

# Rating Report

## Banca Sella Holding SpA

### DBRS Morningstar

24 May 2023

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Arnaud Journois  
Vice President - Global FIG  
+49 69 8088 3526  
arnaud.journois@dbrsmorningstar.com

Elisabeth Rudman  
Managing Director - Head of EU FIG - Global FIG  
+44 20 7855 6655  
elisabeth.rudman@dbrsmorningstar.com

### Ratings

Issuer	Debt	Rating	Rating Action	Trend
Banca Sella Holding	Long-Term Issuer Rating	BBB (low)	Confirmed May '23	Stable
Banca Sella Holding	Short-Term Issuer Rating	R-2 (middle)	Confirmed May '23	Stable
Banca Sella SpA	Long-Term Issuer Rating	BBB (low)	Confirmed May '23	Stable
Banca Sella SpA	Short-Term Issuer Rating	R-2 (middle)	Confirmed May '23	Stable
Banca Sella SpA	Intrinsic Assessment	BBB (low)	Maintained May '23	--

### Rating Drivers

#### Factors with Positive Rating Implications

- An upgrade of the Long-Term ratings would require a material improvement in profitability or further structural strengthening of capitalisation levels.

#### Factors with Negative Rating Implications

- A downgrade would arise from a substantial deterioration in capital, a material increase in NPLs or significant negative impact on profitability.

### Rating Considerations

#### Franchise Strength (Moderate / Weak)

- Small franchise with a solid retail market position in the home region of Piedmont. The Group benefits from a diversified franchise, with growing private banking and payment system activities.

#### Earnings Power (Moderate)

- Modest but resilient profitability, thanks to a diversified revenue structure. Weak but improving operating efficiency. Cost of risk has normalised.

#### Risk Profile (Moderate)

- Stock of NPLs has continued to decrease. Asset quality metrics now more in line with European peers. However, concentration on SMEs makes the bank somewhat vulnerable in the current environment.

#### Funding and Liquidity (Good)

- Sound funding and liquidity position, underpinned by a large retail deposit base and ample liquidity buffers

#### Capitalisation (Moderate / Weak)

- Adequate capital buffers over minimum requirements. Capital levels have improved following the implementation of AIRB in 2022. However, they remain at the lower-end of the peer group.

2022	Scorecard Building Block (BB) Assessment	Grids BB Assessment	Combined BB Assessment
Franchise	M/W	M/W	M/W
Earnings	G/M	M/W	M
Risk	G/M	M/W	M
Funding & Liquidity	S/G	M	G
Capitalisation	M/W	M/W	M/W
Overall Assessment	Intrinsic Assessment Range (IAR)		Assigned IA
M	['BBB (high)', 'BBB', 'BBB (low)']		BBB (low)

## Financial Information

(In EUR Millions unless otherwise stated)	For the Year Ended December 31 (IFRS)				
	2022	2021	2020	2019	2018
Total Assets	20,336	20,479	17,846	15,004	14,283
Gross Loans to Customers	10,768	9,979	9,062	8,642	8,396
Income Before Provisions and Taxes (IBPT)	230	228	127	115	104
Net Attributable Income	92	108	30	34	25
Net Interest Margin	1.8%	1.4%	1.5%	1.8%	1.9%
Cost / Income ratio	76.6%	74.6%	83.0%	83.7%	84.0%
LLP / IBPT	13.4%	21.5%	52.2%	39.5%	47.6%
Cost of Risk	0.30%	0.53%	0.78%	0.50%	0.59%
CET1 Ratio	13.21%	12.28%	12.29%	11.41%	11.28%

Source: Morningstar Inc, Company Documents

## Issuer Description

Based in Biella (Italy), [Banca Sella Holding SpA](#) (Sella or the Group) is the parent company of the Sella Group. The Group's main activities are retail & commercial banking, asset management and private banking, payment systems, leasing and consumer finance.

## Rating Rationale

The ratings continue to reflect Sella's relatively small but solid and diversified franchise. Ratings are also underpinned by Sella's stable funding and liquidity position. The rating level also considers the Group's improved core profitability driven by higher operating efficiency and lower cost of risk when compared to peers. We consider that revenues will continue to benefit over the medium term from digital banking, a strong contribution from non-interest income, higher rates and stabilisation of the cost base, as laid out in its strategic plan. Nevertheless, despite improvement, the Group continues to report relatively weak efficiency ratios relative to peers due to franchise reinvestment.

In addition, the ratings take into account Sella's asset quality with the Non-Performing Exposure (NPE) ratio now in range with its domestic and European peers. However, we expect geopolitical tensions, rising interest rates and high inflation to lead to a rise in defaults, although we view Sella's improved asset quality metrics to be a mitigating factor.

We also take into account that capital ratios have notably improved in 2022 thanks to the implementation of the AIRB (advanced internal ratings-based approach) in 2022. However, we also note that capital ratios remain at the low end of the peer group and, as a non-listed bank, the Group has less capital flexibility.

