



# Q1 RESULTS

Pekka Ylihurula, CEO & Mika Heikkilä, CFO

3 May 2022

# STEADY GROWTH, SUBSTANTIAL IMPROVEMENT IN PROFIT

## HIGHLIGHTS FROM THE Q1

- Operating profit increased to EUR **9.9** million (6.6)
- Lending increased to EUR **6.3** billion (5.6)
- Comparable assets under management increased to EUR **7.4** billion (6.9)
- Capital adequacy ratio rose to **15.7** per cent (15.3)
- Profit growth was influenced by a solid **12.1** per cent increase in total income and significantly lower impairment losses

(EUR million)	Jan–Mar 2022	Jan–Mar 2021	Change
Net interest income	23.0	21.4	7.4%
Net fee and commission income	19.4	17.8	9.0%
Total income	50.7	45.2	12.1%
Operating profit	9.9	6.6	51.0%
Cost-to-income ratio	0.80	0.74	0.06



S&P Global



### BANKING

Daily banking

Payment services

Financing

Financing of housing construction and housing companies

### WEALTH MANAGEMENT

Equity, debt and alternative investment funds and products

Real estate asset management

Discretionary asset management

Mobile digital investment service "Säästäjä"

# CEO'S COMMENTS

1. Operating profit increased in the first quarter compared with the previous year and business developed as we had **anticipated**.
2. We made consistent progress towards our strategic goal. The number of active customers was **544 000**, compared with 486 000 a year earlier.
3. Russia's invasion of **Ukraine** changed the operating environment. The eventual impact will become better known as the situation develops.

## BANKING

- The euro amount of the purchases made with the S-Etukortti Visa card in January–March grew by 16.9 per cent on the amount for the previous year and was record-high.
- The housing loan portfolio's growth was 3.4-fold compared with the overall market over a 12-month review period.
- Operating profit was EUR 17.0 million (9.6).

## WEALTH MANAGEMENT

- The number of unit holders in S-Bank funds increased to around 349 000 from around 290 000 a year earlier.
- Net subscriptions to the S-Bank funds totalled EUR 38.8 million (95.5). Net subscriptions to S-Bank funds were higher than the median for fund management companies.
- Operating profit was EUR 1.4 million (1.7).

# KEY INFORMATION ON S-BANK IN JANUARY-MARCH 2022



**3.1**  
million  
customers



**349 000**  
unit holders in S-Bank  
funds



**EUR 8.5**  
billion  
balance sheet



**2.2**  
million  
online banking IDs



Cash withdrawals  
and deposits at checkouts,  
at around  
**1 000**  
S Group outlets



**EUR 9.9**  
million  
operating profit



**2.6**  
million  
international  
payment cards

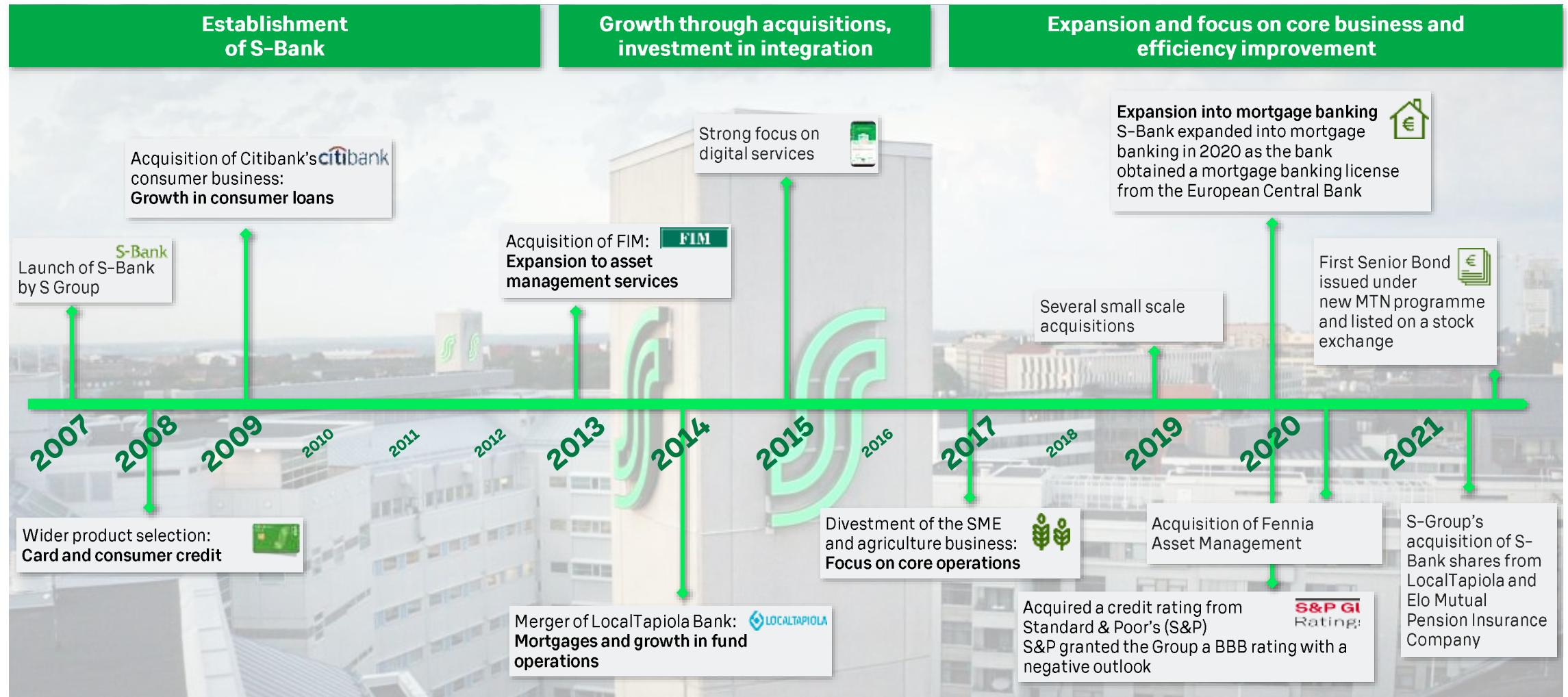


Around  
**80**  
customer service points  
at S Group outlets





# HISTORY OF S-BANK



# BUSINESS STRATEGY

S-Bank is well positioned to sustain above-market growth

## CURRENT POSITION

### Clearly differentiated customer benefits in a homogenous industry

- Free (selected) daily banking services
- Access to S Group rewards
- Easy-to-use mobile app shared with S Group retailers
- Local presence across Finland
- Leading brand in fairness and sustainability

### Other factors enabling growth & stability:

- Efficient data-driven sales and marketing
- Large customer base with frequent access to S Group retail customers
- Very competitive offering in wealth management, especially in ESG and real estate investing
- Focused business model and product portfolio

## PATH FORWARD

### Focus is on strengthening and leveraging S-Bank's existing competitive advantages:

- Continuously adapting the unique distribution and service model to changes in customer expectations
- Increasing sustainability and ESG related activities
- Ensuring favorable price position in retail offering
- Improving process and system scalability

