

# Q4 RESULTS

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3 February 2022



# EARNINGS IMPROVED YEAR-ON-YEAR

Record-breaking amount of card purchases

## Highlights from the 2021

- Operating profit increased to EUR 24.8 million (21.0)
- Lending increased to EUR 6.1 billion (5.4)
- Comparable assets under management increased to EUR 7.7 billion (6.5)\*
- Capital adequacy ratio rose to 16.3 per cent (15.7)
- Profit growth was influenced by a solid 7.6 per cent increase in total income and significantly lower impairment losses

(EUR millions)	1-12/2021	1-12/2020	Change
Net interest income	90.3	89.3	1.1%
Net fee and commission income	80.8	67.0	20.6%
Total income	187.0	173.9	7.6%
Operating profit	24.8	21.0	17.8%
Cost-to-income ratio	0.78	0.74	0.04



### 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"



\*The fund cooperation between S-Bank and LocalTapiola ended in the final quarter of 2021. Assets under management, including the LocalTapiola funds, were EUR 10 785.1 million at the end of 2020.

# CEO'S COMMENTS

- 1. Operating profit increased in 2021 compared with the previous year, as we had estimated in July when we raised the outlook for 2021.**
- 2. As the pandemic has persisted, we have become accustomed to operating in a new environment marked by the increasing use of digital banking channels and services.**
- 3. We made consistent progress towards our strategic goal. The number of active clients increased by about 57 000 and exceeded 532 000 at the end of the year.**

## Banking

- The euro amount of the purchases made with the S-Etukortti Visa card in January–December grew by 14.8 per cent on the amount for the previous year and was record-high. This sum also clearly exceeds the 2019 level before the Covid-19 pandemic.
- The housing loan portfolio's growth was 3.3-fold compared with the overall market over a 12-month review period.
- Operating profit was EUR 36.2 million (34.9).

## Wealth Management

- Excellent performance: operating profit being 2.5 times greater than that of the previous year.
- Net subscriptions to the S-Bank funds increased year-on-year and performance exceeded the median for fund management companies.
- The number of unit holders in S-Bank funds rose by 71,000 in one year to 340,000.
- Operating profit was EUR 5.0 million (2.0).

# 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 9th year in a row



Sustainable Brand Index 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

## MOST COMMITTED

S-Bank has the most loyal customers



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

## EQUAL

S-Bank is a very equal workplace



Trade Union Pro's Equality Award 2021

## MOST INSPIRING

S-Bank is one of Finland's most inspiring workplaces





Eezy Flow People Power employee experience survey 2021



# KEY INFORMATION ON S-BANK IN 2021



  
**EUR 8.5**  
billion  
balance sheet

  
**EUR 24.8**  
million  
operating profit



**3.1**  
million  
customers



**340,000**  
unit holders in S-Bank  
funds



**2.2**  
million  
online banking IDs



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



**2.6**  
million  
international  
payment cards



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



# KEY FINANCIALS

# KEY FIGURES

	2018	2019	2020	2021
Total income	153	168	174	187
Operating profit	17	29	21	25
Deposits	5,833	5,948	6,925	7,555
Lending	4,187	4,781	5,444	6,086
Non-performing loans	0.5%	0.6%	0.6%	0.6%
Comparable assets under management*	3,519	4,539	6,497	7,697
Debt securities	1,668	1,081	1,229	1,149
Cost-to-income, %	83.0%	74.0%	74.0%	78.0%
ROE, %	2.9%	5.2%	3.3%	3.9%
ROA, %	0.2%	0.4%	0.2%	0.2%
Equity ratio, %	7.0%	7.1%	6.4%	6.0%
Capital adequacy ratio, %	16.8%	16.3%	15.7%	16.3%
CET-1 ratio, %	14.9%	14.6%	13.7%	13.0%

Steady income base, room to grow

Strong deposit funding base

AuM developing rapidly

Return on equity improved

Robust capital base

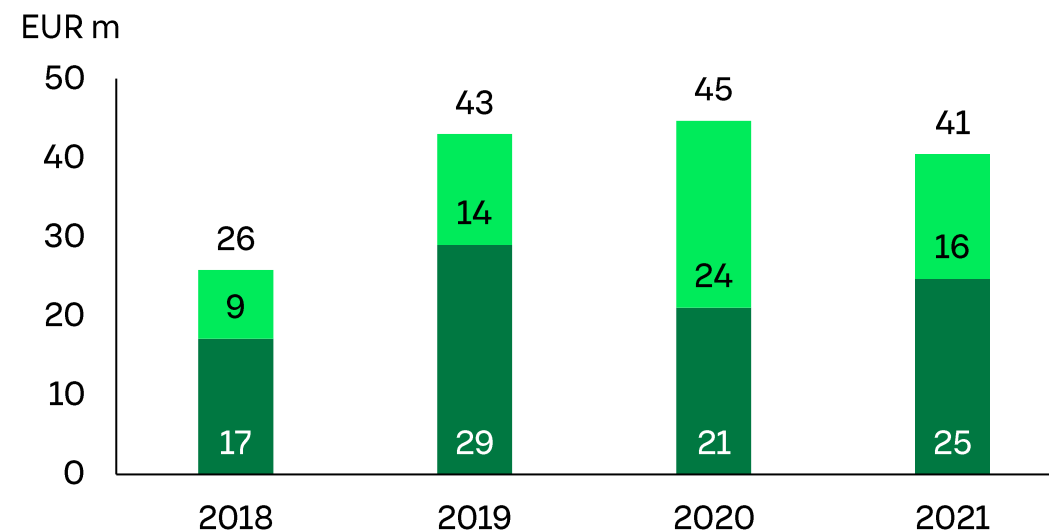
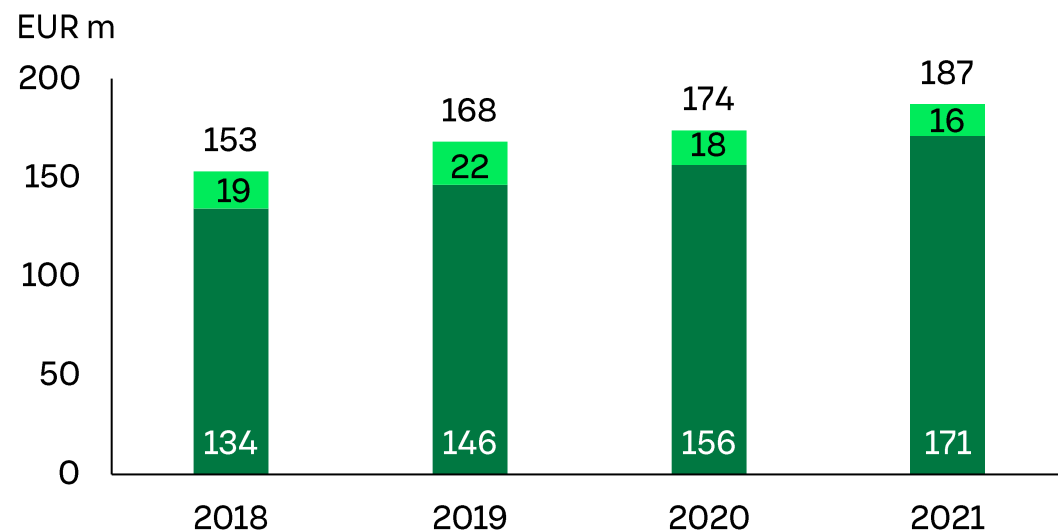


