



S-Bank Plc Interim Report 1 January-30 September 2023

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Strong performance continues - interest in our services is growing

- Lending increased to EUR 6.9 billion (6.6)*
- Assets under management increased to EUR 6.0 billion (5.8)**
- Operating profit increased to EUR 103.9 million (24.1)
- The capital adequacy ratio increased to 18.1 per cent (16.0)

The S-Bank Group's operating profit was EUR 103.9 million (24.1). The improvement in performance and key figures was especially driven by a strong 150.4 per cent increase in the net interest income that was supported by a steady growth in the number of active customers. Total income increased by 76.6 per cent. The cost-to-income ratio was 0.54 (0.81) and return on equity was 17.9 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 estimate that our full-year operating profit will increase to more than 2.5 times higher compared to the previous year (EUR 44.7 million). The continued rise in interest rates is having a positive impact on the bank's performance. However, the outlook for the rest of 2023 is still subject to uncertainties, which are related to the operating environment and the development of the economy, employment and real estate markets. The prevailing interest rate levels and the sharp increase in housing and living costs may have a negative impact on some households.

Comments by Riikka Laine-Tolonen, CEO

The outlook for the Finnish economy weakened in early autumn. Major problems have been avoided so far, but several key economic indicators now suggest darker times lie ahead for the economy.

In early autumn, uncertainty continued in the real estate sector, where housing transactions were at an exceptionally low level, for example. At the same time, however, it is worth remembering that housing needs will not go away and that every business cycle always comes to an end. Megatrends shaping the future of housing, such as urbanisation, are also likely to continue in the coming years.

Many households have also had to adjust their spending: everyday expenses have increased, while job and income security have weakened. On the other hand, the peak in prices is now behind us and interest rates may well have reached their peak, too. In other words, relief is on the horizon but for many people, mortgage rates will rise again on the interest rate review date.

Finns are hardy: most families have been able to adjust their spending and manage their responsibilities conscientiously. Yet in times like these, it is important that we are there for our customers. We exist to give everyone a chance to have a slightly more affluent future. We think it is fair to offer an account, a card, online banking and a mobile app free-of-charge to S Group cooperative store co-op members.

Another concrete example of our fairness is the fact that we pay interest on bank accounts. Because the money customers deposit in their accounts form the basis of the bank's lending, we think that it is fair that the interest rate on these accounts follows the general rise in interest rates. The interest on our current account, the S-Tili account, is based on the S-Prime reference rate, which follows market rates. When interest rates normalised, we were among the first to start paying interest on these accounts, which are so important in our daily lives. In September, we announced that the deposit rate on the S-Tili account would rise to 0.5 per cent in October. The interest is calculated separately for each day's balance on the S-Tili

account. This gives customers a better return on their money than an account where interest is calculated once a month on the lowest balance.

At the end of September 2023, we had around 642 000 active customers, as opposed to around 578 000 at the end of September 2022. Our goal is to achieve one million active customers. The increase in the number of our active customers shows that more and more Finns consider S-Bank a viable full-service bank. The continued growth of our total deposits reflects the interest and trust in S-Bank. Deposits from household customers amounted to around EUR 7.5 billion, which is around 5.9 per cent more than a year earlier.

Demand for our other services also remained strong. In January–September, the total euro amount of purchases made with the S-Etukortti Visa card grew by 20.5 per cent and the number of purchases by 20.7 per cent on the previous year. At the end of the quarter, purchases made with S-Bank cards accounted for 25.2 per cent (24.0) of all Bonus purchases made in S Group stores. Our housing loan volume increased by around 4.2 per cent over the 12-month period, during which the housing loan volume of all financial institutions operating in Finland decreased by 1.6 per cent. At the end of September, our digital investment service, Säästäjä (Saver), had about 89 000 users, as opposed to about 79 000 a year earlier. The total number of unit holders in the S-Bank funds was 385 000 at the end of September, while a year earlier it was 360 000. Of our new housing loan customers in January–September, 28.4 per cent invested in funds.

Our performance was very strong in January–September. Total income for January–September was EUR 266.4 million (150.9). Operating profit was EUR 103.9 million (24.1) and our capital adequacy improved. The operating profit in the third quarter was EUR 46.3 million (10.7). As in the first half of the year, our results were supported by growth in our customer base and balance sheet that was stronger than market growth.

The strong performance enables sufficient capital buffers, operational development and business growth. Especially in these times of economic hardship, I am glad that our profit remains in Finland. S-Bank is owned by the S Group's regional cooperatives and their jointly owned central organisation SOK Corporation. The regional cooperatives, on the other hand, are owned by their members, the co-op members.

We made progress on our key projects in early autumn. One of the most important things that we are working on is the update of our strategy. Work on the strategy is proceeding at a good pace and we will report more on this when the project has been completed.

The transaction announced in May, where we will acquire Handelsbanken's Finnish personal banking, wealth management and investment services businesses, is also progressing as planned. When the acquisition of Handelsbanken's business operations is completed in the second half of 2024, S-Bank will move up to a new size category and the next chapter in the S-Bank story will begin. When the transaction was announced, we also announced that we would finance it through a share issue to our shareholders and debt financing from the market. In September, we issued our first covered bond, which was used to raise EUR 500 million in funding from the market. The bond was well received by debt investors and oversubscribed by a clear margin, which was a sign of investor confidence.