### S-Bank is well equipped to succeed in a fast-changing business environment:

- Robust competitive advantages, relevant to customers in a wide range of conditions
- Use of practical tools such as scenario-based planning and agile development
- Well positioned to take advantage of any positive developments and strategic opportunities

# AWARDS AND HONOURS RECEIVED BY S-BANK

## MOST INNOVATIVE

S-Bank is the most innovative financial company in Finland



Hanken's study 2021

## MOST RESPONSIBLE

S-Bank is the most responsible bank in Finland for the 10th year in a row



Sustainable Brand Index 2022

## MOST REPUTABLE

S-Bank is the most reputable financial company



T-Media's Reputation & Trust 2021 -study

## MOST COMMITTED

S-Bank has the most loyal customers



Customer Index 2021 survey, Data & Marketing Association of Finland (DMA Finland/ASML)

## EQUAL & MOST INSPIRING

S-Bank is an equal workplace and one of Finland's most inspiring workplace



Trade Union Pro's Equality Award 2021

Eezy Flow People Power employee experience survey 2021

## MOST VALUED

S-Bank is the most valued brand in the financial sector for the 4th year in a row



Taloustutkimus and Kauppalehti Brand Valuation 2021 study



# KEY FINANCIALS



# KEY FIGURES

(EUR millions)	2019	2020	2021	Jan-Mar 2022
Total income	168	174	187	51
Operating profit	29	21	25	10
Deposits	5 948	6 925	7 555	7 602
Lending	4 781	5 444	6 086	6 274
Non-performing loans	0.6%	0.6%	0.6%	0.7%
Assets under management	4 539*	6 497*	7 697	7 397
Debt securities	1 081	1 229	1 149	1 049
Cost-to-income, %	74.0%	74.0%	78.0%	80.0%
ROE, %	5.2%	3.3%	3.9%	4.4%
ROA, %	0.4%	0.2%	0.2%	0.3%
Equity ratio, %	7.1%	6.4%	6.0%	5.9%
Capital adequacy ratio, %	16.3%	15.7%	16.3%	15.7%
CET-1 ratio, %	14.6%	13.7%	13.0%	12.6%

Steady  
income base,  
room to grow

Strong  
deposit  
funding base

Long-term  
AuM growth

Return on  
equity  
improved

Robust  
capital base

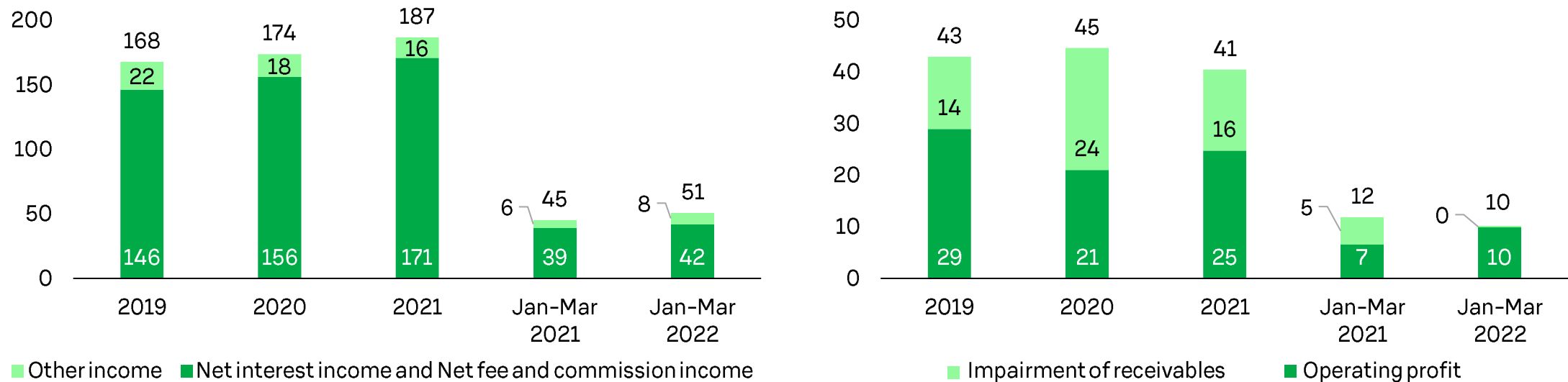


\* The fund cooperation between S-Bank and LocalTapiola ended in the final quarter of 2021. Assets under management, including the LocalTapiola funds, were EUR 9 041 million at the end of 2019, EUR 10 785 million at the end of 2020.

# DEVELOPMENT OF KEY INCOME MEASURES

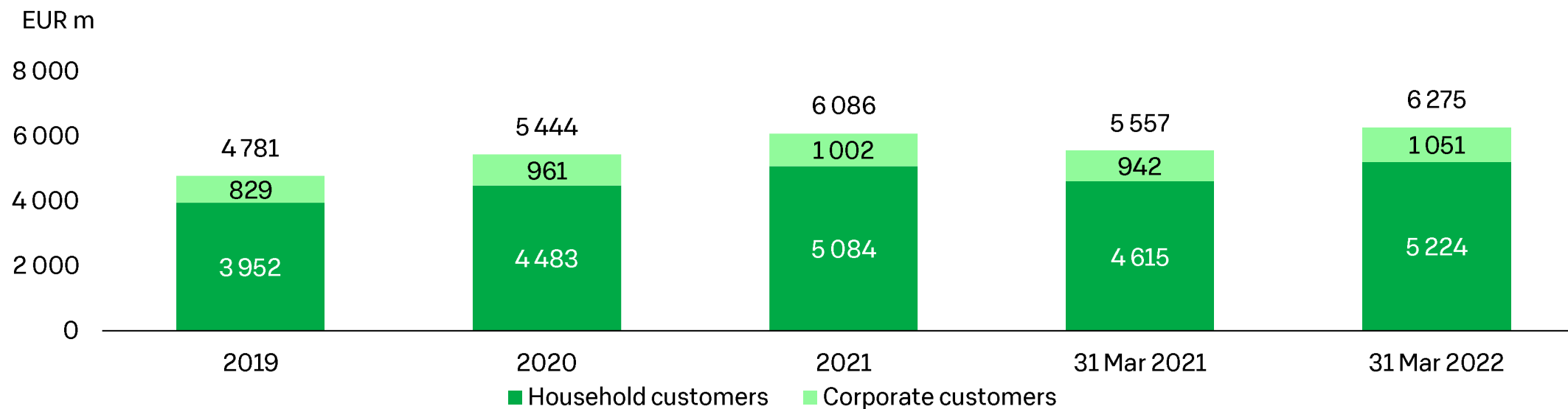
Stable figures since 2019 as S-Bank has strived to capture market share (and has succeeded in this)

