



S-Bank Plc Interim Report 1 January-30 September 2022

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S-Bank Plc, Stock exchange release, 10 November 2022 at 11.00 am

Positive trend continued - outlook improved due to the increasing interest rates

- Lending increased to EUR 6.6 billion (5.9)*
- Comparable assets under management ended up at EUR 7.0 billion (7.1)
- Operating profit was EUR 24.1 million (20.6)
- The capital adequacy ratio rose to 16.0 per cent (14.9)

The S-Bank Group's operating profit was EUR 24.1 million (20.6) increasing 16.8 per cent on the previous year. Performance was affected by 12.5 per cent increase in total income and particularly the strong increase in net interest income during the third quarter. Other significant changes included lower impairment losses and higher regulatory fees. The increase in regulatory fees had negative impact on the cost-to-income ratio year-on-year.

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

Outlook for 2022 (improved)

We expect operating profit for the whole year to significantly exceed the previous year's level (24.8). Previously we expected operating profit for the whole year to exceed the previous year's level. Increasing interest rates have positive effect on bank's profitability. However, there is great uncertainty in the operating environment.

Comments by Hanna Porkka, Interim CEO

S-Bank Group's business developed positively in January-September. Our operating profit for January-September grew 12.5 per cent year-on-year and was EUR 24.1 million (20.6). Especially in the third quarter net interest income grew due to the higher interest rate levels.

At the end of September, S-Bank had around 578 000 active customers, as opposed to around 518 000 at the end of September 2021. Our strategic goal is to achieve one million active customers. The total euro amount of the purchases made with the S-Etukortti Visa card in January-September grew by 19.2 per cent on the amount for the previous year. Year-on-year, our lending grew by 12.4 per cent and our deposit portfolio by 4.1 per cent. The number of unit holders in the S-Bank funds increased by approximately 35 000 to approximately 360 000. Comparable assets under management were EUR 7.0 billion, which was close to the previous year's level (7.1).

These figures indicate that over the years, S-Bank, which is 15 years old, has become a full-service bank. S-Bank's purpose is to offer everyone a chance to achieve a slightly more affluent tomorrow. This is why we offer a banking account, a payment card, an online banking ID and a mobile app free-of-charge for S Group's co-op members.

Despite the positive business performance, we did experience challenges in the third quarter of the year, and while economic growth was relatively healthy, the outlook weakened substantially in the autumn. Some of the challenges affected us as a bank.

In the summer, a rare system malfunction affected authentication with online banking IDs. This problem was exploited by a very small group of individuals logging into the online bank as another customer, making unauthorised payments and logging into third-party online services. A few hundred customers were affected, and the malfunction was corrected as soon as it was detected.

I sincerely apologise on my and the bank's behalf. We are very sorry for what happened. We will compensate our customers for all direct financial damage caused by the malfunction. We take the security of our services very seriously. We have analysed the chain of events that led to the malfunction and taken corrective actions.

Various scam messages also circulated during the summer and autumn, claiming to be from S-Bank and other banks. Unfortunately, also our customers occasionally fell victim to these phishing campaigns. In order to prevent misuse, we took

a number of measures in the autumn that will strengthen the security of our services and prevent criminal activity. Work to prevent scams will continue.

S-Bank has been voted Finland's most highly valued brand for five years and Finland's most responsible bank for ten consecutive years. Our customers decide how trustworthy we are. This is why we will continue our determined work to be worthy of our customers' trust.

January-September 2022

S-Bank Group's operating profit was EUR 24.1 million (20.6), an increase of 16.8 per cent on the previous year. The profit for the period after taxes was EUR 19.2 million (16.5). Return on equity increased to 4.4 per cent from the end of 2021 (3.9) but decreased slightly year-on-year (4.6).

The operating profit from Banking was EUR 37.1 million (EUR 28.7 million). The operating profit from Wealth Management was EUR 2.8 million (EUR 5.6 million).

During the review period, total income developed positively. Total income amounted to EUR 150.9 million (134.1), a growth of 12.5 per cent. Net interest income grew by 16.1 per cent, totalling EUR 78.2 million (67.3). Net fee and commission income increased by 11.7 per cent to EUR 62.9 million (56.3). Net income from investing activities decreased and was EUR 1.0 million (2.5). Other operating income were EUR 8.7 million (7.9).

