



S-Bank Plc Half-year Report 1 January-30 June 2022

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S-Bank Plc, Stock exchange release, 3 August 2022 at 12.00 noon

Steady development - strong growth in lending

- Lending increased to EUR 6.4 billion (5.7)*
- Comparable assets under management ended up at EUR 7.0 billion (7.1)
- Operating profit was EUR 13.3 million (14.2)
- The capital adequacy ratio rose to 16.2 per cent (15.2)

The S-Bank Group's operating profit for January-June was EUR 13.3 million (14.2) decreasing 6.3 per cent on the previous year. Performance was affected by lower income from investing activities and higher investments in development than in the previous year. Other significant changes included higher regulatory fees and lower impairment losses. The decrease in the cost-to-income ratio is mainly due to increases in regulatory fees.

* In the above, figures for the corresponding period of 2021 are used in the result comparisons.

Outlook for 2022 (unchanged)

We expect operating profit for the whole year to exceed the previous year's level.

Comments by Hanna Porkka, Interim CEO

S-Bank Group's business operations developed favourably in January-June despite the general slowdown in the Finnish economy. Income developed positively in January-June and grew by 6.8 per cent year-on-year. Profitability was weighted down by the significant increase in regulatory fees. Financial stability contribution and deposit guarantee contribution grew 6.7-fold on the previous year. We also made investments in the development of products, services and IT-systems during the spring. Operating profit was EUR 13.3 million (14.2).

At the end of June 2022, S-Bank had around 560 000 active customers, compared with around 502 000 at the end of June 2021. Our strategic goal is to achieve one million active customers.

We are a full-service bank for S Group's co-op members to whom we offer a banking account, a payment card, an online banking ID and a mobile app free-of-charge.

The total euro amount of the purchases made with S-Etukortti Visa cards in January-June grew by 18.6 per cent on the previous year. Year-on-year, our lending grew by 12.7 per cent and the deposit portfolio by 7.7 per cent. Year-on-year, the number of unit holders in the S-Bank funds increased by approximately 44 000 to reach approximately 353 000. Comparable assets under management amounted to EUR 7.0 billion (7.1), which was close to the previous year's level.

Although significant changes took place in our operating environment during the spring, it is good to remember that the cornerstones of our operations remain unchanged. S-Bank enjoys the best reputation in its sector, and we are focusing on products and services for household customers in line with our strategy. Our customers can take care of their daily payments, as before, with S-Bank's Visa cards and S-mobiili and via the online bank.

Changes also took place in S-Bank. At the end of May, S-Bank announced that CEO Pekka Ylihurula had stepped down. The search for a new CEO has begun, and I am serving as the interim CEO until the new CEO starts. Meanwhile, we are continuing to implement our strategy as planned, strong growth and serving our around 3.1 million customers.

January-June 2022

S-Bank Group's operating profit was EUR 13.3 million (14.2), a decrease of 6.3 per cent on the previous year. The profit for the period after taxes was EUR 10.6 million (11.5). Return on equity decreased to 3.7 per cent (3.9).

The operating profit from Banking was EUR 24.5 million (EUR 19.0 million). The operating profit from Wealth Management was EUR 1.7 million (EUR 3.5 million).

During the review period, total income developed positively. Total income amounted to EUR 96.7 million (90.6), a growth of 6.8 per cent. Net interest income grew by 6.4 per cent, totalling EUR 46.9 million (44.1). Net fee and commission income

increased by 10.3 per cent to EUR 41.5 million (37.6). Net income from investing activities decreased and was EUR 0.8 million (2.4). Other operating income totalled EUR 7.5 million (6.5).

Operating expenses totalled EUR 80.1 million (66.4) during the review period. This is 20.5 per cent more year-on-year, mainly due to increases in personnel expenses, IT- and development costs as well as regulatory fees.

Expected and final credit losses of EUR 6.3 million (12.5) were recognised in the consolidated income statement during the review period. Reversals, or recovered credit losses, amounted to EUR 3.0 million (2.6). Consequently, the total net effect on profit of expected and final credit losses was EUR 3.3 million (9.9).

Total deposits continued to grow and were EUR 7 841.9 million at the end of the review period. At the end of 2021 total deposits were EUR 7 554.9 million and on 30 June 2021 EUR 7 281.7 million. During the past 12 months, total deposits grew by 7.7 per cent.

