



## S-Bank Plc's Interim Report 1 January–30 September 2024

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S-Bank Plc

Stock Exchange Release

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### Strong performance continued - Next chapter starting

- Operating profit increased to EUR 126.3 million (103.9)
- Deposits increased to EUR 8.5 billion (8.2 \*)
- Lending increased to EUR 7.0 billion (6.9 \*)
- Assets under management increased to EUR 6.4 billion (6.0 \*)
- Number of active customers increased to 725 000 (642 000 \*)
- Capital adequacy ratio increased to 21.7 per cent (18.1 \*)

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

The S-Bank Group's operating profit was EUR 126.3 million (103.9), a 21.6 per cent growth. The improvement in performance and key figures was especially driven by a strong 19.8 per cent increase in the net interest income. The cost-to-income ratio was 0.51 (0.54) and return on equity was 20.0 per cent (17.9 \*).

### Outlook for 2024 (updated)

On 6 September 2024, S-Bank Plc announced that it was raising its outlook for 2024. The company now estimates that its full-year operating profit will be almost at the same level as in the previous year. Previously, the company expected its full-year operating profit to decline by approximately a quarter from the previous year (EUR 147.4 million).

The raised outlook is based on S-Bank's very strong financial performance during 2024 so far and the refined estimate for the development of net interest income in the latter half of the year. At the same time, S-Bank's result in 2024 will be burdened by the costs related to the Handelsbanken transaction, and, despite some initial positive signs, the development of the operating environment still contains uncertainties.

### Comments by Riikka Laine-Tolonen, CEO

*S-Bank's strong performance continued, outlook for the Finnish economy improved*

S-Bank's strong profit performance continued in the third quarter, and the operating profit for January–September was EUR 126.3 million. We have posted steady earnings of over EUR 40 million in every quarter of this year. As a result, we raised our outlook for the full year in September and estimate now that the full-year operating profit will be close to last year's level.

We are also making steady progress towards our strategic target of one million active customers: at the end of September, their number had already increased to 725 000.

Inflation has already slowed down close to target levels and central banks have moved to ease monetary policy. The Finnish economy, which has shown modest growth this year, will benefit from lower interest rates, and the economic outlook is therefore more favourable. In Finnish families, the positive effects of lower interest rates will be reflected in an increase in monthly disposable funds, and this should also strengthen consumer confidence. However, so far this year, private consumption has remained cautious. A more positive mood is expected in the housing market, as interest rates fall. Housing prices have already shown a slight recovery in some areas. However, the labour market looks set to continue weakening for a while before a change for the better.

*Final stages of preparation for Handelsbanken transaction*

The preparation of the Handelsbanken transaction is proceeding according to plan and on schedule towards implementation at the turn of November–December 2024. Upon completion of the transaction, approximately 230 Handelsbanken employees and nearly all of the bank's Finnish branches' offices will be transferred to S-Bank. With the acquisition,

approximately 100 000 private customers will transfer from Handelsbanken, and S-Bank will become Finland's fourth largest private customer bank.

We announced in September that the net value of the transaction was approximately EUR 1.6 billion on 30 June 2024 (EUR 2.0 billion on 31 March 2023). The value of the loans to be transferred was approximately EUR 2.9 billion (EUR 3.6 billion) and that of deposits approximately EUR 1.3 billion (EUR 1.6 billion). The net value of the transferring balance sheet items has decreased due to general developments in the financial and fixed income markets and a revised segmentation between the transaction parties. The change is within the range of S-Bank's assessment of the business. As for the assets under management to be transferred from Handelsbanken to S-Bank in conjunction with the transaction, their value has increased from EUR 2.6 billion at the end of March 2023 to EUR 2.7 billion at the end of June 2024.

At S-Bank, a total of about 100 people have worked to prepare for the migration and customer transition over a period of almost a year and a half. Handelsbanken's contact persons and branches will serve customers at S-Bank in the future. We will make every effort to ensure that the transfer will be as smooth as possible. Customers have also started to prepare for a smooth transfer, and we encourage everyone to take the necessary steps well before the end of November. We are delighted that after the preparation phase we will finally be able to welcome Handelsbanken's customers to S-Bank.

The financing arrangements for the transaction have also progressed according to plan. We have issued bonds worth approximately EUR 1.55 billion within the past 12 months. There has been considerable interest in them, and all issues have been oversubscribed by a clear margin.

#### *Digital services are becoming increasingly popular*

We have continued to invest in the development of digital services and customer experience. In the spring, S-Bank, together with SOK, launched the possibility to export Visa cards and S-Etukortti cards issued by S-Bank to Apple Wallet, and the new digital form of payment and accrual of benefits has gained great popularity. Approximately 15% of all S-Bank card payments were made using mobile payment wallets in September. Young people and young adults, in particular, have adopted the services as their own and become more active in using S-Etukortti Visa cards than before.

#### *Satisfied customers and a strong brand spur growth*

S-Bank wants to become more customer-oriented, and we are very happy that our customer satisfaction continues at the highest level in the industry. In the EPSI Rating survey published in September, our retail customer satisfaction index score was 80.6 on a scale of 0–100, 4.7 index points above the industry average. In addition, when customers were asked about value for money, we received the best ratings in the industry. Our own customer satisfaction survey also shows that our Net Promoter Score (NPS) has remained at a good level.