\*The fund cooperation between S-Bank and LocalTapiola ended in the final quarter of 2021. Assets under management, including the LocalTapiola funds, were EUR 7,521 million at the end of 2018, EUR 9,041 million at the end of 2019 and EUR 10,785 million at the end of 2020.

# DEVELOPMENT OF KEY INCOME MEASURES

Stable figures since 2018 as S-Bank has strived to capture market share (and has succeeded in this)

## Total income and operating profit before loan losses



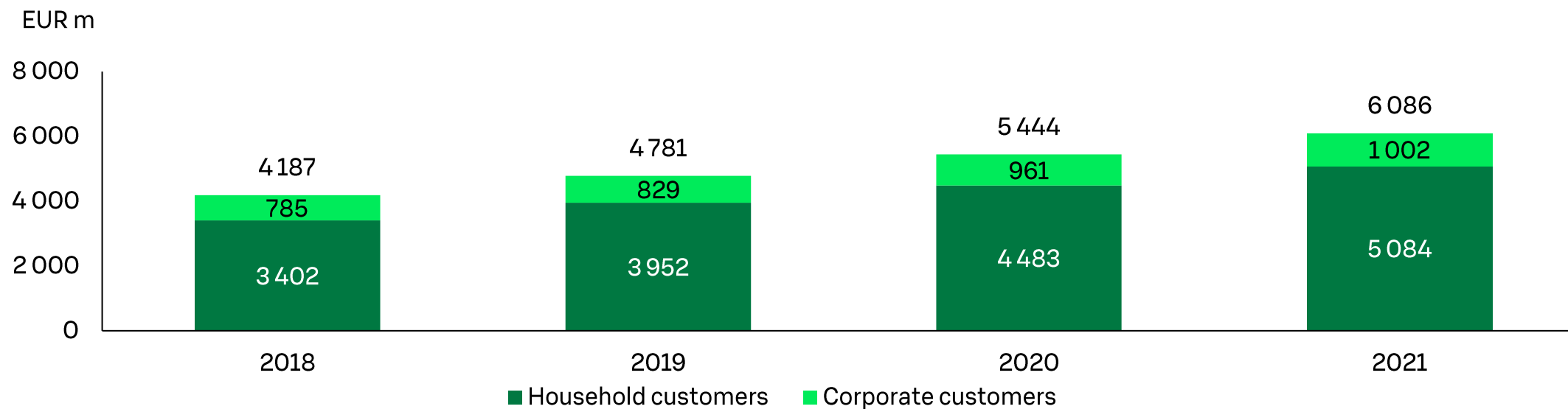
■ Other income ■ Net interest income and Net fee and commission income

■ Operating profit ■ Impairment of receivables

- S-Bank income metrics have been quite stable throughout the years with total income increasing from EUR 153 million in 2018 to EUR 187 million in 2021. At the same time, the operating profit before loan losses has increased from EUR 26 million to EUR 41 million
- 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 2021, S-Bank’s operating income grew almost 18% to EUR 24.8 million from EUR 21.0 million in 2020
- Impairment of receivables amounted to EUR 15.7 million (23.6) in 2021.

