Banca Sella

INTERIM MANAGEMENT REPORT AS AT

30 JUNE 2024

Banca Sella

Accounting Schedules and Interim Management Report

at 30 June 2024

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Warnings:

The possible lack of reconciliation between the data shown depends exclusively on rounding.

Corporate Officers

BOARD OF DIRECTORS (in office until the approval of the 2025 financial statements)

Chairman	Maurizio Sella
Deputy Chairman	Sebastiano Sella
Deputy Chairman	Attilio Viola
Chief Executive Officer	Massimo Angelo Vigo
Director	Viviana Barbera
“	Mascia Bedendo
“	Michela Del Piero
“	Eva D’Onofrio
“	Elisabetta Galati
“	Helga Garuzzo
“	Andrea Lanciani
“	Pietro Sella
“	Paolo Tosolini

BOARD OF STATUTORY AUDITORS (in office until the approval of the 2025 financial statements)

Chairman of the Board of Statutory Auditors	Paolo Piccatti
Statutory Auditor	Mariella Giunta
“	Claudio Sottoriva
Alternate Auditor	Daniele Frè
“	Marina Mottura

GENERAL MANAGEMENT

General Manager and Chief Executive Officer	Massimo Angelo Vigo
Co-General Manager	Giorgio De Donno
Co-General Manager	Anna Grosso
Deputy General Manager	Massimo De Donno
Deputy General Manager	Francesco Plini

Applied accounting standards

Declaration of compliance with international accounting standards

These accounting schedules have been drawn up according to the international accounting standards IAS/IFRS (including the SIC and IFRIC interpretation documents) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union as of 30 June 2024, pursuant to the European Community Regulation no. 1606 of 19 July 2002. Schedules and tables are prepared in application of Bank of Italy decrees, exercising the powers established by Article 43 of Legislative Decree no. 136/2015, with the 8th update to Bank of Italy Circular no. 262/05. In order to facilitate the interpretation of the international accounting standards, reference was also made to the documents prepared by the OIC (Italian Accounting Body) and ABI (Italian Bank Association).

The accounting schedules at 30 June 2024 were prepared solely for the purpose of determining the first-half result for the calculation of Common Equity Tier 1. This report was not prepared in compliance with IAS 34 "Interim Financial Reporting". Therefore, it lacks certain statements, comparative data and explanatory notes that would be required to represent the equity and financial position in accordance with the International Financial Reporting Standards adopted by the European Union. The interim report is clearly set out and gives a true and fair picture of the economic and financial situation of Banca Sella.

General drafting principles

The accounting schedules consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity; a brief report on operations accompanied by tables representing the main balance sheet and income statement items; the schedules were drawn up in units of EUR, the tables in thousands of EUR. The accounting schedules were prepared in compliance with the general principles laid down in IAS 1 and in accordance with the general assumptions made by the Systematic Framework; they comply with the provisions of Circular no. 262/2005 of the Bank of Italy, as amended. The interim report were prepared in accordance with the accounting standards and policies used last year, as well as the IFRS accounting standards, amendments and interpretations applied since 1 January 2024.

Auditing

Please note that the accounting schedules have been subject to a limited audit by KPMG S.p.A.

RECONCILIATION OF PROFIT FOR SUPERVISORY PURPOSES Figures in units of EUR

	30/06/2024
Profit for the period	84,781,146
- to the Fund for charity and sundry donations	35,000
- dividend estimate	31,083,212
Profit for supervisory purposes	**53,662,934**

Financial Statement Schedules at 30 June 2024

BALANCE SHEET ASSETS

	Asset items	30/06/2024	31/12/2023
10.	Cash and cash equivalents	3,678,544,952	4,344,857,809
20.	Financial assets measured at fair value through profit and loss	193,774,328	180,277,177
	a) financial assets held for trading	15,903,062	16,791,210
	c) other financial assets necessarily measured at fair value	177,871,266	163,485,967
30.	Financial assets measured at fair value through other comprehensive income	639,610,435	599,958,523
40.	Financial assets measured at amortised cost	11,496,478,268	11,301,243,401
	a) receivables from banks	356,692,147	342,692,555
	b) receivables from customers	11,139,786,121	10,958,550,846
50.	Hedging derivatives	7,469,715	6,321,903
60.	Value adjustment of financial assets subject to macro hedging (+/-)	4,390,351	10,494,169
70.	Equity investments	190,390,875	187,330,875
80.	Tangible assets	146,264,891	128,277,520
90.	Intangible assets	60,214,112	55,165,408
	of which:		
	- goodwill	11,370,566	11,370,566
100.	Tax assets	86,472,701	114,026,151
	a) current	23,497,570	39,376,001
	b) prepaid	62,975,131	74,650,150
120.	Other assets	731,581,864	681,500,651
	Total assets	17,235,192,492	17,609,453,587

BALANCE SHEET LIABILITIES

	Liability and shareholders' equity items	30/06/2024	31/12/2023
10.	Financial liabilities measured at amortised cost	15,581,517,186	16,031,204,109
	a) payables to banks	842,549,684	1,029,443,929
	b) payables to customers	14,287,469,080	14,577,332,140
	c) outstanding securities	451,498,422	424,428,040
20.	Trading financial liabilities	9,705,763	12,407,960
40.	Hedging derivatives	11,220,652	16,306,258
60.	Tax liabilities	35,846,350	58,247,008
	a) current	30,532,737	53,388,900
	b) deferred	5,313,613	4,858,108
80.	Other liabilities	460,839,876	394,347,978
90.	Provision for severance indemnities	15,589,988	16,951,340
100.	Provisions for risks and charges	45,939,592	48,595,184
	a) commitments and guarantees issued	4,700,003	5,039,711
	c) other provisions for risks and charges	41,239,589	43,555,473
110.	Valuation reserves	25,597,250	20,971,256
140.	Reserves	263,836,122	152,776,945
150.	Share premium accounts	366,090,483	366,090,483
160.	Equity	334,228,084	334,228,084
180.	Profit (Loss) for the year (+/-)	84,781,146	157,326,982
	Total liabilities and shareholders' equity	17,235,192,492	17,609,453,587

INCOME STATEMENT

Items		30/06/2024	30/06/2023
10.	Interest receivable and similar income	295,278,316	227,954,410
	of which: interest receivable calculated using the effective interest method	292,679,798	225,180,538
20.	Interest payable and similar expenses	(85,167,462)	(40,829,927)
30.	**Interest margin**	**210,110,854**	**187,124,483**
40.	Commission income	226,747,634	215,658,158
50.	Commissions payable	(70,624,175)	(60,635,086)
60.	**Net commissions**	**156,123,459**	**155,023,072**
70.	Dividends and similar income	3,303,821	4,544,605
80.	Net result from trading activities	3,434,482	2,766,634
90.	Net result from hedging activities	76,109	(505,492)
100.	Profits (Losses) from sale or repurchase of:	591,454	(948,102)
	a) financial assets measured at amortised cost	459,880	(1,142,770)
	b) financial assets measured at fair value through other comprehensive income	131,574	194,668
110.	Net result from other financial assets and liabilities measured at fair value through profit and loss	1,127,321	2,120,869
	b) other financial assets necessarily measured at fair value	1,127,321	2,120,869
120.	**Intermediation margin**	**374,767,500**	**350,126,069**
130.	Net value adjustments/recoveries for credit risk of:	(8,690,183)	(13,505,313)
	a) financial assets measured at amortised cost	(8,685,094)	(13,510,506)
	b) financial assets measured at fair value through other comprehensive income	(5,089)	5,193
140.	Profits/Losses from contractual changes without write-offs	(221,144)	(66,996)
150.	**Net result from financial management**	**365,856,173**	**336,553,760**
160.	Administrative expenses:	(250,529,530)	(211,405,728)
	a) personnel expenses	(101,683,280)	(95,128,435)
	b) other administrative expenses	(148,846,250)	(116,277,293)
170.	Net provisions for risks and charges	(8,721)	(976,499)
	a) commitments and guarantees issued	339,709	370,027
	b) other net provisions	(348,430)	(1,346,526)
180.	Net value adjustments/recoveries on tangible assets	(13,255,128)	(11,062,354)
190.	Net value adjustments/recoveries on intangible assets	(6,059,529)	(10,778,271)
200.	Other operating expenses/income	31,080,198	24,961,422
210.	**Operating costs**	**(238,772,710)**	**(209,261,430)**
220.	Profits (Losses) from equity investments	-	2,611,200
250.	Profits (Losses) from disposal of investments	(15,857)	588,676
260.	**Profit (Loss) on current operations before tax**	**127,067,606**	**130,492,206**
270.	Income taxes for the year on current operations	(42,286,460)	(41,526,292)
280.	**Profit (Loss) on current operations after tax**	**84,781,146**	**88,965,914**
300.	**Profit (Loss) for the year**	**84,781,146**	**88,965,914**

STATEMENT OF COMPREHENSIVE INCOME

Items		30/06/2024	30/06/2023
10.	Profit (Loss) for the year	84,781,146	88,965,914
	Other income components after tax without reversal to income statement	4,602,582	(20,429)
20.	Equity securities measured at fair value through other comprehensive income	4,472,185	(197,365)
70.	Defined benefit plans	130,397	176,936
	Other income components after tax with reversal to income statement	23,412	(162,021)
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	23,412	(162,021)
170.	Total of other income components after tax	4,625,994	(182,450)
180.	Comprehensive income (Item 10+ 170)	89,407,140	88,783,464

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 30 JUNE 2024

	Inventories at 31/12/2023	Change to opening balances	Inventories at 01/01/2024	Allocation of previous year's profit		Changes in the year										Shareholders' equity at 30/06/2024
							Operations on shareholders' equity									
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Advances of dividends	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options	Comprehensive income at 30/06/2024		
Equity																
a) ordinary shares	334,228,084	X	334,228,084	-	X	X	-	-	X	X	X	X	X	X	334,228,084
b) other shares	-	X	-	-	X	X	-	-	X	X	X	X	X	X	-
Share premium accounts	366,090,483	X	366,090,483	-	X	-	-	X	X	X	X	X	X	X	366,090,483
Reserves															
a) from profits	288,791,007	-	288,791,007	111,059,177	X	-	-	-	X	-	X	X	X	X	399,850,184
b) other	(136,014,062)	-	(136,014,062)	-	X	-	-	X	X	-	X	-	-	X	(136,014,062)
Valuation reserves	20,971,256	-	20,971,256	X	X	-	X	X	X	X	X	X	X	4,625,994	25,597,250
Equity instruments	-	X	-	X	X	X	X	X	X	X	-	X	X	X	-
Treasury shares	-	X	-	X	X	X	-	-	X	X	X	X	X	X	-
Profit (Loss) for the year	157,326,982	-	157,326,982	(111,059,177)	(46,267,805)	X	X	X	X	X	X	X	X	84,781,146	84,781,146
Shareholders' equity	**1,031,393,750**	**-**	**1,031,393,750**	**-**	**(46,267,805)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**89,407,140**	**1,074,533,085**

Interim Management Report

at 30 June 2024

Main Figures and Indicators

BALANCE SHEET SUMMARY DATA

Figures in thousands of EUR

BALANCE SHEET DATA	30/06/2024	30/06/2023	31/12/2023	Changes at June 2024 compared with June 2023		Changes at June 2024 compared with December 2023	
				absolute	%	absolute	%
Total assets	17,235,192.5	16,618,968.4	17,609,453.6	616,224.0	3.7%	(374,261.1)	-2.1%
Financial assets [1]	2,525,183.1	2,697,491.6	2,489,261.0	(172,308.5)	-6.4%	35,922.2	1.4%
Total cash loans [2]	9,614,826.0	9,312,957.2	9,415,799.6	301,868.8	3.2%	199,026.3	2.1%
Guarantees issued	285,701.5	282,670.0	293,702.3	3,031.5	1.1%	(8,000.8)	-2.7%
Equity investments	190,390.9	187,782.6	187,330.9	2,608.2	1.4%	3,060.0	1.6%
Tangible and intangible fixed assets	206,479.0	169,975.5	183,442.9	36,503.5	21.5%	23,036.1	12.6%
Direct deposits, excluding repurchase agreements payable	14,737,834.9	13,539,481.2	14,998,633.6	1,198,353.6	8.9%	(260,798.7)	-1.7%
repurchase agreements payable	*1,132.7*	*4,769.3*	*3,126.6*	(3,636.7)	-76.3%	(1,993.9)	-63.8%
Total direct deposits excluding right-of-use payables [3]	14,664,815.7	13,484,018.0	14,939,236.3	1,180,797.7	8.8%	(274,420.6)	-1.8%
Direct deposits from credit institutions	2,529.8	3,467.4	5,087.8	(937.6)	-27.0%	(2,558.0)	-50.3%
Indirect deposits valued at market prices	22,648,930.1	19,924,126.4	20,438,337.7	2,724,803.7	13.7%	2,210,592.4	10.8%
Total deposits valued at market prices [4]	37,316,275.6	33,411,611.8	35,382,661.8	3,904,663.8	11.7%	1,933,613.8	5.5%
Shareholders' equity	1,074,533.1	960,558.7	1,031,393.8	113,974.4	11.9%	43,139.3	4.2%
Common Equity Tier 1 (CET1)	977,326.2	848,714.2	911,930.1	128,612.0	15.2%	65,396.1	7.2%
Tier 2 Capital (T2)	144,800.0	105,000.0	119,200.0	39,800.0	37.9%	25,600.0	21.5%
Total own funds	1,122,126.2	953,714.2	1,031,130.1	168,412.0	17.7%	90,996.1	8.8%

(1) Obtained from the sum of item 20, excluding loans classified under financial assets necessarily measured at fair value, item 30 and item 40 only debt securities, in the Balance Sheet Assets.
(2) Obtained from item 40 b) of the Balance Sheet Assets, excluding debt securities; the item also includes loans classified under financial assets necessarily measured at fair value.
(3) Obtained from the sum of items 10 b) and 10 c) of the Balance Sheet Liabilities, net of right-of-use payables.
(4) The aggregate, valued at market prices, includes administered securities and funds and the component for insurance funding.

