



S-Bank Plc Interim Report 1 January-31 March 2024

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Strong growth and performance continued

- Operating profit increased to EUR 42.8 million (25.4)
- Deposits increased to EUR 8.2 billion (7.9*)
- Lending increased to EUR 7.0 billion (6.8*)
- Assets under management increased to EUR 6.4 billion (6.0*)
- Number of active customers increased to 675 000 (606 000*)
- The capital adequacy ratio increased to 19.7 per cent (16.8*)

* Figures for the corresponding period of 2023 are used in comparisons.

The S-Bank Group's operating profit was EUR 42.8 million (25.4). The improvement in performance and key figures was especially driven by a strong 45.4 per cent increase in the net interest income. The cost-to-income ratio was 0.50 (0.69) and return on equity was 21.4 per cent (9.1*).

Outlook for 2024 (unchanged)

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 a 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).

Comments by Riikka Laine-Tolonen, CEO

At the beginning of the year S-Bank's result was strong and the number of active customers continued to grow. During the first quarter of the year, operating profit was EUR 42.8 million and the number of active customers increased to 675 000.

The beginning of the year did not bring any relief regarding the Finns' uncertainty about the economy nor for the Finnish economy itself. While the US has remained the driving force of the global economy, the Finnish economy has contracted due to the heavy focus on manufacturing and the plight of the construction sector. Housing transactions were at an exceptionally low level, which was reflected in low demand for credit. Yet the big picture of the economy has not changed. Interest rates are anticipated to fall, and Finland's economic growth is forecast to pick in the second half of the year.

In challenging times, our work for a financially slightly better tomorrow is even more relevant. Our mission is translated into concrete actions in everyday life. Our basic banking services are free of charge for our co-op members, and we pay interest based on daily balance, rather than based on the lowest balance of the month. We also offer easy savings and investment solutions that allow you to put your bonuses, accumulated from purchases made in S Group, for example, to work in our funds directly from the S-mobiili app.

S-Bank's attractiveness is reflected in our key figures. Deposits by household customers increased to EUR 7.5 billion and were at a good level compared to overall market development. The volume of loans we granted increased to EUR 7.0 billion. According to the latest available information, the housing loan volume for the financial institutions operating in Finland had declined by 1.7 per cent during the preceding 12-month period. In the same period, S-Bank's housing loan volume grew by 1.9 per cent. Our market share grew, and according to the Bank of Finland's year end statistics, we were the fifth largest mortgage bank in Finland.

S-Bank served an increasing number of fund savers. The number of unit holders in our funds increased year-on-year and was 405 000 (367 000). Assets under management were EUR 6.4 billion at the end of March.

The growth in the number of active customers was also evident in the solid increase in purchases made with our cards. Total card purchases in euros increased by 13.8 per cent. The number of card purchases increased by 13.7 per cent year-on-year

in the first quarter, co-op members of S Group's regional cooperatives paid 25.8 per cent of their bonus purchases with an S-Bank card.

The popularity of the joint digital channels of the S Group and S-Bank was also at record levels at the beginning of the year. The number of active users of the S-mobiili app reached almost 1.4 million per week out of a total of 2.2 million users.

S-Bank also received high ratings in external measurements. S-Bank's customers were the most satisfied compared to other Finnish banks, as our reputation was among the best in the financial sector, and Finns voted S-Bank the most responsible banking brand in Finland for the twelfth year in a row. I am very pleased with and humbled by these ratings.

The execution of the Handelsbanken transaction is progressing as planned towards the migration and transition of customers at the turn of November-December, and we are working hard to ensure that everything goes smoothly. I would like to welcome our new customers and colleagues from Handelsbanken. I am happy to be able to confirm well in advance of the event itself that the customer relationship managers and branches transferring from Handelsbanken will continue to serve the transferring customers at S-Bank.

We are also building the new S-Bank by strengthening our management team. We started implementing the objectives of the 2024-2027 strategy period by renewing our organisation and the way we manage S-Bank. The reformation will establish a clearer framework for more customer-oriented service and digital development, as well as for accommodating customers and personnel transferring from Handelsbanken when the transaction is completed. In conjunction, we will also reinforce our business risk management.

I'd like to extend a big thank you to all our customers, our personnel, our bond investors and our owners.

January-March 2024

S-Bank Group's operating profit was EUR 42.8 million (25.4). The profit for the period after taxes was EUR 34.2 million (20.4). Return on equity increased to 21.4 per cent (9.1).

Banking segment operating profit was EUR 43.7 million (26.1). Wealth Management operating profit was EUR 0.4 million (1.6).

Total income amounted to EUR 104.1 million (80.0), a growth of 30.1 per cent.