## TOTAL INCOME AND OPERATING PROFIT BEFORE LOAN LOSSES (EUR m)



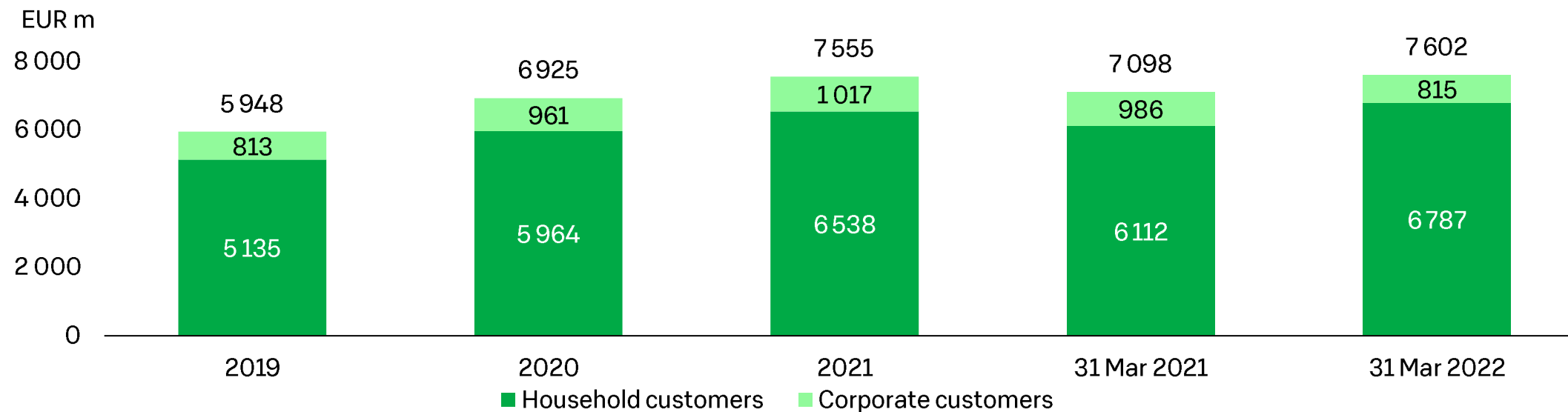
- S-Bank income metrics have been quite stable throughout the years with total income increasing from EUR 168 million in 2019 to EUR 187 million in 2021.
- The Banking segment contributed 76% of total income in 2021 – the Wealth Management segment’s share of income has been growing in recent years
- In January–March 2022, S-Bank’s operating income grew almost 51% to EUR 9.9 million from EUR 6.6 million in Q1/2021 despite higher regulatory costs
- Good progress in net loan losses, Impairment of receivables amounted to EUR 0,1 million (5.2).

# LONG-TERM LENDING GROWTH CONTINUED



Lending (EUR m)	31 Mar 2021	31 Mar 2022	Change from beginning of the year	12-month change
Household customers	4 615.0	5 223.7	2.8%	13.2%
Corporate customers	942.0	1 051.0	4.9%	11.6%
Total	5 557.0	6 274.7	3.1%	12.9%

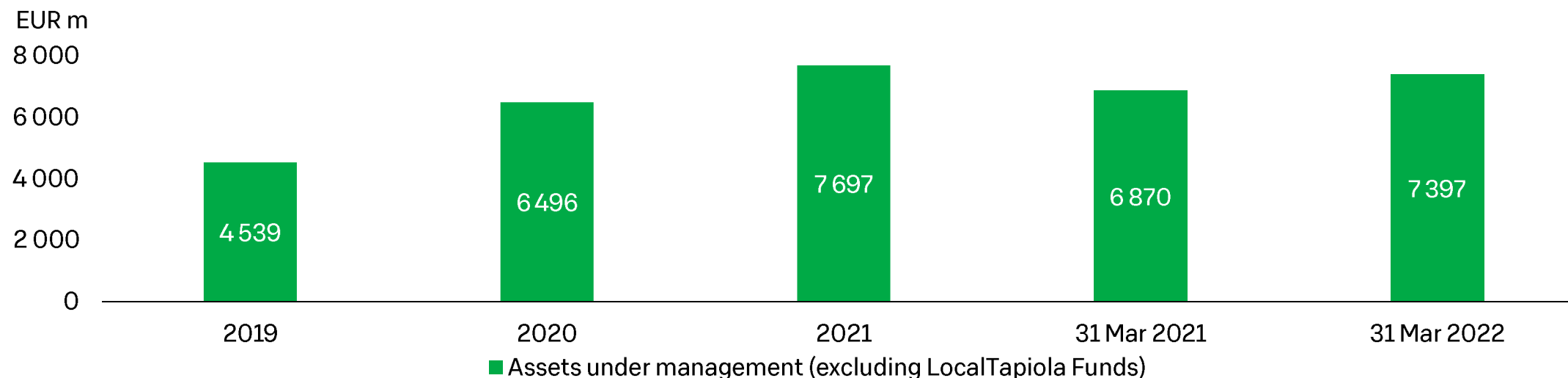
# TOTAL DEPOSITS CONTINUED TO GROW



Deposits (EUR m)	31 Mar 2021	31 Mar 2022	Change from beginning of the year	12-month Change
Household customers	6 112.4	6 787.0	3.8%	11.0%
Corporate customers	985.6	815.1	-19.8%	-17.3%
Total	7 098.0	7 602.1	0.6%	7.1%



# ASSETS UNDER MANAGEMENT CONTINUED TO GROW YOY



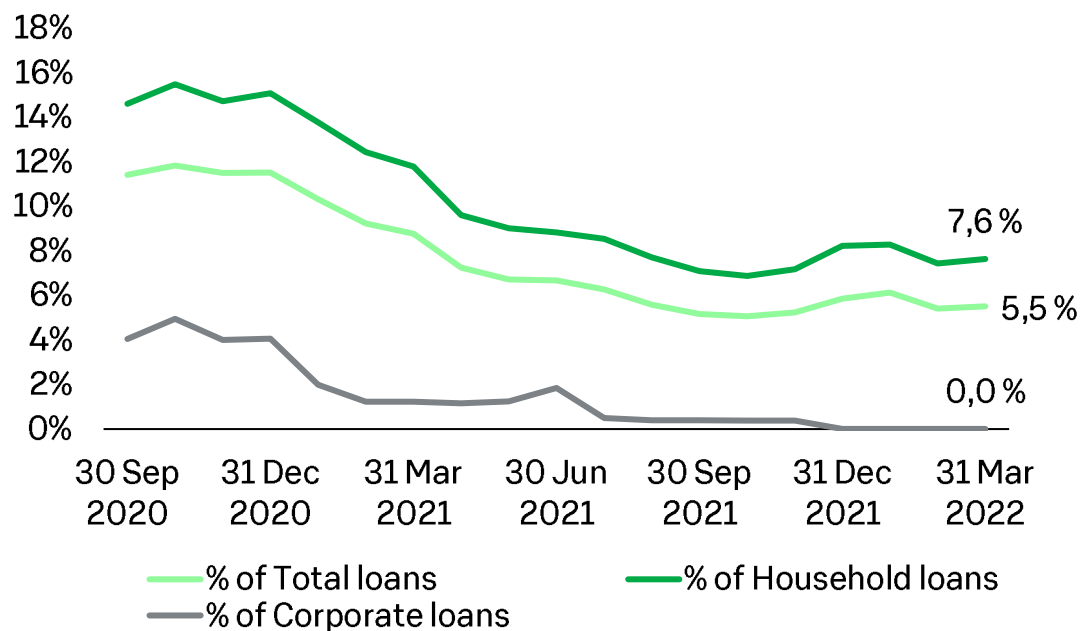
- In addition, S-Bank Properties Ltd managed EUR 442.4 million in customer assets, consisting of real estate and joint ventures.
- The management of 28 LocalTapiola funds was transferred from S-Bank Fund Management Ltd to Seligson & Co Fund Management Company Plc (owned by the LocalTapiola Group) in the fourth quarter of 2021. The total fund capital of the transferred funds was approximately EUR 4 billion. However, the following mutual funds – Mutual Fund LocalTapiola ESG Dividend Finland and Mutual Fund LocalTapiola ESG Global Emerging Markets – were merged with S-Bank mutual funds.

