



S-Bank Plc Half-year Report 1 January-30 June 2023

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Strong performance in the beginning of the year - The next chapter is about to start

- Lending increased to EUR 6.9 billion (6.4)*
- Deposits increased to EUR 8.2 billion (7.8)
- Assets under management increased to EUR 6.1 billion (5.7) **
- Operating profit increased to EUR 57.6 million (13.3)
- The capital adequacy ratio increased to 17.3 per cent (16.2)

The S-Bank Group's operating profit was EUR 57.6 million (13.3) increasing. The improvement in performance and key figures was specially driven by a strong 157.9 per cent increase in the net interest income. Total income increased by 76.3 per cent. The cost-to-income ratio was 0.61 (0.83) and return on equity was 13.3 per cent (3.7).

* 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

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 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 upward trend in S-Bank's performance continued in January-June. This lays a solid foundation for the next chapter in the bank's story. It began in late May, when we announced that we were going to acquire Handelsbanken's Finnish private customer, asset management and investment services operations.

Although there were no significant changes in our operating environment in January-June, there are still number of uncertainties. The Finnish economy avoided major problems in the first half of the year, but uncertainties are being created by factors such as increasing interest rates, rising general price levels and nervousness in the investment and real estate markets. Tighter monetary policy may have a negative impact on economic growth and companies' operating environment. This may have a negative impact on the employment rate that could later be reflected in customers' ability to service their loans.

For households, the key factors include the development of real earnings and adaptation to higher living and loan servicing costs in particular, as well as expectations concerning the development of their own finances and employment. Higher prices and the increase in necessary spending are curbing consumption as households are forced to look more closely at how they spend their money.

This is where we support our customers. We exist because we believe that everyone is entitled to a little wealthier future, and we offer an account, a card, online banking and a mobile app free of charge for the co-op members of S Group cooperative stores.

The continued growth of our total deposits reflects customers' strong trust in S-Bank. Deposits from household customers amounted to around EUR 7.5 billion, which is around 6.8 per cent more than a year earlier. Deposits also increased from the end of March. We want to be a fair bank that also pays interest on current accounts that are central to people's daily lives. In June, we started to pay interest on our current accounts, as the deposit interest rate on S-tili accounts increased to 0.3 per cent following the change in the S-Prime reference rate.

In line with our strategy, we offer a comprehensive range of competitive banking services for household customers, and interest in our services remained strong during the first half of the year. At the end of June 2023, we had around 625 000 active customers, as opposed to around 560 000 at the end of June 2022. Our goal is to achieve one million active customers.

Total income in January–June was EUR 170.5 million (96.7), and the operating profit was EUR 57.6 million (13.3). The operating profit in the second quarter was EUR 32.2 million (3.4). Our capital adequacy remained at a good level. The strong performance enables sufficient capital buffers, operational development, and business growth.

In January–June, the total euro amount of purchases made with the S-Etukortti Visa card grew by 22.3 per cent and the number of purchases by 23.4 per cent on the previous year. At the end of the first quarter, purchases made with S-Bank cards accounted for 25.2 per cent (24.1) of all Bonus purchases made in S Group stores.

We continued to grow in housing loans and were the chosen partner for an increasing number of Finns in buying a home. Our housing loan volume increased by around 6.8 per cent over the 12-month period, during which the housing loan volume of all financial institutions operating in Finland decreased by 0.8 per cent. Other lending was also active. The level of credit losses remained moderate.

Although the overall household savings rate in Finland has been decreasing, the popularity of our investment services continued to grow, attracting an increasing number of Finns to accumulate wealth responsibly. At the end of June, our digital investment service, Säästäjä, had 86 000 users, as opposed to 75 000 a year earlier. Last year, more than half of those who started investing in funds through Säästäjä were investing for the first time in their lives. The total number of unit holders in the S-Bank funds was 375 000 at the end of June. The number increased by 22 000 year-on-year. Of our new housing loan customers in January–June, 28.4 per cent invested in funds.

The acquisition of Handelsbanken's Finnish private customer, asset management and investment services operations will strengthen our positions as a bank for Finns. It also makes us the fourth largest player in the Finnish market in housing loans and deposits for households. We plan to combine both banks' strengths, and we warmly welcome Handelsbanken's household customers to their new home. No action is required from customers at this stage, and customers will be informed of the progress of the transaction. The Finnish Competition and Consumer Authority has approved the acquisition, and we have started the work to execute the transaction. We expect the transaction to be completed during the second half of 2024.