## Franchise Strength

<b>Scorecard BB Assessment</b>	<b>Grids BB Assessment</b>	<b>Combined BB Assessment</b>
Moderate / Weak	Moderate / Weak	Moderate / Weak

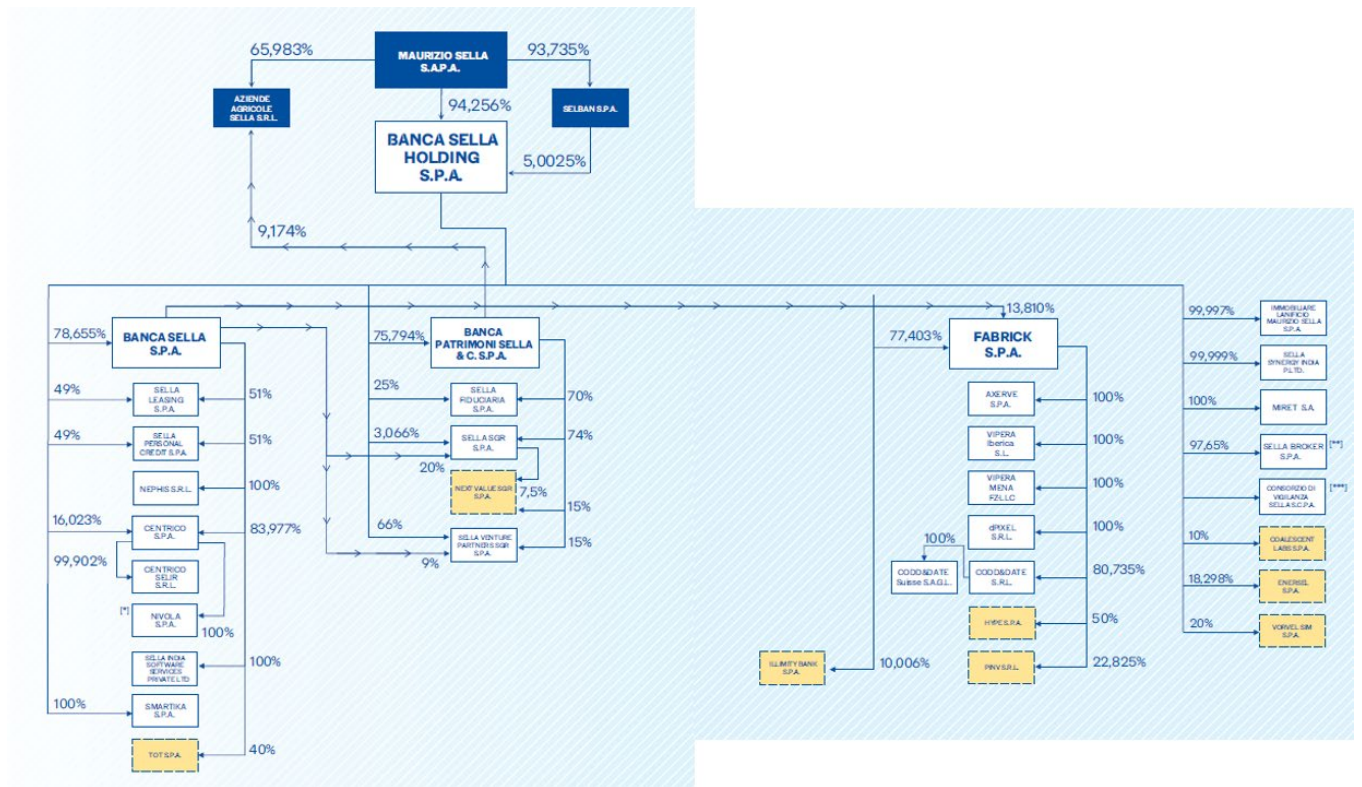
Banca Sella Holding (Sella or the Group) is a small Italian banking group with EUR 21.3 billion in total assets at end-Q1 2023. The Group maintains a solid market position in retail and commercial banking, especially in the home province of Biella. Unlike many peers of similar size, Sella's franchise is more diversified, thanks to its private banking and asset management activities, nationwide payment system as well as consumer finance and leasing operations.

The Group has been historically controlled by the Sella family, and they are also broadly involved in the Group's corporate governance. In DBRS Morningstar's view, the corporate governance risks potentially associated with the family ownership are mitigated by the following factors: 1) the Group's exposure to the Sella family is limited; and 2) the banking business is the main activity of the Sella family. The Sella family controls the Group via Maurizio Sella Sapa which owns 94% of Banca Sella Holding SpA. Legally a bank, Banca Sella Holding SpA acts as the Group's treasury and manages the funding with institutional counterparties, including the ECB, as well as the overall business strategy and planning. In April 2020, Massimo Vigo became CEO of Banca Sella SpA (the Bank), succeeding Claudio Musiari who retired.

The Group manages the raising of deposits and lending to households and SMEs through the Bank, its main operating subsidiary. Banca Sella includes the Group's branch network as well as the electronic banking and internet services (with the exception of Hype). Private banking and asset management products are offered via both the private banking unit of Banca Sella SpA and Banca Patrimoni Sella SpA, while corporate and investment banking services are provided by Sella CIB, which was created at end-2018. In addition, the Group offers consumer finance and leasing products, through Sella Personal Credit and Sella Leasing, as well as payments platforms, provided by Banca Sella SpA and Axerve SpA.

Sella has stepped up its effort in digital banking and new technologies in recent years. In 2015 the Group created "Hype", a mobile app for digital banking and payments solutions which has gained increasing popularity since its introduction. Sella also launched the first open banking platform in Italy ("platfr.io"), as well as setting up Fabrick SpA, a subsidiary aimed at investing in fintech businesses and innovative payment and banking solutions. In 2018, Sella launched "Sella Evolution" in collaboration with Moneyfarm, an online trading platform for private customers. In 2020, Sella also launched the first industrial consolidation operation in the Italian open banking market, following the signing of the joint venture together with Illimity in Hype, to further boost its growth. Nevertheless, the bank decided to refocus on core activities and deconsolidate Hype in 2021 to boost profits and improving operating efficiency. In 2022, the Group, through its subsidiary Centrico, has signed a long-term partnership with Sesa with the aim of strengthening the presence on the Italian market in the field of software solutions, business processes outsourcing and application services for the Financial Services industry, in order to improve profits for the Sella group.

