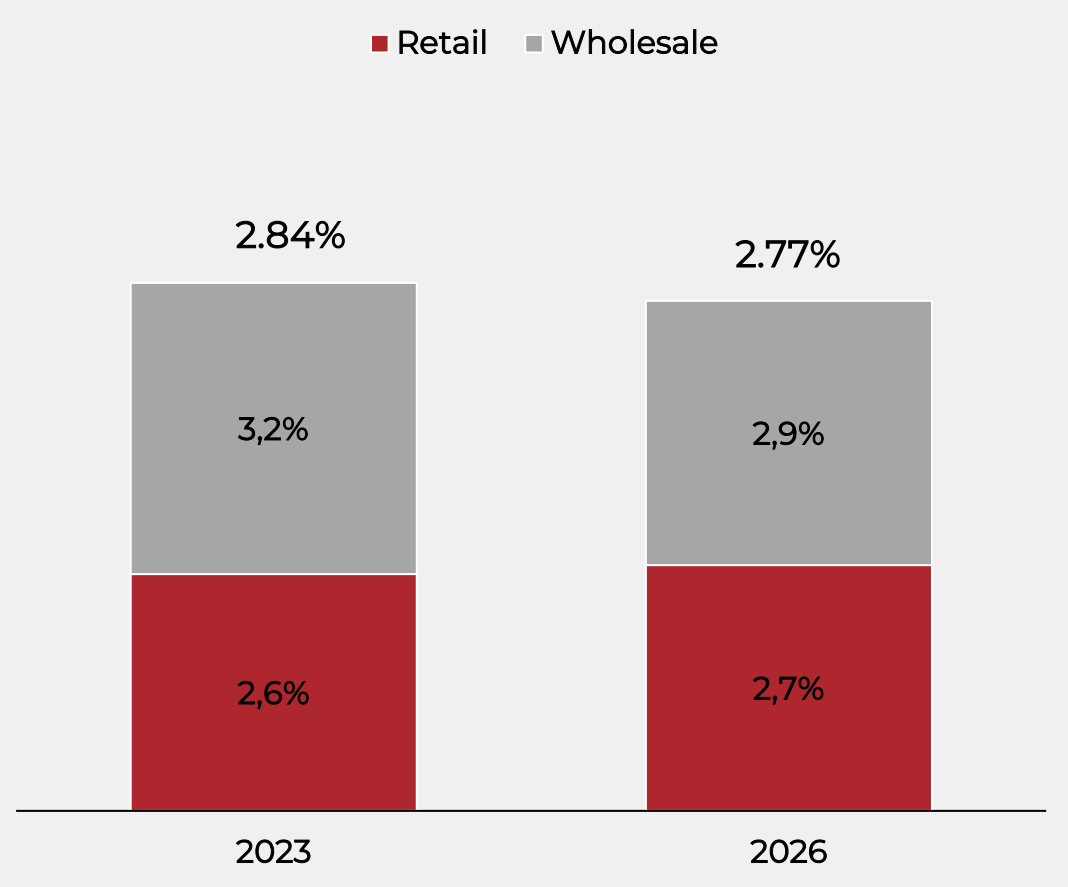
Funds by type[1]

€bn, %



Cost of funding

%



1.EoP data

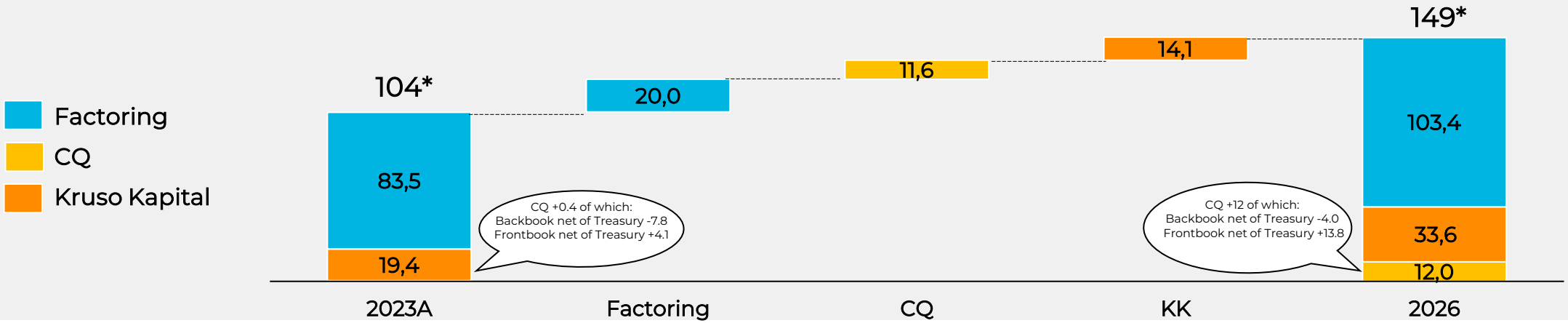
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TOTAL INCOME AND NET INCOME EVOLUTION BY BU