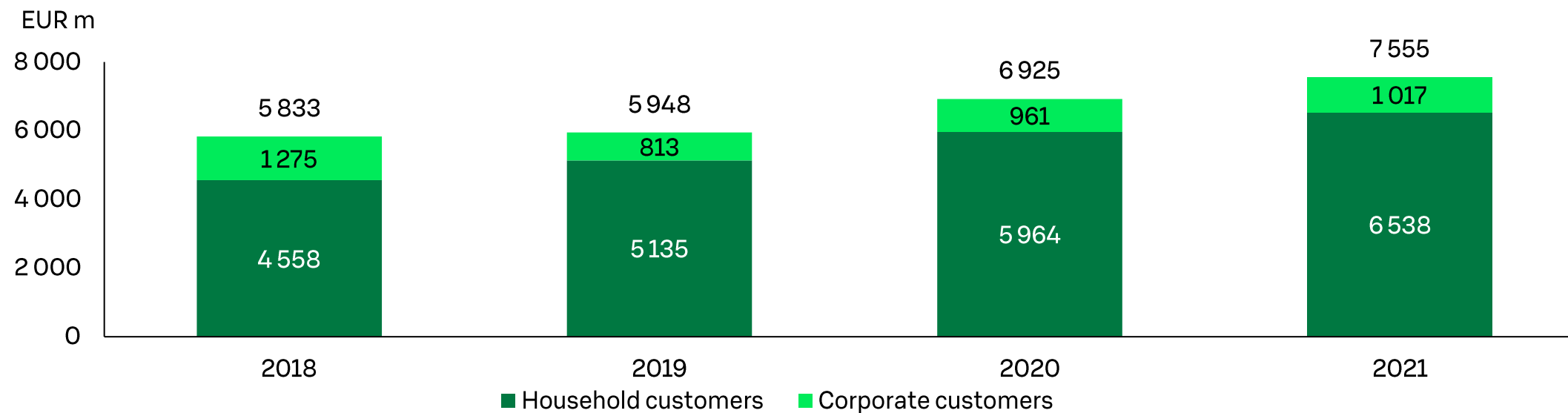


# LONG-TERM LENDING GROWTH CONTINUED



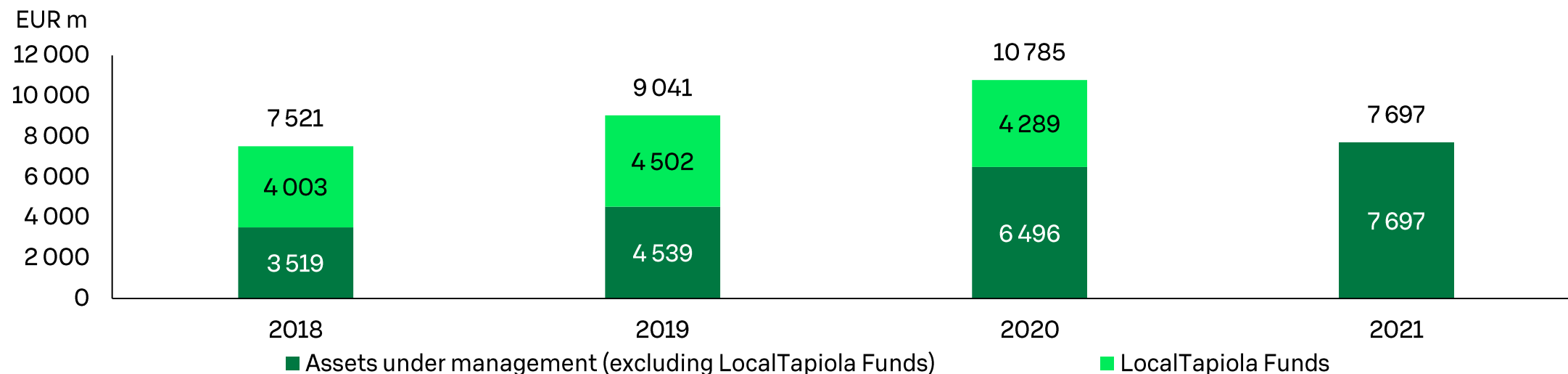
Lending (EUR m)	31 Dec 2021	31 Dec 2020	Change from beginning of the year	12-month change
Household customers	5,083.7	4,483.1	13.4%	13.4%
Corporate customers	1,002.3	961.2	4.3%	4.3%
Total	6,086.0	5,444.4	11.8%	11.8%

# TOTAL DEPOSITS CONTINUED TO GROW



Deposits (EUR m)	31 Dec 2021	31 Dec 2020	Change from beginning of the year	12-month change
Household customers	6,537.9	5,964.1	9.6%	9.6%
Corporate customers	1,017.0	960.9	5.8%	5.8%
Total	7,554.9	6,925.0	9.1%	9.1%

# ASSETS UNDER MANAGEMENT CONTINUED TO GROW



- 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 in stages from S-Bank Fund Management Ltd to Seligson & Co Fund Management Company Plc (owned by the LocalTapiola Group) in Q4. The total fund capital of the transferred funds is 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.

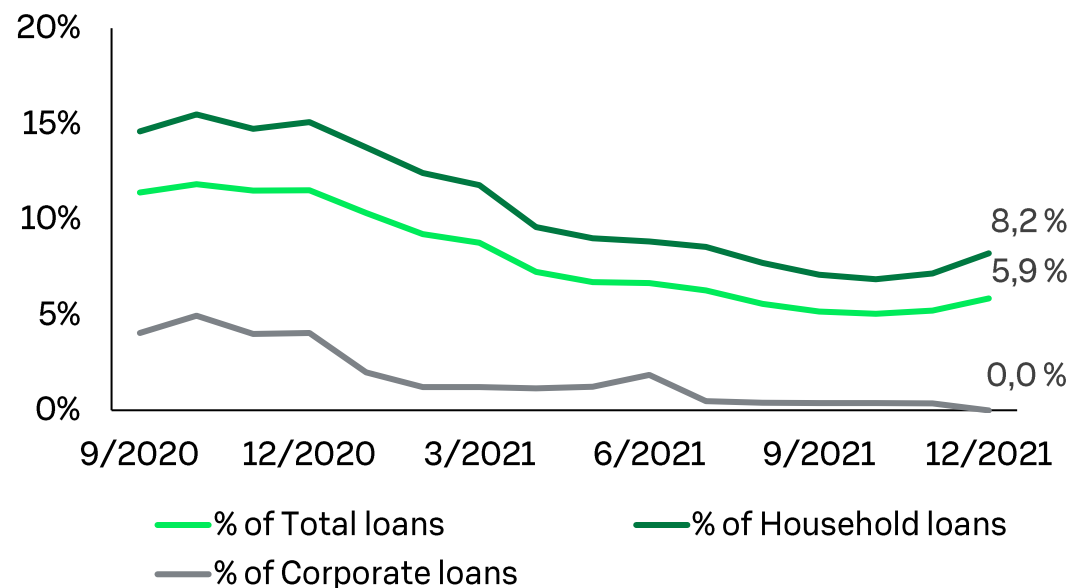
Comparable assets under management (EUR m)	31 Dec 2021	31 Dec 2020	Change from beginning of the year	12-month change
Fund capital	3,786.1	2,867.8	32,0%	32,0%
Wealth management	3,911.1	3,628.7	7,8%	7,8%
Total	7,697,1	6,496.5	18,5%	18,5%

\*The fund cooperation between S-Bank and LocalTapiola ended in the final quarter of 2021. Assets under management, including the LocalTapiola funds, were EUR 7,521 million at the end of 2018, EUR 9,041 million at the end of 2019 and EUR 10,785 million at the end of 2020.

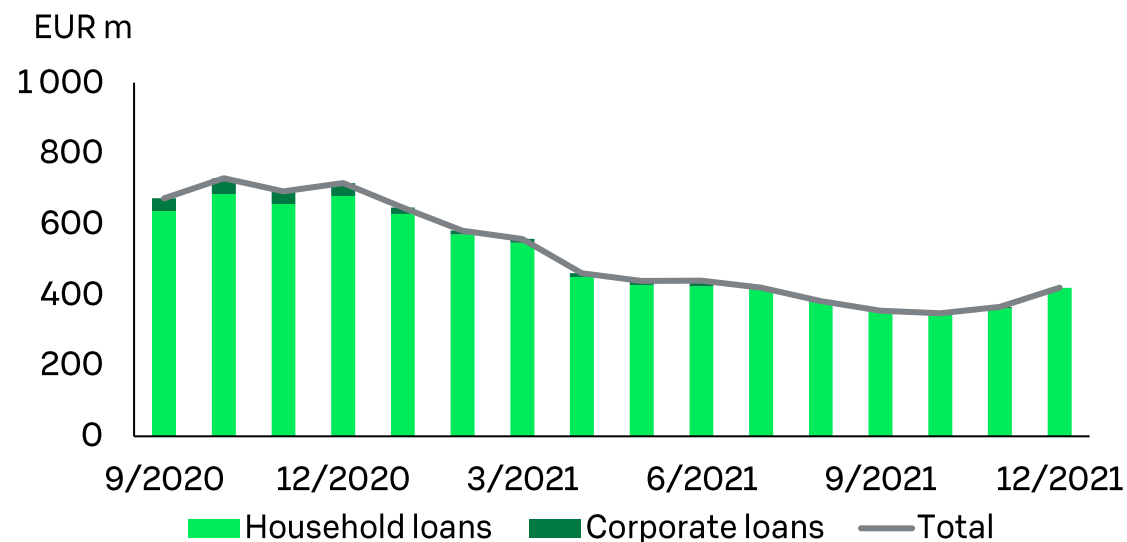
# REPAYMENT HOLIDAYS AND PAYMENT SCHEDULES