**Exhibit 1** Group Structure at end-2022



Source: DBRS Morningstar, Company Documents.

**Earnings Power**

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Good /Moderate	Moderate / Weak	Moderate

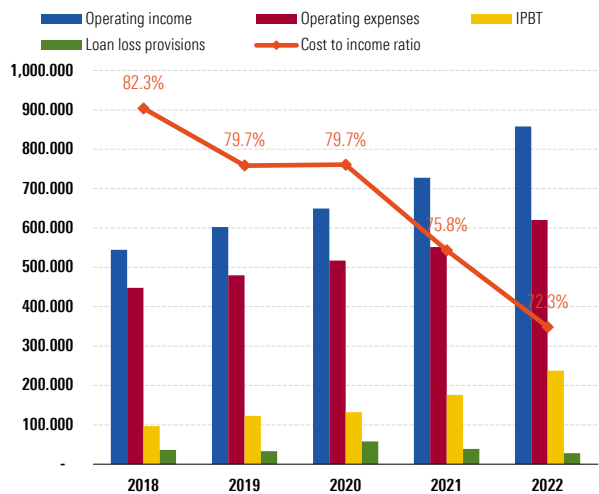
In 2022, the Group reported net attributable income of EUR 91.9 million, down by 15% YoY from EUR 108.3 million in in 2021. However, when excluding the non-recurrent effect from the capital gains stemming from the deconsolidation of Hype, following the setup of the joint-venture with Illimity in 2021, the Group’s net income actually went up by 68% from EUR 56 million. Results were supported by higher revenues and lower provisions which offset higher operating expenses. Net interest income for the Group was up 42.6% YoY in 2022, thanks to solid volume growth and the positive effect from inflation-indexed securities. Net fees and commissions were up 7.5%, thanks to diversification of activities, with solid performance reported in all segments.

Whilst the Group’s cost to income ratio remains high as a result of Sella’s investments in new technologies and innovative banking products, operating efficiency has improved since the deconsolidation of Hype and the cost to income ratio as calculated by DBRS Morningstar stood at 72.3%, compared to 75.8% a year earlier.

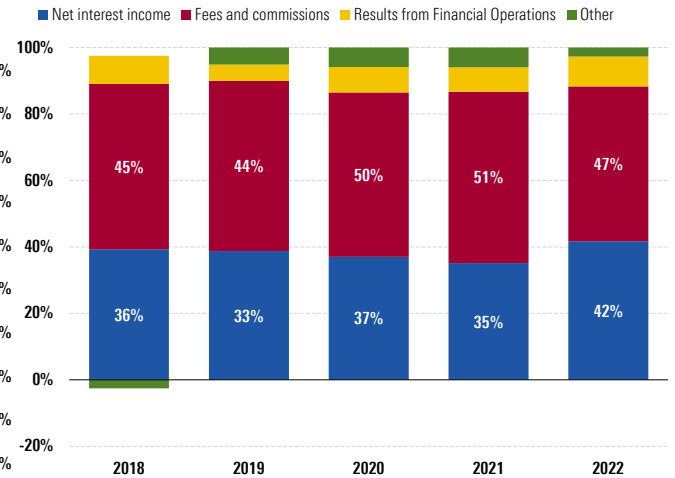
Provisions were down 33% YoY and back to 2019 levels . As a result, the cost of risk normalised at 37 bps in 2022 against 58 bps in 2021.

In Q1 2023, the Group reported net attributable income of EUR 48.0 million, up from EUR 35.0 million in Q1 2022. This was a result of higher revenue generation, mainly driven by higher net interest income on the back of raising interest rates, which offset higher operating costs and higher loan loss provisions. Cost of risk remained contained at 41 bps.

**Exhibit 2** Profitability Evolution (EUR million), 2018-2022



**Exhibit 3** Operating Income Breakdown, 2018-2022



Source: DBRS Morningstar, Company Documents.

**Risk Profile**

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Good / Moderate	Moderate / Weak	Moderate

Sella’s risk profile is consistent with its retail and commercial banking franchise, with approximately 85% of total risk weighted assets (RWA) linked to credit and counterparty risk as of end-2022. Most of the lending activity is carried out at the operating Banca Sella SpA, which provides the vast majority of the Group’s net loans to customers. The Group’s lending is primarily to retail, SMEs and corporate clients and is largely represented by mortgages (around 50%), credit cards and personal loans (around 15%) and leasing (around 10%) at end-2022. Sella’s loan book is composed of around 36% of SME exposures, which is twice the average for the Italian banking sector. Interest rate risk is low, with market risk mostly arising from the Group’s fixed-income portfolio, including its large exposure to Italian sovereign debt. Whilst NPEs have been declining in recent years, we expect geopolitical tensions, rising interest rates and high inflation to lead to a rise in defaults, although we view Sella’s improved asset quality metrics to be a mitigating factor.

