Sella

PRESS RELEASE

Sella Group: positive results at 30 September 2024 as the growth strategy continues

Solid growth of global deposits (+19.2%) and lending (+5.3%)
Intermediation margin increases to €798.6 million (+6.9% compared to September 2023)
Group net profit at €124.1 million, ROE at 11.2%

PROFITABILITY

- **Consolidated Group total net profit:** €124.1 million (€95.3 million of which pertaining to the Parent Company)
- **ROE (annualized):** 11.2%

ECONOMIC PERFORMANCE & EFFICIENCY

- **Intermediation margin:** €798.6 million (+6.9% compared to September 2023)
- **Interest margin:** €422.4 million (+6.5% compared to September 2023)
- **Net revenue from services:** €322.2 million (+3.6% compared to September 2023)
- **Operating costs:** €556 million (+12.3% compared to September 2023)
- **Cost to Income ratio:** 69% (it was 65.9% at September 2023)

PERFORMANCE OF DEPOSITS AND LENDING

- **Global deposits:** €63.2 billion (+19.2% compared to September 2023)
- **Global net deposits:** +€4.9 billion (+€3.6 billion at September 2023)
- **Total lending:** €11.5 billion (+5.3% compared to September 2023)
- **New disbursements in installments:** €2.4 billion (€2.2 billion at September 2023)

CAPITAL SOLIDITY 30/09/2024 (30/09/2023)

Ratios	Sella Group	Banca Sella	Banca Patrimoni Sella & C.
CET 1 Ratio	13.38% (13.53%)	19.76% (19.31%)	15.41% (13.64%)
Total Capital Ratio	15.57% (15.40%)	21.62% (21.64%)	15.41% (13.64%)

LIQUIDITY & ASSET QUALITY

- **LCR:** 207.14% (it was 218.9% at September 2023)
- **NSFR:** 143.15% (it was 137.3% at September 2023)
- **L/D ratio:** 59% (it was 63.3% at September 2023)
- **Gross NPL ratio:** 2.9% (it was 3.1% at September 2023)
- **Net NPL ratio:** 1.6% (it was 1.7% at September 2023)
- **NPL coverage:** 49% (it was 45.5% at September 2023)
- **Bad loans coverage:** 65.2% (it was 63.7% at September 2023)
- **Cost of credit (annualized):** 45 bps (it was 32 bps at September 2023)
- **Texas Ratio:** 21.4% (it was 22.9% at September 2023)

PEOPLE & INVESTMENTS

- **Customers:** 1.4 million (around +106,000 compared to September 2023)
- **Team Sella:** around 6,516 people (+265 compared to September 2023)
- **Investments (excl. real estate):** €70.5 million (it was €76.2 million at September 2023)

Please refer to the **'Explanatory and Methodological Notes'** section at the end of the document for clarifications on the components of economic items, equity aggregates and financial metrics used, as well as the main definitions of terms used in this press release.

The Board of Directors of the parent company Banca Sella Holding today approved the consolidated results at 30 September 2024, which confirm the positive trend of the sustainable growth path of the Group, in line with the targeted development objectives. The positive trend concerned all business areas, highlighting their ongoing strengthening and confirming the effectiveness of the strategy based on a broad diversification of revenue sources.

The "Make an Impact" strategic plan, launched at the beginning of the year is continuing, and is aimed at achieving measurable impact targets so that the Group is recognized for the quality of the services and consultancy it offers, as well as its ability to generate a positive impact socially, economically, environmentally and locally.

Group consolidated net profit was €124.1 million (+2.4% compared to September 2023, without taking into account the non-recurring component resulting from the strategic partnership with the Sesa Group). ROE stood at 11.2%, reflecting the good performance of margins, which benefited from a dynamic business activity also in the third quarter of the year, usually characterized by seasonal issues, and despite the ongoing uncertain and complex international macroeconomic context.

The intermediation margin reached €798.6 million, recording a 6.9% increase over September 2023.