Finally, I would like to thank our customers for their trust. I would also like to thank our personnel, our shareholders, our bond investors and our partners.

January–June 2023

S-Bank Group's operating profit was EUR 57.6 million (13.3). The profit for the period after taxes was EUR 46.1 million (10.6). Return on equity increased to 13.3 per cent (3.7).

The operating profit from Banking was EUR 60.4 million (EUR 14.4 million). The operating profit from Wealth Management was EUR 2.9 million (EUR 3.0 million).

During the review period, total income increased significantly. Total income amounted to EUR 170.5 million (96.7), a growth of 76.3 per cent. Net interest income increased by 157.9 per cent, totalling EUR 120.9 million (46.9). Net fee and commission income increased by 8.5 per cent to EUR 45.0 million (41.5). Net income from investing activities decreased and was EUR 0.5 million (0.8). Other operating income decreased to EUR 4.1 million (7.5).

Operating expenses totalled EUR 96.0 million (80.1) during the review period. This is 19.9 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 20.2 million (6.3) were recognised in the consolidated income statement during the review period. Reversals, or recovered credit losses, amounted to EUR 3.3 million (3.0). Consequently, the total net effect on profit of expected and final credit losses was EUR 16.9 million (3.3). The increase during the review period is mainly due to higher ECL provisions. During the first half of the year, provisions based on management judgement were increased by EUR 4.0 million (0.0). Provisions based on management judgement were EUR 6.1 million at the end of the review period. 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 8 221.9 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 4.8 per cent. Household customers' deposit portfolio grew 6.8 per cent on the previous year and was EUR 7 473.7 million. Corporate customers' deposit portfolio contracted 11.3 per cent on the previous year and was EUR 748.3 million.

At the end of the review period, the loan portfolio totalled EUR 6 862.1 million compared with EUR 6 695.3 million at the end of 2022. During the past 12 months, the loan portfolio grew by 6.9 per cent. The household loan portfolio grew by 6.1 per cent on the previous year and was EUR 5 693.6 million. The corporate loan portfolio grew 10.5 per cent on the previous year and was EUR 1 168.5 million.

According to the latest available information, the decrease in housing loan volume for the financial institutions operating in Finland was 0.8 per cent for the preceding 12-month period in May. S-Bank's housing loan volume grew by 6.8 per cent in the same period. In January-June 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 743.0 million (EUR 696.7 million at the end of 2022). Deposits in central banks and cash totalled EUR 1 493.5 million (EUR 1 368.2 million at the end of 2022).

At the end of the review period, S-Bank's equity was EUR 569.1 million, compared with EUR 524.2 million at the end of 2022. The equity ratio was 6.1 per cent, compared with 5.9 per cent at the end of 2022.

Assets under management were EUR 6 139.1 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 4 197.1 million (EUR 3 925.8 million at the end of 2022), and wealth management capital accounted for EUR 1 942.0 million (EUR 1 926.7 million at the end of 2022). In addition, S-Bank Properties Ltd managed EUR 334.4 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. Net subscriptions to the S-Bank mutual funds amounted to EUR 104.9 million in the review period compared with EUR 78.0 million a year earlier. The net subscriptions to S-Bank funds performed stronger than the fund management company average.

Key figures

(EUR million)	Jan-Jun 2023	Jan-Jun 2022	Change
Net interest income	120.9	46.9	157.9%
Net fee and commission income	45.0	41.5	8.5%
Total income	170.5	96.7	76.3%
Operating profit	57.6	13.3	331.8%
Cost-to-income ratio	0.61	0.83	-0.22

(EUR million)	30 Jun 2023	31 Dec 2022	Change
Liabilities to customers, deposits	8 221.9	7 925.6	3.7%
Receivables from customers, lending	6 862.1	6 695.3	2.5%
Debt securities	743.0	696.7	6.6%
Equity	569.1	524.2	8.6%
Expected credit losses (ECL)	31.5	22.5	39.9%
Assets under management	6 139.1	5 852.5	4.9%
Return on equity	13.3%	6.9%	6.4
Return on assets	0.8%	0.4%	0.4
Equity ratio	6.1%	5.9%	0.3
Capital adequacy ratio	17.3%	16.3%	1.0

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 4 August 2023 from 9.00 am to 10.00 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](#)
- [S-Bank Plc Half-year Report 1 January-30 June 2023.pdf](#)
- [S-Bank Capital Adequacy Tables 30 June 2023.xlsx](#)