

A woman with blonde hair, wearing a plaid shirt, is sitting on a windowsill and playing a light blue acoustic guitar. A young boy in a light blue shirt and a straw hat is kissing her on the cheek. They are both smiling. The background shows a window with white frames and a potted plant with large green leaves on the right side.

# Q1 2023 RESULTS

HANNA PORKKA, DEPUTY CEO, HEAD OF WEALTH MANAGEMENT  
MIKA HEIKKILÄ, CFO  
9 MAY 2023



# RESULT MORE THAN DOUBLED – CUSTOMER DEMAND WAS STRONG

## HIGHLIGHTS FROM JANUARY-MARCH

- Lending increased to EUR **6.8** billion (6.3)
- Assets under management on previous year level EUR **6.0** billion (5.9)\*
- Operating profit increased to EUR **25.4** million (9.9)
- The capital adequacy ratio increased to **16.8** per cent (15.7)
- Outlook for 2023 changed

(EUR million)	Jan–Mar 2023	Jan–Mar 2022	Change
Net interest income	54.8	23.0	138.3%
Net fee and commission income	22.0	19.4	13.0%
Total income	80.0	50.7	57.8%
Operating profit	25.4	9.9	156.1%
Cost-to-income ratio	0.69	0.80	-0.11



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"

\* Comparison amount has been adjusted with the value of Q4 2022 terminated portfolio management agreement.

# INTERIM CEO'S COMMENTS

1. January–March **result was excellent** and 2.5 times higher than a year before. The improvement was driven by strong increase in net interest income.
2. S-Bank had around **606 000** active customers, compared with around 544 000 at the end of March 2022.
3. Business developed as anticipated and **capital adequacy** remained at a good level.

## BANKING

- The total euro amount of purchases made with the S-Etukortti Visa card grew by 25.5 per cent and the number of purchases by 27.1 per cent on the previous year.
- S-Bank's housing loan volume grew by 8.3 per cent (almost 14 times the market growth) over a 12-month review period.
- Operating profit was EUR 26.1 million (9.4).

## WEALTH MANAGEMENT

- The number of unit holders in S-Bank funds increased to around 367 000 from around 349 000 a year earlier.
- Net subscriptions to the S-Bank funds totalled EUR -8.3 million (38.8). The development of net subscriptions performed weaker than the fund management company average.
- Operating profit was EUR 1.6 million (2.0).

# KEY INFORMATION ON S-BANK IN JANUARY-MARCH 2023

**EUR 9.0**  
**billion**  
balance sheet

**EUR 25.4**  
**million**  
operating profit

**3.2**  
**million**  
customers

**2.3**  
**million**  
online banking IDs

**2.8**  
**million**  
international  
payment cards

**367 000**  
unitholders in S-Bank's funds

cash withdrawals and deposits  
at checkouts in over  
**1 000**  
S Group branches

**60** full-service branches  
**31** intermittently open branches  
**4** touring mobile branches



# COMPETITIVE POSITION

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

## CLEARLY DIFFERENTIATED CUSTOMER BENEFITS IN A HOMOGENOUS INDUSTRY

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







## OTHER FACTORS ENABLING BUSINESS GROWTH & STABILITY

- Large customer base with frequent access to S Group retail customers
- Scalable data-driven digital sales and marketing
- Highly competitive wealth management offering, especially in alternatives (with special focus in real estate) and ESG
- Focused business model and product portfolio

S-BANK IS WELL POSITIONED TO TAKE ADVANTAGE OF STRATEGIC OPPORTUNITIES IN THE MARKET

# 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	Annual dividend of 5–15 per cent of profit
	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 3.2 million customers and increasing cross-sales between business units.