Operating expenses totalled EUR 120.2 million (100.8) during the review period. This is 19.3 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 11.4 million (16.8) were recognised in the consolidated income statement during the review period. Reversals, or recovered credit losses, amounted to EUR 4.8 million (4.1). Consequently, the total net effect on profit of expected and final credit losses was EUR 6.6 million (12.7).

Total deposits continued to grow and were EUR 7 912.2 million at the end of the review period. At the end of 2021 total deposits were EUR 7 554.9 million and on 30 September 2021 EUR 7 600.4 million. During the past 12 months, total deposits grew by 4.1 per cent. Household customers' deposit portfolio grew 9.8 per cent on the previous year and was EUR 7 112.6 million. Corporate customers' deposit portfolio contracted 28.7 per cent on the previous year and was EUR 799.5 million.

Lending growth continued to be strong. At the end of the review period, the loan portfolio totalled EUR 6 610.3 million. At the end of 2021, the loan portfolio totalled EUR 6 086.0 million and on 30 September 2021 EUR 5 883.3 million. During the past 12 months, the loan portfolio grew by 12.4 per cent. The household loan portfolio grew by 11.3 per cent on the previous year and was EUR 5 493.8 million, while the corporate loan portfolio grew 17.7 per cent on the previous year and was EUR 1 116.5 million.

According to the latest available information, the increase in housing loan volume for the financial institutions operating in Finland was 2.3 per cent for the preceding 12-month period in August. S-Bank's housing loan volume grew by 10.6 per cent (4.7 times the market growth) in the same period. In January-September, 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 728.4 million (EUR 1 149.1 million at the end of 2021). S-Bank has increased the share of central bank deposits in its liquidity portfolio, which has influenced the development.

At the end of the review period, S-Bank's equity was EUR 506.9 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, which has decreased by EUR 21.8 million since the end of 2021. The rapid rise in interest rates has affected that development. During the third quarter, however, the decrease in the fair value reserve has been more moderate. The equity ratio was 5.7 per cent (6.0).

The S-Bank Group's assets under management were EUR 7 049.8 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 7 137.4 million at the end of September 2021. Year-on-year decrease was 1.2 per cent. In addition, S-Bank Properties Ltd managed EUR 347.5 million in customer assets, consisting of real estate and joint ventures (EUR 442.4 million at the end of 2021). The decrease was caused by a real estate that was sold during the third quarter. The net subscriptions in S-Bank funds amounted to EUR 106.8 million during the review period compared with EUR 238.8 million a year earlier. Net subscriptions to the S-Bank funds were notably higher than the median for fund management companies.

Key figures

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(EUR million)	Jan-Sep 2022	Jan-Sep 2021	Change	Q3 2022	Q3 2021	Change
Net interest income	78.2	67.3	16.1%	31.3	23.3	34.3%
Net fee and commission income	62.9	56.3	11.7%	21.4	18.7	14.6%
Income, total	150.9	134.1	12.5%	54.1	43.5	24.5%
Operating profit	24.1	20.6	16.8%	10.7	6.4	68.6%
Cost-to-income ratio	0.81	0.74	0.07	0.81	0.74	0.07

(EUR million)	30 Sep 2022	31 Dec 2021	Change
Liabilities to customers, deposits	7 912.2	7 554.9	4.7%
Receivables from customers, lending	6 610.3	6 086.0	8.6%
Debt securities	728.4	1 149.1	-36.6%
Equity	506.9	509.3	-0.5%
Expected credit losses (ECL)	20.4	20.6	-2.3%
Assets under management	7 049.8	7 697.1	-8.4%
Return on equity	4.4%	3.9%	0.5
Return on assets	0.3%	0.2%	0.0
Equity ratio	5.7%	6.0%	-0.3
Capital adequacy ratio	16.0%	16.3%	-0.3

Webcast on results

The results of S-Bank will be presented by likka Kuosa, SVP, Products & IT, and Mika Heikkilä, CFO, in a webcast to be held on 10 November 2022 from 1 pm to 2 pm. The event will be held in English. You can follow the webcast via [this link](#).

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 Interim Report 1 January–30 September 2022.pdf](#)