Comparable assets under management (EUR m)	31 Mar 2021	31 Mar 2022	Change from beginning of the year	12-month change
Fund capital	3 098.3	3 692.2	-2.5%	19.2%
Wealth management	3 772.0	3 704.8	-5.3%	-1.8%
Total	6 870.3	7 397.0	-3.9%	7.7%

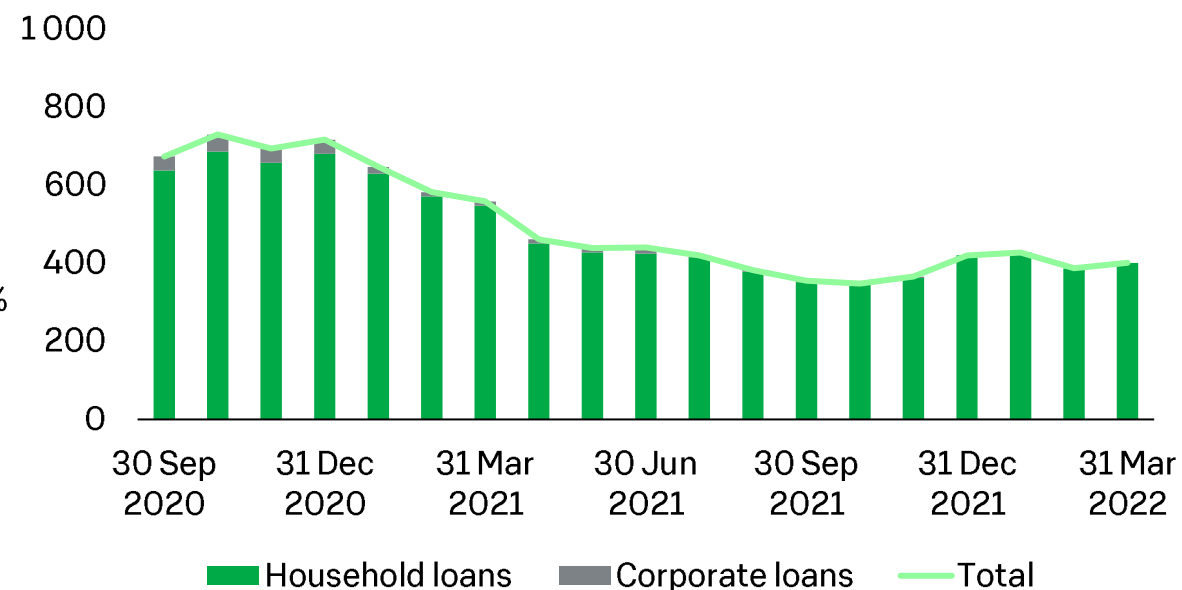
# REPAYMENT HOLIDAYS AND PAYMENT SCHEDULES

Changes to the payment schedules

## SHARE OF LOANS SUBJECT TO REPAYMENT HOLIDAYS



## AMOUNT OF LOANS SUBJECT TO REPAYMENT HOLIDAYS (EUR m)

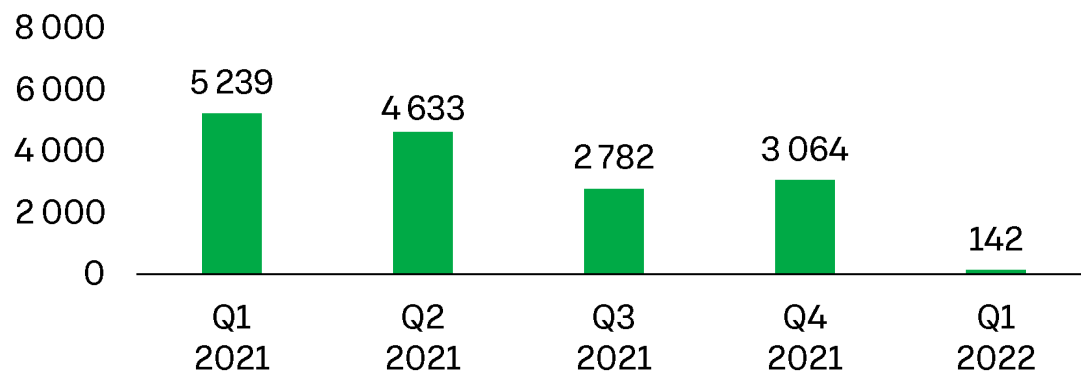


- Repayment holidays and changes to payment schedules have stabilized at pre-pandemic levels.
- The volume of loans subject to repayment holidays decreased during the first quarter, representing 5.5% of total loans (5.9% on 31 Dec 2021).
- The volume for the household loans was 7.6% (8.2% on 31 Dec 2021) and for the corporate loans 0.0% (0.0% on 31 Dec 2021).