Lending growth continued to be strong. At the end of the review period, the loan portfolio totalled EUR 6 422.0 million. At the end of 2021, the loan portfolio totalled EUR 6 086.0 million and on 30 June 2021 EUR 5 697.0 million. During the past 12 months, the loan portfolio grew by 12.7 per cent.

According to the latest available information, the increase in the financial institutions' housing loan volume was 3.3 per cent for the preceding 12-month period in April. S-Bank's housing loan volume grew by 12.0 per cent (3.6 times the market growth) in the same period. In the first half of the year, the number of housing loan applications decreased on the previous year.

At the end of the review period, the bank's debt securities totalled EUR 685.6 million (EUR 1 149.1 million at the end of 2021).

At the end of the review period, S-Bank's equity was EUR 501.0 million, compared with EUR 509.3 million at the end of 2021. The decline in equity was affected by a decline in the value of the fair value reserve. The equity ratio was 5.7 per cent (6.0 at the end of 2021).

The S-Bank Group's assets under management were EUR 6 980.0 million (EUR 7 697.1 million at the end of 2021) at the end of the review period. Performance was affected by geopolitical uncertainty and stronger expectations of rising interest rates. The fund cooperation between S-Bank and LocalTapiola ended in the final quarter of 2021. Comparable assets under management excluding the LocalTapiola funds were EUR 7 083.1 million at the end of June 2021. Year-on-year decrease was 1.5 per cent. In addition, S-Bank Properties Ltd managed EUR 442.4 million in customer assets, consisting of real estate and joint ventures (EUR 442.4 million at the end of 2021). The net subscriptions in S-Bank funds amounted to EUR 78.0 million during the review period compared with EUR 179.4 million a year earlier. Net subscriptions to the S-Bank funds were notably higher than the median for fund management companies. The total number of unit holders in the S-Bank funds increased to around 353 000 from around 309 000 a year earlier.

Key figures

| (EUR million) | Jan-Jun 2022 | Jan-Jun 2021 | Change | Q2 2022 | Q2 2021 | Change |
|-------------------------------|--------------|--------------|--------|---------|---------|--------|
| Net interest income | 46.9 | 44.1 | 6.4% | 23.9 | 22.7 | 5.4% |
| Net fee and commission income | 41.5 | 37.6 | 10.3% | 22.0 | 19.8 | 11.4% |
| Income, total | 96.7 | 90.6 | 6.8% | 46.0 | 45.4 | 1.5% |
| Operating profit | 13.3 | 14.2 | -6.3% | 3.4 | 7.7 | -55.0% |
| Cost-to-income ratio | 0.83 | 0.73 | 0.10 | 0.83 | 0.73 | 0.10 |

| (EUR million) | 30 Jun 2022 | 31 Dec 2021 | Change |
|-------------------------------------|-------------|-------------|--------|
| Liabilities to customers, deposits | 7 841.9 | 7 554.9 | 3.8% |
| Receivables from customers, lending | 6 422.0 | 6 086.0 | 5.5% |
| Debt securities | 685.6 | 1 149.1 | -40.3% |
| Equity | 501.1 | 509.3 | -1.6% |
| Expected credit losses (ECL) | 19.4 | 20.6 | -6.2% |
| Assets under management | 6 980.0 | 7 697.1 | -9.3% |
| Return on equity | 3.7% | 3.9% | -0.2 |

| | | | |
|------------------------|-------|-------|------|
| Return on assets | 0.2% | 0.2% | 0.0 |
| Equity ratio | 5.7% | 6.0% | -0.3 |
| Capital adequacy ratio | 16.2% | 16.3% | -0.1 |

Webcast on results

The results of S-Bank will be presented by Hanna Porkka, Interim CEO, and Mika Heikkilä, CFO, in a webcast to be held on 3 August 2022 from 2 pm to 3 pm. The event will be held in English. The webcast may be accessed at s-pankki.fi/s-bank-q2-2022-results-webcast

Contacts

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About S-Bank Plc

S-Bank is a Finnish bank that wants to help everyone achieve a slightly more affluent tomorrow, regardless of the size of their wallet. At S-Bank, expertise means that we understand the economy and people: as part of the S Group, we know the everyday lives of our 3.1 million customers. We are changing the banking sector by offering superior ease and benefits by offering both banking and retail services. www.s-pankki.fi

Attachments

- [Download announcement as PDF.pdf](#)
- [S-Bank Plc Half-year Report 1 January–30 June 2022.pdf](#)