



S-Bank Plc Half-Year Report 1 January-30 June 2024

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Steady performance and growth continued

- Operating profit increased to EUR 83.5 million (57.6)
- Deposits increased to EUR 8.3 billion (8.2 *)
- Lending increased to EUR 7.0 billion (6.9 *)
- Assets under management increased to EUR 6.2 billion (6.1 *)
- Number of active customers increased to 699 000 (625 000 *)
- The capital adequacy ratio increased to 20.5 per cent (17.3 *)

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

The S-Bank Group's operating profit was EUR 83.5 million (57.6), a 45.0 per cent growth. The improvement in performance and key figures was especially driven by a strong 30.3 per cent increase in the net interest income. The cost-to-income ratio was 0.49 (0.61) and return on equity was 21.7 per cent (13.3 *).

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

S-Bank's strong performance continued; economic outlook indicates a change for the better

S-Bank's profit and growth continued to be strong in January-June. Operating profit was EUR 83.5 million during the first half of the year. More and more Finns are focusing their banking needs with S-Bank and the number of active customers reached another new record of 699 000.

The global economy has recently been displaying more positive signs as inflation is slowing and the interest rate outlook is becoming more favourable. Finland's economy grew slightly at the beginning of the year, driven by consumption. Expectations of further interest rate cuts by the European Central Bank are being well received by Finnish households, and it is anticipated that the housing market's rock-bottom level will soon be behind us. However, near-term challenges are still expected in construction and employment, but in general, the Finnish economy is forecast to gradually start improving in the second half of the year.

In line with our strategy, we exist to support our customers so that everyone has a chance to have a slightly more affluent tomorrow. We offer an account, a card, online banking and a mobile app free-of-charge to S Group cooperative store co-op members. Interest in our services is strong. At the end of June, we had around 699 000 active customers, whereas a year earlier the corresponding figure was 625 000. I am very proud of the fact that more and more people are choosing S-Bank as their main bank.

Deposits by household customers were at a good level compared to the overall market development and increased to EUR 7.7 billion, an increase of 3.3 per cent year-on-year. At the market as a whole, household deposits have decreased. The volume of loans granted was EUR 7.0 billion. According to the latest available data, S-Bank has strengthened its position as a mortgage bank, as the volume of S-Bank's mortgage loans has increased while the overall market has declined. (Market data: Bank of Finland, May 2024)

The growth in the number of active customers is also reflected in the strong increase in purchases made with our cards. Over the period January-June, the euro amount of purchases made with S-Etukortti Visa cards grew by 12.2 per cent and the number of card purchases increased by 13.8 per cent year-on-year. According to data from the end of June, co-op members of S Group's regional cooperatives paid 26.4 per cent of their bonus purchases with an S-Bank card.

S-Bank is serving more and more fund savers and the number of unit holders in S-Bank's funds increased year-on-year to 417 000 (375 000). Assets under management were EUR 6.2 billion at the end of June. We have also made progress as a provider of responsible investments. In June, we set an ambitious interim target for 2030 in the Net Zero Asset Managers initiative to reduce emissions by 50 per cent compared to the level in 2019.

In June, international credit rating agency Standard & Poor's raised S-Bank's credit rating to BBB+ and affirmed its short-term credit rating at A2. S&P rated the outlook as stable. I am very pleased that S&P considers our outlook to be stable and anticipates that the Handelsbanken transaction will have a positive impact on S-Bank's business operations.

Popularity of digital channels at record levels

The popularity of the joint digital channels of the S Group and S-Bank was at record levels during the first half of the year. The number of active users of the S-mobiili app was almost 1.4 million per week out of a total of 2.3 million users. In April, we accomplished a major renewal in S-Bank's digital services when Apple Pay was launched as part of the payment portfolio, making it possible to add the contactless S-Etukortti also to Apple Wallet.

We offer our customers easy savings and investment solutions. A good example of this is S-Bank's popular micro-saving service called Säästäjä, which exceeded 100 000 users in May. I am very happy and proud of the fact that our Säästäjä service has become so popular. It shows that effortless and mobile investment services are important to our customers to achieve a slightly more affluent tomorrow. We want to continue to make investing easy and accessible for everyone.

Continuing our journey to become an even more customer-focused and digital bank

The execution of the Handelsbanken transaction is progressing as planned towards the migration and transfer of customers that will take place at the turn of November-December 2024, and we are working hard to ensure that everything goes smoothly. I would like to welcome our new customers and colleagues from Handelsbanken. The customers from Handelsbanken will be able to come over to S-Bank with confidence, as the customer relationship managers and branches transferring from Handelsbanken will continue to serve customers at S-Bank. In the coming weeks, we will inform customers of the upcoming change and encourage them to take action early to ensure that the transfer of their banking matters to S-Bank will take place smoothly.

Our new organisation, which came into effect in April and the new way of managing S-Bank is the first step in implementing our new strategy and continuing our growth story. In conjunction with this, we also reinforced our business risk management.

S-Bank is in excellent shape and we are making good progress towards our strategic objectives. Our capital adequacy is strong, at 20.5 per cent, and our cost-to-income ratio is 0.49.

I would like to warmly thank our customers, our personnel, our owners and our investors.

January-June 2024

S-Bank Group's operating profit was EUR 83.5 million (57.6). The profit for the period after taxes was EUR 66.9 million (46.1). Return on equity increased to 21.7 per cent (13.3).