Changes to the payment schedules

## Share of loans subject to repayment holidays



## Amount of loans subject to repayment holidays

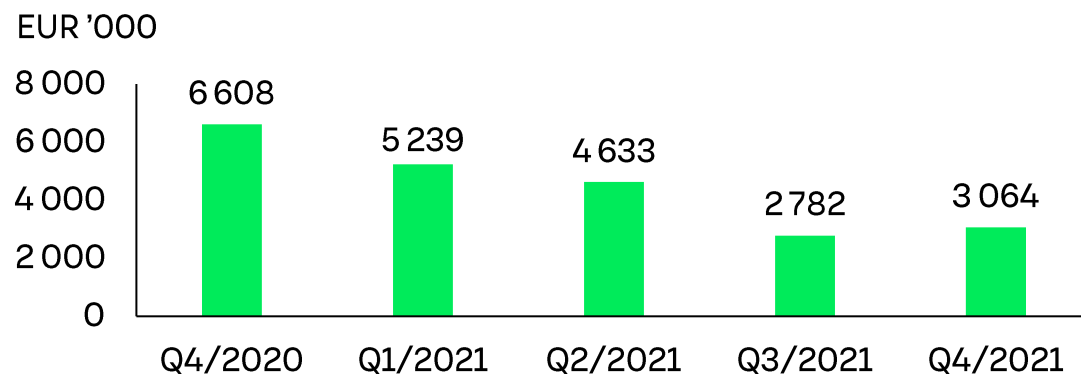


- Repayment holidays and changes to payment schedules returned to the level preceding the coronavirus pandemic during the reporting period.
- The volume of loans subject to repayment holidays stabilized in the second half of 2021, representing 5.9 % of total loans (11.5 % on 31 Dec 2020).
- The volume for the household loans was 8.2% (15.1% on 31 Dec 2020) and for the corporate loans 0.0% (4% on 31 Dec 2020).

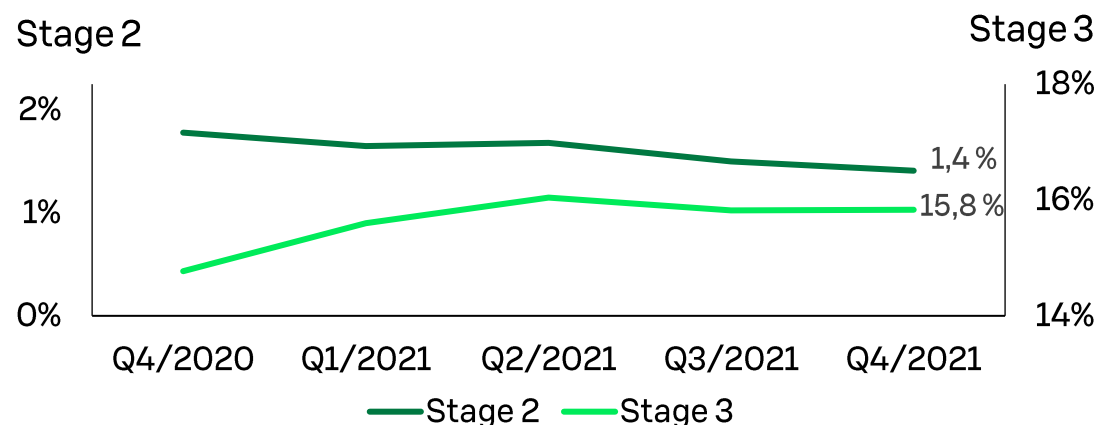
# STABLE CREDIT QUALITY

Steady improvement on net credit losses

## Expected and final credit losses



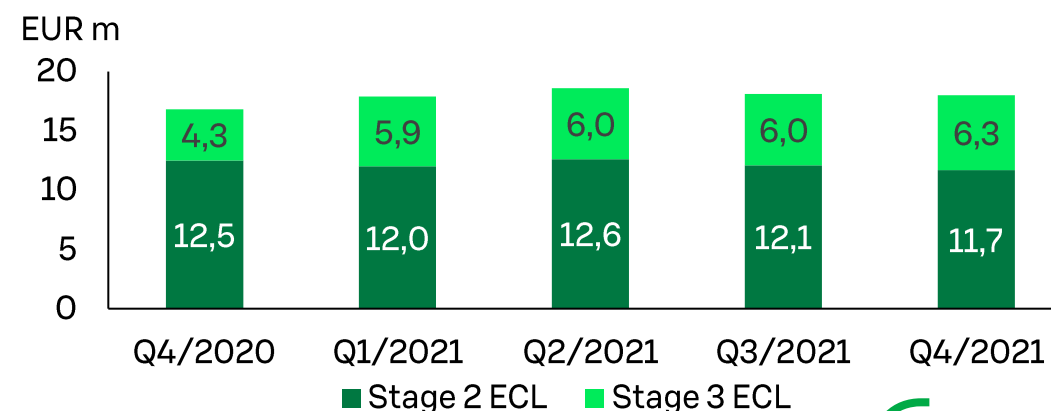
## Coverage ratio (%)



## Commentary

- Total ECL-provision was EUR 20.6 million (19.6 in Q4 2020), of which approximately EUR 1 million is attributable to the introduction of the new definition of default in January.
- Net credit losses have continued to decrease during 2021.