Lending volumes continued to grow, reaching €11.5 billion (up 5.3% from September 2023), in contrast to the downturn that has affected the sector. In a particularly complex market setting, the Group lent €2.4 billion in the first nine months of the year, while keeping a rigorous focus on the quality of lending by implementing traditional prudential policies. This result shows the Group's standing as a sound point of reference for households and businesses and its ability to provide clear and timely answers to customers' financing needs (there were 106,000 new customers in the last twelve months, 173,000 when including customers of the fintech Hype held in a 50/50 joint venture with illimity).

Global deposits grew steadily reaching €63.2 billion (+19.2% compared to September 2023) with positive global net inflows amounting to €4.9 billion since the beginning of the year, including €1.5 billion in assets under management. Thanks to these results, the Group has confirmed its position among the top institutions in Italy in the area of deposits and asset management.

In the payment systems segment, the Group also recorded further expansion. Acquiring (POS and e-commerce) and issuing services show a 10% increase compared to September 2023.

The economic and financial performance of the Group

Consolidated net profit of the Sella Group at 30 September 2024 was €124.1 million compared to €140.6 million for the same period last year that was affected by the capital gain resulting from the strategic partnership with the Sesa Group, booked for approximately €20 million gross. Net of this non-recurring item, the consolidated Group net profit is up by 2.4 %. Again, net of the effects of the aforementioned transaction, **consolidated net profit pertaining to the Parent Company**, which excludes the quota pertaining to third-party shareholders present in the shareholding structure of several Group companies, amounted to €95.3 million, up 7.4% year on year.

From an industrial standpoint, the increase in the operating result would be even more significant considering that the results at 30 September 2023 included a different contribution to the resolution funds resulting from their accrual basis (€6.6 million to the SRF, a contribution booked in March

2023 and not due in the current financial year, compared with €16.3 million as the quota to the DGS, this year requested in June instead of December by the Interbank Deposit Protection Fund), and were not impacted by the refunds paid by the Group to the customers following the IT disruption which occurred in April.

Interest margin stood at €422.4 million, up 6.5% compared to September 2023 (equal to €396.7 million), benefiting from the favorable trends in the commercial spread, stable in the third quarter, the increase in average lending volumes and good management of the deposits.
Net service revenues totaled €322.2 million, up 3.6% from the same period last year, when they totaled €311 million. The increase was driven by investment services, while payment systems, bancassurance, corporate investment banking, and payment orchestration services in Open Finance also showed growth. **Net profit from financial activities** is positive by €54 million compared to €39 million at September 2023.

As a result of these dynamics, the **intermediation margin** stood at €798.6 million in the first nine months of the year, up 6.9% compared to September 2023. The good performance of the intermediation margin is a reflection of the excellent level of diversification and development achieved across the various activities in which the Group is engaged, made evident by the management breakdown according to business areas.

In particular, **Investment services** generated revenues equal to €148.1 million (+8.9% compared to September 2023) supported by the good performance of trading and placement activities as well as increased collection volumes from qualified funding. **Payment systems**, have led to total margins of €80.7 million (+2.7% over September 2023) and total transacted volumes related to acquiring (POS and e-commerce) and issuing services were up 10%. **Open finance** platforms, open payments and the offering of technology services to third parties generated revenues of €34 million (+11% compared to September 2023, +6.5% excluding the contribution of Judopay, which entered the Group's perimeter in August 2023). Also significant was the 20% growth in recurring revenues (+14% excluding JudoPay's contribution), which accounted for 76% of total revenues as of 30 September.
Finance closed the period with intermediation margins equal to €78.3 million, with an increase over the €62.8 million recorded at September 2023. **Corporate investment banking,** with consolidated data relating to M&A, private debt and leveraged finance products, recorded the best performance since its inception, both in terms of number of deals closed (24) and margins (€9.8 million, +19.7%).

In the first nine months of 2024 **operating costs** showed a 12.3% increase compared to September 2023, standing at €556 million, in line with management development forecasts. This figure mainly reflects the growth in Team Sella's headcount (that reached 6,516 staff, +265 compared to September 2023, +127 since year start), which is necessary to match the development of the Group, and the greater costs following the renewal of the National Collective Bargaining Agreement for the Banking Sector, effective as of 1 July 2023, that therefore had no effect on the first six months of last year.