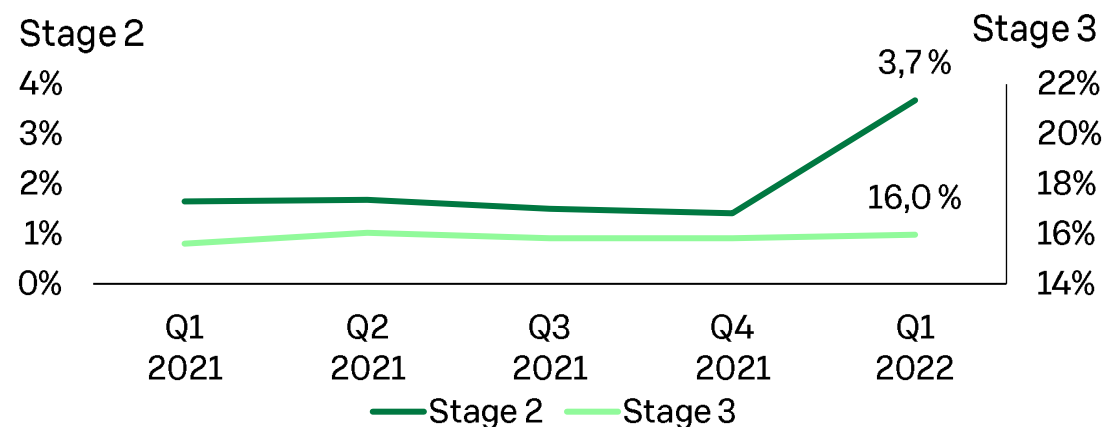
# STABLE CREDIT QUALITY

Improvement on net credit losses

## EXPECTED AND FINAL CREDIT LOSSES (EUR '000)



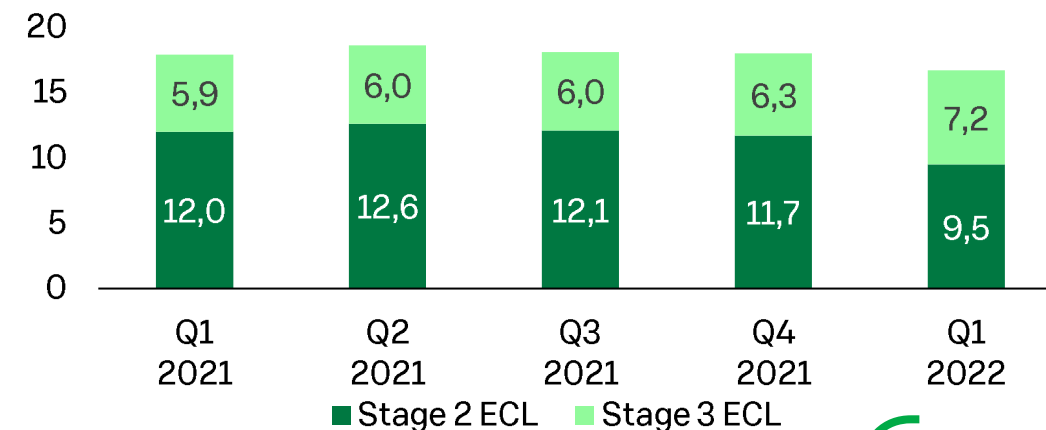
## COVERAGE RATIO (%)



## COMMENTARY

- Net credit losses were EUR 0.1 million (5.2 in Q1 2021)
- Recovery of the economy and credit risk management measures affected final credit losses positively
- Total ECL-provision decreased to EUR 18.7 million (20.6 in Oct-Dec 2021) mainly due to updates in ECL calculation
- New macro model introduced in Q1
- SICR criteria update reduced the amount of stage 2 receivables and affected stage 2 coverage ratio

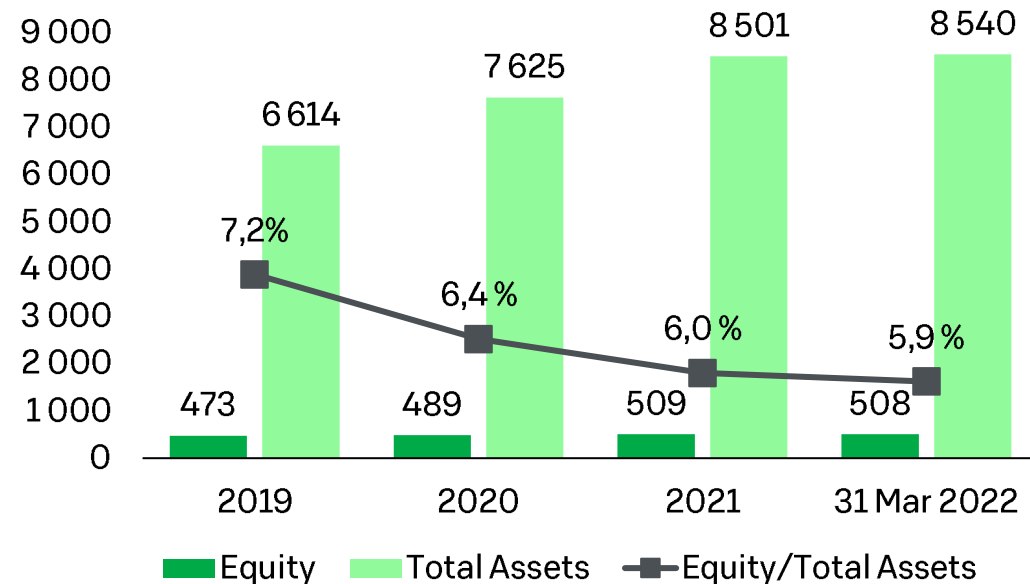
## STAGE 2 AND 3, ECL PROVISION (EUR m)



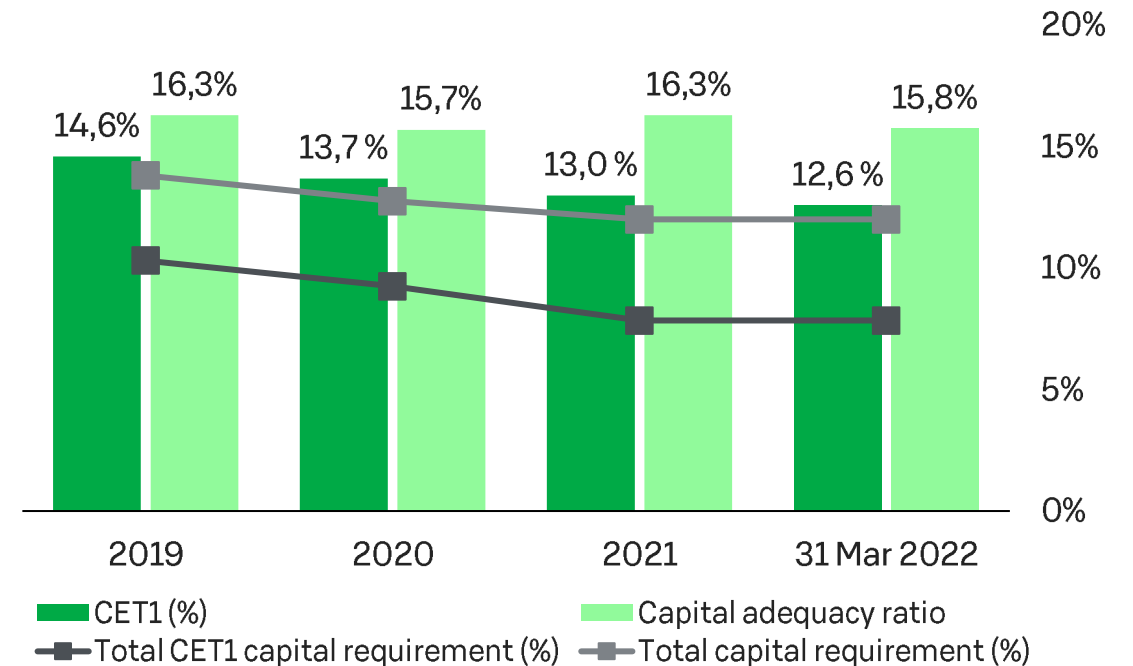
# CAPITAL POSITION

Strong capital position well above the regulatory levels despite high growth

## EQUITY / TOTAL ASSETS (EUR m)



## KEY CAPITAL RATIOS (CET1\* + CAPITAL ADEQUACY RATIO)



- S-Bank has seen strong development in its asset base since 2019. While growing strongly, the equity ratio has been maintained at a robust level, ranging from 5.9% to 7.2% between 2019 and 2022. In January–March, the equity ratio stood at 5.9% and CET1-ratio at 12.6%.
- The key capital ratios have been maintained well above the regulatory requirements