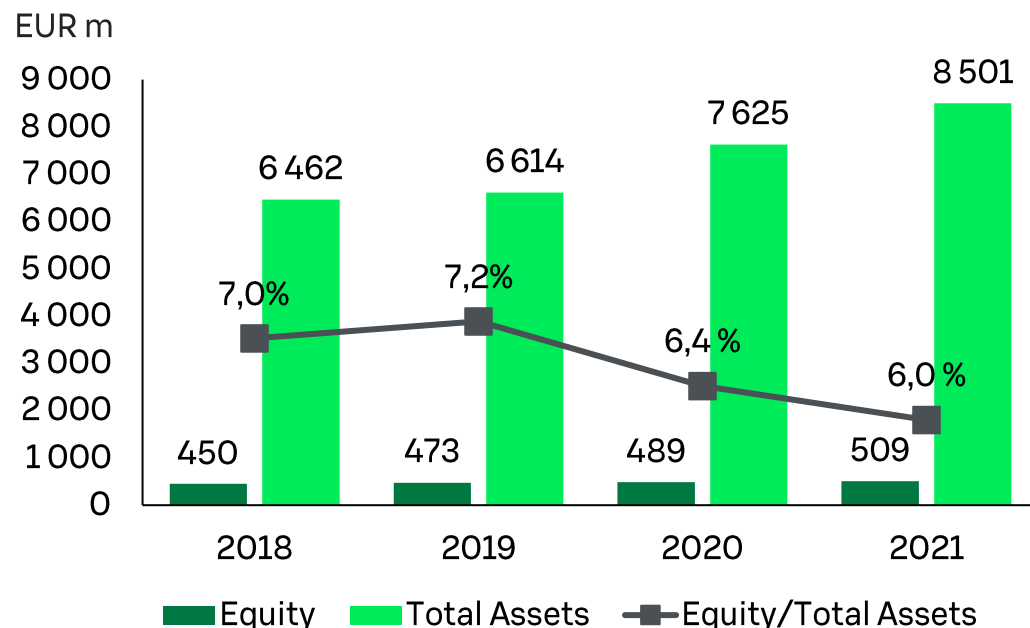
## Stage 2 and 3, ECL provision



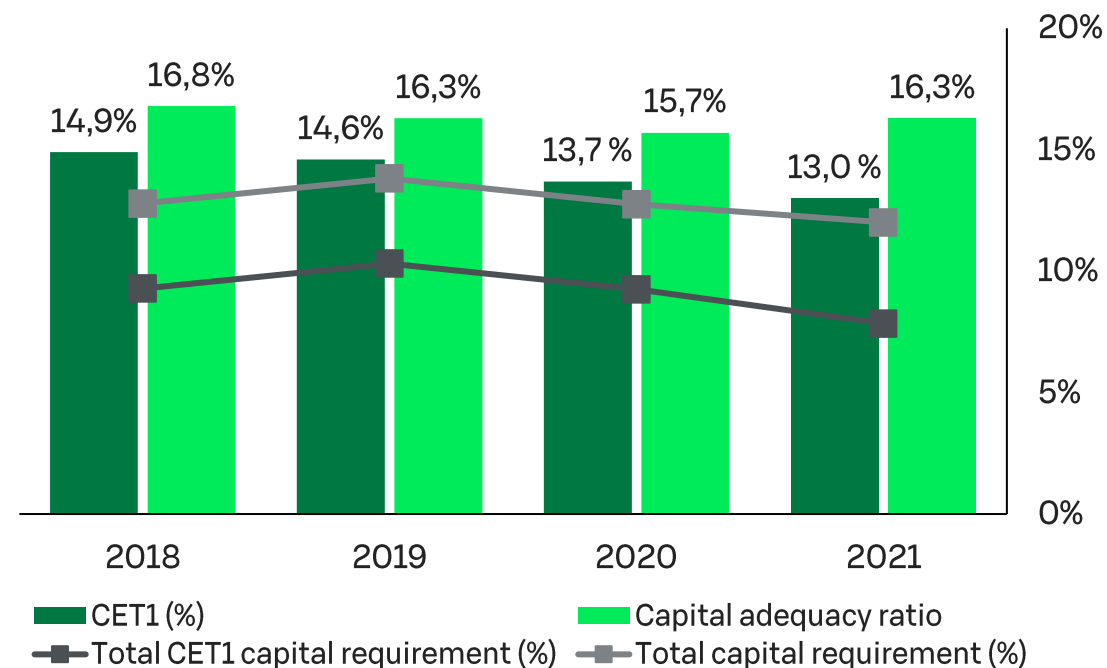
# CAPITAL POSITION

Strong capital position well above the regulatory levels despite high growth

## Equity / total assets



## Key capital ratios (CET1\* + capital adequacy ratio)



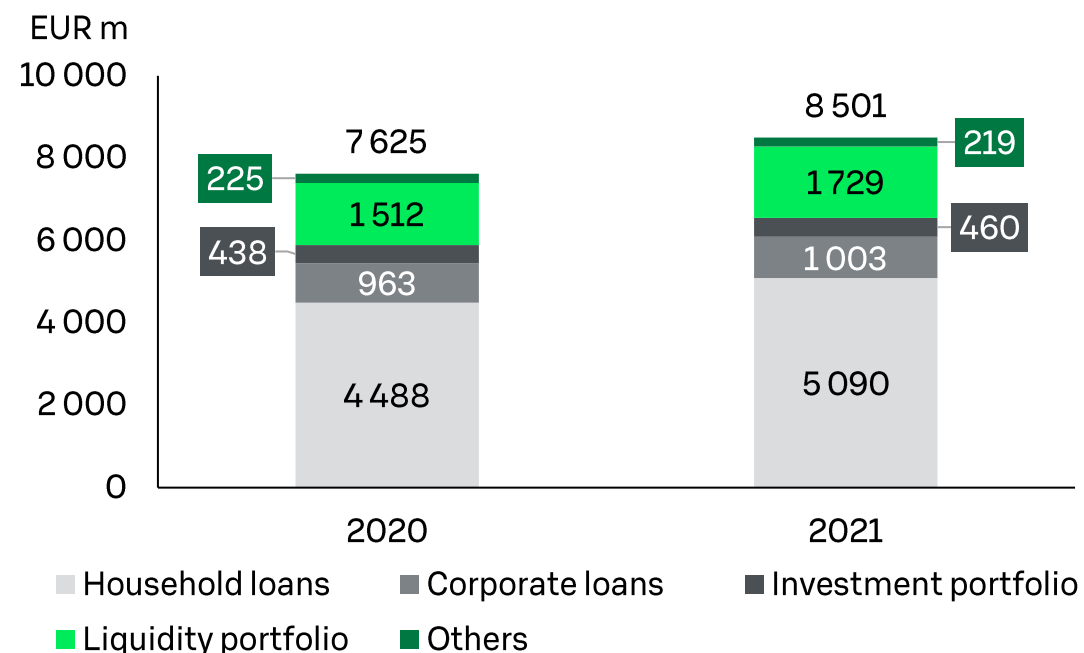
- S-Bank has seen strong development in its asset base since 2018. While growing strongly, the equity ratio has been maintained at a robust level, ranging from 6.0% to 7.2% between 2018 and 2021. In Q4, the equity ratio stood at 6.0% and CET1-ratio at 13.0%
- The key capital ratios have been maintained well above the regulatory requirements