Other administrative expenses also recorded an increase and were impacted by the aforementioned different contribution to the resolution funds, and by higher costs mostly supporting the growth projected in the plan (charges for IT services, as well as higher costs for services to payment systems, information providers, and training expenses).
Depreciation and amortization are also increasing, as a direct effect of the ongoing investments made in recent years and those being made to support strategic projects.
Investments in the first nine months of the year amounted to €70.5million (they had been €76.2 million in the same period of 2023) not including the real estate component.

Cost to Income stood at 69% (it was 65.9% in September 2023) up 310 bps, while the ratio would stand at 68% (it was 67.4 % on a like-for-like perimeter in September 2023) excluding the different contribution to the resolution funds and the economic effects relating to the refunds paid to customers by the Group following the IT disruption which occurred in April.

Operating income for the first nine months was €242.6 million, down compared to €251.7 million in the same period of the previous year. When normalizing the effects of factors described above in the Cost to Income section, the **normalized operating income** - due to the effects of factors described above in the Cost to Income section - was €254 million, up 5.4% from the previous year's figure of €241 million, calculated on a like-for-like perimeter.

As for the evolution of deposits and loans, **global deposits** at market value stood at €63.2 billion, up also in the third quarter, and recording an increase of 19.2% compared to the value in the same period last year and 11.9% compared to the end of 2023, with an increase in absolute terms of about €10.2 billion compared to the figure in September 2023. This increase was driven for about €4.9 billion by new inflows of global net deposits, and for about €1.8 billion by market price performance.

Direct deposits net of repos reached €18.5 billion, up both compared to September 2023 for €1.6 billion of new deposits (+9.4%), and to the beginning of the year (+2.3%), despite the greater propensity in this economic climate on the part of customers to purchase the numerous Government Bonds issued during the period.
Assets under administration totaled €21.5 billion, up 31.2% from September last year (+21% since the beginning of the year), for a net administered flow of €3.5 billion and market price performance of €1.6 billion.
Assets under management amounted to €23.7 billion, up 16.9% year-on-year (+12.2% since the beginning of the year), with new deposits amounting to €1.5 billion and market price performance of €1.9 billion.

The stock of **qualified funding** at market value reached €27 billion, thanks to positive net flows of €2.2 billion in the last twelve months, of which €1.5billion related to assets under management.

Overall **commercial lending** recorded a significant development despite the general market context still characterized by interest rates hampering loan demand, reaching €11.5 billion, growing steadily both compared to September 2023 (+5.3%) and the end of last year (+3.8%).
The Group distinguished itself for its dynamic nature in the segment by supporting new and old customers in their borrowing needs, while maintaining the traditional highly prudent standards in terms of lending policies. The amount of new disbursements in the first nine months was €2.4 billion, up €0.2 billion from the same period last year.

Lending quality remained solid with **adjustments** amounting to €38.8 million, with a slight €14 million increase compared to September 2023 and representing a **cost of credit risk** equal to 45 bps (it was 32 bps in the same period of last year), lower than management forecasts and which also includes consumer credit activities the Group is engaged in. The trend is in line with industry dynamics that see the **cost of risk** normalizing at higher levels compared to those observed last year.

At 30 September 2024, the percentage of **coverage of non-performing loans** stood at 49%, up from September 2023 (equal to 45.5%) and in line with the end of the previous year (equal to 48.8%). A similar trend for the percentage of **coverage of bad loans**, which stood at 65.2% (compared to 63.7% in September 2023 and 64.8% at the end of 2023).

The **net NPL Ratio** was 1.5% (it was 1.7% in September 2023 and 1.6% at the end of 2023) and the **gross NPL Ratio** was at 2.9% (it was 3.1% in September 2023 and 3% at the end of 2023). The **Texas Ratio** is at 21.4% (it was 22.9% in September 2023 and 22.7% at the end of 2023).