ECONOMIC SUMMARY DATA

Figures in thousands of EUR

RECLASSIFIED ECONOMIC DATA (5)	30/06/2024	30/06/2023	Changes	
			absolute	%
Interest margin	212,255.8	190,351.6	21,904.2	11.5%
Net revenues from services (6)	121,463.6	124,478.0	(3,014.4)	-2.4%
of which: commission income	226,747.6	215,658.2	11,089.4	5.1%
of which: commissions payable	(70,624.2)	(60,635.1)	(9,989.1)	16.5%
Net result from financial assets (7)	4,845.8	5,047.9	(202.1)	-4.0%
Intermediation margin	338,565.2	319,877.4	18,687.8	5.8%
Operating costs net of tax and stamp duty recoveries (8)	(204,197.9)	(177,826.6)	(26,371.3)	14.8%
Operating result	134,367.3	142,050.8	(7,683.5)	-5.4%
Net value adjustments/recoveries for credit risk (9)	(7,739.3)	(13,398.6)	5,659.3	-42.2%
Other income statement items	345.9	1,753.2	(1,407.4)	-80.3%
Income taxes	(42,192.8)	(41,439.5)	(753.3)	1.8%
Profit (Loss) for the year	84,781.2	88,965.9	(4,184.7)	-4.7%

(5) *Items from the Reclassified Income Statement;*
(6) *The aggregate represents the sum of the following items from the Reclassified Income Statement: net commissions and other reclassified variable income and expenses;*
(7) *The aggregate represents the sum of the following items from the Reclassified Income Statement: item 80 Net result from trading activity, item 90 Net result from hedging activities, item 100 Profit (Loss) from the sale and repurchase of financial assets valued at amortised cost and financial assets measured at fair value through other comprehensive income and item 110 Net result from other financial assets and liabilities measured at fair value through profit and loss;*
(8) *Obtained from the sum of the following items: 160, 180, 190 and 200 of the Reclassified Income Statement;*
(9) *Obtained from the sum of the following items: 130 a), 140, and 170* Net provisions for risks and charges, credit risk component and *only the component relating to the sales of receivables in item 100 a) of the Reclassified Income Statement.*

STRUCTURE DATA

Figures in units

ITEMS	30/06/2024	30/06/2023	Changes	
			absolute	%
Employees	2,434	2,347	87	+3.7%
Multi-specialist consulting centres and branches	286	285	1	0,4%

ALTERNATIVE PERFORMANCE INDICATORS

data expressed in %

PROFITABILITY RATIOS (%)	30/06/2024	30/06/2023	31/12/2023
R.O.E. (Return On Equity) (10)(20)	17.6%	20.9%	18.4%
R.O.A. (Return On Assets) (11)(20)	1.0%	1.1%	0.9%
Interest margin (12) / Intermediation margin (12)	62.7%	59.5%	60.9%
Net revenues from services (12) / Intermediation margin (12)	35.9%	38.9%	38.9%
Net revenues from financial assets (12) / Intermediation margin (12)	1.4%	1.6%	0.2%
Cost to income (13)	59.9%	55.3%	58.2%
EQUITY AND LIQUIDITY RATIOS (%)	**30/06/2024**	**30/06/2023**	**31/12/2023**
Cash loans / Direct deposits	65.2%	68.8%	62.8%
Cash loans / Total assets	55.8%	56.0%	53.5%
Direct deposits / Total assets	85.5%	81.5%	85.2%
Leverage ratio (14)	8.33%	7.45%	7.93%
Liquidity Coverage Ratio (LCR) (15)	255.84%	225.00%	275.31%
Net Stable Funding Ratio (NSFR) (16)	154.16%	146.20%	161.19%
CREDIT RISK RATIOS (%)	**30/06/2024**	**30/06/2023**	**31/12/2023**
Net non-performing loans / Cash loans - (net Non-Performing Loans ratio)	1.4%	1.8%	1.5%
Gross non-performing loans / Gross cash loans - (gross Non-Performing Loans ratio)	2.6%	2.9%	2.7%
Gross non-performing receivables from customers / total gross loans (Non-Performing Loans ratio EBA) (17)	1.9%	2.2%	1.9%
Net bad loans / Cash loans	0.4%	0.5%	0.5%
Gross bad loans / Gross cash loans	1.0%	1.1%	1.2%
Net value adjustments on credits (18) / Cash loans - (Cost of credit %) (20)	0.16%	0.29%	0.26%
Non-Performing Loans coverage ratio	45.3%	41.4%	46.2%
Bad Loans coverage ratio	57.9%	58.1%	60.6%
Texas ratio (19)	22.2%	27.1%	23.7%
SOLVENCY RATIOS (%)	**30/06/2024**	**30/06/2023**	**31/12/2023**
CET1 capital ratio	19.31%	19.12%	19.27%
Tier 1 capital ratio	19.31%	19.12%	19.27%
Total capital ratio	22.17%	21.49%	21.78%

(10) Ratio between "Profit for the year" and the sum of items 140, 150, 160 of the Balance Sheet Liabilities.
(11) Ratio between "Net profit" and "Total assets".
(12) As in the Reclassified Income Statement.
(13) Ratio between operating costs, after deducting IRAP on personnel costs and net of losses connected to operational risks, and intermediation margin.
(14) The Leverage ratio is calculated as the ratio of regulatory capital (Tier 1) to total non-risk-weighted assets (Total exposure), taking into account specific treatments for Derivatives and repurchase agreements as required by the relevant regulations.
(15) LCR (Liquidity Coverage Ratio): minimum limit of 100%.
(16) NSFR (Net Stable Funding Ratio): minimum limit equal to 100%.
(17) The "Gross Non-Performing Loans ratio" is calculated as the ratio of gross non-performing receivables from customers to gross cash loans to customers. The "Non-Performing Loans ratio EBA", an indicator recently included by the European and National Supervisory Authorities, is calculated as the ratio between gross non-performing receivables from customers to Total Gross Loans, where the denominator includes in addition to receivables from customers, loans to credit intermediaries and Central Banks.
(18) Obtained from the sum of the following items: 130 a), 140, only the component relating to the sales of receivables in item 100 a) and only the component relating to credit risk in item 170 of the Reclassified Income Statement.
(19) Ratio between gross non-performing loans and tangible shareholders' equity, understood as the sum of shareholders' equity and value adjustments of non-performing loans, and net of intangible assets (item 90 of balance sheet assets).
(20) Annualised Indicator.

Reference macroeconomic scenario

In the first half of 2024, the global economy remained on an expansionary path, supported by the services sector resilience and signs of improvement that, although not affecting the different economies to the same extent, were recorded in manufacturing and trade. The tendency for inflationary pressures to return continued slowly, leading the main Central Banks to cautiously evaluate the opportunity for interventions to reduce the cost of money.

In the United States, the expansionary phase continued at satisfactory rates, although less important than those with which 2023 ended, supported by domestic demand and despite the brake coming from net foreign demand. Household consumption continued to benefit from a cooling but still healthy labour market; multi-year government interventions in the environmental field and aimed at encouraging semiconductor domestic production, as well as the need to allocate large resources to intellectual property, have favoured business investments. The dynamics of consumer prices, after the progress of the last two years, have mostly remained, albeit slightly, above 3%, a value touched only with the June data analysis. The decline in core and food inflation was in fact almost balanced by the return of the contribution of the energy component to positive territory. The Federal Reserve confirmed the fed funds in the range 5.25-5.5% in the semester. They were lead to this range in July 2023, following a total tightening of 525 basis points. The Institute also continued the process of reducing the position in Treasuries and MBS held on its financial statements, started in 2022, through the no longer full but only partial reinvestment of the maturing securities. They have been using parameters compatible with slower repayment rates since June.

The Euro Area grew again (0.3% qoq was the change recorded by GDP in both the First and Second Quarter of 2024), thus archiving the stagnation phase begun at the end of 2022. However, the European economy benefited in part from temporary factors in the first months of 2024, while no signs of solid recovery of final demand items have yet emerged such as to lead the region on a path of lasting expansion. Inflation fluctuated around values of just under 3%: the trend towards moderation in food components and core goods was offset by the gradual rise in energy prices and the persistence of service prices. At the meeting on 6 June, the European Central Bank announced a 25-bps cut in policy rates, after having kept them unchanged for nine months; the Institute considered it appropriate to reduce the degree of restrictiveness of monetary policy for the progress made in the disinflationary process, however they acknowledged that domestic pressures on prices remain high and that risks related to wage dynamics remain. The ECB also continued the process of downsizing the APP portfolio for the interruption of reinvestments in maturing securities.

The Italian economy expanded both in the First Quarter (0.3% qoq) and in the Second Quarter of 2024 (+0.2% qoq). At the beginning of the year, the performance was supported by the primary, construction and services sectors, compared to the contraction recorded by industry in the strict sense; while in relation to the result in the Second Quarter, ISTAT reported that the positive change is entirely attributable to services, which offset the negative contributions of the primary sector and industry. The strengthening of employment conditions continued, with the unemployment rate at its lowest since 2008. Inflation showed an upward trend, attributable to the attenuation of the decline in the energy component, however, remaining decidedly lower than the Euro Area average.

Emerging economies confirmed a heterogeneous performance. In China, gross domestic product growth slowed to 4.7% yoy in the Second Quarter, after the previous 5.3% yoy. India continued to report very strong GDP expansion rates, above 7% yoy. Russia and Brazil maintained growth rates close to those recorded in the second half of 2023, still higher than those of the pre-pandemic years.

The operation of Italian banks during the first months of 2024 remained conditioned by the effects of restrictive monetary policy and modest economic growth. Higher interest rates and weak investments dampened the demand for bank financing from businesses, which also made greater use of domestic funding sources. The level of interest rates and uncertainties in the real estate market also affected the demand for mortgages for the purchase of homes. The transfer of the higher official rates on the cost of collection continued gradually, allowing banks to maintain good margins.

The amount of loans to the Italian private sector at the end of May stood at 1,277 billion, with a trend decrease of 2.04% compared to the same month of the previous year after correcting the figure for the securitisations carried out. Loans to non-financial companies decreased by 3.1% over the year (-3.8% at 613 billion is the uncorrected figure for securitisations), while the stock of loans granted to households decreased by 1.5% (-1.8% at 664 billion is the uncorrected figure), driven by the weakness of mortgages for the purchase of homes, which more than offset the consumer credit progress.

The process of reducing non-performing loans stopped and the statistics on default rates showed some early signs of impairment in bank credit; in the first quarter of 2024 the flow of non-performing loans rose to 2.10% of total business loans, from 2.07% in the previous quarter.

On the funding side, the yoy stabilisation of direct bank deposits can be observed, which at the end of May stood at 2,522 billion but with a mix in the recomposition phase compared to the previous year: the contraction in current account deposits (-3.7% at 1,310 billion) was offset by the growth in bond deposits (+10.9% yoy at 464 billion) and deposits at maturity, testifying to the propensity of customers to transfer funds to activities characterised by higher remuneration.

The spread of the active and passive rates charged to customers decreased slightly in the semester, from 3.48% in December 2023 to 3.43% in May.

The results of the first quarter of 2024 confirm the solidity of the Italian banking system and the maintenance of good profitability driven by the increase in the interest margin and low credit adjustments. Both capital ratios and liquidity indicators remained at levels well above minimum regulatory levels.

Business outlook

In the remaining months of 2024, world GDP is expected to grow at a moderate pace, with the positive contribution of the main economies.

In the United States, amid uncertainty about the outcome of the presidential elections and expectations of a further slowdown in employment dynamics, growth is still expected to continue at a moderate and sustainable rate, thanks to the progressive improvement in the inflationary environment and the disappearance of the, albeit bland, implications of the turn into restrictive territory achieved by monetary policy during the last two years.

The Euro Area and Italian economies are likely to benefit from the strengthening of private consumption, favoured by the recovery of household purchasing power, the recovery of foreign demand and the progressive attenuation of the impact of the ECB's monetary tightening on the real economy. However, the persistence of geopolitical tensions and concerns about worsening protectionist trends on the part of some major global economies could have negative repercussions on trade and business confidence.

As for emerging economies, according to the International Monetary Fund in the July World Economic Outlook, growth in the remaining part of 2024 will remain sustained, albeit moderately compared to the first half of the year, for the countries of the Asian area; expansion will also continue in both Eastern Europe and Latin America.

Inflation should confirm the trend towards moderation in the major advanced economies, while remaining above the objectives of the respective Central Banks.

The ECB will continue the cycle of rate cuts that began in June, carefully assessing the timing and magnitude of the interventions based on the prospects of inflation returning to the 2% goal. With regard to quantitative easing programs, the APP portfolio will continue to be resized due to the interruption of reinvestment of maturing securities; under the PEPP program, on the other hand, reinvestments will be reduced in the second half of 2024 and interrupted at the end of the year.

The Federal Reserve is expected to start the cost of money easing phase in a short time, then letting itself be guided by the evolution of the macroeconomic context in identifying the magnitude and timing of subsequent interventions, aimed at achieving the dual goal of price stability and maximum employment. The Central Bank will also continue the manoeuvres to reduce its large balance sheet, reinvesting only partially the amounts of maturing securities, according to the recently adopted criteria.

In the event of the continuation of the gradual cycle of reduction in official ECB rates in the second part of 2024 and further signs of easing of the credit offering criteria by banks, already highlighted in the Bank Lending Survey of July 2024, the contraction in employment volumes observed at the beginning of 2024 is likely to decrease; in the second half of the year, TLTRO reimbursements will also continue, largely carried out with the use of the ample liquidity available at the ECB; at the same time, the recomposition of bank funding towards more stable and suitable forms of collection to meet regulatory requirements (MREL and NSFR) will continue, accompanied by the presumable further increase in average rates on the deposit stock, to determine a slight increase in the average cost of collection; the combined effect of these phenomena will reduce the growth in interest margins observed in the first half of the year. The efficiency measures put in place by banks will only partly offset the higher operating costs associated with inflation and compliance needs. The deterioration in the creditworthiness, which will mainly affect companies, will however remain contained, resulting in a modest increase in credit losses in the second part of the year. Overall, profitability for the year is expected to remain high, albeit lower than in 2023 and the first half of 2024.

Significant events during and after the first half of the year

On the days between Sunday 7 and Thursday 11 April, the Sella group was affected by widespread inefficiencies in the information system, with particular reference to online services and Apps. In the afternoon of April 11, it was ascertained that the cause of the anomaly lay in a rare and unpredictable behaviour of the operating system found after an update was made. The anomaly was definitively resolved on 11 April.

In order to limit the impact of the inefficiencies, some contingency measures were adopted, including the extension of branch opening hours, the extraordinary opening of branches on Saturday 13 April, the strengthening of the Contact Center, the use of ”light” versions of online services (with fewer available features and in restricted time slots) and the introduction of access limiters to the Apps. Credit cards worked regularly, while OLI debit card transactions were successful in most cases.

The Bank immediately evaluated and implemented widespread reimbursement and restoration actions in favour of customers impacted by the inefficiencies (e.g. reimbursement of fees and commissions).

Going concern

With reference to the Bank of Italy, CONSOB and ISVAP documents no. 2 of 6 February 2009 and no. 4 of 3 March 2010, in relation to information to be provided in financial reports on business prospects, with a particular focus on the company's ability to continue as a going concern, on the financial risks, on tests to reduce the value of assets (impairment tests) and on uncertainties in the use of estimates, the Board of Directors confirms that it has a reasonably expectation that the Bank can continue its operations in the foreseeable future and, therefore, attests that the interim report at 30 June 2024 has been prepared on the basis of this going concern assumption.

Main income statement aggregates

RECLASSIFIED INCOME STATEMENT

Figures in thousands of EUR

ITEMS	30/06/2024	30/06/2023	Absolute change	% change
10. Interest receivable and similar income	294,119.4	226,636.9	67,482.6	29.8%
20. Interest payable and similar expenses	(85,167.5)	(40,829.9)	(44,337.5)	108.6%
70. Dividends and similar income	3,303.8	4,544.6	(1,240.8)	-27.3%
INTEREST MARGIN AND DIVIDENDS	212,255.8	190,351.6	21,904.2	11.5%
40. Commission income	226,747.6	215,658.2	11,089.5	5.1%
50. Commissions payable	(70,624.2)	(60,635.1)	(9,989.1)	16.5%
Other operating income - recovery of expenses and other services	7,287.4	4,361.3	2,926.1	67.1%
Variable administrative expenses	(41,947.2)	(34,906.4)	(7,040.9)	20.2%
Net revenues from services	**121,463.6**	**124,478.0**	**(3,014.4)**	**-2.4%**
80. Net result from trading activities	3,434.5	2,766.6	667.9	24.1%
90. Net result from hedging activities	76.1	(505.5)	581.6	-115.1%
100. Profits (Losses) from sale or repurchase of:				
a) Financial assets measured at amortised cost	76.3	471.2	(394.9)	-83.8%
b) Financial assets measured at fair value through other comprehensive income	131.6	194.7	(63.1)	-32.4%
110. Net result from other financial assets and liabilities measured at fair value through profit and loss	1,127.3	2,120.9	(993.6)	-46.9%
Net result from financial assets	**4,845.8**	**5,047.9**	**(202.1)**	**-4.0%**
INTERMEDIATION MARGIN	338,565.2	319,877.4	18,687.8	5.8%
160. Administrative expenses				
a) personnel expenses	(101,683.3)	(95,128.4)	(6,554.9)	6.9%
IRAP on net personnel and seconded personnel costs (1)	(93.7)	(86.8)	(7.0)	8.0%
Total personnel and IRAP expenses	**(101,777.0)**	**(95,215.2)**	**(6,561.8)**	**6.9%**
b) Other administrative expenses (other variable expenses deducted)	(106,899.0)	(81,370.9)	(25,528.1)	31.4%
Recovery of stamp duty and other taxes (1)	25,284.2	20,832.8	4,451.5	21.4%
Total administrative expenses and recovery of taxes	**(81,614.8)**	**(60,538.2)**	**(21,076.6)**	**34.8%**
180. Value adjustments to tangible fixed assets	(13,255.1)	(11,062.4)	(2,192.8)	19.8%
190. Value adjustments to intangible fixed assets	(6,059.5)	(10,778.3)	4,718.7	-43.8%
200. Other operating expenses/income (after deducting "Recovery of stamp duty and other taxes")	(1,491.4)	(232.7)	(1,258.8)	541.1%
Operating costs	**(204,197.9)**	**(177,826.6)**	**(26,371.2)**	**14.8%**
OPERATING RESULT	134,367.3	142,050.8	(7,683.5)	-5.4%

(1) The items affected were reclassified based on presentation criteria more suited to represent the content of the items in accordance with principles of management homogeneity. Reclassifications are explained in the following "Income Statement reclassification criteria" section.