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

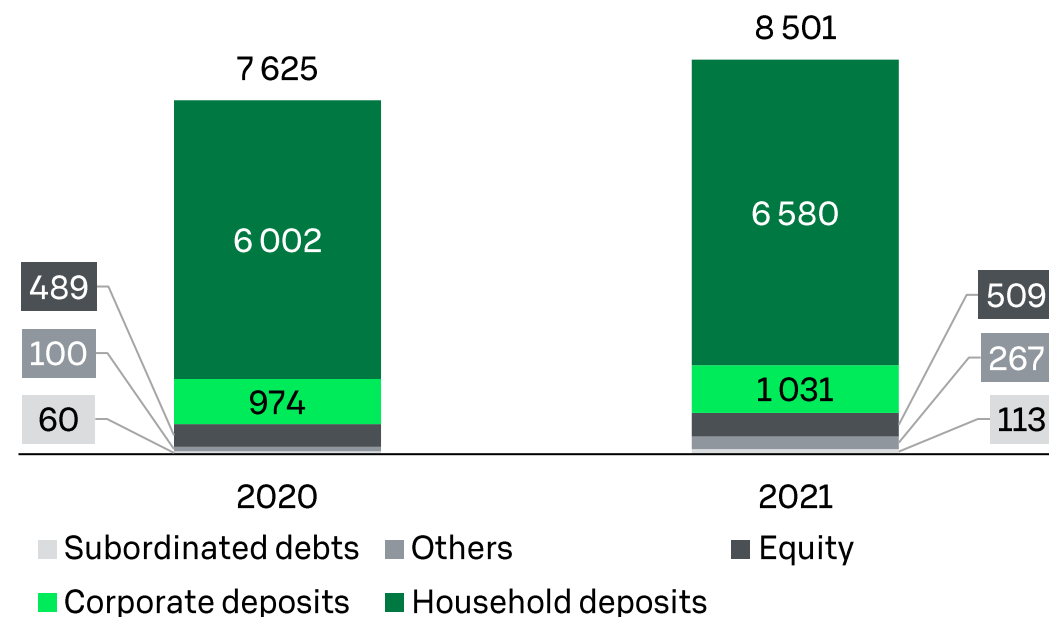
# BALANCE SHEET & FUNDING

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

## Assets



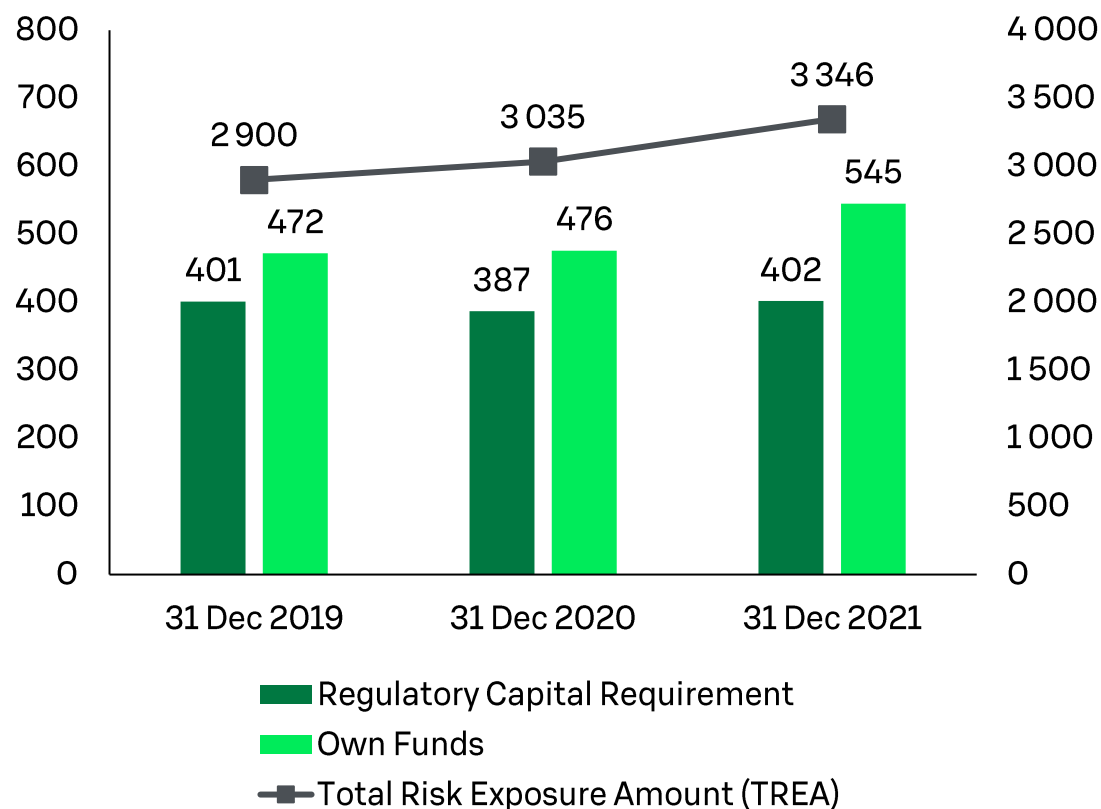
## Liabilities and Equity



- Household and corporate deposits comprised 90 % (91 %) of total liabilities and own funds at the end of 2021. At the same time, lending to households comprised 60 % (59%) of the total assets. At Q4 2021, S-Bank successfully issued a EUR 170 million senior preferred MREL eligible bond. The bond is S-Bank's first issuance under its MTN (Medium Term Note) programme.
- Deposits and lending growth continued to be strong in 2021. The growth concentrated mainly to household customers.