The traditional capital solidity has been confirmed, and it is well above the required standards: the **CET1 Ratio** is 13.38%, the **TIER 1 Ratio** is 13.62%, and the **Total Capital Ratio** is 15.57% (they were 13.53%, 13.77%, and 15.40% respectively in September 2023). This slight decrease reflects the normal operational evolution of the business. The liquidity ratios are also significantly above the minimum required thresholds: LCR at 207.14% and NSFR at 143.15% (they were 218.9% and 137.2% in September 2023. The minimum required threshold for both is 100%).

Following the notifications received from the Bank of Italy, as of 1 January 2027 the Sella Group is expected to comply with a minimum requirement of own funds and eligible liabilities in case of "MREL" resolution equal to 21.75%, including capital reserves. The three-year funding plan provided for, totally respected in 2024, allows for full achievement of this target.

Some of the items described were impacted by the IT disruption that occurred last April, caused by an update of the operating system on a number of servers. The unusual nature of the disruption affected the recovery time, impacting several online services and debit card transactions, while the network of branches and banking operations continued to function smoothly. The Group, paid compensation for all direct damages to its customers and third-party companies connected to its systems, and decided independently to refund the fees for the services not rendered, thus earning their appreciation. The first class of actions was accounted for as operating charges relating to operational risks and therefore under operating costs, and the second as a direct write-down of related revenue items.

The performance of the Group's main companies

Banca Sella's results

Banca Sella closed the first nine months of 2024 reporting positive results. The net profit was €130.4 million, slightly down from €132.5 million in the same period last year (-1.6%). The comparison would be positive (+4%) if the effects of bringing forward the contribution to the resolution funds deriving from the different accrual bases of the quotas paid in compared to the previous year were excluded (€3 million to SRF accounted for in the first half of 2023, a contribution not due in the current financial year, compared to €14.2 million to DGS in 2024, a quota required in June instead of December by the Interbank Deposit Protection Fund). The Bank's ROE stood at 18% (it was 20.7% in September 2023). The traditional solidity of capital was further strengthened, with CET1 at 19.76% and Total Capital Ratio at 21.62% (they were 19.31% and 21.64% respectively in September 2023).
Liquidity ratios were also very positive, standing well above the required thresholds: the LCR was 262.7%, while the NSFR was 161.1% (they were 260.40% and 156.30% in September 2023, for both, the minimum required thresholds are 100%). Following the notifications received from the Bank of Italy, as of 1 January 2027 Banca Sella is expected to comply with a minimum requirement of own funds and eligible liabilities in case of "MREL" resolution equal to 18.50%, including capital reserves. The three-year funding plan provided for, totally respected in 2024, allows for full achievement of this target.

The solidity of the lending quality ratios has been confirmed and the cost of credit risk stood at 22 bps (it was 19 bps at September 2023 and 26 bps at the end of 2023). The net NPL Ratio is down to 1.4% (it was 1.6% in September 2023 and 1.5% at the end of 2023) and the gross NPL Ratio to 2.5% (it was 2.7% both in September 2023 and at the end of 2023). The Texas Ratio improved to 21% (it was 24.2% in September 2023 and 23.7% at the end of 2023).

Global deposits at market value stood at €38.3 billion, up 13.2% compared to September 2023 and 8.2% compared to the end of last year. Global net deposits in the first nine months of the year were positive at €2 billion, driven by the growth of indirect deposits. In the same period, lending to support household and corporate activities reached €9.6 billion, up 3.7% compared to September 2023 and 2.1% since the start of the year.

Growth in intermediation margin (+7.5% compared to September 2023 to €513.2 million) thanks to an increase in interest margin (+9.4% to €315.6 million) and net service revenues (+1.1% at €187 million). The latter would show a greater increase (+2.3%) if the refunds paid by the Bank to customers following the IT disruption which occurred in April were excluded.

Net income from financial activities increased significantly (+169.5% to €10.7 million).

Operating costs are up 11.5% compared to September 2023, mainly due to the increase in the workforce and in investments carried out by the Bank, as well as the effects of the renewal of the National Collective Bargaining Agreement for the Banking Sector and the different contribution to the resolution funds. Cost to Income stood at 58.3% (it was 56.2% in September 2023). The indicator would come in at 56.1% excluding the effects of the higher contribution to the resolution funds due to the different accrual bases between the two financial years of the quotas paid in.