ITEMS	30/06/2024	30/06/2023	Absolute change	% change
130. Net value adjustments/recoveries for credit risk related to financial assets measured at amortised cost	(8,241.5)	(12,087.7)	3,846.2	-31.8%
100. Profits (Losses) from sale or repurchase of financial assets measured at amortised cost	383.6	(1,613.9)	1,997.5	-123.8%
140. Profits/Losses from contractual changes without write-offs	(221.1)	(67.0)	(154.2)	230.1%
170. Net provisions for risks and charges, credit risk component	339.7	370.0	(30.3)	-8.2%
Value adjustments/recoveries for credit risk	(7,739.3)	(13,398.6)	5,659.3	-42.2%
130. Net value adjustments/recoveries for credit risk related to debt securities and payables to banks	715.3	(105.3)	820.5	-779.3%
170. Net provisions for risks and charges	(348.4)	(1,346.5)	998.1	-74.1%
130. Net value adjustments/recoveries for credit risk related to financial assets measured at fair value through other comprehensive income	(5.1)	5.2	(10.3)	-198.0%
220. Profits (Losses) from equity investments	-	2,611.2	(2,611.2)	-100.0%
Profits (Losses) from goodwill, investments and measurements of tangible and intangible assets	(15.9)	588.7	(604.5)	-102.7%
PROFIT FROM CURRENT OPERATIONS BEFORE TAX	126,973.9	130,405.5	(3,431.6)	-2.6%
270. Income taxes for the year on current operations	(42,192.8)	(41,439.5)	(753.2)	1.8%
PROFIT FROM CURRENT OPERATIONS AFTER TAX	84,781.2	88,965.9	(4,184.8)	-4.7%
PROFIT (LOSS) FOR THE YEAR	84,781.2	88,965.9	(4,184.8)	-4.7%

Income Statement classification criteria

With regard to the income results, an income statement was prepared based on preparation criteria most suited to represent the content of the items in accordance with principles of management homogeneity, i.e., in line with the views that the Management uses periodically (daily/weekly/monthly) for the governance and control of its activities.

The reclassifications involved:

- item 70. ”Dividends and other income”, which was included within the interest margin;
- the IRAP on personnel costs which was separated from item 270. Income taxes for the period of current operations and included in item 160. a) personnel expenses;
- ”Recovery of stamp duties and other taxes”, which was separated from item 200. ”Other operating expenses/income” and included in item 160 b) ”Other administrative expenses”;
- the component ”of which: interest receivable on impaired financial assets” relative to value recoveries due to discounting of interest accrued on impaired assets was reclassified from item 10 to item 130 a);
- certain items related to variable administrative expenses were separated from administrative expenses and included in the intermediation margin. The most relevant case concerns costs to payment circuits for the management and authorisation of electronic payments: these costs are variable, since they are directly and proportionally linked to changes in the volumes of transactions made;
- some items related to other operating income that were unbundled and included in the intermediation margin;
- the component of item 170 relating to credit risk was included in the aggregate ”Value adjustments/recoveries for credit risk”;
- the item ”Profits (Losses) from goodwill, investments and measurements of tangible and intangible assets” is given by the sum of items 230, 240 and 250 of the income statement;

- the operational risk component is included in item 200 ”Other operating expenses” and item 170 ”Net provisions for risks and charges”.

Comments on the main items in the Reclassified Income Statement

Banca Sella closed the first half of 2024 with a net income of EUR 84.8 million, down EUR 4.2 million (-4.7%) from the same period in 2023; income from current operations before tax decreased by EUR 3.4 million.

The most significant items in the Reclassified Income Statement that contributed to this result are listed below, followed by comments on all items:

- increased Interest margin and dividends EUR 21.9 million (+11.5%);
- decreased Net revenues from services EUR 3.0 million (-2.4%);
- decreased Net result from financial assets EUR 0.2 million (-4.0%);
- increased Operating costs EUR 26.4 million (+14.8%);
- decreased Value adjustments for credit risk EUR 5.7 million (-42.2%);
- decreased Net provisions for risks and charges EUR 1.0 million (-74.1%);
- decreased Profits from equity investments EUR 2.6 million.

Interest margin

The interest margin (including dividends) at 30 June 2024 amounted to EUR 212.3 million, up by EUR 21.9 million compared to the end of the first half of 2023 (+11.5%), as a result of increased interest receivable and similar income of EUR 67.5 million (+29.8%) and increased interest payable of EUR 44.3 million (+108.6%); dividends decreased by EUR 1.2 million (-27.3%) compared to 30 June 2023.

Interest receivable grew mainly thanks to increased interest on loans to customers (+31.3 million) due to the rise in market rates, which affects new disbursements and the variable-rate stock and the good performance of loans to support the activities of households and companies. The result from the reciprocal account with the Parent Company (+27.8 million) contributes positively due to the higher volumes and a higher rate of return. Interest on loans to Group companies (+12.1 million), hedging differentials (+1.8 million) and interest receivable from banks and non-intragroup institutions (+1.3 million) also exceeded the previous year. The result from the portfolio of owned securities (-6.1 million) is negatively affected by lower income from inflation-indexed securities, partly offset by the good performance of the rest of the portfolio and the lower interest generated by the purchase of tax credits for construction bonuses (-0.4 million).

The increase in interest payable derives mainly from the increase in the cost of collection, mainly on free and restricted deposits with customers (-31.5 million) and from the higher interest on bond issues (-6.2 million); the higher interest payable on repurchase agreements towards the Parent Company (-1.2 million) also affects. With regard to the residential mortgage securitisation transaction carried out in July 2023, there is a differential between the interest on mortgages collected and remitted to the vehicle company and the interest accrued on junior securities set aside in the income statement by the vehicle company amounting to -6.6 million. There is also increased interest payable to banks and non-intragroup institutions (-3.2 million) depending on the trend in rates and new CDP (Cassa Depositi e Prestiti) loans. The lower cost of TLTRO loans (+4.0 million) and the lower hedging differentials (+0.2 million) have a positive impact.

Net revenues from services

The reclassified income statement shows net revenues from services of EUR 121.5 million, down by EUR 3.0 million (-2.4%) compared to June 2023.

NET REVENUES FROM SERVICES	30/06/2024	30/06/2023	Δ	Δ %
Investment services	43,925	40,671	3,253	8.0%
Trading	10,100	9,142	957	10.5%
of which counter/phone channel	*4,757*	*4,271*	487	11.4%
of which online channel	*5,343*	*4,872*	471	9.7%
Ancillary fees on investment services	*447*	*407*	40	9.7%
Asset management	*2,733*	*2,685*	48	1.8%
Customer asset consulting	*5,926*	*4,768*	1,158	24.3%
Funds and SICAVs	*15,817*	*15,195*	622	4.1%
Bank life insurance	*8,901*	*8,472*	429	5.1%
CIB	723	872	-149	-17.1%
Bank non-life insurance	2,719	2,514	205	8.1%
Payment systems	49,636	50,228	-592	-1.2%
Traditional payment systems	*13,643*	*12,182*	1,461	12.0%
Electronic payment systems	*33,848*	*35,928*	-2,080	-5.8%
Foreign payment systems	*2,144*	*2,118*	27	1.3%
Ancillary fees to credit	14,271	13,849	422	3.0%
Traditional credit	*14,190*	*13,742*	448	3.3%
Indirect credit exposures	*81*	*107*	-26	-24.1%
Transfer of Tax Credit	13	69	-56	-81.2%
Banking	14,593	14,446	147	1.0%
Intra-group revenues	1,990	1,818	172	9.4%
Other revenues	-1,321	770	-2,091	
Markup-Markdown Retrocessions	-5,085	-759	-4,325	569.6%
Net revenues from services	121,464	124,478	-3,014	-2.4%

Income from investment services is higher than the previous year (+3.3 million, equal to +8.0%) thanks to the positive contribution of consulting (+1.2 million) and commissions from asset management (+1.1 million, of which +0.6 million from funds and +0.4 million from life insurance and +0.1 million from asset management); trading also has a positive impact (+1.0 million of which +0.5 million from the counter/telephone channel and +0.5 million from the online channel), which includes income from BTP Valore placement.

Revenues from payment systems are overall lower than those of the first half of 2023 (-0.6 million). Income from traditional payment systems increased (+1.5 million, equal to +12.0%) mainly due to higher commissions for instant and standard wire transfers (+0.7 million) and higher fees from remote banking (+0.4 million). The margin from electronic payment systems, on the other hand, decreased by 2.1 million (-5.8%) due to the lower result from the issuing segment (-3.6 million) affected by the commission advance paid to Hype; the contribution of the POS (+0.9 million) and e-commerce (+0.6 million) segments was positive, mainly due to the higher transaction volumes. Income from foreign payment systems is in line with last year.

Banking margin showed moderate growth compared to the first half of 2023 (+0.1 million, equal to +1.0%) mainly due to higher account charges.

Ancillary fees to credit are up compared to 2023 (+0.4 million, equal to +3.0%) thanks to higher all-inclusive commissions.

The commissions relating to the non-life insurance sector are higher than the previous year (+0.2 million) due to the better performance of the non-motor sector.

It should also be noted that the increase in interest rates generated—on the distribution agreements signed for the development of common customers with other companies inside and outside the Group—a greater markdown retrocession on direct deposits (-4.3 million compared to June 2023, recorded in Net revenues from services under the item ”Markup-Markdown Retrocessions”).

The item ”Other revenues” showed the economic impact resulting from the IT disruption of April 2024.

Finally, there was an increase in intra-group revenues compared to the first half of 2023 (EUR +0.2 million) and a decrease in income from CIB (EUR -0.1 million).

Net result from financial assets

The intermediation margin is also affected by the net result from financial assets, which amounted to EUR 4.8 million and decreased by 0.2 million (-4%) compared to June 2023.

With regard to the portfolio of owned securities, there are 100 gains from securities disposals for 0.2 million (compared to 0.7 million in 2023); there is also a better performance of securities classified among trading financial assets (+0.4 million) and futures (+0.1 million), both recorded in item 80. Item 110 is affected by the best result from the portfolio classified among the financial assets compulsorily measured at fair value (+0.2 million) and the largest contribution from the investment in an insurance policy (+0.1 million).

The result from trading activities (item 80) showed a higher charge from counterparty risk revaluations (CVA/DVA) for -0.6 million and a better performance of brokerage business (+0.3 million); Customer Desk operations increased (+0.4 million).

Hedges recorded a better result compared to June 2023 (+2.6 million), consisting of +2.0 million from higher flows received and accrued at the reference date as interest margin (hedging differentials) and +0.6 million in relation to the fair value of hedging derivatives and hedged loans (item 90).

The component relating to receivables compulsorily measured at fair value (included in item 110) in the first half of 2024 generated a negative differential of -0.7 million, compared to +0.6 million in 2023; the impact derived mainly from the trend of the rate curve.

Intermediation margin

The described dynamics result in a total intermediation margin of EUR 338.6 million, up EUR 18.6 million (+5.8%) compared to 30 June 2023.

Operating costs

Operating costs, totalling 204.2 million, increased by 14.8% (+26.4 million) compared to June 2023. This deviation is due to higher personnel costs for 6.6 million, higher administrative expenses net of the recovery of stamp duties and other taxes for 21.1 million, lower adjustments to fixed assets for 2.5 million and the lower result of item ”Other operating expenses/income” for 1.3 million.

The 6.6 million increase in personnel expenses is affected by the impact of the new Italian collective bargaining agreement (CCNL), the higher inertial costs (promotions and seniority steps) and the increase in the number of employees. At 30 June 2024, 2,357 Full Time Equivalent resources were available (+70 compared to 30 June 2023).

The increase in administrative expenses net of the recovery of stamp duties and other taxes (+21.1 million compared to 30 June 2023) is mainly attributable to the higher contribution to the guarantee and resolution funds (11.2 million): in 2024 there were 14.2 million for the D.G.S. (Deposit Guarantee Schemes), following the advance payment from December to June, while in 2023 there was the contribution for the S.R.F. (Single Resolution Fund), equal to 3 million and no longer due in 2024. There are also higher intra-group outsourcing fees (7.4 million), higher costs for services on payment systems (1.0 million), higher expenses for IT services (0.6 million), representation expenses (0.5 million), contributions and donations (0.4 million), partially offset by lower costs for utilities and buildings (0.6 million) and lower marketing expenses (0.6 million).

Value adjustments to fixed assets are improving by 2.5 million compared to June 2023; adjustments on tangible assets are up by 2.2 million as a result of investments made, while adjustments on intangible assets are down by 4.7 million.

It should be noted that in May 2023 the sale of the intellectual property of software assets to the Centrico Group S.p.A. company was completed, which resulted in a decrease in depreciation in software and a simultaneous increase in the fee to the same company.

Other operating expenses and income worsened by 1.3 million compared to the first half of 2023, which had benefited from some extraordinary income.

Value adjustments

Overall value adjustments for credit risk amounted to EUR 7.7 million, decreased by 5.7 million compared to 30 June 2023.

The first half of 2024 was characterised by good credit quality and a low number of new entries to impaired loans, albeit with some significant provisions; it also had a positive impact on the transposition of the macroeconomic scenario, which resulted in a positive impact of +1.4 million on collective measurements.

In June, three transactions were completed for the sales of bad receivables for a total of 20.6 million uses with an impact on the income statement of +0.4 million.

At 30 June 2024, the "Net value adjustments on credits/Cash loans" ratio is equal to 0.16%, compared with 0.26% at 31 December 2023 and 0.29% at 30 June 2023.

Net provisions for risks and charges

Provisions for risks and charges, amounting to EUR 0.3 million, are lower compared with June 2023.

Profits (Losses) from equity investments

In the first half of 2024 there were no profits or losses from equity investments, while in the same period of 2023 there were profits of EUR 2.6 million, due to the capital gain made following the repurchase by Fabrick of treasury shares held by Banca Sella.

Income taxes

The incidence of income tax burden on income from current operations before taxes stood at 33.2%.

They are net of IRAP related to personnel expenses other than permanent employees, which was reclassified as an increase in this component.

Income taxes were affected: by the share of revenues consisting of dividends and components having the characteristics stipulated in Articles 89, par. 2, and 87 of Presidential Decree 917/1986, which are almost totally excluded from taxation.

Banca Sella, as a subsidiary, adheres to the national tax consolidation system adopted by Banca Sella Holding as its controlling and consolidating company.

Main balance sheet aggregates

RECLASSIFIED BALANCE SHEET

Figures in thousands of EUR

ASSET ITEMS	30/06/2024	31/12/2023	% CHANGE
Financial assets (1)	2,525,183.1	2,489,261.0	1.4%
Receivables from banks (2)	3,663,925.4	4,292,526.0	-14.6%
Cash loans (3)	9,614,826.0	9,415,799.6	2.1%
Equity investments	190,390.9	187,330.9	1.6%
Tangible and intangible fixed assets (4)	206,479.0	183,442.9	12.6%
Tax assets	86,472.7	114,026.2	-24.2%
Other asset items (5)	947,915.4	927,067.0	2.2%
TOTAL ASSETS	**17,235,192.5**	**17,609,453.6**	**-2.1%**

LIABILITIES AND SHAREHOLDERS' EQUITY	30/06/2024	31/12/2023	% CHANGE
Payables to banks	842,549.7	1,029,443.9	-18.2%
Direct deposits, excluding repurchase agreements payable (6)	14,737,834.9	14,998,633.6	-1.7%
Repurchase agreements payable	1,132.7	3,126.6	-63.8%
Total direct deposits	14,664,815.7	14,939,236.3	-1.8%
Financial liabilities	9,705.8	12,408.0	-21.8%
Tax liabilities	35,846.4	58,247.0	-38.5%
Other liability items (7)	546,212.4	473,178.1	15.4%
Provisions for specific purposes (8)	61,529.6	65,546.5	-6.1%
Shareholders' equity (9)	1,074,533.1	1,031,393.8	4.2%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**17,235,192.5**	**17,609,453.6**	**-2.1%**

(1) Obtained from the sum of item 20, excluding loans classified under financial assets necessarily measured at fair value, item 30 and item 40 only debt securities, in the Balance Sheet Assets.
(2) Obtained from the sum of item 40 a) and item 10 only for current accounts and demand deposits at banks and central banks.
(3) Obtained from item 40 b) of the Balance Sheet Assets, excluding debt securities and loans classified under financial assets necessarily measured at fair value present in item 20.
(4) Obtained from the sum of items 80 and 90 of the Balance Sheet Assets.
(5) Obtained from the sum of items 10 excluding current accounts and demand deposits at banks and central banks, 50, 60 and 120 of the Balance Sheet Assets.
(6) Obtained from the sum of items 10 b) and 10 c) of the Balance Sheet Liabilities, net of repurchase agreements.
(7) Obtained from items 40 and 80 of the Balance Sheet Liabilities and the component of customer lease liabilities.
(8) Obtained from the sum of items 90 and 100 of the Balance Sheet Liabilities.
(9) Obtained from the sum of items 110, 140, 150, 160 and 180 of the Balance Sheet Liabilities.