Net interest income increased by 45.3 per cent, totalling EUR 79.6 million (54.8). The prevailing interest rate level has continued to support the growth of the net interest income. Net interest income has increased in every quarter from the beginning of the year 2022. Net fee and commission income was EUR 21.7 million (22.0). Net income from investing activities decreased and was EUR 0.3 million (0.8). The change was due to changes in the fair value of investments and derivatives measured at fair value through profit or loss. Other operating income was EUR 2.4 million (2.4).

Operating expenses totalled EUR 55.5 million (49.4) during the review period. This is 12.3 per cent more year-on-year, mainly due to an increase in personnel expenses, IT and acquisition-related development costs. Personnel expenses accounted for EUR 17.7 million (15.3) of operating expenses. The change was due to an increase in the number of personnel.

Other administrative expenses totalled EUR 23.4 million (20.6). The increase is mainly due to an increase in IT and development costs. Depreciation and impairment of tangible and intangible assets amounted to EUR 4.2 million (3.9). Other operating expenses totalled EUR 10.2 million (9.5), which includes EUR 9.0 million (8.7) in deposit guarantee contribution.

Expected and final credit losses of EUR 8.0 million (6.8) were recognised in the consolidated income statement during the review period. Reversals, or recovered credit losses, amounted to EUR 2.1 million (1.6). Consequently, the total net effect on profit of expected and final credit losses was EUR 5.9 million (5.2). No provisions based on management judgement were made during the review period.

Total deposits were EUR 8 175.1 million (8 175.9) at the end of the review period. Deposits repayable on demand totalled EUR 7 537.6 million (7 581.6) and time deposits EUR 637.5 million (594.3) at the end of the review period. During the past 12 months, total deposits grew by 3.1 per cent. Household customers' deposit portfolio grew by 3.9 per cent on the previous year and was EUR 7 543.2 million. Corporate customers' deposit portfolio decreased by 5.0 per cent on the previous year and was EUR 631.9 million.

At the end of the review period, the total amount of deposits in S-Bank covered by the deposit guarantee scheme was EUR 7 043.1 million (6 964.1).

At the end of the review period, the loan portfolio totalled EUR 6 991.3 million (6 935.0). During the past 12 months, the loan portfolio grew by 3.2 per cent. The household loan portfolio grew by 2.4 per cent on the previous year and was EUR 5 782.5 million. The corporate loan portfolio grew by 6.7 per cent on the previous year and was EUR 1 208.8 million. The loan-to-deposit ratio, which describes the ratio between the loan portfolio and deposits, was 86 per cent (85).

At the end of the review period, the bank's debt securities totalled EUR 646.7 million, compared with EUR 699.0 million at the end of 2023. Deposits in central banks and cash totalled EUR 2 434.2 million (2 207.0). The growth was influenced by the senior bond issue. The breakdown of the liquidity and investment portfolio is illustrated in chapter Risks and Capital Adequacy and their management under section S-Bank Group's risk position in paragraph Liquidity and funding.

At the end of the review period, S-Bank's equity was EUR 685.1 million, compared with EUR 649.3 million at the end of 2023. Equity was increased by excellent performance development. The equity ratio was 6.7 per cent (6.5).

Assets under management were EUR 6 416.0 million (6 245.4) at the end of the review period. Of assets under management, fund capital accounted for EUR 4 476.8 million (4 309.4), and wealth management capital accounted for EUR 1 939.2 million (1 936.0). In addition, S-Bank Properties Ltd managed EUR 379.2 million in customer assets, consisting of real estate and joint ventures (379.1). Net subscriptions to the S-Bank mutual funds amounted to EUR 75.6 million in the review period compared with EUR -8.3 million a year earlier.

Key figures

(EUR million)	Jan-Mar 2024	Jan-Mar 2023	Change	Q1 2024	Q1 2023	Change
Net interest income	79.6	54.8	45.4%	79.6	54.8	45.4%
Net fee and commission income	21.7	22.0	-1.2%	21.7	22.0	-1.2%
Total income	104.1	80.0	30.1%	104.1	80.0	30.1%
Operating profit	42.8	25.4	68.1%	42.8	25.4	68.1%
Cost-to-income ratio	0.50	0.69	-0.19%	0.50	0.69	-0.19%

(EUR million)	31 Mar 2024	31 Dec 2023	Change
Liabilities to customers. deposits	8 175.1	8 175.9	0.0%
Receivables from customers. lending	6 991.3	6 935.0	0.8%
Debt securities	646.7	699.0	-7.5%
Equity	685.1	649.3	5.5%
Expected credit losses (ECL)	37.5	37.3	0.3%
Assets under management	6 416.0	6 245.4	2.7%
Return on equity	21.4%	20.1%	1.3
Return on assets	1.4%	1.2%	0.1
Equity ratio	6.7%	6.5%	0.2
Capital adequacy ratio	19.7%	18.8%	0.9

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 7 May 2024 from 10.00 am to 11.00 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](#)
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