As part of its growth strategy, Banca Sella has further strengthened its specialized advisory-based service model and has continued to provide comprehensive and effective responses to the needs of households and businesses by developing innovative, high-tech products and services in all areas in which it operates, from advanced wealth management to corporate and investment banking to retail and commercial banking.

Banca Patrimoni Sella & C.

Banca Patrimoni Sella & C., specializing in the management and administration of assets of private and institutional clients, closed the first nine months of 2024 with a net profit of €19 million, slightly down from the €21.8 million of September 2023. Assets under management stood at €25.9 billion, up 26.9% compared to September 2023 and 16.5% compared to the end of last year. Total net deposits amounted to €2.6 billion, while the progressive qualified net funding share reached €1.5 billion, benefiting from customers' interest in asset management products. The results were affected both by the good performance of commission fees, as a result of the bank's further growth in size, and by the contribution of net interest income and profits from operations on the proprietary trading portfolio. The CET1 and Total Capital Ratio were both 15.41% (they were both 13.64% in September 2023).

Among Banca Patrimoni Sella & C.'s subsidiaries, Sella SGR, the Group's asset management company, closed the first nine months of 2024 with net profit of €2.04 million, up 23.3% from the same period last year, and assets under management totaling €4.96 billion (up 21.2% from 30 September 2023). Sella Fiduciaria, a company that provides trust and family office services, closed the first semester of 2024 with assets under management amounting to €1.8 billion, representing an increase of 10.7% compared to September 2023. A total of 700 fiduciary mandates were opened, and 18 trusts and 19 family office contracts were managed.

Fabrick and the fintech ecosystem

Sella Group's development and growth in Open Finance continues through the activity of the specialist company Fabrick and its subsidiaries (Codd&Date, dpixel, Fabrick Solutions Spain, and Judopay, with the latter entering the Group's perimeter in August 2023), which closed the first nine months of 2024 with total net revenues of €45 million, up 14.5% from the previous year. The number of customers also increased - the connected counterparties up to September totaled 612 (+43% compared to September 2023), generating a significant increase in API calls to over 1.18 billion per month. During the third quarter, Fabrick signed several partnership agreements to enable a number of operators in the energy sector to the innovative features of the Open finance platform. The recurring revenues component also increased (+24.7% compared to September 2023), representing 72% of total revenues (it was 67% in September 2023)

By 30 September, the payment business had reached 121,000 customers (up 10% from the same period of the previous year) and had generated a POS and e-commerce transaction value of €20.5 billion (up 9%).

The Fintech District community, within the scope of which open innovation projects are developed, counted 301 fintech associates at the end of September. In addition, there are 50 corporates with whom collaborations have been established over the years.

Biella, 8 November 2024

Explanatory and Methodological Notes

Overall Group consolidated net profit - this refers to the profit for the financial year pertaining to the Holding Company (Banca Sella Holding) and minority interests present in a number of Group companies, also with the aim of strategic development of business activities, generated on its own behalf and by its wholly consolidated subsidiaries (Banca Sella S.p.A., Banca Patrimoni Sella & C. S.p.A., Fabrick S.p.A. being the main ones plus others - a full list of the shareholdings can be found on page 21 of the Consolidated Financial Statement and Report at 30 June 2024) excluding intergroup elisions and adjustments.

Annualized ROE - ratio between net income for the financial year, calculated by annualizing the current year's final statement excluding nonrecurring events and adding the impact of nonrecurring events already posted in the period, and the sum of Reserves, Share Premium Accounts, Capital, Minority Interest (+/-) and the Minority Interest component in the Balance Sheet Liabilities.

Cost/Income ratio - ratio between operating costs, after deducting the IRAP tax on personnel costs, net of losses related to operating risks as the numerator, and intermediation margin as the denominator.

Global deposits - sum of direct deposits and indirect deposits net of repos.

Global net deposits - variation in the stock of funding, net of market price performance.

CET1 Ratio - for the Sella Group, the “fully loaded” CET1 ratio and “phased-in” CET1 ratio coincide, as the Group waived the phased-in benefit on the CET1 ratio under IFRS9 when adopting the AIRB models. The capital ratios given were calculated including the result for the period for the portion not allocated to dividends.