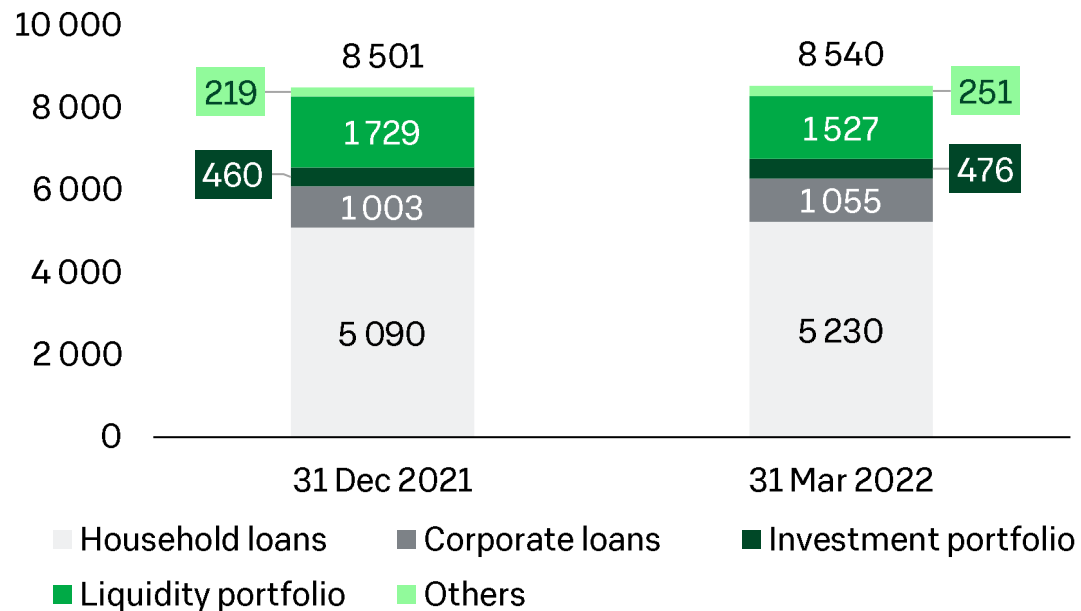
\*The acquisition of Fennia Asset Management Ltd. had negative affect on S-Bank's Common Equity Tier 1 (CET1) in total of EUR 19.9 million.



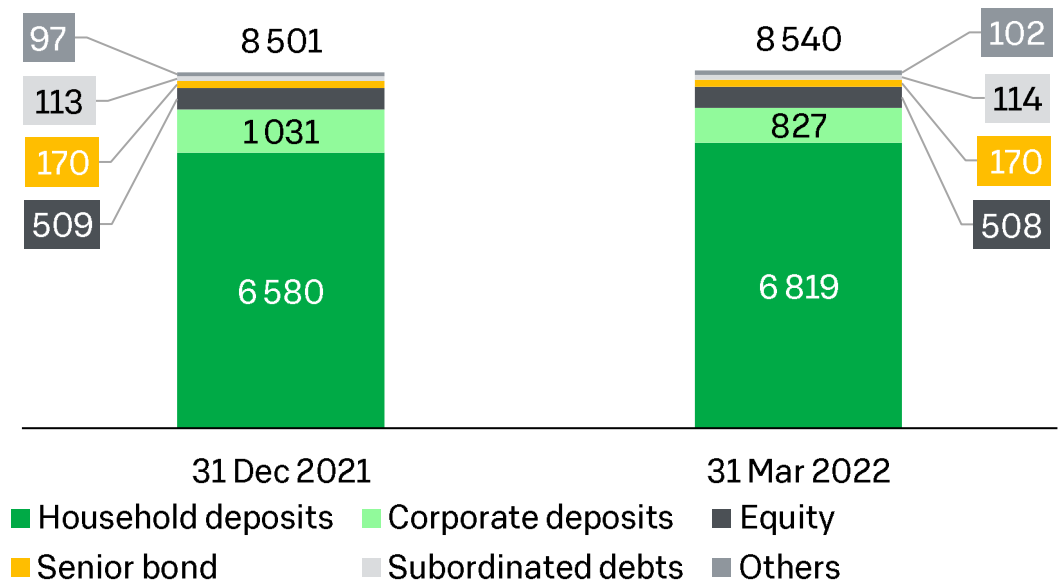
# BALANCE SHEET & FUNDING

Strong funding base made of deposits – household loans make up most of the assets

## ASSETS (EUR m)



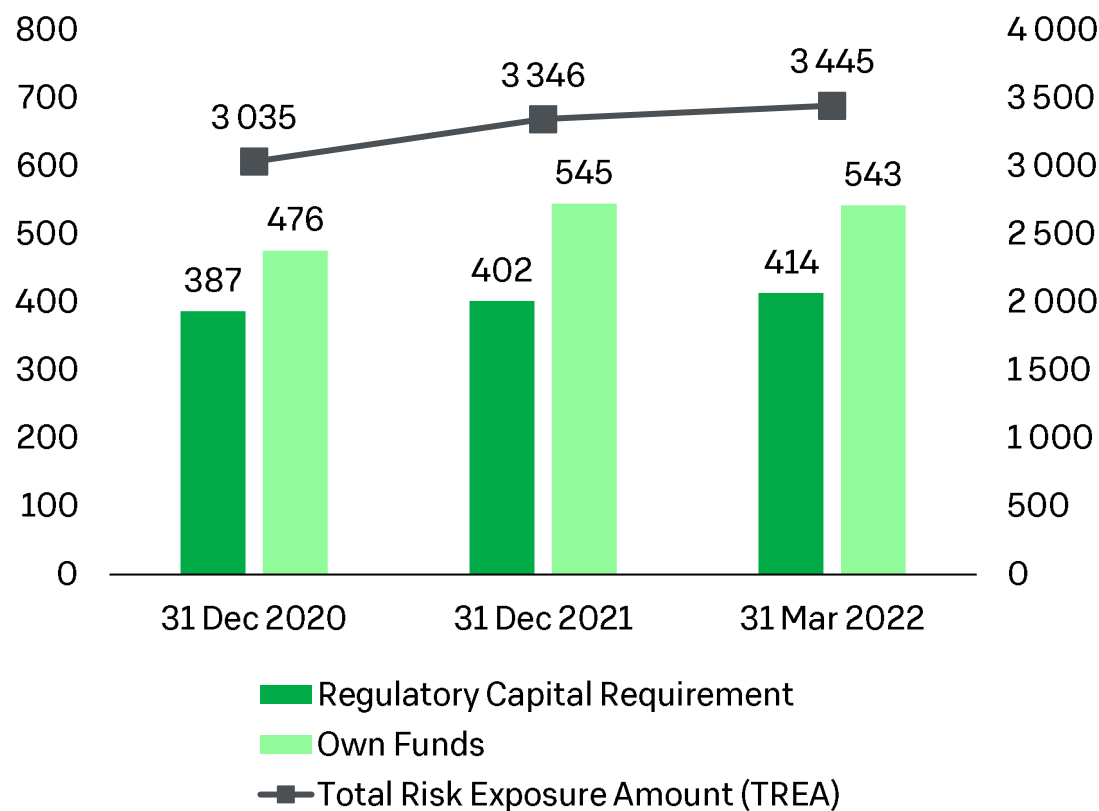
## LIABILITIES AND EQUITY (EUR m)



- Household and corporate deposits comprised 90% (90%) of total liabilities and own funds at the end of Q1 2022. At the same time, lending to households comprised 61% (60%) of the total assets.
- Deposits and lending growth continued in January–March 2022. Deposit growth concentrated to household customers and lending growth to both household and corporate customers.