FUNDING POLICIES AND ALM (ASSET LIABILITY MANAGEMENT)

In regard to funding policies, during 2024 the Bank continued to operate under the principle of healthy and prudent management. The surplus of direct deposits not used in sales assets is allocated to bonds (mainly governmental), with a consistent amount invested in Ordinary Treasury bills (BOT) and demand deposits with the banking parent company, which constitute a significant buffer of high-quality and easily liquidated assets.

SECURITIES PORTFOLIO

At 30 June 2024, the Bank held a securities portfolio of EUR 2,525.2 million which, in accordance with accounting standard IFRS 9, was divided into the following categories:

FINANCIAL ASSETS/LIABILITIES

Figures in thousands of EUR

ITEMS	30/06/2024	Proportion (%) of total	31/12/2023	Proportion (%) of total	Changes	%
Financial assets						
Financial assets held for trading	15,903.1	0.6%	16,791.2	0.7%	(888.2)	-5.3%
Other financial assets necessarily measured at fair value	128,138.6	5.1%	110,668.1	4.5%	17,470.5	15.8%
Financial assets measured at fair value through other comprehensive income	639,610.4	25.3%	599,958.5	24.1%	39,651.9	6.6%
Financial assets measured at amortised cost	1,741,531.1	69.0%	1,761,843.1	70.8%	(20,312.1)	-1.2%
Total financial assets	2,525,183.1	100.0%	2,489,261.0	100.0%	35,922.2	1.4%
Financial liabilities						
Trading financial liabilities	9,705.8	100.0%	12,408.0	100.0%	(2,702.2)	-21.8%
Total financial liabilities	9,705.8	100.0%	12,408.0	100.0%	(2,702.2)	-21.8%
TOTAL NET FINANCIAL ASSETS AND LIABILITIES	2,515,477.4		2,476,853.0		38,624.4	1.6%

The Bank's trading financial liabilities are, in their entirety, trading derivatives.

TRADING FINANCIAL ASSETS

Figures in thousands of EUR

ITEMS	30/06/2024	Proportion (%) of total	31/12/2023	Proportion (%) of total	Changes	%
Cash assets	5,709.8	35.9%	3,038.5	18.1%	2,671.3	87.9%
Debt securities	3,942.3	24.8%	1,587.1	9.5%	2,355.2	148.4%
CIU units	1,767.5	11.1%	1,451.4	8.6%	316.1	21.8%
Derivative instruments	10,193.2	64.1%	13,752.7	81.9%	(3,559.5)	-25.9%
TOTAL TRADING FINANCIAL ASSETS	15,903.1	100.0%	16,791.2	100.0%	(888.2)	-5.3%

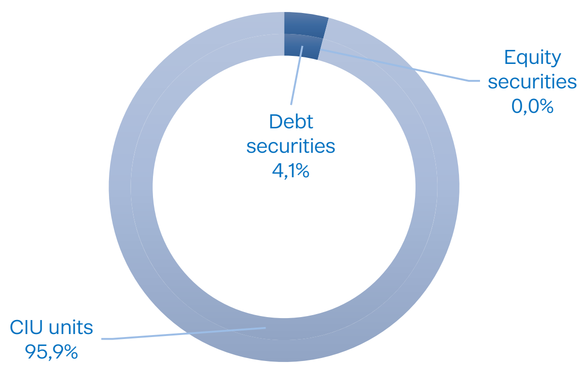
The financial assets held for trading are particularly limited. The amount at 30 June 2024 is EUR 5.7 million. About half of the position consists of Italian government securities.

FINANCIAL ASSETS NECESSARILY MEASURED AT FAIR VALUE

Figures in thousands of EUR

ITEMS	30/06/2024	Proportion (%) of total	31/12/2023	Proportion (%) of total	Changes	%
Debt securities	5,244.8	4.1%	4,198.0	3.8%	1,047	24.9%
Equity securities	5.2	0.0%	5.2	0.0%	-	0.0%
CIU units	122,888.5	95.9%	106,464.9	96.2%	16,424	15.4%
Total financial assets necessarily measured at fair value	128,138.6	100.0%	110,668.1	100.0%	17,470	15.8%

This accounting category includes all financial assets that, with the introduction of IFRS 9, failed the SPPI test and were therefore mandatorily measured at fair value. The securities belonging to this category are CIU units for about EUR 122.8 million, subordinated securities for EUR 2.3 million and bank bonds for EUR 3 million. The amount at 30/06/2024 is EUR 128.1 million.

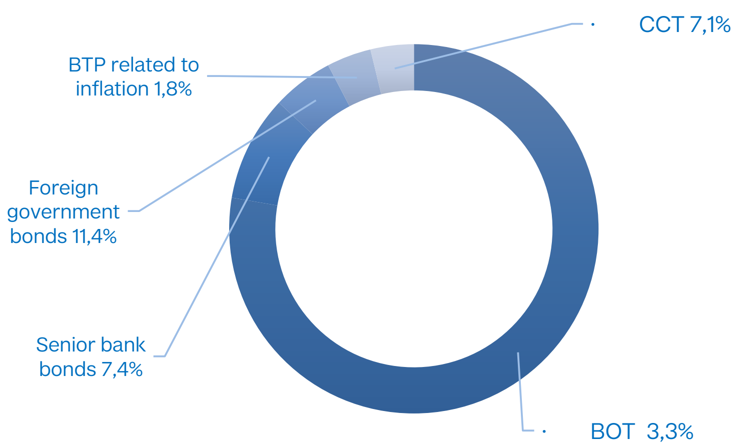


FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Figures in thousands of EUR

ITEMS	30/06/2024	Proportion (%) of total	31/12/2023	Proportion (%) of total	Changes	%
Debt securities	583,355.1	91.2%	550,107.9	91.7%	33,247.2	6.0%
Equity securities	56,255.3	8.8%	49,850.7	8.3%	6,404.7	12.9%
Total	639,610.4	100.0%	599,958.5	100.0%	39,651.9	6.6%

The debt securities category consists entirely of bonds, mainly Italian government securities and investment grade bank and corporate bonds. At 30 June 2024, the breakdown of various types of securities was as follows:



BOT for 73.9%, Senior Bank Bonds for 8.8%, Foreign Government Bonds for 5.1%, BTP related to inflation for 3.7%, CCT for 3.6%, BTP for 3.3%, Corporate Bonds for 1.6%

During the first half of 2024, the debt securities category recorded an increase of about 33.2 million, amounting to about EUR 583 million. This portfolio has an extremely short duration (less than one year).

Minority equity investments are considered equity securities and, at 30/06/2024, as required by the IFRS standards, were measured at fair value. The main ones are reported below:

VISA INC.: the valuation of the equity investment was no. 12,394 Visa Inc. - Series C Convertible Participating Preferred Stock, countervalue of EUR 9.6 million and no. 1,244 Visa Inc. - Series A Preferred Stock, countervalue of EUR 30.5 million and the consequent recognition of a positive equity reserve, compared to the values at 31/12/2023, in the amount of EUR 1.9 million.

PayDo S.p.A.: in the first half of 2024 PayDo generated revenues of approximately EUR 0.5 million (+11% compared to the first half of 2023). At 30/06/2024, there is no known information or events that would lead to a change in the fair value of the investment, and the book value of EUR 179 thousand is considered appropriate.

AideXa Holding S.p.A.: during the semester AideXa positively concluded the capital increase by raising approximately EUR 16 million, subscribed by shareholders and some new investors. Banca Sella participated in the capital increase by subscribing an investment of approximately EUR 1.6 million to maintain its participation at 10% of the share capital. At 30/06/2024, following the recent market operation and considering the latest post-money valuation of AideXa, Banca Sella remeasured the fair value of its equity investment with a book value of EUR 15 million.

TOT S.p.A.: at 30/06/2024, there is no known information or events that would lead to a change in the fair value of the investment, and the book value of EUR 1.8 million is considered appropriate.

Young Platform S.p.A.: despite the improvement in the company's performance during the first half of the year, it is believed that the overall write-down of the equity investment remains unchanged.

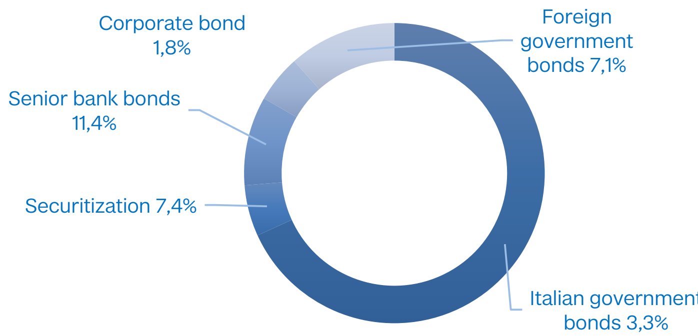
FINANCIAL ASSETS MEASURED AT AMORTISED COST – DEBT SECURITIES

Figures in thousands of EUR

ITEMS	30/06/2024	Proportion (%) of total	31/12/2023	Proportion (%) of total	Changes	%
Debt securities - receivables from banks	166,838.2	9.6%	166,274.1	9.4%	564.1	0.3%
Debt securities - receivables from customers	1,574,692.9	90.4%	1,595,569.1	90.6%	(20,876.2)	-1.3%
Total financial assets	1,741,531.1	100.0%	1,761,843.1	100.0%	(20,312.1)	-1.2%

This segment includes instruments held for long-term investment purposes, and complies with the size parameters established by the Board of Directors.

The securities in this category are bonds broken down into these categories:



Compared to 31 December 2023, the long-term portfolio did not undergo significant changes in terms of volumes. The amount at 30 June 2024 is EUR 1,741 million, with an average duration of about 4.6 years.

RECEIVABLES FROM BANKS

Figures in thousands of EUR

Items	30/06/2024	Proportion (%) of total	31/12/2023	Proportion (%) of total	Changes	%
Receivables from banks	3,663,925.4	100.0%	4,292,526.0	100.0%	(628,600.6)	-14.6%
Current accounts and free deposits	3,474,071.5	94.8%	4,116,107.5	95.9%	(642,036.1)	-15.6%
Deposits at maturity	155,326.6	4.2%	157,067.0	3.7%	(1,740.4)	-1.1%
Other loans and advances	34,527.3	0.9%	19,351.5	0.5%	15,175.9	78.4%
Total	3,663,925.4	100.0%	4,292,526.0	100.0%	(628,600.6)	-14.6%

FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

Figures in thousands of EUR

Type of transaction/Value	Total 30/06/2024				Total 31/12/2023			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Payables to central banks	-	X	X	X	-	X	X	X
2. Payables to banks	842,549.7	X	X	X	1,029,443.9	X	X	X
2.1 Current accounts and demand deposits	27,701.3	X	X	X	20,443.2	X	X	X
2.2 Deposits at maturity	597,924.7	X	X	X	994,648.0	X	X	X
2.3 Loans	207,191.2	X	X	X	-	X	X	X
2.3.1 Repurchase agreements payable	207,191.2	X	X	X	-	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Liabilities for repurchase commitments of own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease liabilities	8,355.8	X	X	X	2,349.7	X	X	X
2.6 Other liabilities	1,376.6	X	X	X	12,003.0	X	X	X
Total	842,549.7	-	-	842,549.7	1,029,443.9	-	-	1,029,443.9

RECEIVABLES

RECEIVABLES FROM CUSTOMERS

Figures in thousands of EUR

CASH LOANS	30/06/2024	Proportion (%) of total	31/12/2023	Proportion (%) of total	Changes	%
Receivables from customers (excluding repurchase agreements)	9,614,826.0	100.0%	9,415,799.6	100.0%	199,026.3	2.1%
Stage 1 and Stage 2	9,480,368.3	98.6%	9,278,560.7	98.5%	201,807.6	2.2%
- Current accounts	575,002.4	6.0%	568,637.1	6.0%	6,365.3	1.1%
- Mortgage loans	6,725,144.8	70.0%	6,505,334.1	69.1%	219,810.6	3.4%
- Credit cards, personal loans and salary-backed loans	393,740.1	4.1%	384,990.8	4.1%	8,749.3	2.3%
- Finance leasing	0.0	0.0%	0.0	0.0%	0.0	-
- Other loans	1,733,795.8	18.0%	1,765,465.8	18.8%	-31,670.1	-1.8%
Loans necessarily measured at fair value	49,732.7	0.5%	52,817.9	0.6%	-3,085.2	-5.8%
Impaired purchased or originated	2,952.5	0.0%	1,314.9	0.0%	1,637.6	124.5%
Stage 3	134,457.7	1.4%	137,239.0	1.5%	-2,781.3	-2.0%
TOTAL CASH LOANS (EXCLUDING REPURCHASE AGREEMENTS)	9,614,826.0	100.0%	9,415,799.6	100.0%	199,026.3	2.1%
Repurchase agreements	0.0	0.0%	0.0	0.0%	0.0	-
TOTAL CASH LOANS	9,614,826.0	100.0%	9,415,799.6	100.0%	199,026.3	2.1%

In the first half of 2024, innovation continued in terms of range of offerings, as well as updates made to existing offerings in order to further meet the requirements of households and private Customers.

In particular, an innovative offering of High Loan To Value mortgages was introduced that let disburse up to 100% of the value of the property. This offering is dedicated to Customers who buy energy-efficient properties and young people who face the purchase of their first home, reducing or eliminating the need to provide their own resources for the purchase of the property.

The particular focus on mortgages for the purchase of Green homes continued, through the benefit of zeroing the interest of the first instalments of the amortisation plan and through a dedicated communication campaign.

Similarly, the Bank continued to support the energy redevelopment of buildings and the purchase of electric cars with the most favourable rate offer in the loan catalogue, in a logic of reward for Customers who undertake energy saving and environmental sustainability paths.

A consultancy approach to the energy redevelopment of buildings is being developed, supported by dedicated tools, aimed at promoting greater knowledge on the part of Customers of the benefits connected to more energy-efficient buildings.

Important is the enhancement of public guarantee instruments, particularly the First Home Guarantee Fund, with a doubling of disbursements to young people under 36 in the first half of 2024 compared to the same period of the previous year.

Additional social initiatives included:

- timely adherence by the Bank to all financial support initiatives in favour of populations affected by natural disasters;
- support for women victims of gender-based violence through the initiatives in the Memorandum of Understanding between ABI and Labour Unions, to suspend the payment of the principal portion of the instalments of mortgages and/or loans in favour of women included in certified protection paths, who are in economic difficulty;
- anticipation of the End of Service/End of Relationship Treatment (TFS/TFR) addressed to public employees as provided for by the ABI Agreement pursuant to art. 23 of Legislative Decree n.4/2019.

In addition, Banca Sella has long paid particular attention to the offer of financing products aimed at supporting the development of the potential of deserving young people who wish to invest in their future, by offering:

- an honour loan, granted to Italian or foreign graduate students and/or people already in the workforce who want to attend Italian or international Master's programmes;
- a Study Fund, where the Bank signs the memorandum of understanding in force since 2011 between ABI and the Presidency of the Council of Ministers to support deserving young people, but without sufficient financial means, in undertaking a new course of study.

The offer of credit facilities for students is being further enhanced within the framework of the guidelines of the Strategic Plan, which reserve significant importance in this area.

The tracking process mentioned above is of particular interest for loans to companies, for the disbursement of which it is necessary to investigate in advance and indicate the purpose of sustainability, also collecting quantitative elements, for the purpose of assessing the sustainability of the operation.

Therefore, the catalogue products used for the disbursement can be specifically intended for investments consistent with sustainability (Green Mortgage and Finanziamento Energia Pulita—literally Clean Energy Loan) or products with more general purposes, sometimes also in combination with facilitation measures, for which the purpose of the investment determines its configuration as sustainable.

In addition, with regard to the ESG offer of the product catalogue, the use of the credit solution introduced in 2023 was further intensified—called Sustainable Business Financing—which allows the different unsecured financing products already in the catalogue to be combined with ESG covenants, thus configuring the disbursements as "Sustainability-Linked Loans", closely linked to the company's sustainability performance and commitments.