LCR - short-term liquidity indicator calculated as the ratio between the stock of high quality liquid assets (HQLA), consisting of cash or easily marketable assets and total net cash outflows over a 30-day period. This ratio must be kept at a level of at least 100% on an ongoing basis.

NSFR - liquidity indicator on a longer-term basis, defined as the ratio between the amount of stable funding available and the amount of stable funding required. This ratio must be kept at a level of at least 100% on an ongoing basis.

L/D ratio - loan to deposit ratio i.e., the ratio between cash loans net of reverse repos and direct deposits.

Gross NPL ratio - calculated as the ratio between gross non-performing loans and gross cash loans to customers, excluding repos

Net NPL ratio - calculated as the ratio between net non-performing loans and net cash loans to customers, excluding repos

Cost of credit (annualized) - ratio between total adjustments/reversals for credit risk in the reclassified income statement (annualized) and cash loans net of repos at the end of the period.

Texas Ratio - ratio between non-performing loans and net tangible capital (i.e., capital net of intangible assets) added to adjustments to the value of receivables allocated to cover losses on receivables.

Customers including Hype - this represents the total of the customers of all Sella Group wholly consolidated companies excluding joint customers and the customers of Hype, the Group's challenger bank, held in a 50/50 joint venture with illimity, consolidated using the equity method.

Customers not including Hype - this represents the total of the customers of all Sella Group wholly consolidated companies, excluding joint customers and not including Hype, the Group's challenger bank, held in a 50/50 joint venture with illimity, consolidated using the equity method

Team Sella - this refers to all the people who collaborate with the Sella Group. In addition to staff with an employment relationship (both permanent and fixed-term) including employees of Hype held in a 50/50 joint venture with illimity. It also includes associates with different types of work relationship with the Group presenting characteristics of stability and long duration. For example, (1) financial advisors and agents licensed to offer services off-site, (2) financial brokers (insurance, financial and loan brokers) and any of their collaborators, and (3) persons with other forms of collaboration, stable and long-term, who provide a significant contribution to the Group.

Investments - reference is made to capitalized costs (CAPEX: Capital Expenditure).

Deposit Guarantee Scheme (DGS) - a fund guaranteeing deposits established within the Banking Union and managed by Eurozone's Single Supervisory Mechanism.

Single Resolution Fund (SRF) - resolution fund established by the ECB and managed by Eurozone's Single Supervisory Mechanism under the European Single Resolution Mechanism.

Open Finance - Group business lines including Fabrick, Fabrick Solutions Spain, Codd&Date, Alternative Payments, and dPixel, companies that offer innovative solutions and advanced financial services to financial institutions, businesses, and fintechs, thus promoting openness and the creation of interactions with the banking sector, thereby fostering the so-called **open banking** phenomenon. These companies develop solutions that facilitate the access of external financial and non-financial players to their **open finance** and **core banking** platforms, orchestrating data, services and payments, and promoting **embedded finance** solutions that directly integrate financial services into non-financial platforms and applications.

CCNL for the Banking Sector - Italian National Collective Bargaining Agreement for the banking industry signed on 26/11/2023 which became effective on 01/07/2023.

Normalized C/I ratio: pro-formation of the accounting item in order to separate the items that are extraordinary in nature or whose nature, although operational, is transitory and asymmetrical across the two periods of comparison or non-recurrence. This ratio excludes the effects of lower revenues resulting from reimbursements granted to customers following the IT disruption in April, the different timing recognition of resolution funds, and expenses related to some significant projects.

Normalized operating income: pro-formation of the accounting item in order to separate the items that are extraordinary in nature or whose nature, although operational, is transitory and asymmetrical across the two periods of comparison or non-recurrence. This ratio excludes the effects of lower revenues resulting from reimbursements granted to customers following the IT disruption in April and the different timing recognition of resolution funds.

Qualified funding - total of deposits under advisory contracts and including asset management products, administered securities and direct deposits products.

Direct commercial deposits - total of time and sight deposits and excluding direct deposits from credit institutions.