# OWN FUNDS, CAPITAL REQUIREMENTS & MREL

## Own Funds and Capital Requirements (EUR million)



## Commentary

- The increase of own funds was due to the profit for the financial year and the increase of debenture loans.
- The total risk exposure amount also increased gradually during the year 2021, mainly due to increase in customer lending.
- Regulatory capital requirement was 12.0 per cent of the TREA. The capital requirement decreased by 0.75 per cent at the of 2021 as the new Pillar 2 requirement came into force.
- S-Bank's MREL (TREA) was 21.4 per cent at 31 Dec 2021 and well above the regulatory requirement.
- MREL requirement based on total risk exposure amount in full is 20.04 per cent and the requirement based on the total amount of exposures used in the calculation of the leverage ratio is 5.91 per cent.
- The requirement based on total risk exposure amount must be met gradually so that the 17.23 per cent requirement will enter into force on 1 January 2022 and the full requirement on 1 January 2024.
- In addition to the above-mentioned MREL requirement, S-Bank needs to fulfill additional capital buffer requirement of 2.51 per cent.

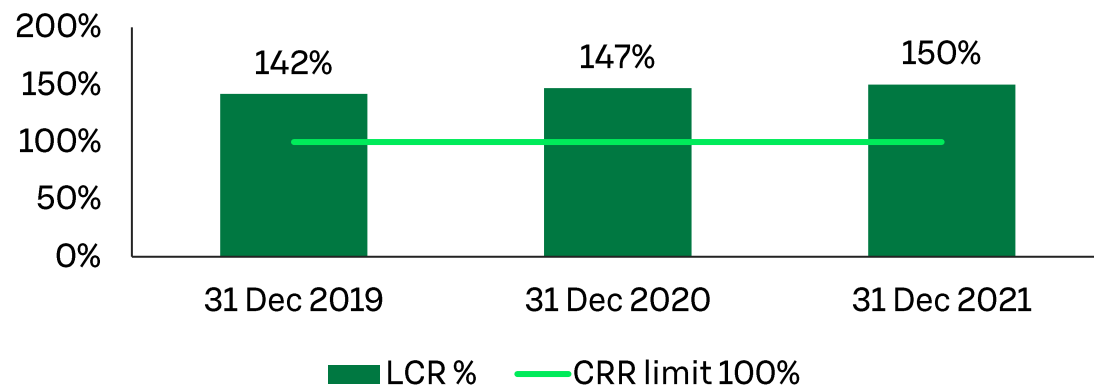


# LIQUIDITY

Robust liquidity position and easy access to additional funding

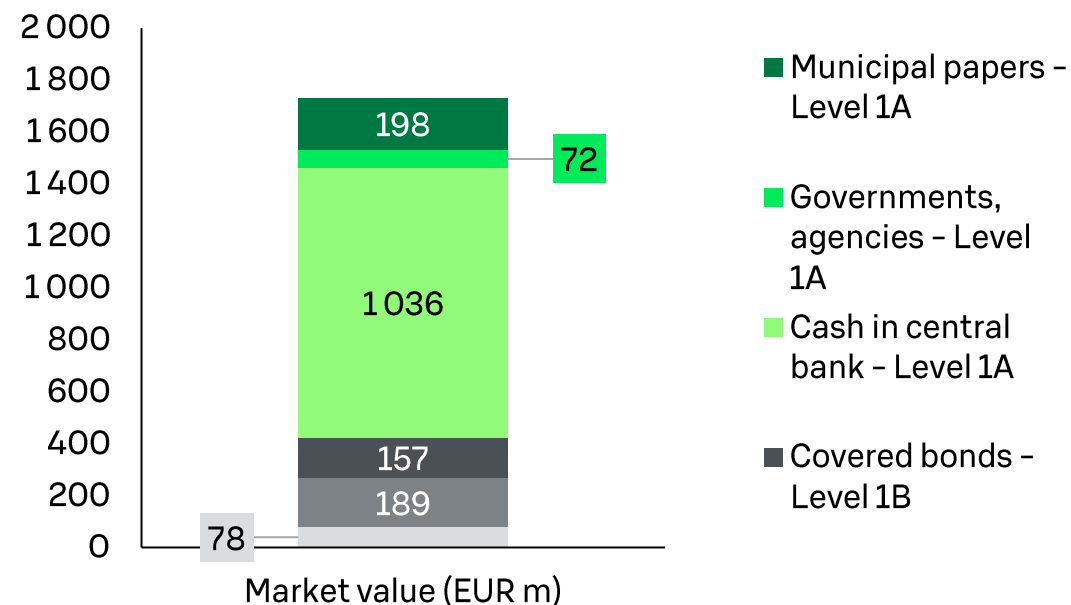
## Liquidity overview

- S-Bank's liquidity portfolio totalled EUR 1,729 million in at the end of 2021 (EUR 1,512 million at the end of 2020)
- Level 1 assets comprise 85 % 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 151% at the end of 2021 (15 1% at the end of 2020) – wide headroom over the coming regulatory requirement of 100%
- LCR at 150 % at the end of 2021 (147 % at the end of 2020) which is also well above the 100% regulatory limit



## Liquidity portfolio, 31 Dec 2021

EUR m	Level 1A	Level 1B	Level 2A	Level 2B	Total
Amount held (% of total market value)	1,306 (76 %)	157 (9 %)	189 (11 %)	78 (4 %)	1,729