Banking segment operating profit was EUR 87.1 million (60.8). Wealth Management operating profit was EUR -0.6 million (2.9).

Total income amounted to EUR 206.3 million (170.5), a growth of 21.0 per cent.

Net interest income increased by 30.3 per cent, totalling EUR 157.6 million (120.9). The prevailing interest rate level has continued to support the growth of the net interest income. Net fee and commission income was EUR 44.7 million (45.0). Net income from investing activities decreased and was EUR -0.2 million (0.5). Other operating income was EUR 4.2 million (4.1).

Operating expenses totalled EUR 106.2 million (96.0) during the review period. This is 10.6 per cent more than during the comparison period, mainly due to an increase in personnel expenses, IT and acquisition-related development costs. Personnel expenses accounted for EUR 36.2 million (31.9) of operating expenses. The change was due to an increase in the number of personnel.

Other administrative expenses totalled EUR 52.8 million (44.4). The increase is mainly due to an increase in IT and acquisition-related development costs. Depreciation and impairment of tangible and intangible assets amounted to EUR 8.4

million (8.0). Other operating expenses totalled EUR 8.8 million (11.7), which includes EUR 6.4 million (9.5) authority fees.

Expected and final credit losses of EUR 20.9 million (20.2) were recognised in the consolidated income statement during the review period. Reversals, or recovered credit losses, amounted to EUR 4.3 million (3.3). Consequently, the total net effect on profit of expected and final credit losses was EUR 16.6 million (16.9). During the review period, S-Bank updated the credit risk models measuring the probability of default of household customers and the criteria for a significant increase in credit risk in the ECL calculation. In the same connection provisions based on management judgement were reversed. The net effect on ECL provisions was about EUR 2.0 million. Provisions based on management judgement totalled EUR 0.5 million in the end of review period.

Total deposits were EUR 8 321.7 million (8 175.9) at the end of the review period. Deposits repayable on demand totalled EUR 7 519.2 million (7 581.6) and time deposits EUR 802.5 million (594.3) at the end of the review period. During the past 12 months, total deposits grew by 1.2 per cent. Household customers' deposit portfolio grew by 3.3 per cent on the previous year and was EUR 7 723.2 million. Corporate customers' deposit portfolio decreased by 20.0 per cent on the previous year and was EUR 598.5 million.

At the end of the review period, the total amount of deposits in S-Bank covered by the deposit guarantee scheme was EUR 7 215.8 million (6 964.1).

At the end of the review period, the loan portfolio totalled EUR 7 002.0 million (6 935.0). During the past 12 months, the loan portfolio grew by 2.0 per cent. The household loan portfolio grew by 1.6 per cent on the previous year and was EUR 5 786.8 million. The corporate loan portfolio grew by 4.0 per cent on the previous year and was EUR 1 215.2 million. The loan-to-deposit ratio, which describes the ratio between the loan portfolio and deposits, was 84 per cent (85).

At the end of the review period, the bank's debt securities totalled EUR 619.7 million, compared with EUR 699.0 million at the end of 2023. Deposits in central banks and cash totalled EUR 3 135.5 million (2 207.0). The growth was influenced by the senior bond and covered bond issues.

At the end of the review period, S-Bank's equity was EUR 710.2 million, compared with EUR 649.3 million at the end of 2023. Equity was increased by excellent performance development. The equity ratio was 6.5 per cent (6.5).

Assets under management were EUR 6 220.2 million (6 245.4) at the end of the review period. Of assets under management, fund capital accounted for EUR 4 449.9 million (4 309.4), and wealth management capital accounted for EUR 1 721.3 million (1 936.0). The decrease in wealth management capital was in particular affected by the change in one major customer's capital. In addition, S-Bank Properties Ltd managed EUR 379.6 million in customer assets, consisting of real estate and joint ventures (379.1). Net subscriptions to the S-Bank mutual funds amounted to EUR 70.5 million in the review period compared with EUR 104.9 million a year earlier.

Key figures

(EUR million)	Jan-Jun 2024	Jan-Jun 2023	Change	Q2 2024	Q2 2023	Change
Net interest income	157.6	120.9	30.3%	78.0	66.1	17.9%
Net fee and commission income	44.7	45.0	-0.6%	23.0	23.0	0.1%
Total income	206.3	170.5	21.0%	102.3	90.6	13.0%
Operating profit	83.5	57.6	45.0%	40.8	32.2	26.7%
Cost-to-income ratio	0.49	0.61	-0.12	0.49	0.61	-0.12

(EUR million)	30 Jun 2024	31 Dec 2023	Change
Liabilities to customers, deposits	8 321.7	8 175.9	1.8%
Receivables from customers, lending	7 002.0	6 935.0	1.0%
Debt securities	619.7	699.0	-11.3%
Equity	710.2	649.3	9.4%

Expected credit losses (ECL)	41.1	37.3	10.1%
Assets under management	6 220.2	6 245.4	-0.4%
Return on equity	21.7%	20.1%	1.6
Return on assets	1.4%	1.2%	0.1
Equity ratio	6.5%	6.5%	0.0
Capital adequacy ratio	20.5%	18.8%	1.7

Webcast on results

The results of S-Bank will be presented by Riikka Laine-Tolonen, CEO and Mika Heikkilä, CFO, in a webcast today 1 August 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

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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 Capital Adequacy Tables 30 June 2024.xlsx](#)
- [S-Bank Plc Half-Year Report 1 January-30 June 2024.pdf](#)