

Sella: very positive results for 2023 as growth continues

*The good performance was supported by all business components, confirmation of the effectiveness of the development strategy.
Banking income exceeds €1 billion*

- **Group net profit:** €107.5 million
 - **Consolidated net profit including minority interests:** €149 million
 - **Banking income:** €1 billion
 - **Net inflows:** €5.3 billion
 - **Direct inflows:** €18 billion
 - **Global inflows:** €56.5 billion
 - **Total lending:** €11 billion
 - **ROE:** 10.8%
 - **Team Sella:** over 6,300 people
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- **Banca Sella: CET1 19.27% - Total Capital Ratio 21.78%**
 - **Banca Patrimoni Sella & C.: CET1 13.57% - Total Capital Ratio 13.57%**
 - **Sella group: CET1: 13.36% - Total Capital Ratio 15.47%**

Sella group closed 2023 with very positive and steadily growing results in its various business sectors, attesting to the effectiveness of the diversification of its revenue sources and development strategy, based on the quality of consultancy services and on technological innovation, and the fostering of an open financial ecosystem aimed at best serving the clientele and generating a positive impact on the economy and society as a whole. Despite a global economic context that is uncertain and marked by ongoing international unrest, the group in fact recorded increased banking income (+18.2%), global deposits (+16.1%), loans (+4.9%), and all business volumes. Contributing to the achievement of these results were, in particular, the group banks - Banca Sella and Banca Patrimoni Sella & C. - which reported improved profits, increased deposits, as well as a consolidated capital position.

Consolidated results of Sella group

The results as at 31 December 2023 approved today by the Board of Directors of the Parent Company Banca Sella Holding closed with a consolidated net profit of €107.5 million, up from €91.9 million in the same period last year. Consolidated profit including the component attributable to minority interests, which are present in the shareholding structure of several group companies also to support the strategic development of their business activities, stood at €149 million (it was €109.5 million at the end of 2022). Gross operating income, reflecting the significant improvement at industry level, stood at €314.6 million (+30%) owing to the growth in net banking income that was significantly higher than that of costs. Compared to last year, there was a higher credit risk cost (up from 37 bps at year-end 2022 to 39 bps) and some write-downs on equity investments.



Inflows and lending

Customer confidence led to an excellent result in global net inflows, positive by €5.3 billion. Global deposits at market value were up 16.1% year-on-year and reached €56.5 billion. This growth was also driven by the €2.5 billion increase in the total value of customer investments from indirect inflows due to market price performance. Direct inflows grew by 8.5% to €18 billion. Lending also grew by 4.9% to €11 billion, reflecting a high capacity to support the activities of households and businesses.

Margins and revenues

Significant growth in net banking income to over 1 billion euros for the first time, up 18.2% from the previous year-end and reaching €1.015 billion. This enabled the group to continue investment, development initiatives and employment growth. Net revenues from services increased by 6.5% to €434.6 million and net interest income by 49% to €534.3 million, mainly driven by the commercial component and interest rate dynamics. The good performance is also underscored by the steady increase in market share. Net income from financial activities decreased to €46.6 million (-49.7 percent due to last year's nonrecurring transactions involving the sale of securities and tax receivables to third parties).

All the sectors the group is engaged in and the good balancing and diversification of revenue sources contributed to the positive results in 2023. Investment services generated revenues totaling €186.9 million (+3.7%). Significant growth was achieved in payment systems: total transacted volumes related to acquiring and issuing services increased by 19.2% reaching €109.3 million, with a 7.8% rise in net banking income. These volumes were realized also thanks to the increase in POS (+22.6%) and e-commerce (+7.3%) transactions. Margins related to the development of open finance platforms, open payments and the offering to third parties of technology services generated revenues of €46.4 million (+6.5%). Finance recorded a positive margin performance equal to €74.9 million, down from the same period in the previous year (-54.9%), which had been characterized by very favorable conditions such as high market volatility and the contribution of inflation to the return on the securities portfolio, as well as capital gains from the sale of securities. Revenues from new business grew 13.6% to €82.8 million, largely driven by corporate and investment banking services, whose revenues increased by 48.1% to reach €12.9 million, and to end-to-end payment platforms for corporates and merchants, in addition to embedded finance solutions. The group's total net revenues in open finance increased by 14.5% from the previous year to €54.7 million.

Credit quality

Credit quality remains at optimal levels. Net NPL Ratio decreased to 1.6% (it was 1.8%), while gross NPL Ratio decreased to 3% (it was 3.5%). Credit risk cost stood at 39 bps (it was 37 bps at the end of 2022). The coverage ratio on non-performing loans stood at 64.8% (it was 65.7%), and that on impaired loans at 48.8% (it was 49.5%) with a slight decrease due mainly to divestment in high-coverage, non-performing loans and a greater presence of secured loans. The Texas Ratio stood at 22.7% (it was 27.2%).

Solidity and liquidity

The group has further strengthened its excellent capital solidity, which is well above the required standards. CET1 was 13.36% and Total Capital Ratio was 15.47% (they were 13.21% and 15.12% respectively at the end of 2022). Liquidity ratios also improved and were well above the required minimum thresholds, with LCR at 230.83% and NSFR at 142.90% (they were 166.72% and 132.76% at the end of 2022, the required threshold for both is 100%).



Customers and workforce

By the end of 2023, the total number of the group's customers had further grown to over 3 million. More specifically, there was an increase of 7.1% to 3.003 million, including Hype, the joint venture with illimity. The number grew by 8.3% reaching 1.326 million customers not including Hype, thus strengthening a business development capacity that has resulted in a threefold net growth of customers in the last three years (+231,000) compared to the previous three years, also in the more traditional business sectors, thanks to the strategy based on consultancy services and technological innovation.

