

## **Sella: positive 2022 First Half results announced**

*Development to support customer activities in all strategic sectors continue*

The Sella group closed the first half of 2022, recording positive results and growth, thus continuing the development of all strategic sectors of its business. The positive performance of the period, confirmed the effectiveness of its strategies based on the quality of personal relationships, technological and digital innovation and fostering an open and sustainable ecosystem. A strategic evolution aimed at providing efficient responses to the needs of households and businesses in a context of powerful innovation, notwithstanding the current uncertain scenario for the continuation of the pandemic, the consequences of geopolitical tensions and inflationary pressures.

### **Results for the Group**

Consolidated results for the period ended on June 30th 2022, approved today by the Board of Directors of the parent company Banca Sella Holding, closed with a net profit of € 61.5 million. The result is evidence of the high diversification of revenue sources that during the half-year, in particular, benefited from the sound performance of the market-making activity, the presence in the Group portfolio of inflation-indexed securities, and venture and private capital funds that recorded significant results. The sale of tax credits also contributed. The net profit is therefore up compared to € 34.5 million recorded in the same period of the previous year, calculated without considering the non-recurring items. In the previous year, following the capital gain from the strategic peer joint venture in Hype, which led to the acquisition of 10% of Illimity Bank, the Net Profit on June 30th, 2021, was € 89.4 million.

As it was already the case for the pandemic, faced with the consequences of the war in Ukraine, the Sella group – which has no direct exposure to the risks associated with the countries involved in the conflict – has defined an accurate Contingency Plan in the traditional spirit of sound and prudent management. The above led to reducing its risk profile accordingly, without interrupting support to customer activities in the new complex and uncertain global scenario characterised above all, by high inflation.

Against this background, compared to the first-half of the previous year, the net banking income grew by 19.9% by a remarkable € 69.5 million and reached € 419 million. The net interest income increased by 35.9% to € 161.8 million, thanks to the commercial component and the positive effect of inflation-indexed securities, while net revenues from services increased by 8% to € 192.7 million. The net result from financial activities grew by 24.2%, worth € 64.6 million due to capital gains from the sale of securities, positive results from trading on own account and sales of tax receivables.

The total deposits at market value figure at June 30th, 2022, was worth € 46.7 billion, down by 5.1%, against € 49.2 billion at the end of 2021, mainly deriving from the decrease by € 3.9 billion in the value of securities, held by customers and deposited with the banks of the Group, as a result of the decline in markets. Despite the uncertainties of the markets, overall net inflows in the half-year were sound, and amounting to €1.2 billion.

Loans including repurchase agreements grew by 10.9%, worth € 10.9 billion, while loans net of repurchase agreements grew by 5.9%, worth € 10.3 billion.



Results also show a good performance of credit quality indexes. The yearly cost of credit risk fell to 31 bps (was 33 bps at the same period of the previous year and 58bps at the end of 2021). The net NPL ratio fell to 2.1%, (was 2.2%). Similarly, the gross NPL ratio reached 4%, (was 4.2% at the end of 2021). The coverage rate on impaired loans increased to 50.2% (it was 49.5% at the end of 2021), while that on non-performing loans rose to 67.8% (it was 67.1% at the end of 2021). The Texas ratio index improved further to 30.9% (was 31.7% at the end of 2021).

### **Performance of the key business activities**

The outstanding performance of the first half of the 2022 period ensued from the performance of all its activity sectors and the high-grade diversification of revenue sources resulting from its growth and development strategy in both the traditional and innovative businesses. In particular, weighed against the same period of the previous year, finance and investment banking recorded a rise in margins worth 53.6%. Revenues from investment services, especially private banking, notwithstanding significant market tensions, grew by 3.8%, worth € 92 million. Qualifying deposits, represented by assets managed and investment consultancy, reached € 20.6 billion.

The overall transaction volumes of payment systems related to acquiring and issuing services grew by 28.5%, with an overall increase in the net banking income by 24.8%, to € 56 million, also thanks to a rise in POS (+25.7%) and e-commerce (+23%) transactions. Market shares for payment systems further increased, compared to the previous year reaching 28.9% for e-commerce, 6.9% for POS and 2.1% for payment cards; market shares in other strategic business activities such as asset management (0.84%) and online trading (10%) also remained significant. In the first half of the year, the number of Axerve's global customers in the field of payment systems increased, especially in the United Kingdom, France and the USA, confirming the growth opportunities of the Group also abroad in an expanding market such as that of digital payments.

Revenues from new businesses rose by 15.2%, worth € 37.5 million, mainly due to open payment services, technological solutions offered to third parties and Corporate & Investment Banking.

### **Clients, employees and Investments**

During the half-year, the total number of Group customers further increased by 3.4%, to 1.2 million, net of those of the Hype fintech held in joint-venture with illimity Bank. The number grows by 4.2% to 2.7 million, gross of Hype customers. Operating costs rose by 10.2%, mainly due to the numerous initiatives related to developing innovative technological solutions and increasing the staff through new hires. The so-called "Team Sella", composed of employees and partners, grew to over 5,600 people thanks to 360 new hires, of which 230 in Italy and 130 abroad; The expansion of the workforce was complementary to the advancement of the Strategic Plan that, in the first half of the year, was supported by € 36.6 million of investments, net of the real estate component. The Group, moreover, after reaching carbon neutrality last year, ahead of the plan set for 2024, continued its investments in energy efficiency by adopting new solutions with a lower environmental impact for its offices and branches. Thanks to the growth in revenues, even considering the significant investments made, the Cost to Income figure stood at 69.4%, down from 76%, in the same period of the previous year.