# APPENDIX

# 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

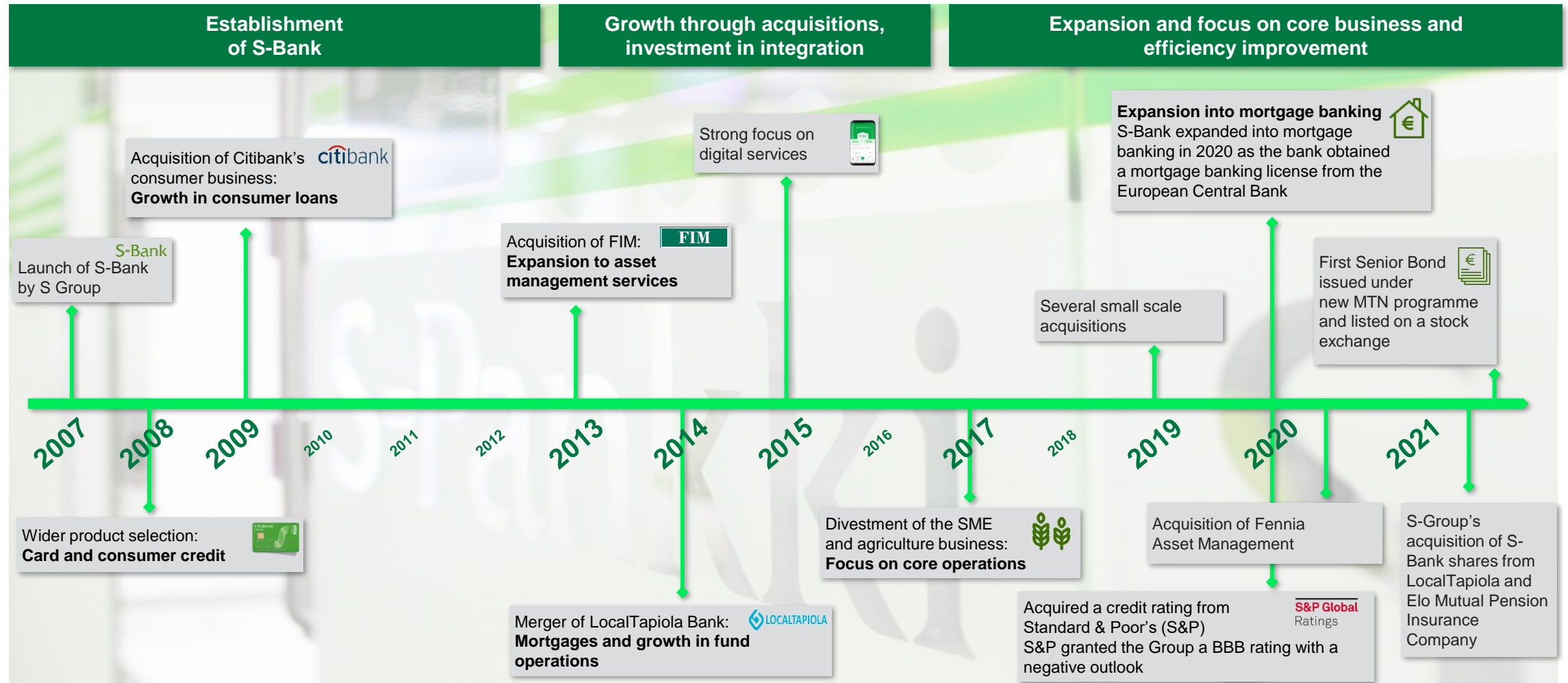
### Focus is on strengthening and leveraging S-Bank's existing competitive advantages:

- Adapting the unique distribution and service model to changes in customer behavior
- 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

# HISTORY OF S-BANK



# 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

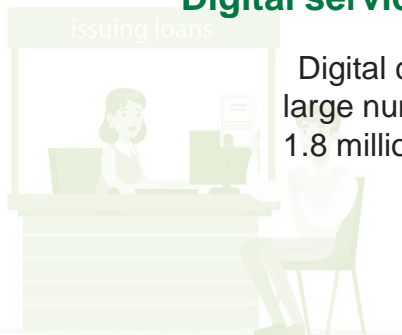
## Strong growth potential in the existing customer base

### 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

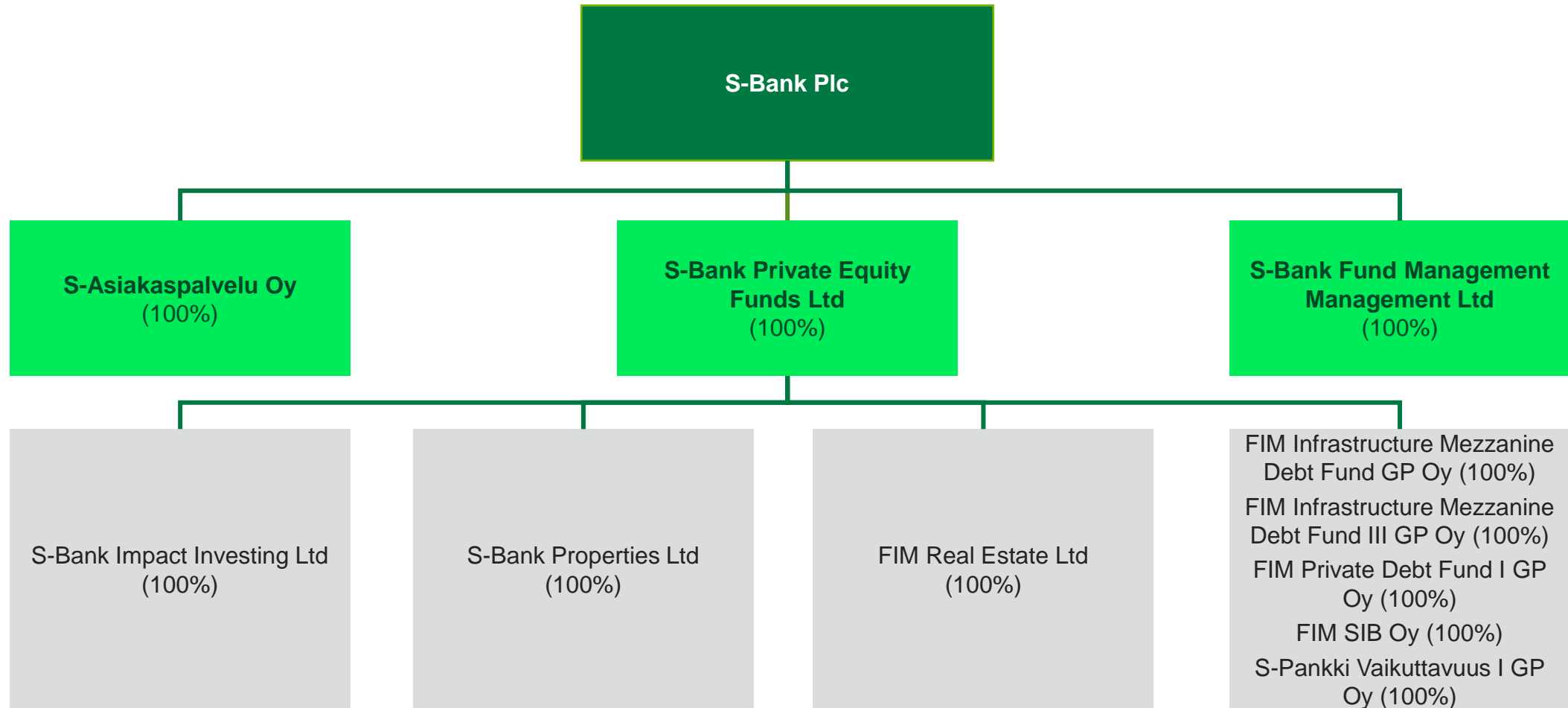


Digital channels allow us to serve a large number of customers efficiently. 1.8 million customers already use our mobile app

\*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 December 2021



# 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 2021, for the ninth 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**