**Credit Risk**

DBRS Morningstar notes that Sella has delivered so far on its announced business strategy to reduce the Group’s stock of NPEs via disposals (EUR 59 million in 2022) and internal management actions. As a result, the Group’s asset quality has continued to improve in 2022 with the total stock

of gross non-performing exposures (NPEs) decreasing to EUR 378 million at end-2022 from EUR 424 million at end-2021. The Group’s gross NPE ratio stood at 3.7% at end-Q1 2023 compared to 3.5% at end-2022 and down from 4.2% at end-2021. We see this level as comparing favourably to domestic banks and more in line with the average for European banks. The net NPL ratio was 2.0% at end-Q1 2023 compared to 2.2% at end-2021. The Group’s total coverage ratio stood at 47.6% at end-Q1 2023 fairly stable in recent years, with total coverage of bad loans improving to 65.7%, fairly stable from 67.1% at end-2021.

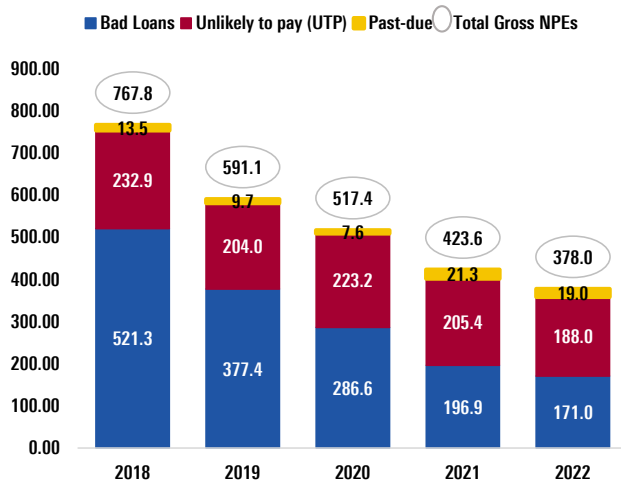
**Sovereign and Interest Rate Risk**

Sella’s risk profile includes a sizable exposure to the Italian sovereign. At end-2022, the Group’s securities portfolio comprised EUR 2.9 billion of Italian government bonds, corresponding to approximately 15% of the Group’s total assets and 2.7x CET1 capital. Nevertheless, DBRS Morningstar notes that around 70% of Sella’s securities portfolio is classified as held to collect (HTC) to reduce sensitivity to spread widening. DBRS Morningstar also notes that, based on the outlier stress test applied on the banking book, the worst-case scenario impact of unrealized losses on the Group’s capital ratio would be manageable at EUR 136 million after-tax at end-March 2023.

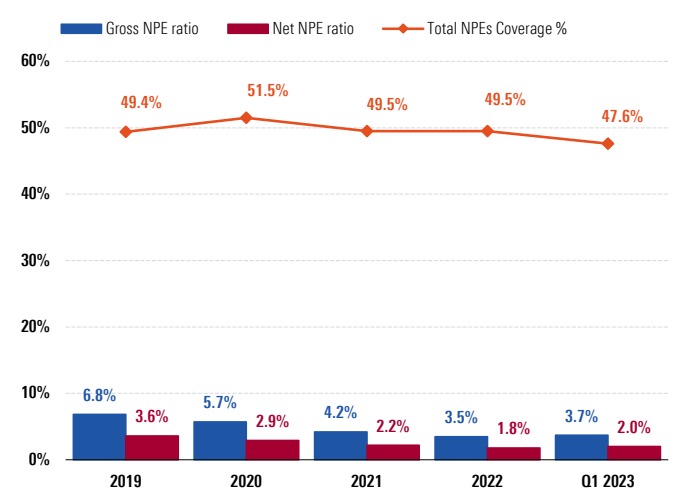
**Market Risk**

Market risk is limited for Sella. The average VaR which represents the maximum loss in net present value Sella might be facing in normal market conditions over a period of 3 months with a confidence interval of 99% at end-2022 was around EUR 18 million, within the Group’s internal limit of EUR 83 million.

**Exhibit 4** NPE Breakdown (EUR million), 2018-2022



**Exhibit 5** NPE Ratios and Coverage, 2019 - Q1 2023



Source: DBRS Morningstar, Company Documents.