Recent studies also show that there is confidence in S-Bank. They show that S-Bank has the most loyal customers in banking and finance. What is more, Finns ranked S-Bank as the most respected brand in banking – for the sixth year in a row.

We'd like to thank our customers for their confidence in us. I would also like to take this opportunity to thank our personnel, our shareholders, our bond investors and our partners.

January–September 2023

S-Bank Group's operating profit was EUR 103.9 million (24.1). The profit for the period after taxes was EUR 83.2 million (19.2). Return on equity increased to 17.9 per cent (4.4).

The operating profit from Banking was EUR 108.0 million (EUR 25.2 million). The operating profit from Wealth Management was EUR 4.1 million (EUR 4.7 million).

During the review period, total income increased significantly. Total income amounted to EUR 266.4 million (150.9), a growth of 76.5 per cent. Net interest income increased by 150.3 per cent, totalling EUR 195.7 million (78.2). Net fee and commission income increased by 7.4 per cent to EUR 67.5 million (62.9). Net income from investing activities decreased and was EUR -2.6 million (1.0). Other operating income decreased to EUR 5.7 million (8.7).

Operating expenses totalled EUR 138.7 million (120.2) during the review period. This is 15.4 per cent more year-on-year, mainly due to an increase in personnel expenses and government fees but also acquisition related advisory costs.

Expected and final credit losses of EUR 28.9 million (11.4) were recognised in the consolidated income statement during the review period. Reversals, or recovered credit losses, amounted to EUR 5.1 million (4.8). Consequently, the total net effect on profit of expected and final credit losses was EUR 23.8 million (6.6). EUR 11.2 million of ECL provisions were made during

the review period which is the main reason for the increase. During this year, provisions based on management judgement have been increased by EUR 5.5 million (0.6). Provisions based on management judgement totalled EUR 7.6 million at the end of the review period (1.0). In addition, ECL provisions increased by EUR 2.6 million due to the impact of the update of the forward-looking indicator model. In the comparison period, the updated calculation of expected credit losses had a positive impact and the ECL was lower. Credit and impairment losses are at a low level in relation to the size of the loan portfolio and within the risk appetite established by S-Bank's Board of Directors.

Total deposits were EUR 8 172.6 million at the end of the review period compared with EUR 7 925.6 million at the end of 2022. During the past 12 months, total deposits grew by 3.3 per cent. Household customers' deposit portfolio grew 5.9 per cent on the previous year and was EUR 7 532.5 million. Corporate customers' deposit portfolio contracted 19.9 per cent on the previous year and was EUR 640.1 million.

At the end of the review period, the loan portfolio totalled EUR 6 895.7 million compared with EUR 6 695.3 million at the end of 2022. During the past 12 months, the loan portfolio grew by 4.3 per cent. The household loan portfolio grew by 4.0 per cent on the previous year and was EUR 5 711.5 million. The corporate loan portfolio grew 6.1 per cent on the previous year and was EUR 1 184.3 million.

According to the latest available information, the decrease in housing loan volume for the financial institutions operating in Finland was 1.6 per cent for the preceding 12-month period in August. S-Bank's housing loan volume grew by 4.2 per cent 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 689.2 million (EUR 696.7 million at the end of 2022). Deposits in central banks and cash totalled EUR 2 013.5 million (1 368.2 at the end of 2022).

At the end of the review period, S-Bank's equity was EUR 609.3 million, compared with EUR 524.2 million at the end of 2022. The equity ratio was 6.2 per cent, compared with 5.9 per cent at the end of 2022.

Assets under management were EUR 6 038.0 million (EUR 5 852.5 million at the end of 2022) at the end of the review period. Of assets under management, fund capital accounted for EUR 4 145.1 million (EUR 3 925.8 million at the end of 2022), and wealth management capital accounted for EUR 1 892.9 million (EUR 1 926.7 million at the end of 2022). In addition, S-Bank Properties Ltd managed EUR 373.0 million in customer assets, consisting of real estate and joint ventures (EUR 336.2 million at the end of 2022). The comparative amount has changed. The net subscriptions to S-Bank funds performed stronger than the fund management company average.

Key figures

(EUR million)	Jan-Sep 2023	Jan-Sep 2022	Change
Net interest income	195.7	78.2	150.4%
Net fee and commission income	67.5	62.9	7.4%
Total income	266.4	150.9	76.6%
Operating profit	103.9	24.1	332.0%
Cost-to-income ratio	0.54	0.81	-0.27

(EUR million)	30 Sep 2023	31 Dec 2022	Change
Liabilities to customers, deposits	8 172.6	7 925.6	3.1%
Receivables from customers, lending	6 895.7	6 695.3	3.0%
Debt securities	689.2	696.7	-1.1%
Equity	609.3	524.2	16.2%
Expected credit losses (ECL)	33.3	22.5	47.6%
Assets under management	6 038.0	5 852.5	3.2%
Return on equity	17.9%	6.9%	10.9

Return on assets	1.1%	0.4%	0.7
Equity ratio	6.2%	5.9%	0.4
Capital adequacy ratio	18.1%	16.3%	1.8

Webcast on results

The results of S-Bank will be presented by Riikka Laine-Tolonen, CEO and Mika Heikkilä, CFO, in a webcast to be held on 9 November 2023 from 10.00 am to 11.00 am. 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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