Team Sella, consisting of employees and consultants, also grew stronger and exceeded 6,300. During the year new employees' hires were 675, of which 439 in Italy and 236 abroad.

Investments

Investments totaled €104 million, not including the real estate component. Operating costs grew by 13.8% due to the increase in the workforce and the pay raises provided for by the renewal of the national collective bargaining agreement for banking personnel. Despite these major investments, Cost-to-Income improved and fell to 68% (it was 71.6% at the end of 2022).

Sustainability

The group's growth and development strategy has also been dedicated to its commitment to sustainability aimed at generating a positive impact. The amount of deposits, lending, and investments complying with stringent ESG criteria grew. Over the course of the year, the group supported customers in their transition to an economy with lower environmental impact by increasing its range of ESG products and services and successfully issued its first €100 million green bond. In addition, various initiatives have contributed to reducing the group's gross CO₂ emissions on an ongoing basis, such as the installation of a solar-powered system over the new parking lot at the Biella headquarters. Charitable initiatives providing contributions to various national and international associations and to support scientific research also continued through Sella Sgr's TFS iCare investment fund, which financed a new project of the Umberto Veronesi Foundation relating to Acute Myeloid Leukemia in children.

Banca Sella results

Banca Sella closed 2023 with very positive results, reporting a net profit of €157.3 million, representing a significant increase from the €73.3 million in the previous year. The bank's ROE stood at 18.4% compared to 9.1% at year-end 2022. It further strengthened its historical financial soundness, with CET1 at 19.27% and Total Capital Ratio at 21.78% (they were 18.63% and 21.16% respectively). Also very positive are the liquidity indicators, which are well above the required thresholds: the LCR index is 265.17%, while the NSFR index is 159.79% (for both the minimum required threshold is 100%).

In the framework of its growth strategy, Banca Sella has further strengthened its service model based on consultancy and customer relationships, while continuing to provide families, entrepreneurs and corporates with complete and effective solutions through the development of high-tech innovative products and services. In line with its objective of developing sustainable banking activities, Banca Sella has also expanded its dedicated offering of ESG-oriented financial solutions, such as lending to businesses aimed at supporting their transition to sustainable processes, and a payment card for the blind and visually impaired made from recycled plastic.



Particularly worthy of note was the progress in net banking income (+30.2% to €644 million) thanks to the increase in both net interest income (+68.3% to €392.3 million) and net income from services (+3.3% to €250.7 million). In detail, net interest shows a significant margin growth from commercial lending, driven by increased volumes and market rate dynamics, as well as profitability of the proprietary securities portfolio. The dynamics of income from services is driven by payment systems, both digital and traditional, good performance in the banking segment and in loan ancillary fees. Income from investment services also increased due to the greater contribution from trading and consultancy services. Thanks to the excellent banking income performance, Cost-to-Income improved significantly to 58.2% (it was 67.6%), despite operating costs increasing by 11.1%. Gross operating income, up 64.8% and reaching €261 million, is evidence of the bank's very strong performance.

Global inflows at market value stood at €35.4 billion, up 12.2%, while global net inflows were positive by €2.6 billion. Direct inflows grew by 13% to €14.9 billion. Lending to support household and business activities increased by 3.7% reaching €9.4 billion. Credit quality indexes were still at excellent levels: credit risk cost was 26 bps (previously 22 bps). The net NPL Ratio fell to 1.5% (it was 1.7%) and the gross NPL Ratio to 2.7% (it was 3.1%). The Texas Ratio improved and is now at 23.7% (it was 30.8%).

The Board of Directors shall propose to the Shareholders' Meeting the distribution of a dividend of 7.06 cents per share, up 60.82% from 2022, for a total amount of €47.193 million, corresponding to a 30% payout ratio.

Banca Patrimoni Sella & C.

Banca Patrimoni Sella & C., which specializes in the management and administration of the assets of private and institutional customers, closed 2023 achieving outstanding results - net profit, in fact, was €25.5 million, up from €14.1 million in 2022 (+81%).

The significant increase in assets under management to €22.2 billion (up 21.7% compared to the end of 2022) is proof of the bank's sound progress and performance. In 2023, total global net inflows were, in fact, €2.7 billion. Growing customer interest in asset management products and consultancy services led to an increase in qualified net deposits, which exceeded €1.2 billion, with the concurrent positive performance of commission income, which came in at €154.6 million (+23%). Noteworthy is the increase in net interest income, which stood at €47.8 million (+148%), driven by the results of the lending segment and assets allocated in the treasury portfolio. The CET1 and Total Capital Ratio were both 13.57% (they were 11.88% at the end of 2022).

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 (Axerve, Codd&Date, dpixel, Fabrick Iberica, and Judopay, the latter acquired in May 2023), which closed 2023 with total net revenues of €54.7 million, up 14.5% from the previous year. The number of customers also increased: the connected counterparties at the end of 2023 totaled 450, generating a significant increase in platform API calls to over 490 million per month. A partnership agreement was signed with Mastercard last year, which also joined Fabrick's shareholding with a minority stake. The aim of the partnership is to develop Embedded Finance solutions for enterprises and financial institutions throughout Europe.



Axerve, the company specializing in payment acceptance on all physical and digital channels with more than 100,000 active domestic and international customers, reported net revenues of €29.6 million (+19%). Also significant was the growth in POS and e-commerce transactions amounting to €25.5 billion (+20.2%).

The Fintech District community, within the scope of which open innovation projects are developed, with the arrival of 50 new companies counted 287 fintech associates at the end of 2023. In addition, there were more than 30 corporates with whom collaborations have been established over the years.

Biella (Italy), 9th February 2024