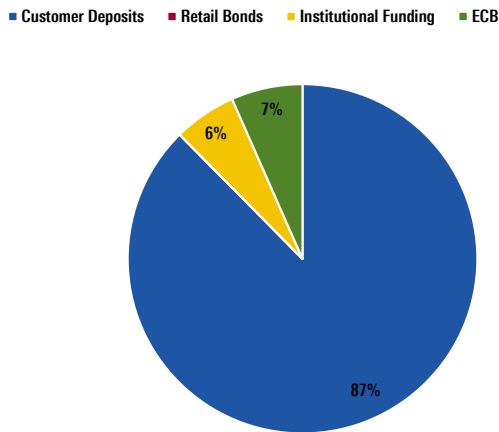
### Funding and Liquidity

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Strong / Good	Moderate	Good

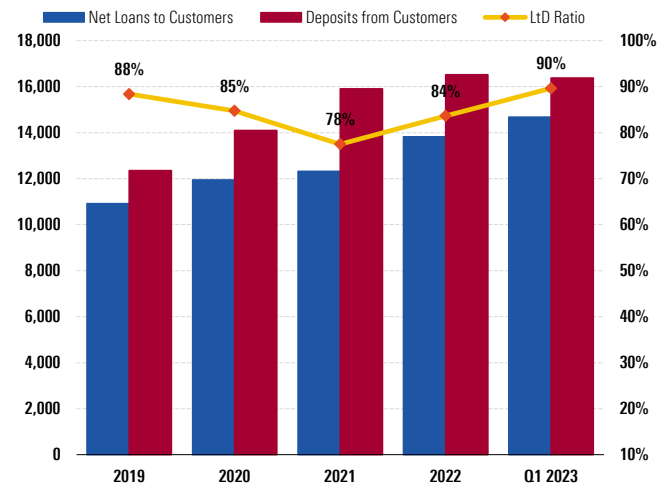
DBRS Morningstar views Sella’s funding profile as good, supported by its large deposit retail franchise and limited reliance on wholesale funds. The majority of Sella’s deposits are generated by Banca Sella SpA, the commercial bank of the Group, whilst Banca Sella Holding acts as treasurer and manages the institutional funding. Customer deposits remain the primary source of funding, accounting for 87% of the Group’s total funding. Around half of these deposits are covered by the Deposit Guarantee Scheme, in line with other European banks and we consider the deposit base to be very granular. In addition, DBRS Morningstar notes that despite early repayments following the ECB’s changes to the TLTRO III programme, the Group had EUR 1.4 billion of ECB’s TLTRO III funds, which still represents 7% of the Group’s total funding.

Sella’s liquidity position remains solid with a total stock of unencumbered assets of around EUR 4.0 billion at end-2022, which compares favourably with future bond maturities. At end-Q1 2023, Sella’s liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) remained well above regulatory requirements at respectively 167% and 127%.

**Exhibit 6** Funding Mix, end-2022



**Exhibit 7** Loan to Deposit Ratio (EUR million), 2019-Q1 2023



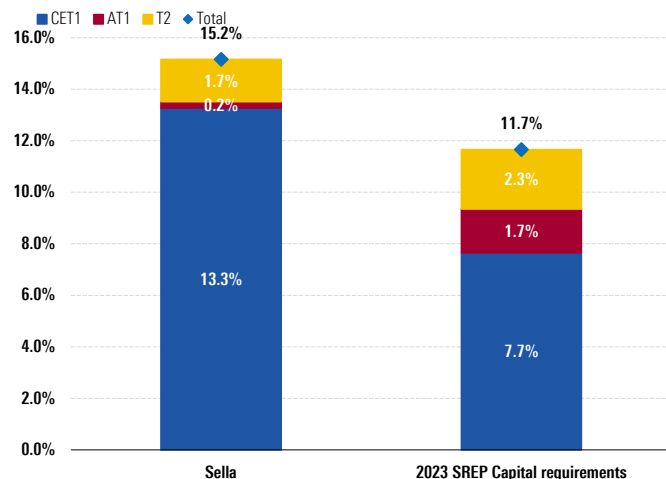
Source: DBRS Morningstar, Company Documents.

### Capitalisation

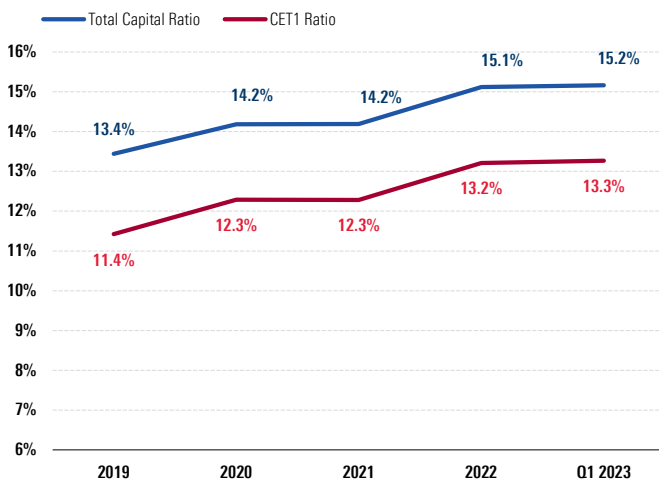
Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Moderate / Weak	Moderate / Weak	Moderate / Weak

Whilst Sella's capitalisation remains modest, capital ratios have continued to increase in 2022 thanks to internal capital generation, bad loan disposals and the implementation of the AIRB models. Sella reported at end-Q1 2023 a phased-in CET1 ratio of 13.3% compared to 12.3% at end-2021. The phased-in Total Capital ratio was 15.2%, up from 14.2% at end-2021. This provides the Group with adequate cushions over the minimum requirements set by the Bank of Italy for 2023 for CET1 of 7.65% and 11.65% for Total Capital according to the Supervisory Review and Evaluation Process (SREP). Sella also reported a transitional leverage ratio of 5.2% at end-Q1 2023.

**Exhibit 8** Reported Capital Ratios (end-Q1 2023) vs. SREP Requirements



**Exhibit 9** Phased-in Capital Ratios, 2019 – Q1 2023



Source: DBRS Morningstar, Company Documents.



