



S-Bank Plc: Financial statements bulletin 1 January-31 December 2023

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Record high result - interest in our services was strong

- Lending increased to EUR 6.9 billion (6.7)
- Assets under management increased to EUR 6.2 billion (5.9)
- Operating profit increased to EUR 147.4 million (44.7)
- The capital adequacy ratio increased to 18.8 per cent (16.3)

The S-Bank Group's operating profit was EUR 147.4 million (44.7). The improvement in performance and key figures was especially driven by a strong 125.6 per cent increase in the net interest income which was supported by a steady growth of S-Bank. Total income increased by 67.4 per cent. The cost-to-income ratio was 0.51 (0.74) and return on equity was 20.1 per cent (6.9).

Dividend

S-Bank's Board of Directors proposes a dividend of EUR 1.50 (0.75) per share.

Comments by Riikka Laine-Tolonen, CEO

S-Bank's growth story continued in a strong direction in 2023 based on many measures. Operating profit tripled on the previous year and amounted to EUR 147.4 million. The main reasons for the excellent result were the increase in interest rates and S-Bank's sustained growth. During 2023, we gained 68 000 new active customers, which meant that at the end of the year we had around 660 000 active customers.

I am really pleased that so many customers feel that they can trust us and have chosen S-Bank as their main bank. In these uncertain economic times, the benefits that we offer to our co-op members, such as free everyday services, are increasingly popular. The interest in S-Bank's services was also reflected in the growth rate of loans and deposits that exceeded market growth. Our lending increased by 3.6 per cent and was EUR 6 935.0 million. According to the latest available information, the housing loan volume for the financial institutions operating in Finland had declined by 1.9 per cent during the preceding 12-month period in November. S-Bank's housing loan volume grew by 2.2 per cent in the same period. The number of unit holders in our funds also increased in 2023, and S-Bank served a total of 391 000 fund savers (361 000). After a decline in the previous year, assets under management returned to a growth path and were EUR 6.2 billion (5.9) at the end of the year.

The growth in the number of active customers was also evident in the strong increase in purchases made with our cards. In 2023, the euro amount of purchases made with the S-Etukortti Visa card grew by 19 per cent and the number of card purchases grew by 19.1 per cent year-on-year. In 2023, co-op members of S Group's regional cooperatives paid 25.5 per cent of their bonus purchases with an S-Bank card.

Although the general level of interest rates has started to decline, people still have a sense of uncertainty about their daily lives and a lack of confidence in their own finances and the Finnish economy. I am proud of the fact that in a year such as this one, we have taken small, practical steps to make life easier for our co-op members. We reviewed the S-Prime interest rate four times during the year, which raised the deposit rate paid on S-Accounts to 0.5 per cent. We differ from the mainstream also in the fact that we pay interest that is calculated separately on each day's balance, rather than based on the lowest balance of the month. We started offering housing loans without an origination fee from October and will continue to do so until the end of March 2024. We will continue to provide basic banking services free of charge.

Our growth is accelerating. The next chapter in the S-Bank story will begin in 2024 as we set our sights on moving up to a new size category in the coming strategy period and becoming the fourth largest bank for household customers in Finland. Our strategic goal is to be serving one million active customers by the end of 2027 and to significantly increase the number of customers who use a broad range of S-Bank's services.

We laid a stable foundation for this new phase of growth in 2023, when we announced that we were going to acquire Handelsbanken's Finnish household customer, asset management and investment services businesses. During the year, we received the necessary approvals from the authorities. The work to receive the new customers and personnel has got off to a rapid start and is progressing according to plan. The transaction is being financed through a share issue to our shareholders and debt financing from the market. As part of our EUR 3 billion bond programme, we issued a EUR 500 million covered bond in September and a EUR 150 million bond in November. Both bonds have been well received, which reflects the investors' confidence.

I am eagerly looking forward to welcoming our new customers and colleagues in the second half of 2024. S-Bank ranks among the most desirable employers according to surveys published during 2023. We are also the most respected brand in the banking sector in Finland for the sixth year in a row, according to the Taloustutkimus market research company. This feedback provides a good basis both for the Handelsbanken acquisition and for developing our services to make them even more user-friendly and accessible.

At the same time that we are accelerating growth through the business acquisition, we are also building an even stronger foundation and continue to develop our risk management. In the coming strategic period, we will focus on three key change areas that support us in achieving our goals: Handelsbanken integration, renewing our service model and support growth with more scalable operating models.

Our record result creates a good basis for business development. It also means that the bank's capital adequacy is developing favourably. We are a fully Finnish bank, and we combine the retail trade and banking in a unique way for co-op members. The dividends we pay also ultimately benefit our co-op members.

January-December 2023

S-Bank Group's operating profit was EUR 147.4 million (44.7). The profit for the period after taxes was EUR 118.0 million (35.8). Return on equity increased to 20.1 per cent (6.9).