The new financing product allows the company receiving the credit to commit to a maximum of 2 sustainability goals, the achievement of which allows it to benefit from a reduction in the rate applied to the operation, starting from the demonstration of the achievement of the contracted goal until the end of the same loan. The objectives can be chosen by the company within a predefined catalogue, further expanded with new KPIs during the first half of 2024, and which includes both environmental, social and governance goals. The company's commitment must relate to a new goal, that is, it cannot be connected to activities and interventions already carried out and concluded at the time of signing the loan. The achievement of the goal is declared by the company through specific disclosure within its financial statements or with a specific statement issued by its auditor.

In the first half of 2024, over 110 loans were granted for about EUR 210 million combined with the achievement of ESG goals by the companies financed. These disbursements are added to the loans disbursed for purposes related to sustainability aspects, bringing the total amount of the two types to a total amount of over EUR 290 million.

Activities also continued with the aim of consolidating the partnership with the Finservice Group, a leading company in facilitated finance on the market for over 20 years, through specific information sessions dedicated to the entire Bank Network, to offer Customers consultancy support for redevelopment and energy efficiency initiatives and, more generally, for companies with a need for support in undertaking paths to improve their sustainability profile, as well as for access to regional, national and supranational facilitated finance measures.

In the social sphere, activities continued in connection with the launch of new agreements for the issuance of guarantees in favour of companies, thanks to the new arrangements with the guarantor bodies aimed at promoting recovery, new investments and operations with foreign markets.

In particular, in the first half of 2024, activities were launched aimed at implementing the loan supported by the SACE Futuro guarantee, which will be included in the catalogue during the second half of 2024.

Activities were also carried out to make loans available to customers on favourable terms thanks to funding support from EIB. The final agreement was finalised in early July, resulting in the product being made available to Customers. Among its eligibility characteristics, the ceiling provides for investment purposes related to innovation and digitalisation (industry 4.0) and cohesion goals aimed at favouring companies with registered or head offices in a perimeter of regions of Central-Southern Italy. EIB

During the first half of 2024, applications were processed for 479 certified Customers with a legality rating, assigned by the Antitrust Authority AGCM. The legality rating is aimed at the promotion and introduction of principles of ethical behaviour in business, through the assignment of a "recognition" indicative of respect for legality by companies that have requested it and, more generally, the degree of attention paid to the proper management of their business. The assignment of the rating is linked to support measures for access to bank credit.

Being a sustainable bank means knowing how to accompany Customers in the transition, both with advice on how to undertake the transition process and by financing their sustainable projects.

In order to constantly increase the knowledge of colleagues engaged in consultancy activities, during the first half of 2024 in-depth courses on sustainable credit for the commercial network were continued, in order to increase their knowledge and more effectively collect and understand information on the sustainability of Client companies. Meetings were held with the Network to illustrate the advantages for companies provided for by the Industry 4.0 and Transition Plan 5.0 measures, which can also be supported by the investment plan with access to subsidised EIB funding.

Updating on the new Corporate Sustainability Reporting Directive (CSRD) to be applied to the figures of commercial companies also continued, taking into account that the application of the latter will involve a greater number of Client companies in the coming years.

With the aim of creating greater Customer involvement, in particular of companies, local meetings have been started to talk about sustainability, presenting the bank's vision: sustainability is not a choice but a traced and incontrovertible path that must be approached as an opportunity, an investment to continue competing and identifying opportunities to innovate and acquire new competitive advantages. There are numerous studies that show that companies that invest in green are the most competitive, innovative, job-creating, exporting and interacting positively with the territory and communities.

The first meeting was organised in Biella, in collaboration with the Biellese Industrial Union and Ambrosetti, which presented the results of an important study on the level of sustainability of fashion and its supply chain presented at the Venice Sustainable Fashion Forum. The second event was organised in Salerno at the Sella Lab in Corso Giuseppe Garibaldi, and the third was held at the Country Club in Villanova di Castenaso (Bologna).

During the meetings, it was illustrated not only how the transition towards greater sustainability is concretely changing the rules to compete in the market but also the relationship between bank and Customer, where information on the company's sustainability profile is increasingly necessary in creditworthiness assessments. For this reason, in 2023 the Bank intensified the ESG data collection activity of the entrusted companies started the previous year. The meetings were useful moments to illustrate that the collection of this information is necessary not only for the bank but above all for the Customer, to make a self-assessment on environmental, social and governance issues. There is much positive feedback received from participants on the usefulness of the topics illustrated and, for this reason, new initiatives are planned for 2024.

To complement the offer of products and services dedicated to supporting the sustainable transition for companies and individuals, two important initiatives were carried out during 2023, among others.

CREDIT QUALITY

The first half of 2024 showed a decrease in the stock of non-performing loans compared with December 2023, confirming the trend already highlighted in previous years. This decrease, in addition to the constant internal workout activity, is mainly attributable to two factors: the low rise in new entries and the continuation of the managerial actions indicated in the strategic plan, including the completion of transactions to sell portfolios of bad receivables.

During the first half of 2024, in fact, some transactions for the sale of bad receivables were completed, with an overall reduction in non-performing loans of EUR 22.6 million, of which 0.7 million were already subject to write-off.

PERFORMANCE OF CREDIT INDICATORS

	30/06/2024	31/12/2023
Net non-performing loans / Net cash loans	1.4%	1.5%
Gross non-performing loans / Gross cash loans	2.6%	2.7%
Gross non-performing receivables from customers / total gross loans (Non-Performing Loans ratio EBA)	1.9%	1.9%
Net bad loans / Net cash loans	0.4%	0.5%
Gross bad loans / Gross cash loans	1.0%	1.2%
Texas ratio	22.2%	23.7%

The non-performing loans coverage ratio stands at 45.3%.

The management assets of non-performing receivables for the year 2024 were focused on the attention to the critical issues of Customers, evaluating the granting of moratoria, extensions and suspensions with regard to repayment due dates previously established, facilitating, where possible, the definition of out-of-court positions, avoiding time and costs related to the coercive realisation of guarantees.

Bad receivables

Net bad loans at the end of the semester amounted to EUR 42.9 million, a decrease (3.4%) compared to 31/12/2023 (44.4 million).

Gross inflows to bad loans in the first half were EUR 20.7 million, in line with the first half of 2023 (EUR 20.9 million). Collections for the period recorded on bad positions, including those on transferred positions, amounted to EUR 12.3 million, lower in absolute value than in 2023, which recorded EUR 24.5 million in the first half of the year due to the continued decline in the size of disposal operations. In the first half of 2024, collections from work-out, both from out-of-court and court activities, amounted to EUR 8.4 million compared with EUR 9.0 million in the same period of the previous year. The number of bad positions at 30 June 2024 was 1,627: 77.4% were positions with amounts less than EUR 50,000 and 13.9% less than EUR 5,000. At June 2024, the coverage ratio referred to bad loans was 57.9%, whilst at the end of last year it was 60.6%.

Probable default receivables

Probable default positions amounted to EUR 88.2 million at 30 June 2024 (net cash exposures), stable figure compared to 31 December 2023 (89.0 million). The number of Customers classified as likely to default was 5,595 (of which 3,800 with exposure of less than EUR 5,000). Mortgage-backed loans totalled EUR 50.6 million net, stable figure compared to 31/12/2023, when they totalled EUR 50.8 million net.

There are 700 positions with revoked credit facilities, for EUR 14.4 million of net exposure, up in terms of volumes from 31/12/2023 when there were EUR 13.8 million for 849 positions.

The coverage ratio referring to probable defaults is 37.1% (it was 35.6% in 2023).

The actions of the Non-Performing Exposures Area related to probable defaults are aimed at enabling the resolution of critical issues related to the performance of the relationship aimed at returning to performing status, granting forbearance measures for the renegotiation of the exposure, the acquisition of new guarantees to the support to the Customer in identifying possible financial measures suitable for the restoration of a regular disbursement and, for small-ticket receivables, at recovering arrears and monitoring maturities also through industrialised telephone reminder processes.

The Anomalous Loans service, belonging to the Non-Performing Exposures Area, constantly collaborates with the Network structures that deal with credit and supports them in managing the segment of still performing corporate Customers of medium to high amounts, which present growing critical trends, with the aim of supporting the actions of monitoring and preventing credit deterioration.

Past-due loans

At June 2024, positions classified as non-performing past-due and overdue loans amounted to EUR 5.8 million (net cash exposures), down from EUR 6.0 million at 31 December 2023.

The number of Customers with past-due and overdue loans totalled 1,793. The portfolio of non-performing, past-due exposures is highly fragmented: 1,564 positions were less than EUR 5,000. At June 2024, mortgage-backed loans totalled 3.3 million net, up with respect to the figure at December 2023, when they were 2.7 million net.

Credit monitoring and management actions are aimed at recovering overdraft and overdue instalments also through industrialised telephone reminder processes for small-ticket receivables or, if this is not possible and for tickets of medium to large amounts, evaluating possible concession measures.

Forborne loans

The volume of receivables from Customers in forbearance status at 30 June 2024 amounted to EUR 79.7 million (net cash exposures), down from 31/12/2023 where they amounted to EUR 108.9 million. Loans benefiting from forbearance measures are broken down as follows:

- EUR 47.9 million of net exposures fall under non-performing receivables (at 31 December 2023, they were EUR 48.7 million, down 1.7%);
- EUR 31.8 million of net exposures are classified as performing receivables (at 31 December 2023, they were EUR 60.2 million, down 47.1%).

Monitoring and management actions were strengthened for this segment of Customers, with their activities periodically verified.

With reference to the following tables, the term ”cash credit exposures” means all cash financial assets claimed from banks or customers, whatever their accounting portfolio. The term ”off-balance sheet credit exposures” refers to all financial transactions other than cash transactions that involve the assumption of credit risk, whatever the purpose of such transactions. Equity securities and CIU units are excluded.

DISTRIBUTION OF FINANCIAL ASSETS BY PORTFOLIO AND CREDITWORTHINESS (book values)

Figures in thousands of EUR

Portfolio/Quality	Bad loans	Probable defaults	Non-performing past-due exposures	Performing past-due exposures	Other performing exposures	Total
1. Financial assets measured at amortised cost	42,975	88,205	5,850	62,202	11,297,247	11,496,478
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	583,355	583,355
3. Financial assets measured at fair value	-	-	-	-	-	-
4. Other financial assets necessarily measured at fair value	-	44	-	64	54,870	54,978
5. Financial assets held for sale	-	-	-	-	-	-
Total 30/06/2024	42,975	88,249	5,850	62,265	11,935,472	12,134,811
Total 31/12/2023	44,475	89,070	5,993	50,448	11,718,381	11,908,367

Portfolio/Quality	Non-performing				Performing			Total (net exposure)
	Gross exposure	Total value adjustments	Net exposure	Total partial write-offs*	Gross exposure	Total value adjustments	Net exposure	
1. Financial assets measured at amortised cost	250,456	113,426	137,030	1,952	11,390,255	30,807	11,359,448	11,496,478
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	583,507	152	583,355	583,355
3. Financial assets measured at fair value	-	-	-	-	X	X	-	-
4. Other financial assets necessarily measured at fair value	91	47	44	-	X	X	54,934	54,978
5. Financial assets held for sale	-	-	-	-	-	-	-	-
Total 30/06/2024	250,547	113,473	137,074	1,952	11,973,763	30,959	11,997,737	12,134,811
Total 31/12/2023	259,336	119,798	139,538	2,712	11,747,264	35,406	11,768,829	11,908,367

Portfolio/Quality	Assets with evident low creditworthiness		Other assets
	Cumulative capital losses	Net exposure	Net exposure
1. Financial assets held for trading	-	786	13,349
2. Hedging derivatives	-	-	7,470
Total 30/06/2024	-	786	20,819
Total 31/12/2023	-	740	20,922

Deposits

DIRECT DEPOSITS

Figures in thousands of EUR

Items	30/06/2024	Proportion (%) of total	31/12/2023	Proportion (%) of total	Changes	%
Payables to customers (excluding repurchase agreements payable)	**14,286,336.4**	**96.9%**	**14,574,205.6**	**97.2%**	**(287,869.1)**	**-2.0%**
- Current accounts and free deposits	12,334,143.3	83.7%	12,210,945.0	81.4%	123,198.4	1.0%
- Deposits at maturity	1,115,964.4	7.6%	1,585,056.4	10.6%	(469,092.0)	-29.6%
- Other loans	219,667.9	1.5%	169,749.5	1.1%	49,918.4	29.4%
- Other liabilities	542,409.0	3.7%	545,930.8	3.6%	(3,521.8)	-0.7%
- Lease liabilities	74,151.9	0.5%	62,523.9	0.4%	11,628.0	18.6%
Outstanding securities	**451,498.4**	**3.1%**	**424,428.0**	**2.8%**	**27,070.4**	**6.4%**
TOTAL DIRECT DEPOSITS	14,737,834.9	100.0%	14,998,633.6	100.0%	(260,798.7)	-1.7%
Repurchase agreements payable	1,132.7	0.0%	3,126.6	0.0%	(1,993.9)	-63.8%
TOTAL DIRECT DEPOSITS (INCLUDING REPURCHASE AGREEMENTS PAYABLE)	14,738,967.5	100.0%	15,001,760.2	100.0%	(262,792.7)	-1.8%

GLOBAL DEPOSITS

Figures in thousands of EUR

Items	30/06/2024	proportion (%)	31/12/2023	proportion (%)	changes	
					absolute	%
Direct deposits from credit institutions	2,529.8	0.0%	5,087.8	0.0%	-2,558.0	-50.3%
Direct deposits (excluding lease liabilities)	14,664,815.7	39.3%	14,939,236.3	42.2%	-274,420.6	-1.8%
Indirect deposits	22,648,930.1	60.7%	20,438,337.7	57.8%	2,210,592.4	10.8%
Total deposits	37,316,275.6	100.0%	35,382,661.8	100.0%	1,933,613.8	5.5%

(*) direct deposits, as shown in the table above, include repurchase agreements payable and exclude lease liabilities.

TANGIBLE AND INTANGIBLE ASSETS

Tangible assets at 30 June 2024 amounted to EUR 146.3 million compared to EUR 128.3 million recorded at 31 December 2023. This item includes both functional assets and assets for investment purposes and relates to land, buildings, furniture and electronic equipment. There are no assets acquired under financial leases.

Intangible assets at 30 June 2024 amounted to EUR 60.2 million compared to EUR 55.2 million recorded at 31 December 2023. Intangible assets include approximately 11.4 million related to goodwill.

SIGNIFICANT EQUITY INVESTMENTS

This item, amounting to EUR 190.4 million, includes equity investments in Sella Leasing S.p.A., Sella Personal Credit S.p.A., Fabrick S.p.A., Centrico S.p.A., Nephis S.p.A., Sella SGR, Sella Ventures SGR, Tot S.p.A., Sella India Software Services Private LTD and Consorzio di Vigilanza Sella. The trends of the most significant ones are shown below.

Sella Leasing, which operates in the financial leasing sector, particularly with regards to vehicles, capital goods, real estate and maritime leases, recorded a profit of EUR 4.8 million at 30 June 2024, compared to 5.8 million in the same period in 2023.

Sella Personal Credit, which specialises in consumer credit, posted a profit of EUR 3.5 million in the first half of 2024, compared with a profit of EUR 6.8 million at 30 June 2023.

Nephis, which specialises in the business of salary and pension backed loans, acts and places its products following the rules specified by the mandating company Sella Personal Credit. The company closed the first half of 2024 at EUR 15 thousand compared to the loss of EUR 50 thousand at 30 June 2023.

Fabrick positions itself in the market as an enabler of new business models based on open finance. The implemented open financial ecosystem enables collaboration among players of different nature (banks, fintechs, corporations) to develop digital financial services that respond to the increasingly evolving needs of end customers in a timely manner.
The company closed the first half of 2024 with a loss of EUR 2.7 million compared with a profit of EUR 54.6 million in the first half of 2023.

Centrico is the Sella Group's international ICT solutions open provider that delivers IT and BPO services, up to full outsourcing, based on state-of-the-art IT solutions for the banking and financial sector. The company ended the first half of 2022 with a loss after tax of about EUR 6.8 million, compared to EUR 20.2 million in the first half of 2023.

Sella India Software Services Private LTD provides Information Technology and IT Support services to Sella group companies and reports a net profit of EUR 0.5 million, in line with 0.5 million in the first half of 2023.