# OWN FUNDS, CAPITAL REQUIREMENTS & MREL

## OWN FUNDS AND CAPITAL REQUIREMENTS (EUR M)



## COMMENTARY

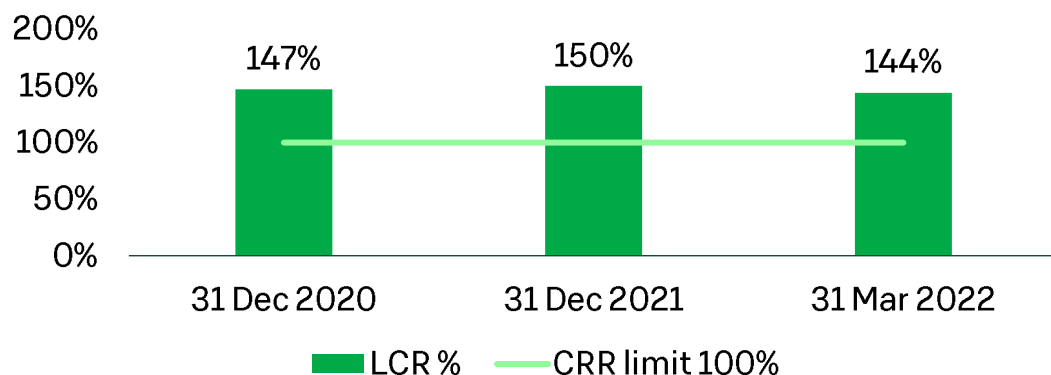
- Own funds decreased, mainly due to adverse market conditions affecting CET1 funds through the fair value reserve.
- The total risk exposure amount increased gradually during the first quarter, mainly due to an increase in customer lending.
- Regulatory capital requirement was 12.0 per cent of the TREA. There were no changes in capital requirements regulation or policy during the quarter.
- Regarding MREL requirements, S-Bank's capital position on 31 Mar 2022 was well above regulatory requirements and internal limits.  $MREL_{TREA}$  stood at 20.7 per cent and  $MREL_{LRE}$  at 9.1 per cent.
- MREL requirement based on total risk exposure amount in full ( $MREL_{TREA}$ ) is 20.04 per cent and the requirement based on the total amount of exposures used in the calculation of the leverage ratio ( $MREL_{LRE}$ ) is 5.91 per cent.
- The MREL requirements must be met gradually, with the full requirements entering into force on 1 January 2024.
- In addition to the above-mentioned MREL requirement, S-Bank needs to fulfill an additional capital buffer requirement of 2.51 per cent.

# LIQUIDITY

## Robust liquidity position and easy access to additional funding

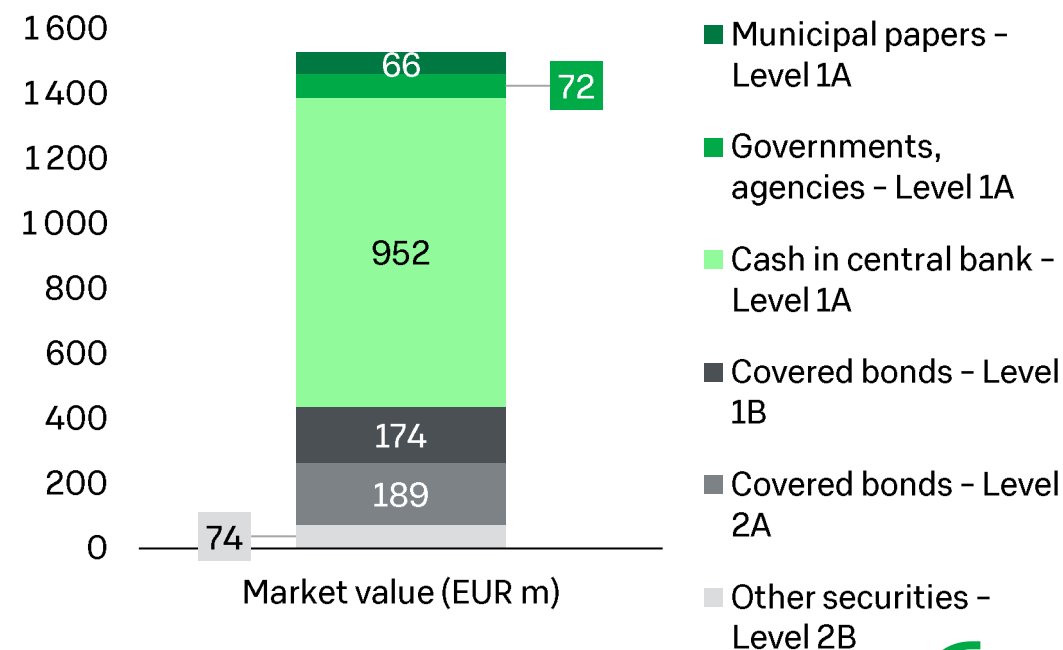
### LIQUIDITY OVERVIEW

- S-Bank's liquidity portfolio totalled EUR 1 527 million in at the end of Q1 2022 (EUR 1 729 million at the end of 2021)
- Level 1 assets comprise 83% of the portfolio with the largest allocations in cash in central bank, government bonds and level 1 covered bonds
- Furthermore, S-Bank has pre-positioned collateral to the Bank of Finland to secure access of funding and liquidity and has a CD-programme for short-term funding needs
- NSFR ratio at 149% at the end of Q1 2022 (15 1% at the end of 2021) - wide headroom over the coming regulatory requirement of 100%
- LCR at 144% at the end of Q1 2022 (150% at the end of 2021) which is also well above the 100% regulatory limit



### LIQUIDITY PORTFOLIO, 31 MAR 2022

EUR m	Level 1A	Level 1B	Level 2A	Level 2B	Total
Amount held (% of total market value)	1 090 (71%)	174 (12%)	189 (12%)	74 (5%)	1 527