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Total income evolution by BU

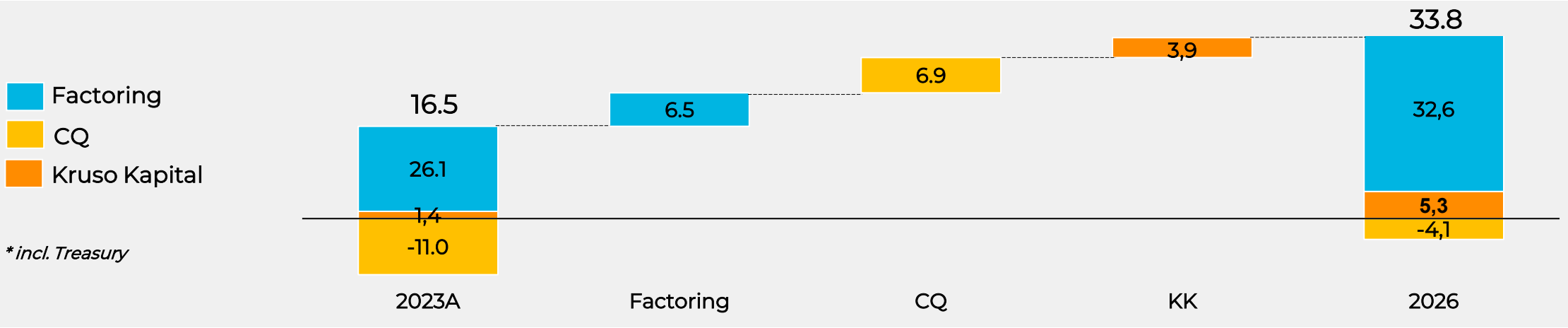
€m/n



GROUP RORAC	8%	16%

Net income evolution by BU

€m/n



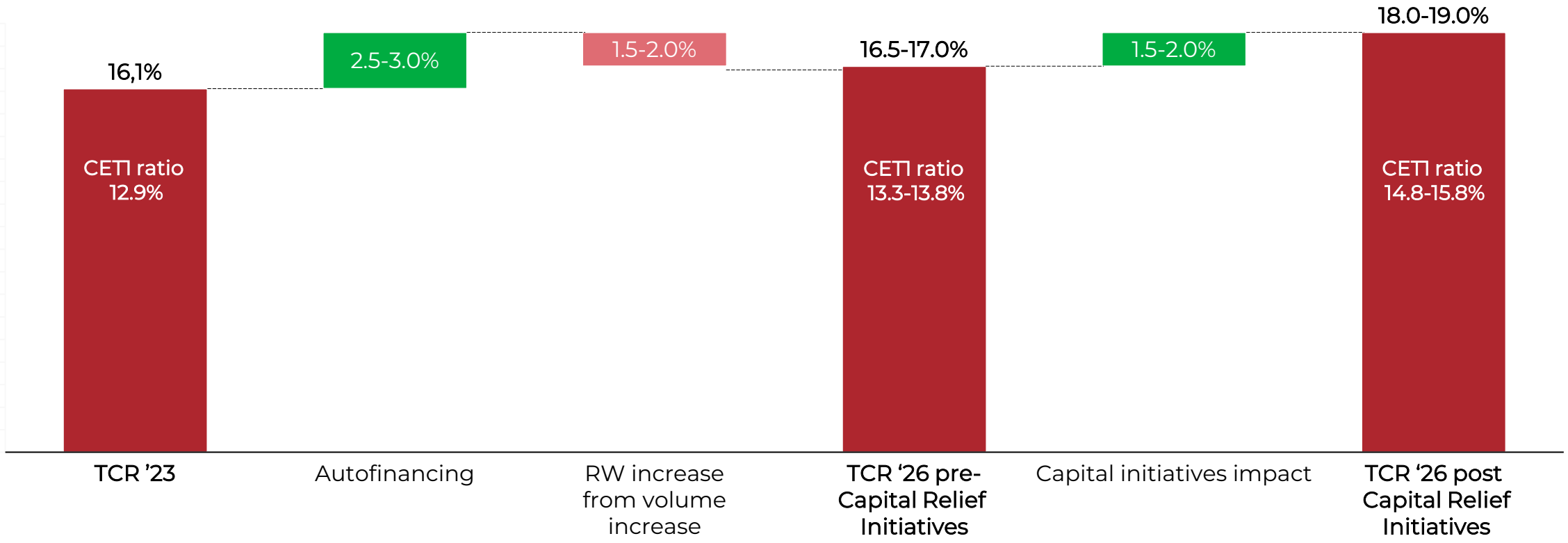
** incl. Treasury*

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CAPITAL EVOLUTION AND MANAGERIAL BUFFER

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TCR Evolution
%



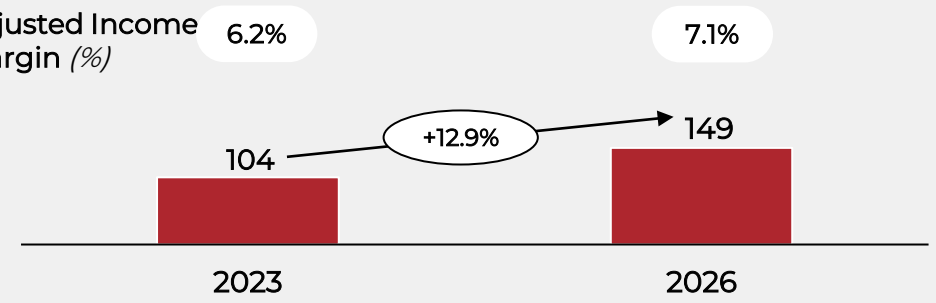
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FINANCIAL KPIS (I/II)