Our current growth rate is significantly above market growth in most business areas

Digital channels allow us to serve a large number of customers efficiently. Around 2.0 million customers already use our mobile app

\* The limit has been set at 1.5 percentage points above the total capital requirement (12.03% in December 2022)

# KEY FINANCIALS

# KEY FIGURES

(EUR millions)	2020	2021	2022	Jan-Mar 2023
Total income	174	187	222	80
Operating profit	21	25	45	25
Deposits	6 925	7 555	7 926	7 928
Lending	5 444	6 086	6 695	6 778
Non-performing loans	0.6%	0.6%	0,9%	1.0%
Assets under management	5 256	6 170	5 852	5 997
Debt securities	1 229	1 149	697	728
Cost-to-income, %	74.0%	78.0%	74.5 %	69.3%
ROE, %	3.3%	3.9%	6.9 %	9.1%
ROA, %	0.2%	0.2%	0.4 %	0.5%
Equity ratio, %	6.4%	6.0%	5.9 %	6.1%
Capital adequacy ratio, %	15.7%	16.3%	16.3 %	16.8%
CET-1 ratio, %	13.7%	13.0%	13.2 %	13.7%

**STRONG GROWTH IN  
OPERATING PROFIT**

**LOAN TO DEPOSIT RATIO  
85%**

**IMPROVING C/I**

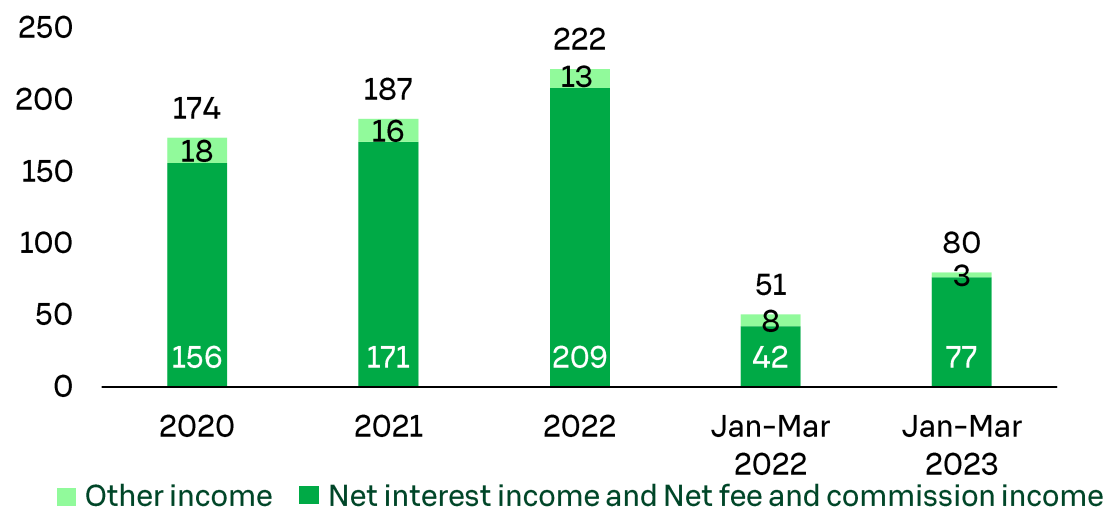
**STRONG GROWTH IN  
ROE**

**ROBUST  
CAPITAL BASE**

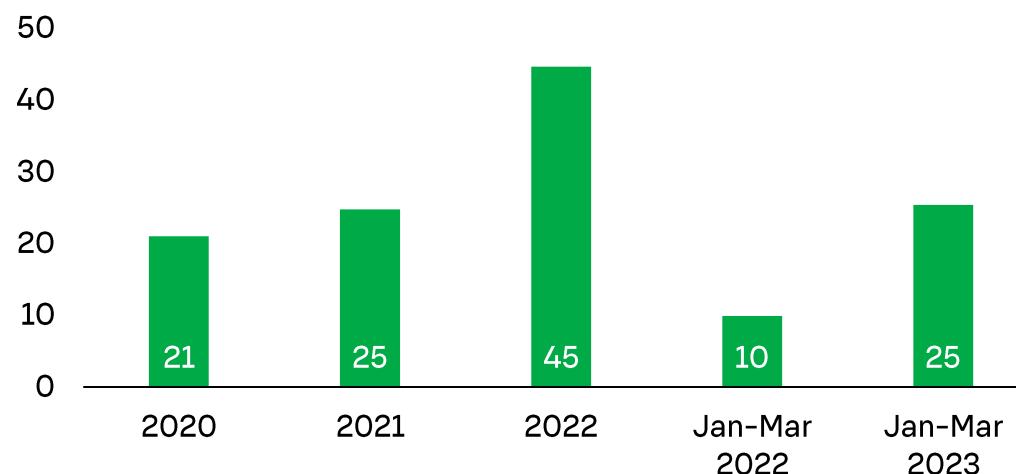


# DEVELOPMENT OF KEY INCOME MEASURES

## TOTAL INCOME (EUR m)

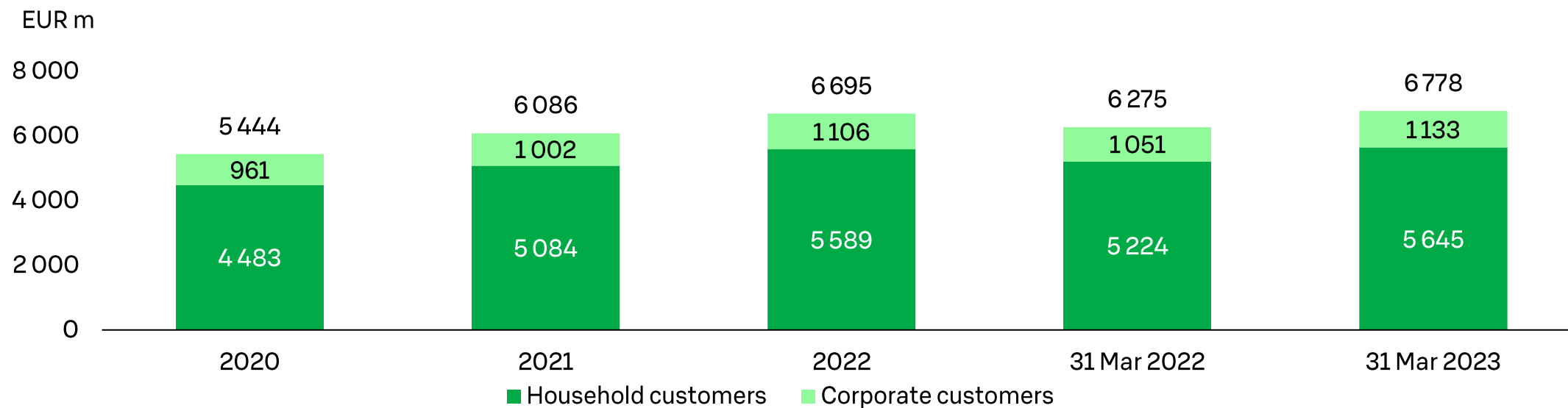


## OPERATING PROFIT (EUR m)



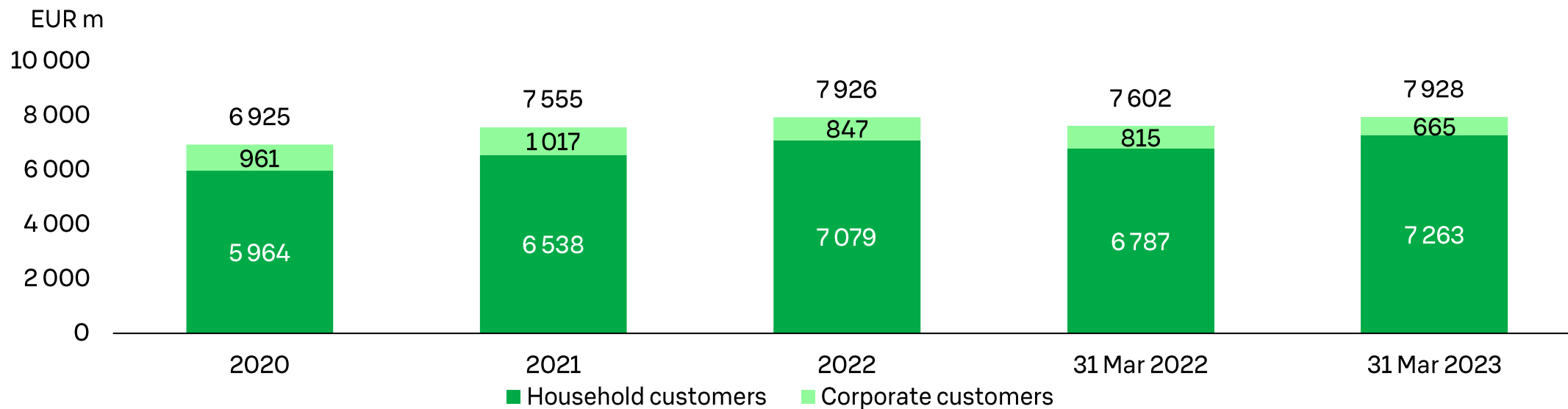
- S-Bank's total income has grown constantly throughout the years with total income increasing from EUR 174 million in 2020 to EUR 222 million in 2022.
- The Banking segment contributed 87% (80) of total income in Q1 2023.
- In Q1 2023, operating profit increased by 156.1% to EUR 25.4 million from EUR 9.9 million in Q1 2022. The improvement in performance was driven by 57.8 per cent increase in total income, in which a strong increase in net interest income contributed heavily.