## Banca Sella Holding SpA

### ESG Checklist

ESG Factor	ESG Credit Consideration Applicable to the Credit Analysis: Y/N	Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*		
<b>Environmental</b>		<b>Overall:</b>	<b>N</b>	<b>N</b>
<b>Emissions, Effluents, and Waste</b>	Do we consider that the costs or risks for the issuer or its clients result, or could result, in changes to an issuer's financial, operational, and/or reputational standing?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Carbon and GHG Costs</b>	Does the issuer face increased regulatory pressure relating to the carbon impact of its or its clients' operations resulting in additional costs and/or will such costs increase over time affecting the long term credit profile?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Climate and Weather Risks</b>	In the near term, will climate change and adverse weather events potentially disrupt issuer or client operations, causing a negative financial impact?	<b>N</b>	<b>N</b>	<b>N</b>
	In the long term, will the issuer's or client's business activities and infrastructure be materially affected financially by a 2°C rise in temperature?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Climate and Weather Risks:</b>		<b>N</b>	<b>N</b>	<b>N</b>
<b>Passed-through Environmental credit considerations</b>	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors (see respective ESG checklist for such issuer)?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Social</b>		<b>Overall:</b>	<b>N</b>	<b>N</b>
<b>Social Impact of Products and Services</b>	Do we consider that the social impact of the issuer's products and services could pose a financial or regulatory risk to the issuer?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Human Capital and Human Rights</b>	Is the issuer exposed to staffing risks, such as the scarcity of skilled labour, uncompetitive wages, or frequent labour relations conflicts that could result in a material financial or operational impact?	<b>N</b>	<b>N</b>	<b>N</b>
	Do violations of rights create a potential liability that could negatively affect the issuer's financial wellbeing or reputation?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Human Capital and Human Rights:</b>		<b>N</b>	<b>N</b>	<b>N</b>
<b>Product Governance</b>	Does failure in delivering quality products and services cause damage to customers and expose the issuer to financial and legal liability?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Data Privacy and Security</b>	Has misuse or negligence in maintaining private client or stakeholder data resulted, or could result, in financial penalties or client attrition to the issuer?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Community Relations</b>	Does engagement, or lack of engagement, with local communities pose a financial or reputational risk to the issuer?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Access to Basic Services</b>	Does a failure to provide or protect with respect to essential products or services have the potential to result in any significant negative financial impact on the issuer?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Passed-through Social credit considerations</b>	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors (see respective ESG checklist for such issuer)?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Governance</b>		<b>Overall:</b>	<b>N</b>	<b>N</b>
<b>Bribery, Corruption, and Political Risks</b>	Are there any political risks that could impact the issuer's financial position or its reputation?	<b>N</b>	<b>N</b>	<b>N</b>
	Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Bribery, Corruption, and Political Risks:</b>		<b>N</b>	<b>N</b>	<b>N</b>
<b>Business Ethics</b>	Do general professional ethics pose a financial or reputational risk to the issuer?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Corporate / Transaction Governance</b>	Does the issuer's corporate structure limit appropriate board and audit independence?	<b>N</b>	<b>N</b>	<b>N</b>
	Have there been significant governance failures that could negatively affect the issuer's financial wellbeing or reputation?	<b>N</b>	<b>N</b>	<b>N</b>
	Does the board and/or management have a formal framework to assess climate-related financial risks to the issuer?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Corporate / Transaction Governance:</b>		<b>N</b>	<b>N</b>	<b>N</b>
<b>Passed-through Governance credit considerations</b>	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors (see respective ESG checklist for such issuer)?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Consolidated ESG Criteria Output:</b>		<b>N</b>	<b>N</b>	<b>N</b>

\* A Relevant Effect means that the impact of the applicable ESG risk factor has not changed the rating or rating trend on the issuer.

A Significant Effect means that the impact of the applicable ESG risk factor has changed the rating or trend on the issuer.

## **ESG Considerations**

### *Environmental*

The Environmental factor does not affect the ratings or trend assigned to Sella. The Bank did not sign up for the TCFD disclosures for the time being. However, the Bank has integrated the assessment of sustainability risks into its internal processes related to its investment advisory services. The ECB climate risk stress-test results were published on July 8, 2022. While they did not provide detailed indications on the geographies potentially affected under the selected scenarios, participating European banks were told they need to enhance their climate risk stress testing framework. In the meantime, we note the results will be integrated into two SREP elements in a qualitative manner: (i) business model assessment, and (ii) internal governance and risk management.

### *Social*

The Social factor does not affect the ratings or trend assigned to Sella. Shortcomings in the Bank's internal process regarding data protection could have a significant impact on Sella's reputation and franchise. However, there have been no cases of this kind to date involving Sella. Since the invasion of Ukraine, there is a heightened risk of cyber-attacks targeted towards banks, and any significant data breach or cybersecurity attack could have significant reputational and financial consequences.

### *Governance*

The Governance factor does not affect the ratings or trend assigned to Sella. Shortcomings regarding business ethics or governance could have a significant impact on Sella's reputation and franchise or income statement. However, there has been no cases of this kind to date involving Sella. The Bank's current Board of Directors (BoD) consists of 13 members, of which 4 are independent.

The Group has been historically controlled by the Sella family, and they are also broadly involved in the Group's corporate governance. In DBRS Morningstar's view, the corporate governance risks potentially associated with the family ownership are mitigated by the following factors: 1) the Group's exposure to the Sella family is limited; and 2) the banking business is the main activity of the Sella family

# Banca Sella Holding SpA

		1	2	3	4	5
2022	Scorecard Indicator	Scorecard Indicator Data	Scorecard Indicator Assessment	Scorecard Building Block (BB) Assessment	Grids BB Assessment	Combined BB Assessment
<b>Franchise</b>	Adjusted Assets	18	M/W	M/W	M/W	M/W
	Sovereign Rating	13	G/M			
<b>Earnings</b>	Return on Equity	7.36%	G			
	Return on Assets	0.49%	G/M	G/M	M/W	M
	IBPT/Avg.Assets	1.05%	G/M			
<b>Risk</b>	Net NPLs/Net Loans	1.70%	G/M	G/M	M/W	M
	Provisions/IBPT	26.62%	S/G			
<b>Funding &amp; Liquidity</b>	Sovereign-Adjusted Funding Ratio	93.58%	S/G	S/G	M	G
<b>Capitalisation</b>	Sovereign-Adjusted Capital Ratio	8.16%	M/W			
	NPL/(Equity + Loan Loss Reserves)	33.18%	G/M	M/W	M/W	M/W
	5-Year Accumulated Net Income/Total Assets	1.65%	G/M			