### **Soundness and liquidity**

The accustomed high level of capital soundness found confirmation well above the required standards. The consolidated CET1 stood at 11.99%, while the Total Capital Ratio was at



14.39% (they were respectively 12.28% e 14.19% at the end of 2021, with a slight decrease mainly due to the removals associated with the significant growth in loans and due to for the impact of IFRS9). The coefficients still not include the positive effects deriving from the adoption of advanced internal models (AIRB), which recently received authorisation from the Bank of Italy. These effects will start to take place in August and will be visible from the third quarter of the year.

Liquidity indicators are also performing. The LCR index at the Group level stood at 195.4%, while the NSFR index stood at 132% (the minimum limit is 100% for both indexes).

### **Banca Sella**

Results at June 30th, 2022, for Banca Sella, a company issuing financial instruments widely distributed among the public, closed with a net profit of € 48.1 million. The figure is growing compared to € 31.1 million in the same period of the last year, thanks to some items and finance transactions that characterised the semester, such as coupons on inflation-indexed securities and the sale of tax credits.

Compared to the end of 2021 figure, global deposits at market value stood at € 30.8 billion, falling by 8%, due to the € 2.3 billion decrease in the value of securities, held by customers and deposited with the Bank, as a result of the decline in markets as a result of the global scenario. Total net inflows in the six months were performing and reached € 216 million. Loans to support the activities of families and businesses rose by € 5.5% to € 8.9 billion.

Results also show a good performance of credit quality indexes. The yearly cost of credit risk stood at 19 bps (was 21 bps in the same period of the previous year and 36 bps at the end of 2021). The net npl ratio of the Bank stood at 1.9% (was 2% at the end of 2021). The gross npl ratio figure stood at 3.6% (was 3.8% at the end of 2021). The Texas ratio index bettered to reach 35.2% (was 36.2% at the end of 2021).

The net banking income recorded an increase (+21.1%, worth € 241.5 million) together with its main components, the net interest income (+31.3%, worth € 101.3 million) and Net revenues from services (+9.5%, worth € 118.6 million). The net financial result also increased (+55.3% to € 21.6 million due to the positive effect of capital gains from the sale of securities and tax receivables; on the other hand, the worsening external macroeconomic scenario caused a negative impact due to receivables valued at fair value).

As part of its growth strategy, Banca Sella has strengthened its service model mainly based on consultancy and continued to provide complete and efficient responses to customer needs. Also, thanks to partnerships signed with important fintech companies in the sector, it has continued the research and development of innovative applications, such as instant digital micro-policies via smartphone, AI-powered online customer onboarding and the new digital platform for companies with an open banking perspective.

In the first half of the year, in line with its sustainability goals, Banca Sella expanded its offer of financial solutions to support the energy transition of companies and the implementation of their projects, such as the launch of the so-called "green mortgage" dedicated to the purchase, renovation or energy requalification of residential or instrumental buildings, as part of the European Energy Efficient Mortgages Pilot Scheme project.

# Sella

The accustomed high level of capital soundness found confirmation. The CET1 of Banca Sella stood at 15.23% and the Total Capital Ratio at 19.08% (they were respectively 15.88% and 19.95% at the end of 2021), with a slight decrease mainly due to the removals associated with the significant growth in loans. The coefficients do not yet include the positive effects deriving from the adoption of advanced internal models (AIRB), for which the Group has recently received authorisation from the Bank of Italy. These effects will start to take place in August and will be visible from the third quarter of the year. Liquidity indicators are also performing. The LCR index of the Bank stood at 221.7%, while the NSFR index stood at 146.8% (the minimum limit is 100% for both indexes).

## **Banca Patrimoni Sella & C.**

Banca Patrimoni Sella & C., the bank of the Group, qualified in the asset management and administration of patrimonies of private and institutional clients, closed the first semester of 2022 with a net profit of € 8.9 million. The figure increased by € 5.8 million compared to the same period of the previous year. Assets under management stood at € 16.9 billion (-5.4%) compared to the end of the previous year. Despite the negative performance of the financial markets, it is worth noting the very positive result of the progressive net inflows, which in the half-year was worth € 1 billion. The CET1 of Banca Patrimoni Sella & C. stood at 11.94% while the Total Capital Ratio at 11.94% (were 12.54% and 12.54% at the end of 2021).

## **Fabrick and the fintech ecosystem**

Fabrick, the Group company qualified in open finance, its subsidiaries (Axerve, dpixel, Codd&Date) and the management of the Fintech District community, recorded overall total net revenues worth € 21.8 million, essentially in line with the first half of 2021. The number of customers increased: the number of connected counterparties at June, 30<sup>th</sup>, 2022 was 293 and generated a significant increase in API calls on the platform to reach 253 million.

Axerve, the company specialised in acquiring payments on all channels, both physical and digital, with over 100,000 active customers supported both nationally and globally, recorded POS and e-commerce transaction volumes in the first half of 2022, worth an equivalent value of € 9.5 billion, up 38% compared to the same period in 2021.

The Fintech District community, as part of which the development of open innovation projects takes place, further expanded and reached over 230 fintech companies and 12 corporate members. Fabrick, therefore, thanks to its platform, has continued to establish itself as an enabler of projects by promoting partnerships among different players, in a context in which open banking introduced by the European PSD2 legislation evolves to open finance and open payments. In this context, the new business models proposed, such as "Banking As a Service" and "embedded finance", were reflected on the market by banks and corporates to extend the offer and improve the customer shopping experience.

Biella, August 10th, 2022