The operating profit from Banking was EUR 155,2 million (EUR 47,5million). The operating profit from Wealth Management was EUR 3,2 million (EUR 4,6million).*

During the review period, total income increased significantly. Total income amounted to EUR 371.3 million (221.8), a growth of 67.4 per cent. Net interest income increased by 125.6 per cent, totalling EUR 274.5 million (121.7). Net interest income has increased in every quarter from the beginning of the year 2022. Net fee and commission income increased by 7.4 per cent to EUR 93,7 million (87.2). Net income from investing activities decreased and was EUR -4.7 million (2.4). Other operating income decreased to EUR 7.7 million (10.4).

Operating expenses totalled EUR 190.9 million (165.1) during the review period. This is 15.6 per cent more year-on-year, mainly due to an increase in personnel expenses, IT and development costs and government fees but also acquisition-related advisory costs.

Expected and final credit losses of EUR 40.0 million (18.5) were recognised in the consolidated income statement during the review period. Reversals, or recovered credit losses, amounted to EUR 7.0 million (6.6). Consequently, the total net effect on profit of expected and final credit losses was EUR 33.0 million (12.0). EUR 14.8 million of ECL provisions were made during the review period which is the main reason for the increase.

Total deposits were EUR 8 175.9 million (7 925.6) at the end of the review period. During the past 12 months, total deposits grew by 3.2 per cent. Household customers' deposit portfolio grew by 5.4 per cent on the previous year and was EUR 7 462.2 million. Corporate customers' deposit portfolio decreased by 15.7 per cent on the previous year and was EUR 713.7 million.

Lending growth continued during 2023. At the end of the review period, the loan portfolio totalled EUR 6 935.0 million (6 695.3). During the past 12 months, the loan portfolio grew by 3.6 per cent. The household loan portfolio grew by 2.9 per cent on the previous year and was EUR 5 750.3 million. The corporate loan portfolio grew by 7.1 per cent on the previous year and was EUR 1 184.7 million.

At the end of the review period, the bank's debt securities totalled EUR 699.0 million (EUR 696.7 million at the end of 2022). Deposits in central banks and cash totalled EUR 2 207.0 million (1 368.2). The growth was influenced by the covered and unsecured bond issues.

At the end of the review period, S-Bank's equity was EUR 649.3 million, compared with EUR 524.2 million at the end of 2022. Equity was increased, in addition to excellent performance development, by positive value change of fair value reserve. The equity ratio was 6.5 per cent (5.9).

Assets under management were EUR 6 245.4 million (5 852.5) at the end of the review period. Of assets under management, fund capital accounted for EUR 4 309.4 million (3 925.8), and wealth management capital accounted for EUR

1 936.0 million (1 926.7). In addition, S-Bank Properties Ltd managed EUR 379.1 million in customer assets, consisting of real estate and joint ventures compared with 336.2 million a year earlier (the comparison amount has been adjusted). Net subscriptions to the S-Bank mutual funds amounted to EUR 130.7 million in the review period compared with EUR 255.1 million a year earlier (the comparison amount has been adjusted).

* The allocation of expenses has been amended since the publication of the 31 December 2022 financial statements. The changes are presented in Note 3 of S-Bank Financial Statements Bulletin.

Key figures

(EUR million)	2023	2022	Change	Q4 2023	Q4 2022	Change
Net interest income	274.5	121.7	125.6%	78.8	43.5	81.0%
Net fee and commission income	93.7	87.2	7.4%	26.2	24.3	7.5%
Total income	371.3	221.8	67.4%	104.9	70.9	47.8%
Operating profit	147.4	44.7	229.8%	43.5	20.6	110.8%
Cost-to-income ratio	0.51	0.74	-0.23	0.51	0.74	-0.23

(EUR million)	31 Dec 2023	31 Dec 2022	Change
Liabilities to customers, deposits	8 175.9	7 925.6	3.2%
Receivables from customers, lending	6 935.0	6 695.3	3.6%
Debt securities	699.0	696.7	0.3%
Equity	649.3	524.2	23,8 %
Expected credit losses (ECL)	37.3	22.5	65.7%
Assets under management	6 245.4	5 852.5	6.7%
Return on equity	20.1%	6.9%	13.2
Return on assets	1.2 %	0.4%	0.8
Equity ratio	6.5%	5.9%	0.6
Capital adequacy ratio	18.8%	16.3%	2.5

Outlook for 2024

S-Bank's guidance for 2024 is negatively affected by three factors. The development and integration costs related to the Handelsbanken transaction and the financing costs related to completing the transaction will have the most significant impact on the result. We also expect interest rates to settle at lower level than in the previous year, which will have a downward impact on earnings performance. The outlook for 2024 is also subject to uncertainties regarding the performance of the operating environment, the economy, employment and the real estate market. We expect operating profit for the whole year to decline by approximately a quarter from the previous year (EUR 147.4 million).

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 2 February 2024 from 10.30 am to 11.30 am. The event will be held in English. You can follow the webcast via this [link](#).

Contacts

- Riikka Laine-Tolonen, S-Bank's CEO, 010 768 2100, riikka.laine-tolonen@s-pankki.fi

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](#)