6	7			8
Overall Assessment	Intrinsic Assessment Range (IAR)			Assigned IA
M	BBB (high)	BBB	BBB (low)	BBB (low)

Notes: (1) based on financial data as of FY 2022. (2) For more information see Global Methodology for Rating Banks and Banking Organizations published on 23 June 2022. (3) IAR and IA refer to bank level rating.

**Annual Financial Information**

	For the Year Ended December 31 (IFRS)				
	2022	2021	2020	2019	2018
<b>Balance Sheet (EUR Millions)</b>					
Cash & Cash Equivalents*	2,646	4,650	2,575	1,084	1,584
Investments in Financial Assets	5,420	4,766	5,175	4,491	3,674
Gross Loans to Customers	10,768	9,979	9,062	8,642	8,396
Loan Loss Reserves	(248)	(268)	(322)	(336)	(447)
Net Lending to Customers	10,521	9,711	8,739	8,306	7,949
Total Assets	20,336	20,479	17,846	15,004	14,283
Deposits from Customers	16,183	15,416	13,379	12,020	10,590
Debt & Capital Lease Obligations	263	294	322	430	791
Total Liabilities	18,928	19,171	16,659	13,857	13,204
Total Equity	1,408	1,308	1,187	1,147	1,079
<b>Income Statement (EUR Millions)</b>					
Net Interest Income	355	253	241	246	238
Non Interest Income	632	644	501	458	411
Equity Method Results	(0)	1	2	0	3
Total Operating Income	987	898	744	704	652
Total Operating Expenses	756	670	617	590	548
Income Before Provisions and Taxes (IBPT)	230	228	127	115	104
Loan Loss Provisions	31	49	66	45	50
Irregular Income/Expenses	30	24	8	3	6
Net Attributable Income	92	108	30	34	25
<b>Growth (%) - YoY Change</b>					
Net Interest Income	40.25%	4.99%	-2.00%	3.29%	6.08%
Total Operating Income	9.85%	20.80%	5.57%	7.96%	6.74%
Total Operating Expenses	12.81%	8.64%	4.64%	7.57%	7.51%
IBPT	1.13%	80.10%	10.32%	10.06%	2.85%
Net Attributable Income	-15.13%	266.10%	-13.09%	38.72%	-52.99%
Gross Loans & Advances	24.72%	10.13%	4.85%	2.93%	-0.31%
Deposits from Customers	4.98%	15.23%	11.31%	13.50%	3.38%
<b>Earnings (%)</b>					
Net Interest Margin	1.79%	1.37%	1.53%	1.79%	1.85%
Non-Interest Income / Total Revenue	64.06%	71.69%	67.38%	65.08%	63.01%
Cost / Income ratio	76.65%	74.63%	82.99%	83.72%	84.03%
LLP / IBPT	13.39%	21.54%	52.25%	39.53%	47.55%
Return on Avg Assets (ROAA)	0.52%	0.65%	0.22%	0.28%	0.22%
Return on Avg Equity (ROAE)	8.15%	10.42%	3.09%	3.72%	2.74%
IBPT over Avg RWAs	NA	2.69%	1.57%	1.44%	1.35%
Internal Capital Generation	6.74%	8.65%	3.02%	2.80%	1.84%
<b>Risk Profile (%)</b>					
Cost of Risk	0.30%	0.53%	0.78%	0.50%	0.59%
Gross NPLs over Gross Loans	3.51%	4.24%	5.71%	6.84%	9.14%
NPL Coverage Ratio	65.52%	63.22%	62.33%	56.90%	58.26%
Net NPLs over Net Loans	1.24%	1.60%	2.20%	3.04%	4.01%
NPLs to Equity and Loan Loss Reserves Ratio	40.70%	31.27%	39.93%	46.07%	57.42%
<b>Funding &amp; Liquidity (%)</b>					
Net Loan to Deposit Ratio	65.01%	63.00%	65.32%	69.10%	75.06%
Liquidity Coverage Ratio	167%	199%	218%	192%	179%
Net Stable Funding Ratio	133%	134%	135%	137%	132%
<b>Capitalization (%)</b>					
CET1 Ratio	13.21%	12.28%	12.29%	11.41%	11.28%
Tier1 Ratio	13.45%	12.54%	12.57%	11.69%	11.57%
Total Capital Ratio	15.12%	14.19%	14.18%	13.44%	13.16%
Leverage Ratio	5.30%	6.59%	6.28%	6.10%	6.03%
Dividend Payout Ratio	17.3%	16.9%	2.2%	24.9%	32.8%

Source: Morningstar Inc., Company Documents

\*Includes Loans to Banks

## Methodologies

The applicable methodologies are the *Global Methodology for Rating Banks and Banking Organisations* (23 June 2022), and *DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings* (17 May 2022) which can be found on our website under Methodologies.