Sella SGR, headquartered in Milan, operates in the asset management sector in the area of collective management and has been operating in the area of retirement planning since 1999. The company closed the first half of 2024 with a profit of EUR 1.3 million compared with EUR 1.1 million in the first half of 2023.

Sella Venture Partners SGR, the Sella Group's asset management company specialising in alternative investments in the world of Venture Capital, pursues the goal of meeting the growing interest of Italian investors in the alternative investment segment and, in particular, in the international venture capital segment. The company closed the first semester with a loss of EUR 142 thousand compared to the loss of EUR 80 thousand in the first half of 2023.

Monitoring of risks

CREDIT RISK

Banca Sella considers the measurement and management of credit risk to be fundamentally important.

The activity of loan disbursement has always looked towards supporting household financing needs and providing the necessary support to businesses—in particular small and medium-sized enterprises—in order to support growth projects, consolidation phases and financial needs during negative phases of the economic cycle. With regard to credit risk, there are no transactions at present in innovative or complex financial products. The credit policies and processes for the disbursement and monitoring of loans are consequently defined so as to combine customer needs with the need to ensure the maintenance of quality for the credit business. In addition, in drawing up the policies for monitoring credit risks, special attention is paid to maintaining an adequate risk/return profile and assuming risks consistently with the propensity to risk defined and approved by the competent Bodies.

With specific reference to credit risk control activities, these are the responsibility of the Risk Management and the Credit, Non-Performing Exposures and Collection Departments of Banca Sella. The Risk Management Service has the task of monitoring and quantifying the credit risk assumed by the Group companies, assessing its sustainability and, through the use of shared instruments, facilitating an effective and proactive management. In addition to these activities, an audit is carried out to examine the consistency of classifications, the adequacy of provisions and the effectiveness of the recovery process.

The monitoring activity, based mainly on indicators with forward-looking characteristics, allows for the implementation of anticipatory management, as required both in the Basel regulations and in the supervisory instructions of the Bank of Italy.

The results of monitoring activities are analysed by Risk Management and the Control and Risk Committee of Banca Sella and the Parent Company. The results of the risk profile and the main indicators trend included in the credit risk dashboard are brought to the attention of the Board of Directors on a monthly basis.

The Departments Credit, Non-Performing Exposures and Collection of Banca Sella are responsible for credit disbursement policies, product development, credit support system development, management of performing and impaired loans, and monitoring credit risk through specific organisational structures (the Banca Sella Credit Quality Service). This monitoring service involves traditional first-level checks, mainly focused on ensuring effective application of the Group’s policies, analysing individual positions and trend analysis of variables held to be significant for the purposes of controlling credit risk.

Following the health emergency that involved Italy from March 2020, the Sella Group promptly took action to support its customers by implementing all the measures provided for by the legislator, identified by the System or defined internally.

To effectively manage risks, detailed mapping of associated risk scenarios was carried out for the entire Sella group, relative to both theoretical risks and those already made concrete.

With specific reference to credit risk, the macroeconomic scenario of June 2024 showed an improvement in GDP growth in Italy over the three-year period and an inflation convergence towards the 2% target from the second year of the plan. In this positive context, however, it is expected that companies operating in the most vulnerable sectors will suffer increased difficulties in meeting their financial commitments, as will individuals employed in these sectors. This happens although the magnitude of the impact of the geo-political context has been partially mitigated by the monetary policy and economic support interventions implemented so far.

The Risk Management Service strengthened the monitoring of credit risk by intervening in the following areas:

- fine-tuning of the Credit Risk Appetite framework: review of the credit strategy aimed at defining the overall guidelines and fine-tuning to be made to the process of deliberation and monitoring of individual files. The Credit Risk Appetite principles are the following: support to customers, definition of the appetite for new disbursements, and mitigation of the risks in the existing portfolio;

- fine-tuning and constant update of the cost of risk forecast: analysis of the impact on the cost of credit of the internal and external scenario, including the mitigating effects associated with the various government actions. Closely linked to the review of the Credit Risk Appetite Framework, this analysis involves constant updates in order to rapidly assess the development of the reference scenario;

- monitoring improvement: integration of new daily dashboards in the reporting, so to monitor compliance with the guidelines established in the Risk Appetite Framework.

In addition, with specific reference to the conflict in Ukraine, rise of energy prices and increase in rates, a monthly coordination group is expected with the goal of effective and timely credit risk management. In particular, in the last period, activities related to:

- review of disbursement policies and risk adjusted pricing;
- contact of customers potentially impacted by the external context in order to assess the underlying riskiness and conduct daily monitoring;
- review of staging allocation criteria for the most distressed customers;
- prospective analysis of EBITDA to identify customers at risk of a 12-month liquidity crisis;
- monitoring of outstanding instalments on variable-rate mortgages were conducted.

MARKET RISK

Market risk relates to unexpected variations in market factors, such as interest rates, exchange rates and share prices, which may cause fluctuations in the value of a position held in the trading book and in the values of investments arising from commercial operations and strategic choices (banking book).

Market risk management and control (interest rate risk, price risk and exchange risk) are governed by a specific Group Policy, which defines the rules by which each individual company may be exposed to various types of risk.

Interest rate risk and price risk – regulatory trading book

We consider only financial instruments (assets and liabilities) held in the "regulatory trading book", as defined in the provisions on market risk regulatory reporting (see Bank of Italy Circular no. 286 of 17 December 2013).

The interest rate risk derives from the possibility that a fluctuation in interest rates could have a negative effect on the value of the regulatory trading book, generated by the financial positions taken by Banca Sella within the assigned limits and autonomy.

The price risk relating to the trading book mainly arises from trading on own account in debt securities, equity securities and CIU units.

The trading book consists primarily of bonds, equities, CIU units and listed derivatives for hedging the positions. The book's bond component consists mainly of limited-duration bonds issued by the Italian Republic. The prevailing portion of portfolio risk is composed of issuer risk.

The goals and strategies underlying the trading activity involving the portfolio of owned securities aim to limit risks and maximise returns on the portfolio itself in the field of action laid down in the Group policy on the subject.

Interest rate risk and price risk management processes and measurement methods

The mission of the Parent Company's Finance area is to manage market risk and coordinate the Sella Group's finance activities (management of property portfolios, treasury, and management of minority interests). The Parent Company Banca Sella Holding is also the broker that provides access to markets for third-party trading carried out by customers of the Sella Group.

The process of managing the market risk of the trading book is governed by a specific company regulation, approved by the Board of Directors and periodically reviewed. This regulation formalises the performance of Risk Management activities regarding market risk, defines the tasks and responsibilities assigned to the different organisational units responsible for the matter and outlines, among other things, the methods of measurement, exposure limits, information flows and any mitigation actions. Investment and trading activities are therefore carried out in compliance with the aforementioned regulation and incorporated in a system of delegation of management powers, and within the framework of a regulation that sets forth operating limits that are defined in terms of instruments, amounts, investment markets, issue and issuer types, sector and rating.

The Risk Management and Anti-Money Laundering Area monitors the exposure to market risk, and verifies its consistency with the propensity to risk defined by the company bodies as part of the Risk Appetite Framework and the compliance with the system of limits. Market risk exposure, consistent with the Risk Appetite Framework adopted by Sella Group, is monitored with reference to:

- working capital portfolios (consisting of financial instruments classified as Fair Value Through Profit And Loss and Fair Value Through Other Comprehensive Income), held for medium/long-term investment purposes;
- portfolios held for short-term trading purposes (consisting of financial instruments and listed hedging derivatives classified at Fair Value Through Profit And Loss).

Adequate information flows are provided regularly and promptly to the company bodies and management departments.

For prudential purposes, to measure the interest rate and price risks inherent in the regulatory trading book, the Sella Group applies the "standardised approach" defined in Bank of Italy Circular no. 285/2013, as amended. Hence, capital absorption to cover market risk is represented by the sum of the capital requirements for each individual risk that makes up market risk, on the basis of the so-called building block approach.

At the same time as drafting the ICAAP Report (internal capital adequacy assessment process in accordance with Pillar 2 of Basel III), therefore, at least once a year, the Parent Company carries out stress tests on the working capital portfolios. The stress test procedures consist of analysing the economic results upon an occurrence of specific negative events, which are extreme but plausible (for example, a deterioration in the creditworthiness of issuers of securities in the portfolio).

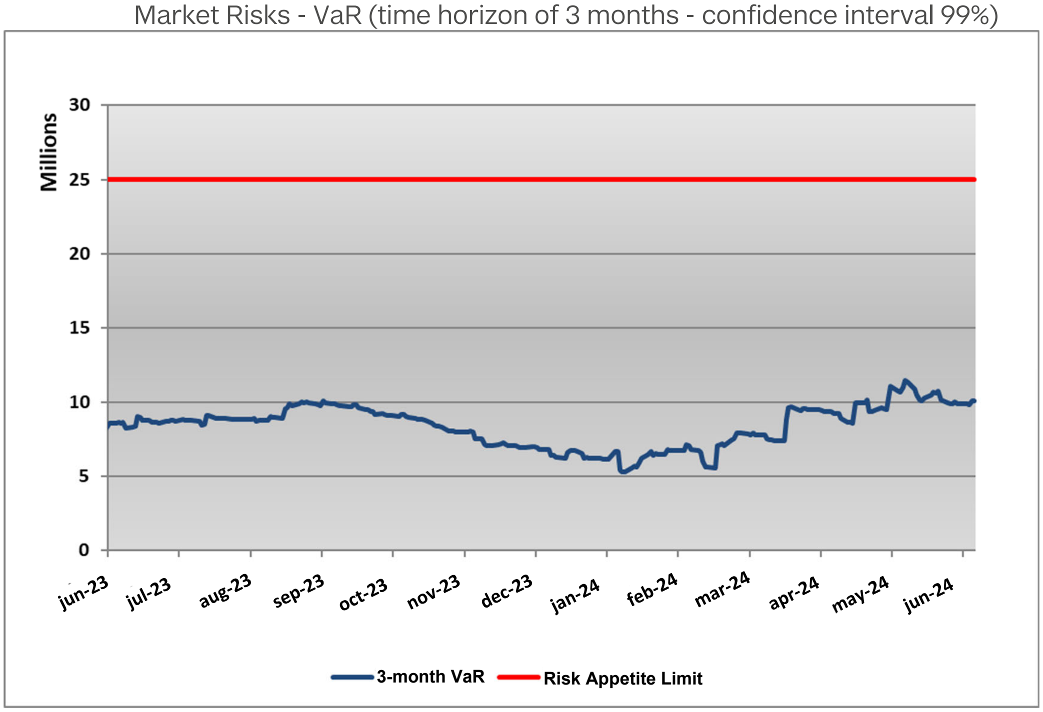
For management purposes, the trading book market risk is measured and monitored on the basis of the VaR (value-at-risk) analysis, which is basically assessed according to the historical simulation approach. VaR measures the maximum potential loss which, within a certain confidence interval, may occur if a certain portfolio is kept unchanged for a certain period of time. Historical simulation involves daily revaluation of positions, based on the market price trends over an appropriate time interval. The empirical distribution of profits/losses that results is analysed to determine the effect of significant market swings on the portfolios. The value of the percentile distribution corresponding to the confidence interval set gives the VaR.

The Risk Management and Anti-Money Laundering Area carries out controls on the VaR trend (time horizon of 3 months for the working capital portfolio with a confidence interval of 99%) of the property portfolio and performs sensitivity analyses to risk factors such as portfolio duration and instantaneous rate shocks. Finally, operating limits on securities investments are also continuously monitored. The average duration of Banca Sella's trading book is 0.84 years, while the estimated sensitivity on a parallel movement of +100 basis points in the interest rate curve is about EUR 6 million (about 0.84% of the portfolio).

The VaR trend of Banca Sella (confidence interval 99%, time horizon of 3 months) is shown in the chart below.

Banca Sella - Trading Book

Market Risks - VaR (time horizon of 3 months - confidence interval 99%)



Interest rate and price risks – banking book

The banking book consists of all the financial instruments (assets and liabilities) not included in the trading book mentioned above, primarily receivables from and payables to banks and customers and securities not belonging to the regulatory trading book.

The main sources of interest rate risk generated in the banking book can be traced back to:

- maturity mismatches (risk connected with the exposure of positions to changes in the slope and the shape of the yield curve);
- mismatches arising from the imperfect correlation between changes in lending and borrowing rates on the various instruments (indexing risk).

Interest rate risk is mainly generated by customer funding and lending transactions, fixed and variable-rate securities of the banking book, interbank deposits (assets and liabilities), as well as derivative instruments implemented to mitigate exposure to interest rate risk. The Group's policy is to provide elevated hedging of items, while strategic and management choices are aimed at minimising the volatility of the total economic value when the rate structure changes.

Internal interest rate risk management and control processes are based on an organisational structure, which provides that the information is analysed at operational level and critically assessed by the Group's ALM Committee every month. This Committee also provides appropriate operational guidelines.

The Risk Management and Anti-Money Laundering Area monitors the exposure to interest rate risk both for the Economic Value of Equity (EVE) and Net Interest Income (NII), and verifies its consistency with the propensity to risk defined by the company bodies as part of the Risk Appetite Framework and the compliance with the system of limits.

The measurement of the interest rate risk of the banking book from the standpoint of the economic value is carried out through the use of a proprietary model for the treatment of liability items with undefined contractual maturity ("on demand items") and the adjustment of positions to take account of the phenomenon of early repayment ("prepayment"). For all other assets and liabilities items, the rules defined by Bank of Italy Circular no. 285/2013, Annex C, as amended, are used. The interest rate risk coefficient is determined on the basis of the 6 scenarios envisaged by the EBA guidelines.

This means Banca Sella is exposed to an interest rate curve Steepener scenario.
Below are the figures at 30/06/2024 related to the interest rate risk for the banking book.

Worst Scenario	Sensitivity (millions of EUR)	CET1 (millions of EUR)	Sensitivity %
Steepener	72.56	973.16	7.46%

Values in millions of EUR

The price risk of the portfolio is attributable primarily to equity securities, CIU units and equity investments held for permanent investment purposes.

Fair value hedging activities

Hedging transaction strategies are mainly aimed at mitigating the exposure to interest rate risk inherent in financial instruments, deriving predominantly from forms of disbursement of credit (general hedges, such as mortgage loans) or bonds issued (specific hedges).

Exposure to interest rate risk inherent in the disbursement of loans is hedged by derivative instruments such as amortising interest rate swaps and cap options, on the basis of the amount of the loan portfolio disbursed and the average maturities of this portfolio. Additional hedges are put in place, with third party entities, for the purpose of mitigating the interest rate risk or foreign exchange risk of simple derivative products such as domestic currency swaps, currency options, overnight interest swaps traded by the bank's customers.

The Parent Company generally adopts measurement methods and techniques based on the Black-Scholes, Monte Carlo and Net Present Value models using a number of parameters, which vary depending on the financial instrument to be measured. These parameters, which are approved by the parent company's Risk Management and Anti-Money Laundering Area, are chosen and set up on the calculation software at the moment of a request for measurement of a new derivative instrument. At every periodic calculation of the fair value of the financial instrument, first and second level controls are carried out on the aforesaid parameters.

Cash flow hedging activities

Due to the substantial balance of assets and liabilities, no hedging is provided for interest rate risk on cash flow generated by variable-rate items.

Foreign investment hedging activities

Due to the minor amount of foreign investments, no hedging is provided for the interest rate risks arising from them.

EXCHANGE RATE RISK

Foreign currency transactions mainly take place at the Parent Company's Finance Department, in which the Treasury unit carries out lending and inter-bank funding operations in foreign currency, and manages the exchange rate risk connected with foreign currency imbalances.

The exchange rate risk is monitored using the "standardised approach" defined by the Bank of Italy in Circular no. 285/2013, as amended.

In the first half of 2024, the statutory limit of 2% of regulatory capital was exceeded for foreign currency positions, thus generating capital requirements. The main foreign currency imbalance is attributable to the investment in VISA (USD) in the amount of approximately EUR 39.4 million. At 30 June 2024, the capital requirement for exchange rate risk was EUR 3.2 million.

The Risk Management and Anti-Money Laundering Area monitors exchange rate risk exposure values and reports them to the Group's ALM Committee. This body, with the assistance of the Parent Company Treasury, assesses possible hedging actions, should the exposures to given currencies be considered significant.