Business Plan Macro-KPIs

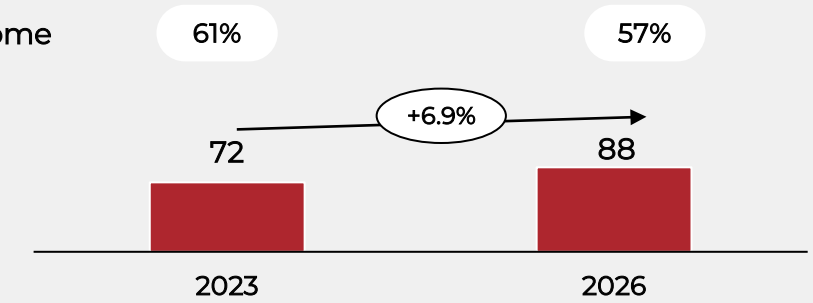
Total Income *€m/n*

Adjusted Income margin *(%)*



Operating costs *€m/n*

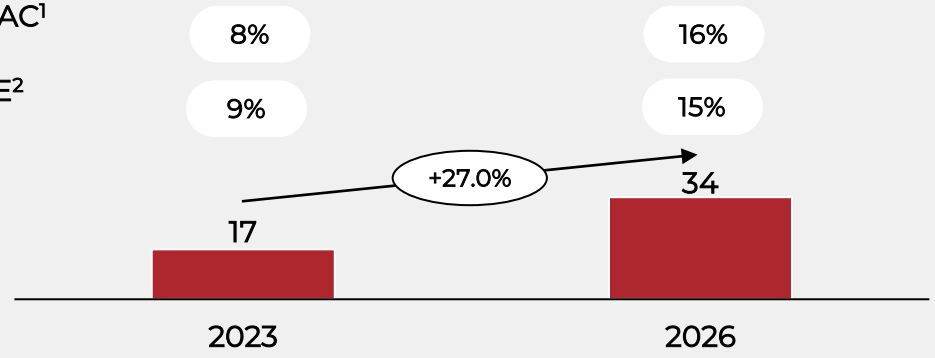
Cost/Income *(%)*



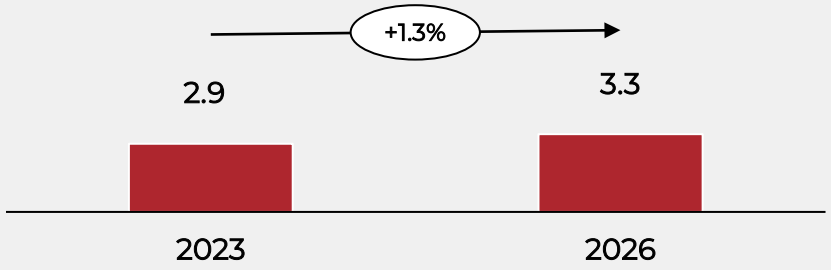
Net income *€m/n*

RORAC[1] *(%)*

ROTE[2] *(%)*



Average Net Customer Loans[3] *€bn*



1. RORAC: calculated as *[Net Profit] / [RWA* targeted Total capital ratio @ 15%];* ***2.*** ROTE: calculated as *[net profit / [Net equity – AT1 bonds – intangibles]]* ***3.*** Net customer loans calculated as *[* net customer loans + Trading Superbonus excluding securities *];*

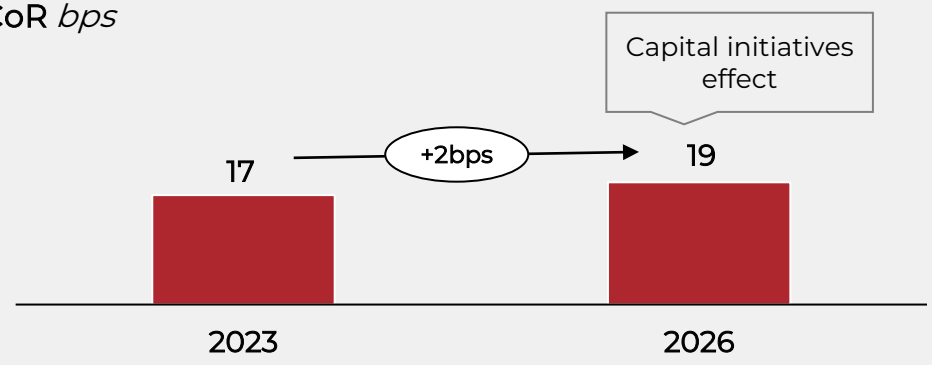
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FINANCIAL KPIS (II/II)

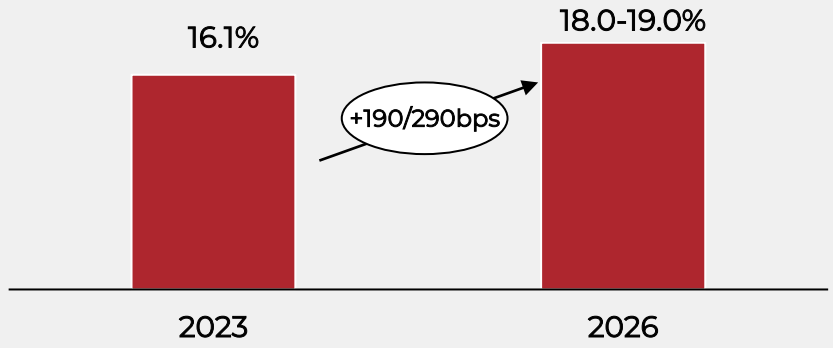
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Business Plan Macro-KPIs