## Ratings

Issuer	Obligation	Rating Action	Rating	Trend
Banca Sella Holding S.p.A.	Long-Term Issuer Rating	Confirmed	BBB (low)	Stable
Banca Sella Holding S.p.A.	Short-Term Issuer Rating	Confirmed	R-2 (middle)	Stable
Banca Sella Holding S.p.A.	Long-Term Senior Debt	Confirmed	BBB (low)	Stable
Banca Sella Holding S.p.A.	Short-Term Debt	Confirmed	R-2 (middle)	Stable
Banca Sella Holding S.p.A.	Long-Term Deposits	Confirmed	BBB	Stable
Banca Sella Holding S.p.A.	Short-Term Deposits	Confirmed	R-2 (high)	Stable
Banca Sella S.p.A.	Long-Term Issuer Rating	Confirmed	BBB (low)	Stable
Banca Sella S.p.A.	Short-Term Issuer Rating	Confirmed	R-2 (middle)	Stable
Banca Sella S.p.A.	Long-Term Senior Debt	Confirmed	BBB (low)	Stable
Banca Sella S.p.A.	Short-Term Debt	Confirmed	R-2 (middle)	Stable
Banca Sella S.p.A.	Long-Term Deposits	Confirmed	BBB	Stable
Banca Sella S.p.A.	Short-Term Deposits	Confirmed	R-2 (high)	Stable
Banca Sella S.p.A.	Mandatory Pay Subordinated Debt (ISIN: XS1687277555)	Confirmed	BB	Stable
Banca Sella S.p.A.	Mandatory Pay Subordinated Debt (ISIN: XS2030489632)	Confirmed	BB	Stable

## Ratings History

Issuer	Obligation	Current	2022	2021	2020
Banca Sella Holding S.p.A.	Long-Term Issuer Rating	BBB (low)	BBB (low)	BBB (low)	BBB (low)
Banca Sella Holding S.p.A.	Short-Term Issuer Rating	R-2 (middle)	R-2 (middle)	R-2 (middle)	R-2 (middle)
Banca Sella Holding S.p.A.	Long-Term Senior Debt	BBB (low)	BBB (low)	BBB (low)	BBB (low)
Banca Sella Holding S.p.A.	Short-Term Debt	R-2 (middle)	R-2 (middle)	R-2 (middle)	R-2 (middle)
Banca Sella Holding S.p.A.	Long-Term Deposits	BBB	BBB	BBB	BBB
Banca Sella Holding S.p.A.	Short-Term Deposits	R-2 (high)	R-2 (high)	R-2 (high)	R-2 (high)
Banca Sella S.p.A.	Long-Term Issuer Rating	BBB (low)	BBB (low)	BBB (low)	BBB (low)
Banca Sella S.p.A.	Short-Term Issuer Rating	R-2 (middle)	R-2 (middle)	R-2 (middle)	R-2 (middle)
Banca Sella S.p.A.	Long-Term Senior Debt	BBB (low)	BBB (low)	BBB (low)	BBB (low)
Banca Sella S.p.A.	Short-Term Debt	R-2 (middle)	R-2 (middle)	R-2 (middle)	R-2 (middle)
Banca Sella S.p.A.	Long-Term Deposits	BBB	BBB	BBB	BBB
Banca Sella S.p.A.	Short-Term Deposits	R-2 (high)	R-2 (high)	R-2 (high)	R-2 (high)
Banca Sella S.p.A.	Mandatory Pay Subordinated Debt (ISIN: XS1687277555)	BB	BB	BB	BB
Banca Sella S.p.A.	Mandatory Pay Subordinated Debt (ISIN: XS2030489632)	BB	BB	BB	BB

## Previous Action

- [DBRS Morningstar Confirms Banca Sella's LT Issuer Rating at BBB \(low\), Stable Trend, 8 May, 2023](#)

## Related Research

- [European Banks' Cost of Risk Remained Low In 2022; But With Signs of Deterioration, April 20, 2023.](#)
- [ESG Risk Factors for European Banks: Review of 2022, 31 January 2023.](#)
- [European Bank 2023 Outlook: Higher Rates Will Help in Navigating Weaker Economies, 16 January 2023.](#)
- [ECB Requires European Banks to Step Up Climate-Related Risk Management Practices, 9 November 2022.](#)
- [Growth in European Banks' Stage 2 Loans Poses Risks Amid Weakening Economic Outlook, 12 October 2022.](#)

- [European Banks' Exposure to China, Hong Kong, Taiwan: a Snapshot](#), 11 October 2022.
- [Gender Diversity on European Bank Boards: More Work Still to be Done](#), 20 September 2022.
- [ESG Factors for Banks, Part Three: Social Factors](#), 11 April 2022.
- [European Banks: Lower Cost of Risk in FY21; However, Likely to Worsen After Ukraine War](#), 22 March 2022.
- [European Banks' Direct Exposure to Russia and Ukraine Is Manageable, But Risks Have Increased](#), 16 March 2022.
- [European Banks' Exposure to Potential Russia-Ukraine Conflict](#), 2 February 2022.

#### **Previous Report**

- [Banca Sella Holding SpA: Rating Report](#), 27 May 2022.
- [Banca Sella Holding SpA: Rating Report](#), 18 June 2021.
- [Banca Sella Holding SpA: Rating Report](#), 7 July 2020.
- [Banca Sella Holding SpA: Rating Report](#), 3 July 2019.

#### **European Bank Ratios & Definitions**

- [Bank Ratio Definitions](#), 14 March 2022

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