Exchange rate risk hedging activities

Banca Sella hedges transactions in foreign currency daily. The Bank's main assets subject to this risk are loans and deposits in foreign currency concerning customers, which correspond to a minimal part of the banking book.

LIQUIDITY RISK

The liquidity risk corresponds to the risk arising from the inability to meet promises to pay, which may be caused by the impossibility to raise funds (funding liquidity risk), or by the presence of asset liquidity limits (market liquidity risk).

Liquidity risk management ensures the maintenance of balanced economic and financial conditions and ensures the pursuit of sound and prudent management objectives. The governance model defined for managing Sella Group's liquidity risk is based on the following principles:

- prudent management of liquidity risk, such as to ensure solvency even under stress conditions;
- compliance of liquidity risk management and monitoring processes and methodologies with prudential supervisory guidance;
- decision sharing and distinction of responsibilities among management, controlling and operating bodies.

Liquidity risk is monitored by Banca Sella Holding's ALM and Treasury service, which carries out careful management of the Group's liquidity, contributing, in compliance with the risk parameters set in the Risk Appetite Framework, to increasing the company's value over time. The ALM and Treasury service also contributes to the valuation of liquidity reserves. The Group's Treasuries, where present, are responsible for liquidity management in accordance with the principles and strategic guidelines that apply to the Group.

The Risk Management and Anti-Money Laundering Area is responsible for measuring the liquidity risk, determining the Liquidity situation at consolidated level, both under ordinary operating conditions and under stress conditions, defining the risk objectives in terms of Risk Appetite Framework, their monitoring and the related reporting and warning activities. The Risk Management and Anti-Money Laundering Area is also responsible for the valuation of the liquidity reserves. The

Risk Management Departments of the Group companies have the responsibility for controlling and monitoring liquidity risk, verifying compliance with the approved limits consistent with the group levels and adequate reporting to its company bodies.

In addition, the liquidity position is examined and critically assessed by the Group's ALM Committee on a monthly basis. This Committee also provides appropriate operational guidelines.

The Sella Group employs a Contingency Funding Plan (CFP) to manage liquidity risk under stress conditions. The CFP is the plan for managing liquidity contingency situations in order to deal with adverse situations in obtaining funds, and to guarantee the prompt economic and financial stability of the Sella group.

Liquidity risk is measured on various time horizons: ”Intraday”, ”Short-term” and ”Structural”. The Group also autonomously performs activities involving the evaluation of the degree of liquidity of financial instruments held as liquidity reserve.

The measurement involves a broad set of indicators focused on systemic and specific liquidity situation trends, including the LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio) regulatory indicators.

In addition to the information provided by liquidity indicators, the Risk Management and Anti-Money Laundering Area and the Finance Department of the Sella Group are responsible for carrying out stress analyses on the liquidity reserve of the Group itself.

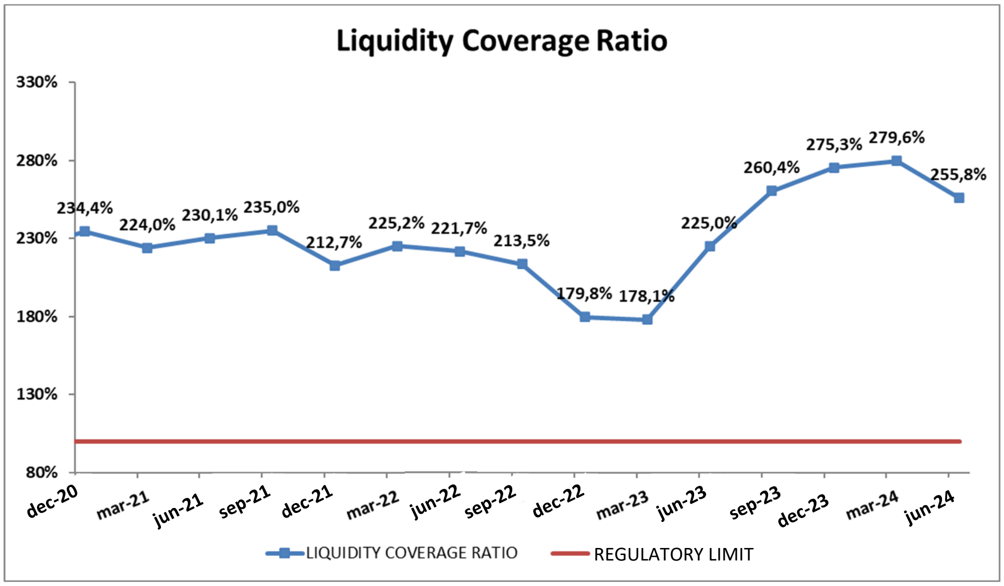
The approach underlying the stress analysis consists of assessing, through the use of a Maturity Ladder1, the ability of the entire Sella group to withstand a liquidity crisis (measured in days) if a systemic or specific crisis situation arises. The ability to withstand is calculated assuming that the business structure and the capital profile of the Group will not be altered.

The Maturity Ladder is realised through the time range mapping (horizon up to 3 months) of current and expected cash flows, together with items regarded as ”potential liquidity reserves”. The tool makes it possible to assess the net financial position of liquidity in different time buckets under different operating scenarios (business as usual and stress scenario).

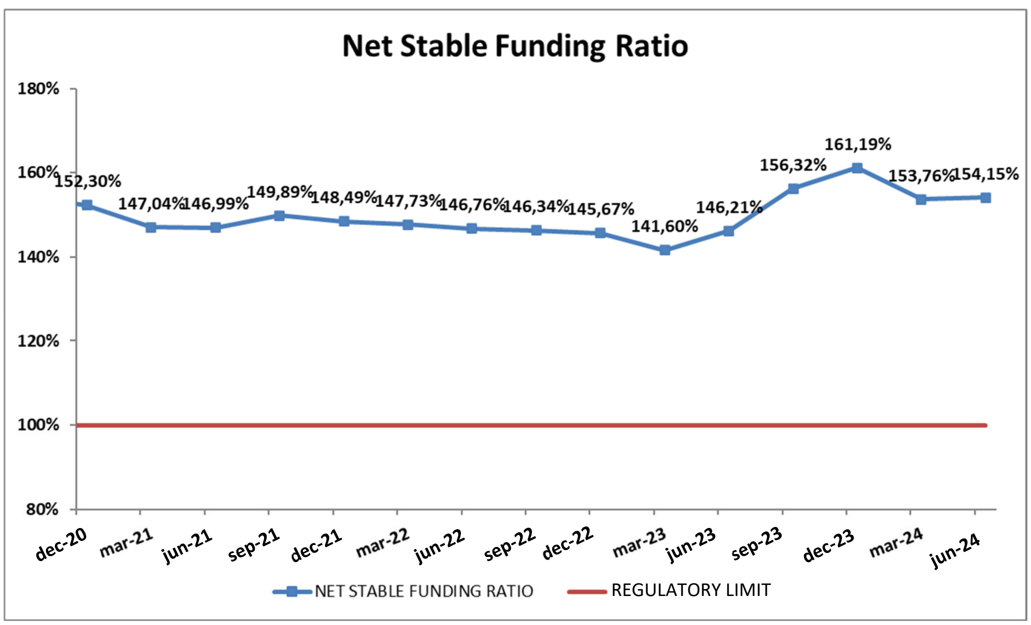
The stress test has always demonstrated cash equivalents or easily cashed assets for the Group that are adequate to face any crises, of either systemic or specific origin.

The trend in the liquidity coverage ratio (LCR) of Banca Sella is reported below, which gives an indication of the ability to deal with net cash outflows over a period of 30 days with a stock of high-quality liquid assets. The minimum regulatory limit of this ratio is 100%.

[1] The Maturity Ladder is a projection of the net financial position over time.



The trend in the Net Stable Funding Ratio (NSFR) of Banca Sella is shown below, providing an indication of its ability to have an adequate level of stable funding in order to finance medium/long-term investments. The minimum regulatory limit is 100%.



OPERATIONAL RISK

Operational risk is the risk of suffering losses deriving from the inadequacy or failure of procedures, human resources and internal systems, or from external events. This type includes, among others, losses deriving from internal/external fraud, human errors, business interruptions, unavailability of systems, contract fulfilment failure and natural catastrophes. Operational risk includes legal risk, but does not include the strategic and reputational risk.

The monitoring of operational risk is governed by the "Risk Control" Policy approved by the Board of Directors of the Parent Company and implemented by that of the Bank. This document aims to define the guidelines, processes and operational methods for risk management in compliance with the approved risk appetite thresholds.

The Bank's Operational Risk Controls office is responsible for the identification, measurement and control of operational risk (including related subcategories such as IT and conduct risk) at the company level, verifying consistency with the regulations, the guidelines provided by the parent company, the risk appetite defined by the body with a strategic supervision function; in addition, it supports the business in achieving its objectives in a path of greater awareness in the management of related operational risks.

During the first half of 2024, in view of the growing importance of ESG issues, both by Regulators and Customers, a risk self-assessment was launched at Banca Sella aimed at mapping the potential risk scenarios related to these issues in detail and identifying appropriate monitoring and mitigation actions with the aim of verifying specific processes and responsibilities to effectively prevent and manage risks in order to ensure long-term business solidity and continuity, extending the benefits to its stakeholders, also contributing to raising awareness of all areas of the Bank on environmental, social and governance factors.

In addition, the Control Framework Evolution initiative continued, aimed at the transformation of control functions in a constantly and rapidly changing market environment, the dissemination of risk culture in business functions for more timely identification and prevention of risks, and the consolidation of the new risk framework for an integrated and dynamic view of risks. In particular, the activities of the Parent Company's Risk Management service were concluded, with the support of Banca Sella's Risk Management Service, aimed at the digitisation of Process and Project Risk Self-Assessments in order to facilitate the related activities carried out by business owners and project owners, with consequent greater monitoring of the risks underlying the company's processes and projects, respectively.

The operational risk management framework identifies the ex-ante and ex-post organisational controls designed to mitigate and control operational risk. These tools make it possible to monitor and limit the occurrence of operational risk events and related losses. Effective organisational protections allow for timely identification of any inefficiencies, and the establishment of appropriate mitigation strategies. Among these, we highlight the following:

- the so-called "Control Cycle" is an internal process that has been effectively adopted by the entire Group for some time, aimed at processing anomalies and removing the effects and the causes that generated them;
- mapping, risk self-assessment and validation of company processes;
- conducting specific risk assessments related to situations of particular significance in terms of potential risks (such as the Covid-19 pandemic);
- the evaluation activity of new initiatives such as products and services, equity investments, outsourcing, unilateral contract changes;
- the validation of application-related IT risk;
- the certification and summary of service levels and line controls.

Monitoring of the risk translates also into specific reporting functions at all levels of the corporate organisation, in accordance with the legislation which states that timely information must be provided on the subject of operational risks. The Control Cycle provides the information basis which, at the occurrence of the anomaly and according to a precise escalation, generates communication flows to the parties concerned.

The reporting structure has been consolidated both at the summary level of the Risk Appetite Framework (RAF), and by allowing for more detailed reporting with trend information, in order to improve the monitoring and management of the operational risk and, in particular, to more effectively support the activities carried out by the Control and Risk Committee of Banca Sella and the Parent Company.

In addition, to enable an assessment of the performance of operational risk management, the Risk Management service regularly produces condensed and detailed statements that summarise for each Group company and for the Group as a whole the degree of risk assumed with respect to:

- level I metrics included in the RAF, which summarise the business ambition in relation to operational risks;
- operational limits included in the dashboards and in the performance reporting, as early warnings functional to assess the trend of operational risk over time. These indicators identify objective and quantifiable elements that contribute to the qualitative assessment of the operational risk.

In particular, a series of dynamic dashboards accessible to all colleagues, based on the role covered, were consolidated by the Parent Company's Risk Management, with the support of Banca Sella's Risk Management Service, which allow continuous monitoring of all operational/IT/conduct risk indicators etc. and therefore better risk management.

For the purposes of calculating the capital requirement to cover exposure to operational risk, the Basic Indicator Approach (BIA) is used. In the Basic approach, capital requirements are calculated by applying a fixed regulatory ratio of 15% to the three-year average of the relevant indicator[2].

LEGAL RISK

The Bank, in the presence of "liability" litigation not pertaining to credit recovery activities, assesses the related risks by conducting a specific analysis, position by position, applying the guidelines contained in the Group Policy on the assessment of the risk of loss. This assessment is carried out on the basis of all the information available at the time of the estimate and takes into account the questions raised, the defenses that were made, the progress of the judgment and the guidelines of the jurisprudence.

In the presence of proceedings for which an economic charge is probable, and if it is possible to make a reliable estimate of its amount according to the aforementioned guidelines, the Bank makes allocations to the provision for risks and charges.

The areas in which the Bank is a defendant in litigation originate from the ordinary course of business. In particular, at 30 June 2024, there were 126 legal proceedings (other than fiscal, bankruptcy revocations and those related to credit collection, relative to which counterclaims or appeals have been raised regarding the Bank's claims) pending with regards to the Bank, for a total petitum of EUR 32.8 million, decreased compared to the previous year.

To guard against any liabilities that might arise from the pending legal proceedings, the Bank has in place, at 30 June 2024, a provision for risks and charges amounting to EUR 28.8 million, consisting of the sum of individual provisions established following the evaluation of each position on both factual and legal aspects. As a result of this analysis, therefore, the provisions deemed appropriate in relation to the specific circumstances of the case under consideration are arranged from time to time (and updated when necessary). All proceedings are being constantly monitored.

Below is a description of the disputes, broken down by area of activity. If the relative liability is deemed probable, a provision was made to the fund for risks and charges.

[2] Article 316 - Title III - PART THREE of Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013 details the elements to be added together to calculate the relevant indicator. Table 1 of this article indicates: 1) interest and similar income; 2) interest and similar expense, 3) income from shares, units and other securities with variable/fixed income; 4) income from fees/commissions; 5) expense from fees/commissions; 6) profit (loss) from financial transactions; 7) other operating income.

Branch operations: these are disputes in which the Bank is involved due to the normal execution of typical bank operations; in particular, this includes all cases originating from facts/events directly associated with the Customer relationship such as, for example, protested cheques, handling of loans, issuing/enforcing of sureties, management of inheritance cases, execution of bank transactions, management of positions subject to foreclosure relative to third parties, etc. The total *petitum* (subject of the lawsuit) is approximately EUR 22.5 million for 27 positions, of which the principal amount of 16.6 million is related to the following position: lawsuit brought by Cassa Depositi e Prestiti S.p.A. (hereinafter CDP) before the Court of Turin. Against a loan granted by CDP itself in favour of a municipal company with an account relationship opened with Banca Sella, a request is made by the plaintiff to ascertain the surety nature of the payment delegation addressed to the Bank and consequently the existence of the Bank's obligation to pay the outstanding debt of the municipal company. Another lawsuit is also pending for a similar case, also promoted by CDP, pending before the Court of Cassation for which rulings in favour of the Bank were issued in April 2021 by the Court of Biella and in March 2023 by the Court of Appeal of Turin.

Investment services: these are disputes numerically down compared to previous years both for the total *petitum* and for the number of positions. The total amount of demand is EUR 4.2 million for 9 positions.

Compound interest: 23 positions and a total *petitum* of about EUR 2 million. For each position, specific assessments were undertaken (including the use of technical advice) and provisions were made that were deemed adequate to cover the risks of litigation.

Damages: the total *petitum* amounts to EUR 3.2 million for 61 positions.
There are, in addition, minor disputes related to payment services and labour litigation in relation to which the Bank has examined each position and prepared provisions deemed adequate to cover the risks of litigation.

With regard to the lawsuit brought by some minority shareholders of Banca Sella Sud Arditi Galati in connection with the merger by incorporation into Banca Sella, aimed at having the alleged legitimacy of the right of withdrawal exercised by them ascertained, the Bank, having ascertained the right of withdrawal, challenged, pursuant to Article 2437-ter, paragraph 6, and Article 1349 of the Italian Civil Code, the expert's estimate (of the value of the shares at the date of withdrawal) due to manifest error. The Court of Turin ruled against the request brought by Banca Sella, confirming the expert's assessment. The Bank appealed against this judgment. However, Banca Sella Holding expressed its willingness to exercise the option under the liquidation procedure pursuant to Article 2437-quater of the Italian Civil Code when it is started.
Finally, on 03/10/2023, the Bank received an out-of-court claim for damages from the rejected Bank from a bankruptcy proceeding, followed by a summons to court, notified on 18/03/2024, with a direct claim for damages to Banca Sella jointly and severally with a third party, for a total of EUR 13 million. The Bank was duly constituted in the proceedings, contesting the counterparty's requests in full.