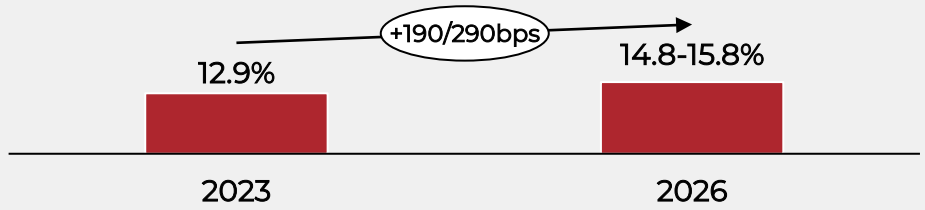
CoR *bps*



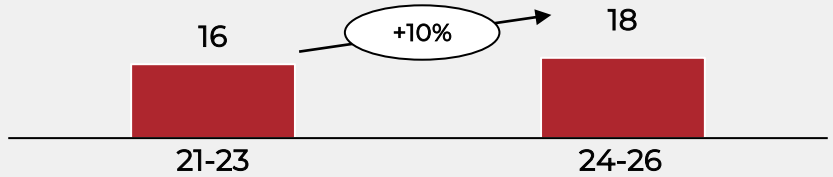
TCR *%*



CET1 *%*



Cumulated dividend *€mln*



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Appendix

POTENTIAL EFFECTS OF THE PROPOSED REGULATION AGAINST LATE PAYMENT

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Key Elements

- Limiting the payment period to a maximum of 30 days, as per the current rule, **more stringent on exceptions and waivers**:
  - **Removal** of exceptions related to a maximum **60-day payment period for public entities providing health care and PAs engaged in economic activities**
- **Prohibition of waiver of late payment interest claimed** against large companies or the public administration
- **Interest for late payment** automatically due when certain conditions are met (eliminating the concept of "being entitled" found in the current directive)
- Adjustment **of lump sum compensation** for recovery costs to inflation:
  - €50 for transactions from €0 to €1,500
  - 100€ for transactions from 1,501€ to 15,000€
  - 150€ for transactions over 15,000€
- Clarification that lump sum compensation is due for each individual transaction paid late
- Prohibition of waiver of lump-sum compensation when the debtor is a public administration or large enterprise
- Drafting **a list of invalid contract clauses and practices**, replacing some unclear provisions in the current directive and eliminating the concept of "grossly unfair"
- Prohibiting clauses in contracts that exclude or limit the possibility of assigning credit to an affected financial institution

Potential impacts

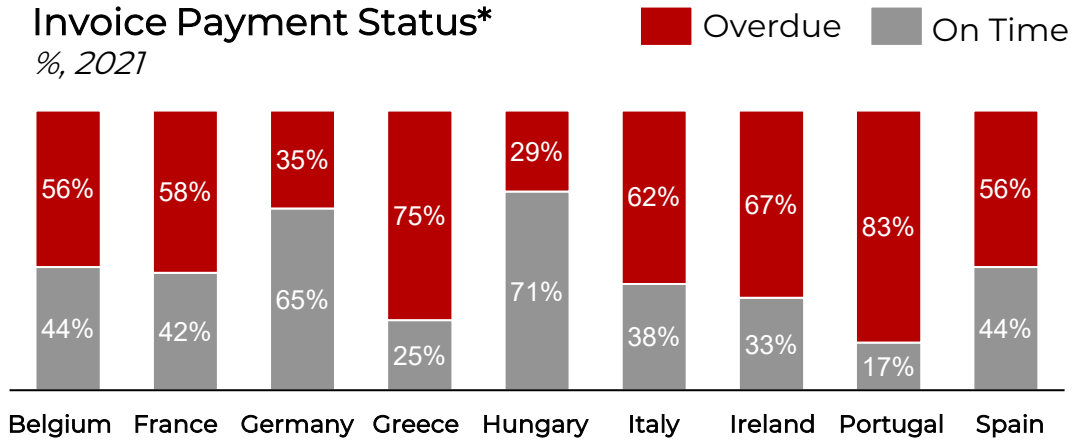
- Increase in bills generating late payment for health care and PAs conducting economic activities
- Lengthening of the period in arrears for health care and PAs conducting economic activities
- Increase in lump sum compensation

Rationale

- The committee highlighted the imbalance, between small supplier (SME creditor) and large customer such that the former is forced to accept unfair payment terms and conditions

Invoice Payment Status*

%, 2021



* Source: European Commission

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Christian Carrese
Head of Investor Relations
Christian.carrese@bancasistema.it
+39 02 80280403
+39 3404016278

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BANCA SISTEMA

PALAZZO LARGO AUGUSTO

Largo Augusto 1/A, ang. via Verziere 13
20122 Milano
Tel. +39 02 8028 0241

info@bancasistema.it
bancasistema.it