According to the Brand perception survey by the research firm Taloustutkimus published in September, S-Bank was again the most respected brand in the financial sector – for the seventh year in a row. This is an endorsement of the strength of our brand. Above all, Finns see us as a responsible and an easily approachable bank.

### **January–September 2024**

S-Bank Group's operating profit was EUR 126.3 million (103.9). The profit for the period after taxes was EUR 101.1 million (83.2). Return on equity increased to 20.0 per cent (17.9).

Total income amounted to EUR 308.5 million (266.4), a growth of 15.8 per cent.

Net interest income increased by 19.8 per cent, totalling EUR 234.4 million (195.7). The prevailing interest rate level and bank's financing structure that relies heavily on deposits have continued to support the growth of the net interest income. Net fee and commission income was EUR 67.1 million (67.5). Net income from investing activities was EUR -0.9 million (-2.6). Other operating income was EUR 7.9 million (5.7).

Operating expenses totalled EUR 159.7 million (138.7) during the review period. This is 15.2 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 56.3 million (49.1) of operating expenses. The change was due to an increase in the number of personnel.

Other administrative expenses totalled EUR 80.8 million (64.7). 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 12.5 million (12.2). Other operating expenses totalled EUR 10.2 million (12.6), which includes EUR 6.7 million (9.8) authority fees.

Expected and final credit losses of EUR 29.3 million (28.9) were recognised in the consolidated income statement during the review period. Reversals, or recovered credit losses, amounted to EUR 6.8 million (5.1). Consequently, the total net effect on profit of expected and final credit losses was EUR 22.5 million (23.8). 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 EUR 2.2 million. Provisions based on management judgement totalled EUR 0.5 million in the end of review period.

Total deposits were EUR 8 492.9 million (8 175.9) at the end of the review period. Deposits repayable on demand totalled EUR 7 653.9 million (7 581.6) and time deposits EUR 839.0 million (594.3) at the end of the review period. During the past 12 months, total deposits grew by 3.9 per cent. Household customers' deposit portfolio grew by 3.4 per cent year on year and was EUR 7 787.8 million. Corporate customers' deposit portfolio grew by 10.1 per cent year on year and was EUR 705.0 million.

At the end of the review period, the total amount of deposits in S-Bank covered by the deposit guarantee scheme was EUR 7 269.4 million (6 964.1).

At the end of the review period, the loan portfolio totalled EUR 7 024.2 million (6 935.0). During the past 12 months, the loan portfolio grew by 1.9 per cent. The household loan portfolio grew by 1.3 per cent year on year and was EUR 5 786.1 million. The corporate loan portfolio grew by 4.6 per cent year on year and was EUR 1 238.1 million.

The loan-to-deposit ratio, which describes the ratio between the loan portfolio and deposits, was 83 per cent (85)

At the end of the review period, the bank's debt securities totalled EUR 628.9 million, compared with EUR 699.0 million at the end of 2023. Deposits in central banks and cash totalled EUR 3 363.8 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 746.6 million, compared with EUR 649.3 million at the end of 2023. Equity was increased by excellent performance development. The equity ratio was 6.6 per cent (6.5).

Assets under management were EUR 6 429.8 million (6 245.4) at the end of the review period. Of assets under management, fund capital accounted for EUR 4 677.0 million (4 309.4), and wealth management capital accounted for EUR 1 752.8 million (1 936.0). In addition, S-Bank Properties Ltd managed EUR 386.4 million in customer assets, consisting of real estate and joint ventures (379.1). Net subscriptions to the S-Bank mutual funds amounted to EUR 102.5 million in the review period compared with EUR 104.9 million a year earlier.

## Key figures

(EUR million)	Jan-Sep 2024	Jan-Sep 2023	Change	Q3 2024	Q3 2023	Change
Net interest income	234.4	195.7	19.8%	76.8	74.8	2.7%
Net fee and commission income	67.1	67.5	-0.7%	22.3	22.6	-1.0%
Total income	308.5	266.4	15.8%	102.2	95.9	6.6%
Operating profit	126.3	103.9	21.6%	42.8	46.3	-7.5%
Cost-to-income ratio	0.51	0.54	-0.03	0.51	0.54	-0.03

(EUR million)	30 Sep 2024	31 Dec 2023	Change
Liabilities to customers, deposits	8 492.9	8 175.9	3.9%
Receivables from customers, lending	7 024.2	6 935.0	1.3%
Debt securities	628.9	699.0	-10.0%
Equity	746.6	649.3	15.0%
Expected credit losses (ECL)	39.4	37.3	5.7%
Assets under management	6 429.8	6 245.4	3.0%
Return on equity	20.0%	20.1%	-0.1
Return on assets	1.3%	1.2%	0.1
Equity ratio	6.6%	6.5%	0.2

Capital adequacy ratio	21.7%	18.8%	2.9
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## Webcast on results

The results of S-Bank will be presented by Riikka Laine-Tolonen, CEO and Mika Heikkilä, CFO, in a webcast today 7 November 2024 from 10:00 a.m. to 11:00 a.m. 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](https://s-pankki.fi)

## Attachments

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