



S-Bank Plc Interim Report 1 January-31 March 2023

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S-Bank Plc, Stock exchange release, 9 May 2023 at 9.00 am

Result increased by more than two-fold - customer demand was strong

- Lending increased to EUR 6.8 billion (6.3)*
- Assets under on previous year level EUR 6.0 billion (5.9)**
- Operating profit increased to EUR 25.4 million (9.9)
- The capital adequacy ratio increased to 16.8 per cent (15.7)

The S-Bank Group's operating profit was EUR 25.4 million (9.9) increasing 156.1 per cent on the previous year. The improvement in performance was driven by 57.8 per cent increase in total income, in which a strong increase in net interest income contributed heavily. The cost-to-income ratio was 0.69 (0.80) and return on equity was 9.1 per cent (4.4).

* In the above, figures for the corresponding period of 2022 are used in the result comparisons.

** Comparison amount has been adjusted with the value of Q4 2022 terminated portfolio management agreement.

Outlook for 2023 (changed)

We expect that the operating profit for the whole year will be almost double that of the previous year (EUR 44.7 million). The rise in interest rates is having a positive impact on the bank's performance. However, the outlook for 2023 is still subject to uncertainties related to the operating environment and interest rate developments.

Comments by Hanna Porkka, Interim CEO

S-Bank's January-March result was excellent and 2.5 times higher than a year before. Business developed as anticipated and capital adequacy remained at a good level. Income was EUR 80.0 million (50.7) and operating profit was EUR 25.4 million (9.9).

A strong year-on-year increase in net interest income in particular contributed to the increase in operating profit. The strong performance enables sufficient capital buffers, operational development and business growth.

Globally, the economy got off to a better start in 2023 than had been expected. There were no major economic issues and the economy avoided a slowdown. The general rise in price levels, i.e. inflation, the increase of interest rates and expectations of a slowdown in economic growth will continue to determine the pace of development in Finland as well.

For S-Bank, the operating environment contains factors that boost and factors that undermine business conditions. Overall, however, business improved well, as indicated by the progress we made towards our strategic goal. Our goal is to reach one million active customers, and at the end of March we had around 606 000. A year ago, the corresponding figure was around 544 000. The long-term financial goal is a return on equity of over 8 per cent. This goal was clearly exceeded in the first quarter and the return on equity was 9.1 per cent.

Positive performance also continued in many products.

In January-March, the total euro amount of purchases made with the S-Etukortti Visa card grew by 25.5 per cent and the number of purchases by 27.1 per cent on the previous year. At the end of the first quarter, purchases made with S-Bank cards accounted for 25.1 per cent (23.4) of all Bonus purchases made in S Group stores.

In housing loans, we continued to grow and gain market share despite a difficult market environment. The growth rate of our housing loan volume was almost 14 times higher than the market as a whole for the preceding 12-month period. Other lending was also brisk, and credit losses remained moderate.

The number of unit holders in the S-Bank funds exceeded 367 000 at the end of the quarter. The number increased by 18 000 year-on-year. The first quarter of the year was challenging on the investment markets, but our balanced funds performed well against their benchmarks in terms of returns. In April, two of our funds received the prestigious Lipper Award

in a total of three award categories, and according to our customer survey completed in the first quarter, the willingness of our Private Banking customers to recommend our services is at a record high.

S-Bank is a growing and financially sound Finnish bank. Despite the global economic uncertainty, we are committed to delivering superior ease and benefits to our customers. We are a full-service bank for the co-op members of S Group cooperative stores and we offer them an account, a card, online banking and a mobile app free-of-charge.

A new chapter in the S-Bank story will begin this spring when Riikka Laine-Tolonen takes up her position as CEO of S-Bank at the end of April. I wish you a very warm welcome, Riikka!

January-March 2023

S-Bank Group's operating profit was EUR 25.4 million (9.9), an increase of 156.1 per cent on the previous year. The profit for the period after taxes was EUR 20.4 million (8.1). Return on equity increased to 9.1 per cent (4.4).

The operating profit from Banking was EUR 26.1 million (EUR 9.4 million). The operating profit from Wealth Management was EUR 1.6 million (EUR 2.0 million).