COMPLIANCE RISK

The Compliance Function is responsible for managing the risk of non-compliance with regulations (compliance risk), both in terms of external regulations (laws, regulations, provisions of the supervisory authorities) and self-regulation (internal rules, codes of conduct, ethical codes, etc.).

The Function is responsible, in particular, for:

- implementing the methods for assessing the risks of non-compliance with regulations, defined by the Compliance Function of the Parent Company in cooperation with other corporate control and non-control Functions, consistent with corporate strategies and operations;

- identifying the appropriate procedures for preventing the risk detected, with the possibility of requesting their adoption, as well as verifying their adequacy and correct application;
- continuously identifying the applicable regulations, including those related to ESG issues, and measuring and assessing their impact on company processes and procedures;
- continuously identifying and monitoring the risks of non-compliance, including those in the field of ICT and IT security;
- verifying that the processes, procedures, products and services offered comply with the external and self-regulatory provisions;
- proposing organisational and procedural amendments targeted at ensuring adequate monitoring of the identified non-compliance risks;
- verifying the effectiveness of the organisational adjustments (structures, processes, procedures, including operating and commercial ones) recommended for preventing the risk of non-compliance with the regulations;
- providing an ex-ante assessment of compliance with the regulations applicable for the prevention and management of conflicts of interest, both in relation to the various activities carried out and employees and company representatives;
- providing advisory services and assistance to company bodies on all matters in relation to which the risk of non-compliance assumes significance;
- preparing the information flows on the activities performed, aimed at the company bodies and structures concerned;
- disseminating the Compliance Culture at all levels;
- providing advice and carrying out checks on the offer of sustainable products to also monitor the risks of Greenwashing;
- supporting the Organisation function by providing an ex-ante assessment of changes in company organisation charts.

The Function carries out the following operational tasks:

- provides the necessary collaboration in the ex-ante assessment of corporate shareholding transactions and all innovative projects (including the operation of new products or services, the start of new activities or the entry into new markets) that they intend to undertake, in order to ascertain and quantify any risks of non-compliance, also involving the Compliance Specialists and/or the Compliance Specialist Contact;
- annually presents the corporate bodies with the programme of activities, in which the relevant compliance assessment and verification actions are described, taking into account both any deficiencies revealed in the controls and any new risks identified;
- presents the corporate bodies with a report of the activity carried out, in which the evaluations and verifications carried out are explained, together with the results that emerged, the weaknesses detected and the proposals of the actions to be taken for their removal;
- reports to corporate bodies, for aspects within its competence, on the completeness, adequacy, functionality and reliability of the internal audit system;
- coordinates the implementation of the Compliance macro-process by the Compliance Specialists and/or the Compliance Specialist Contact, through continuous interaction;
- assesses the adequacy of the incentive system;
- assesses the policies governing risk activities and conflicts of interests with related parties;
- periodically analyses complaints, ongoing disputes and unfavourable rulings of the Judicial Authority (even if not deriving from a complaint), verifying, with the support of the Legal Services, whether potential violations of external and/or internal regulations emerge and which may, therefore, constitute potential compliance risks;
- provides an ex-ante assessment of the legal opinions requested by the organisational units and corporate bodies in order to verify whether the cases under investigation reveal risks of compliance and formalise the results through a specific ex-ante assessment;

- supports Human Resources in monitoring the training activity on the provisions applicable to the activities carried out, including ESG issues, in order to disseminate a corporate culture based on the principles of honesty, fairness and respect for the spirit and letter of the rules.

In the first half of 2024, the Compliance Function carried out verification activities, based on the annual planning, with a focus on issues related to investment services and activities, banking transparency, payment services, anti-usury regulations, and market abuse. It is also specified that the Compliance function performed gap analysis activities on certain Regulatory Technical Standard (or RTS) concerning Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector (so-called DORA Regulation) which will be applicable from 17 January 2025.

The results of the checks carried out have been communicated to the competent departments for the implementation of the measures to mitigate any findings, which have been already put into practice or for which a planning date has been set to overcome the findings.

Regulator checks and requests

With reference to relations with the Regulators, in the first half of 2024, Banca Sella did not receive reports referring to inspections, while the activities aimed at completing the interventions necessary to overcome the findings made as a result of previous inspections continue, the progress of which is reported to the Authorities from time to time.

Human resources

In line with the shared strategic objectives for the three-year period 2024-2026, in the "Make an Impact" plan, the bank continues its important investment in people. In fact, a further strengthening of the Sella Team—which grew by 222 units from 2020 to 2023—is planned, in particular continuing the inclusion of young people.

The Bank's workforce at 30 June 2024 had 2,434 employees, confirming a growth trend and investment in the inclusion of young people (under 30s account for 13% of the total workforce). Therefore, the average age is now 45.65 years, progressively decreasing, with an average length of service of 17.62 years (considering the date of hiring in a company belonging to the Sella group).

Overall, the number of hires in the first half of 2024 was 88, of which: 39 permanent, 2 fixed-term and 47 apprenticeships. The terminations were 50, of which 23 for voluntary resignation, 24 for retirement, 1 for contract termination, 1 for failure to confirm the contract, and 1 for other reasons. Part-time work applies to 13% of staff. Hybrid work continues to be the work mode supported by the company. In the first half of the year, 1,124 people worked in remote working for a total of 42,637 days. The company also continues to support remote learning, which remains open to all people in the Network who do not have access to remote working due to job incompatibility.

HR Strategy

The care and well-being of our people continued to be key points of the Human Resources strategy, which starts from and is continuously renewed by listening to people. Specifically, several initiatives were carried out to respond to the results' evidence of the last Great Place to Work survey carried out in 2023 (in which the bank obtained GPTW certification) grouped into the following main areas:

- Plans for growth and enhancement of people with potential

Compared to the growth plans, a paradigm shift was defined to move from growth that starts from opportunities to the creation of opportunities to promote people's growth with the aim of guaranteeing the future of the bank by enhancing people's talent.

Starting with the junior employees, we grounded all the ingredients of the path dedicated to them designed during 2023. The aim of this initiative is to accompany young people who join us in acquiring skills and defining their growth path.

At the same time, we also invested in the definition of a process to enhance the value of senior people already included in the company. We started from reports of managers, thanks to the support of HR Business Partners, HR professionals who have become business partners in promoting the growth and well-being of people.

The definition of growth plans will be functional, among other things, to guarantee succession plans for the bank's key positions.

- Diversity & Inclusion

The path on Diversity & Inclusion started in 2023 with an analysis activity to highlight how diversity manifests itself within the organisation today. This resulted in a first focus of work on gender diversity aimed at enhancing female leadership by reducing the gender gap in managerial roles. The goal, at the end of the three-year plan, is to have women at the entry managerial level for a percentage equal to 50%.

To achieve this goal, we reviewed the process of new appointments to management positions and included D&I among the goals of the bank's management incentive system. These actions have already produced, in the first six months of the year, the first results with an increase in the number of female managers at the entry level (+ 1% at the bank level and + 3.6% in the sales network).

- Well Leadership

Well Leadership is a journey started in 2023 and will be one of the key pillars of the 2024-26 strategic plan. The recipients of this initiative are all the bank's managers and the goal is to evolve the managerial approach to integrate attention to employee engagement and well-being—elements that favour task orientation and achievement of objectives—into the leadership style.

The Well Leadership Academy provides training courses differentiated for seniority in the role and managerial level, with the common goal of accompanying the progressive growth and continuum of skills of all managers. We also intervened on the process of new appointments to managerial roles to provide an ex-ante assessment whether the characteristics of new managers are aligned to the style that we want to develop to set up targeted training from the moment they enter the role.

- Communication

In support of Human Resources activities and projects, the Internal Communication service has been an integral part of the Human Resources area itself since January 2024. The communication strategy, as in the past, aims to promote the acquisition of full knowledge and involvement in values, through storytelling that makes people protagonists of the objectives and successes achieved, while promoting the improvement in the sense of belonging and engagement.

- Training

With the aim of making the link between training and strategy even closer, the 2024 training plan was designed with three-year goals consistent with the new strategic plan.

In the first half of 2024, the training programme aimed at employees, consultants, agents and financial advisors working with Banca Sella was the following:

- Hours provided: 60,624 (slightly decreasing compared to 2022)
- E-learning: 22,812 hours (equal to 38% of the total training provided)
- Virtual classroom: 14,535 hours (equal to 24% of the total)
- Physical classroom: 18,330 hours (30% of the total)
- On-the-job training: 4,947 hours (8% of the total)

The training programmes of the first semester were divided along 5 main lines:

a) Evolution of the business and sales model:

In order to guarantee an increasingly personalised evolution of technical and commercial skills based on the role of colleagues, all the courses were designed and harmonised in order to allow the achievement of specific and strategic objectives for the evolution of each professional family, with a three-year work plan.

In most cases, blended courses were planned with a strong recovery of the physical classrooms, a delivery mode chosen to specifically accompany the evolution of the consulting skills of all the professional families in the network.

Alongside the courses dedicated to the entire professional family, the delivery of higher education courses such as EFPA courses, financial advisors' licence, master in insurance, ESG certification continued in 2024.

b) Management

Within this strand, the Well Leadership Academy was inaugurated, designed to accompany the evolution of all the bank's managers in the continuum, with training courses differentiated by managerial level but united by the same learning philosophy. To encourage the implementation of learning, each strand is structured like a course of at least annual duration that alternates classroom moments, to deepen content and acquire new tools, to group coaching, to share best practices and help transform content into active behaviour.

In the first semester, courses dedicated to:

- top managers,
- middle managers,
- managers of the area departments of the Retail and Commercial Banking supply chain,
- head office managers were started.

As for the Branch managers, the new training catalogue of the year was presented, which, in continuity with what was done in 2023, will see the people involved in choosing the course, in order to make training increasingly tailor-made and responsive to the needs of individuals.

The "*Essere manager nel gruppo Sella*" (Being Manager in the Sella Group) course accompanying all the people who, for the first time, hold a managerial role, continues for the 43 new managers who had already started training during the past year.

c) Regulatory training

It aims to disseminate timely knowledge of regulatory updates in the sector (e.g. Anti-Money Laundering, Transparency, Legislative Decree 231/2001, Privacy, IT Security, Credit) and to strengthen knowledge and governance of risks.

In this context, an update of anti-money laundering training and new courses on accessibility and whistleblowing were published.

d) Specialised and transversal training

It is based on the development of specialised role and transversal skills, with a particular focus on effective communication, personal effectiveness and language training. In 2024, Goodhabitz's new online learning platform was launched, making it available—at the moment—to all Headquarters people. By accessing the platform you can choose from more than 120 training courses on soft skills and transversal themes, developed in different ways: videos, TED Talks, blogs, articles and learning snacks. This initiative is linked to the Bank's desire to accompany a cultural evolution in approaching training, in which the person becomes responsible and a protagonist in choosing their own path of skills growth.

e) Sustainability, mindset and innovation

The main focus of 2024 concerns the dissemination of a culture of sustainability that relies on the construction of a ”Sustainability Campus” led by the bank’s specialists who strategically follow this theme and with the involvement of external experts. Through blended courses, the goal is to disseminate basic knowledge to all people, update the knowledge of specialist credit and investment figures, create specific skills related to the sustainability of the agricultural, real estate, energy and manufacturing sectors.

The training on innovation issues saw the involvement of the bank’s people in courses provided by Lynfa, the Group Academy, with three main focuses: Blockchain, Artificial Intelligence and Impact.

Finally, in order to support decision-making capacity, Banca Sella managers are recipients of the ”Risk Academy”, a Group initiative that was created with the aim of contributing to the mitigation of the risk of making decisions that generate unexpected negative effects, especially in decision-making areas where the ”unknown territory” is greater. The Academy develops into a series of communities, each of which is the recipient of personalised courses based on the different types of risks that impact its members. Each course gives the opportunity to have a certification of the level of skills achieved.

Own funds and bank regulatory ratios

At 30 June 2024, 668,456,168 ordinary shares with a nominal value of EUR 0.50 (zero point fifty) each, including share premiums, reserves, and accrued earnings with a computable value of EUR 1,043,415 thousand were included in Banca Sella's Common Equity Tier 1 - CET1; there are no computable financial instruments in the additional Tier 1 capital. Tier 2 - T2 included subordinate loans issued by the Bank for a countervalue of EUR 144,800 thousand.

REGULATORY CAPITAL

Figures in thousands of EUR

	Total 30/06/2024	Total 31/12/2023
A - Common Equity Tier 1 (CET1) before application of prudential filters	1,043,415	984,131
of which CET1 instruments subject to transitional provisions	-	-
B. CET1 prudential filters (+/-)	(1,019)	(1,477)
C. CET1 gross of elements to be deducted and the effects of the transitional regime (A +/- B)	1,042,396	982,654
D. Elements to be deducted from CET1	65,069	70,724
E. Transitional regime - Impact on CET1 (+/-), including minority interests subject to transitional provisions	-	-
F. Total Common Equity Tier 1 (CET1) (C - D +/- E)	977,326	911,930
G. Additional Tier 1 - AT1, gross of elements to be deducted and the effects of the transitional regime	-	-
of which AT1 instruments subject to transitional provisions	-	-
H. Elements to be deducted from AT1	-	-
I. Transitional regime - Impact on AT1 (+/-), including instruments issued by subsidiaries and included in AT1 due to the effects of transitional provisions	-	-
L. Total Additional Tier 1 (Additional Tier 1 - AT1) (G - H +/- I)	-	-
M. Tier 2 - T2, gross of elements to be deducted and the effects of the transitional regime	144,800	119,200
of which T2 instruments subject to transitional provisions	-	-
N. Elements to be deducted from T2	-	-
O. Transitional regime - Impact on T2 (+/-), including instruments issued by subsidiaries and included in T2 due to the effects of transitional provisions	-	-
P. Total Tier 2 - T2 (M - N +/- O)	144,800	119,200
Q. Total own funds (F + L + P)	1,122,126	1,031,130

Based on prudential regulatory provisions, the total requirement is equal to the sum of the capital requirements prescribed against credit and counterparty risks, credit valuation adjustment risk, regulatory, market and operational risks.

In general, as for operational risks, the methods used to calculate capital requirements are the standardised approach and the basic indicator approach (BIA).

In general, as for credit risks, the methods used to calculate capital requirements are the standardised approach and the Advanced Internal Rating-Based (AIRB) approach.

Banca Sella's capital management policies have the goal of guaranteeing that the capital base is in line with the level of risk taken on, while complying with regulatory requirements and company development plans.

At 30 June 2024, the capital ratios exceeded the minimum requirements set forth in the regulations in effect at the reporting date:

- Common Equity Tier 1 ratio: 19.31%, against a minimum level of 7%;
- Tier 1 ratio: 19.31%, against a minimum level of 8.5%;
- Total Capital ratio: 22.17%, against a minimum level of 10.5%.

CAPITAL ADEQUACY

Figures in thousands of EUR

Categories/Value	Non-weighted amounts		Weighted amounts/requirements	
	30/06/2024	31/12/2023	30/06/2024	31/12/2023
A. Risk assets				
A.1 Credit and counterparty risk	18,583,174	18,772,636	3,923,422	3,601,629
1. Standardised approach	10,943,971	11,623,859	1,076,550	1,032,925
2. Internal rating-based method	7,622,535	7,127,863	2,834,635	2,552,539
2.1 Basic	331,257	270,280	287,506	246,854
2.2 Advanced	7,291,278	6,857,583	2,547,130	2,305,685
3. Securitisations	16,668	20,914	12,236	16,165
B. Regulatory capital requirements				
B.1 Credit and counterparty risk			313,874	288,130
B.2 Credit valuation adjustment risk			114	105
B.3 Regulatory risk			-	-
B.4 Market risks			4,135	3,618
1. Standardised approach			4,135	3,618
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			86,817	86,817
1. Basic method			86,817	86,817
2. Standardised approach			-	-
3. Advanced method			-	-
B.6 Other prudential requirements			-	-
B.7 Other calculation elements			-	-
B.8 Total prudential requirements			404,940	378,671
C. Risk assets and regulatory ratios				
C.1 Risk-weighted assets			5,061,753	4,733,382
C.2 Common equity Tier 1/Risk-weighted assets (CET1 capital ratio)			19.31%	19.27%
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			19.31%	19.27%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			22.17%	21.78%