# APPENDIX



# FINANCIAL GOALS, DIVIDEND POLICY AND GUIDANCE

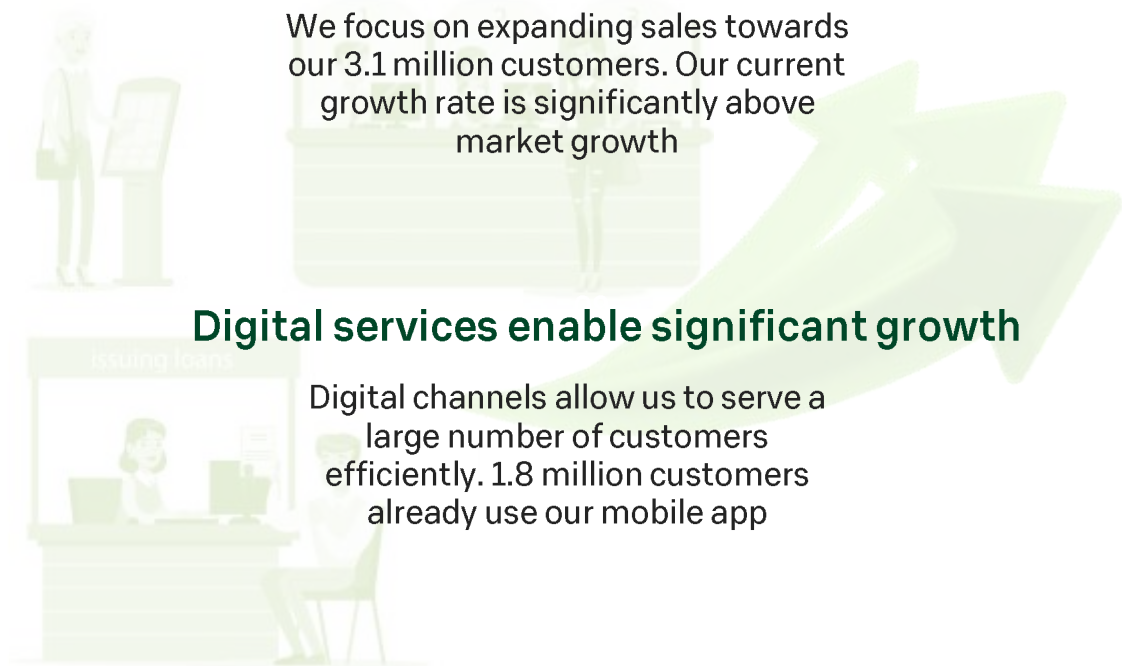
## LONG-TERM FINANCIAL GOALS & DIVIDEND POLICY

	Growth	Over 10% p.a. income growth in prevailing market conditions
	Efficiency	Cost-income ratio below 60%
	Profitability	Return on equity (ROE) above 8%
	Solvency	Total capital ratio of at least 13.5%*
	Dividend policy and guidance	No set policy, key is to ensure capital adequacy & growth
	Customers	1 million active clients target as a long-term active customer growth target

## STRONG GROWTH POTENTIAL IN THE EXISTING CUSTOMER BASE

### Our growth is based on activating existing customers

We focus on expanding sales towards our 3.1 million customers. Our current growth rate is significantly above market growth



### Digital services enable significant growth

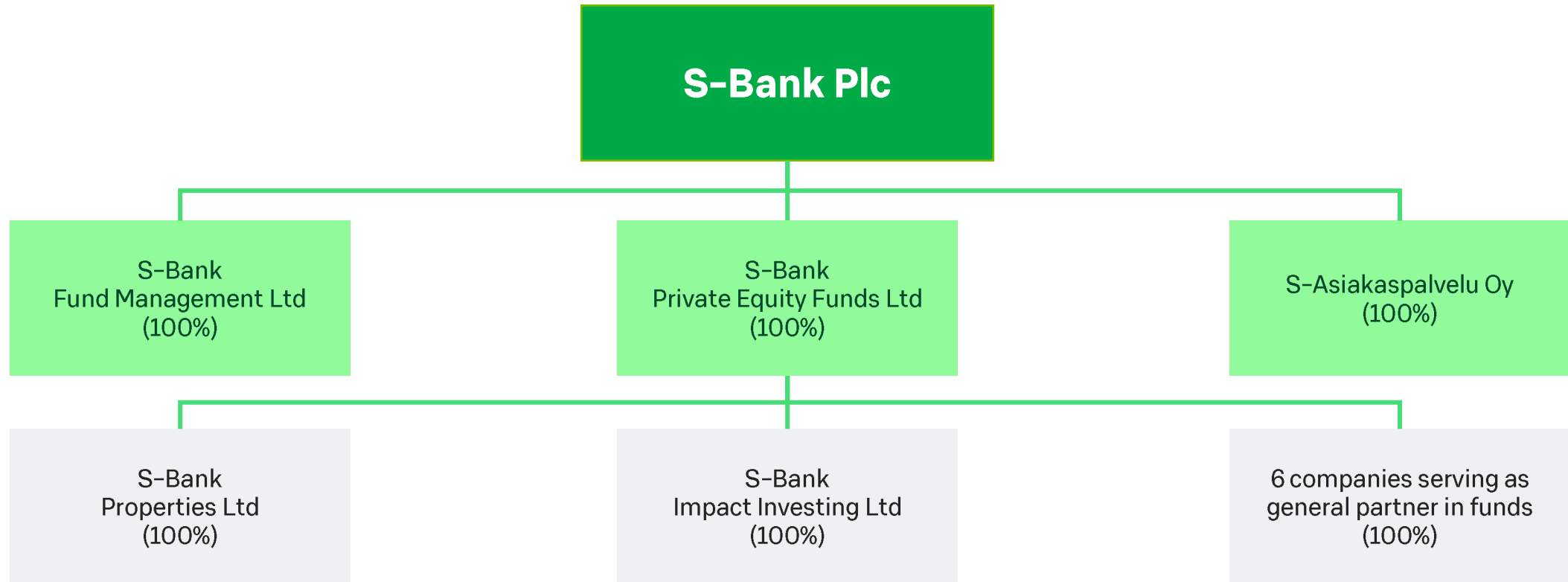
Digital channels allow us to serve a large number of customers efficiently. 1.8 million customers already use our mobile app



\*The limit has been set at 1.5 percentage points above the total capital requirement (12.01% in December 2021)

# COMPANY STRUCTURE

As at 31 March 2022



# THE MOST RESPONSIBLE BANK IN FINLAND



- Strong co-operative values are at heart of S-Bank, which means that responsibility is inherently at the core of our operations.
- We also offer our customers the chance to make responsible choices (e.g. with responsible and impact investing products).
- In 2022, for the tenth consecutive year, Finns chose S-Bank as the most responsible bank in the Sustainable Brand Index survey, the largest survey on sustainable development in the Nordic countries.

## SUSTAINABILITY THEMES



### For the benefit of the customer

- We aim to be a fair partner for our customers.
- The key factors include open and easily understandable communications, clear pricing and easy-to-use services.
- We offer a bank account, card and banking IDs for electronic services free-of-charge to all the co-op members and their families.



### For the well-being of personnel

- The well-being and competence of our personnel and good management are important areas for S-Bank.
- We make it easy for our employees to combine work with their private life.
- We offer our employees versatile work tasks and the opportunity to influence their own job descriptions.



### For the benefit of society

- We are committed to observing laws and regulation and our own code of ethics.
- We are pioneers in responsible and impact investment.
- The responsible investment strategies include observing international norms, ESG integration, impact investing, excluding and influencing.



**THANK  
YOU**