During the review period, total income increased significantly. Total income amounted to EUR 80.0 million (50.7), a growth of 57.8 per cent. Net interest income increased by 138.3 per cent, totalling EUR 54.8 million (23.0). Net fee and commission income increased by 13.0 per cent to EUR 22.0 million (19.4). Net income from investing activities decreased and was EUR 0.8 million (2.1). Other operating income decreased to EUR 2.4 million (6.1).

Operating expenses totalled EUR 49.4 million (40.6) during the review period. This is 21.6 per cent more year-on-year, mainly due to increases in personnel expenses and regulatory fees.

Expected and final credit losses of EUR 6.8 million (1.7) were recognised in the consolidated income statement during the review period. Reversals, or recovered credit losses, amounted to EUR 1.6 million (1.6). Consequently, the total net effect on profit of expected and final credit losses was EUR 5.2 million (0.1).

Total deposits continued to grow and were EUR 7 927.8 million (7 925.6) at the end of the review period. During the past 12 months, total deposits grew by 4.3 per cent. Household customers' deposit portfolio grew 7.0 per cent on the previous year and was EUR 7 262.8 million. Corporate customers' deposit portfolio contracted 18.4 per cent on the previous year and was EUR 665.0 million.

At the end of the review period, the loan portfolio totalled EUR 6 777.7 million (6 695.3). During the past 12 months, the loan portfolio grew by 8.0 per cent. The household loan portfolio grew by 8.1 per cent on the previous year and was EUR 5 644.9 million. The corporate loan portfolio grew 7.8 per cent on the previous year and was EUR 1 132.8 million.

According to the latest available information, the increase in housing loan volume for the financial institutions operating in Finland was 0.6 per cent for the preceding 12-month period in February. S-Bank's housing loan volume grew by 8.3 per cent (almost 14 times the market growth) in the same period. In January-March 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 727.9 million (EUR 696.7 million at the end of 2022). Deposits in central banks and cash totalled EUR 1 294.0 million (1 368.2).

At the end of the review period, S-Bank's equity was EUR 546.8 million, compared with EUR 524.2 million at the end of 2022. The equity ratio was 6.1 per cent (5.9).

Assets under management were EUR 5 997.2 million (5 852.5) at the end of the review period. Of assets under management, fund capital accounted for EUR 4 039.6 million (3 925.8), and wealth management capital accounted for EUR 1 957.7 million (1 926.7). In addition, S-Bank Properties Ltd managed EUR 334.3 million in customer assets, consisting of real estate and joint ventures (347.5). Net subscriptions to the S-Bank mutual funds amounted to EUR -8.3 million in the review period compared with EUR 38.8 million a year earlier. The net subscriptions to S-Bank funds performed weaker than the fund management company average.

Key figures

(EUR million)	Jan-Mar 2023	Jan-Mar 2022	Change
Net interest income	54.8	23.0	138.3%
Net fee and commission income	22.0	19.4	13.0%
Total income	80.0	50.7	57.8%
Operating profit	25.4	9.9	156.1%

Cost-to-income ratio	0.69	0.80	-0.11
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(EUR million)	31 Mar 2023	31 Dec 2022	Change
Net interest income	7 927.8	7 925.6	0.0%
Net fee and commission income	6 777.7	6 695.3	1.2%
Total income	727.9	696.7	4.5%
Operating profit	546.8	524.2	4.3%
Cost-to-income ratio	24.2	22.5	7.3%
(EUR million)	5 997.2	5 852.5	2.5%
Net interest income	9.1%	6.9%	2.2
Net fee and commission income	0.5%	0.4%	0.1
Total income	6.1%	5.9%	0.2
Operating profit	16.8%	16.3%	0.4

Webcast on results

The results of S-Bank will be presented by Hanna Porkka, Deputy CEO, EVP and Mika Heikkilä, CFO, in a webcast to be held on 9 May 2023 from 11.00 am to 12.00 o'clock at noon. 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 and part of S Group. We exist to give everyone the possibility of a little more wealth. We have more than three million customers and we know their day-to-day life. We bring convenience and value to our customers through our easy-to-use digital services, for example. Being a full-service bank, we offer support to our customers every day and at the turning points in their lives. s-pankki.fi

Attachments

- [Download announcement as PDF.pdf](#)
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