# LONG-TERM LENDING GROWTH CONTINUED



Lending (EUR m)	31 Mar 2022	31 Mar 2023	12-month change
Household customers	5 223.7	5 644.9	8.1%
Corporate customers	1 051.0	1 132.8	7.8%
Total	6 274.7	6 777.7	8.0%

# STRONG DEPOSIT BASE



Deposits (EUR m)	31 Mar 2022	31 Mar 2023	12-month change
Household customers	6 787.0	7 262.8	7.0%
Corporate customers	815.1	665.0	-18.4%
Total	7 602.1	7 927.8	4.3%

# AUM ON PREVIOUS YEAR LEVEL



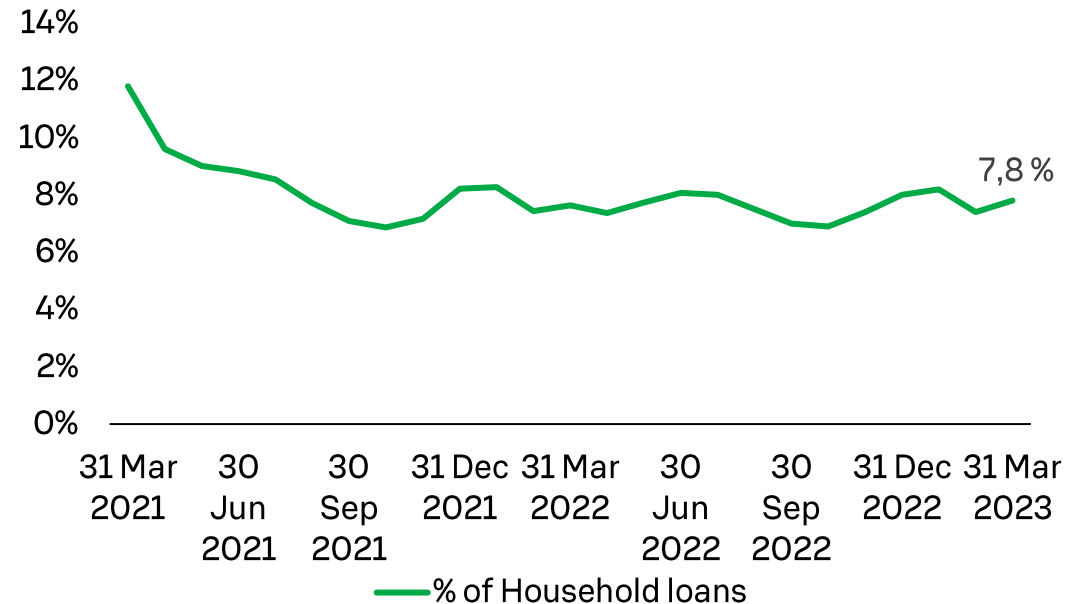
- In addition, S-Bank Properties Ltd managed EUR 334.3 million in customer assets, consisting of real estate and joint ventures (347.5).
- Net subscriptions to the S-Bank mutual funds amounted to EUR -8.3 million in the review period compared with EUR 38.8 million a year earlier.

Comparable assets under management (EUR m)	31 Mar 2022	31 Mar 2023	12-month change
Fund capital	3 873.3	4 039.6	4.3%
Wealth management	2 070.0	1 957.7	-5.4%
Total	5 943.3	5 997.2	0.9%

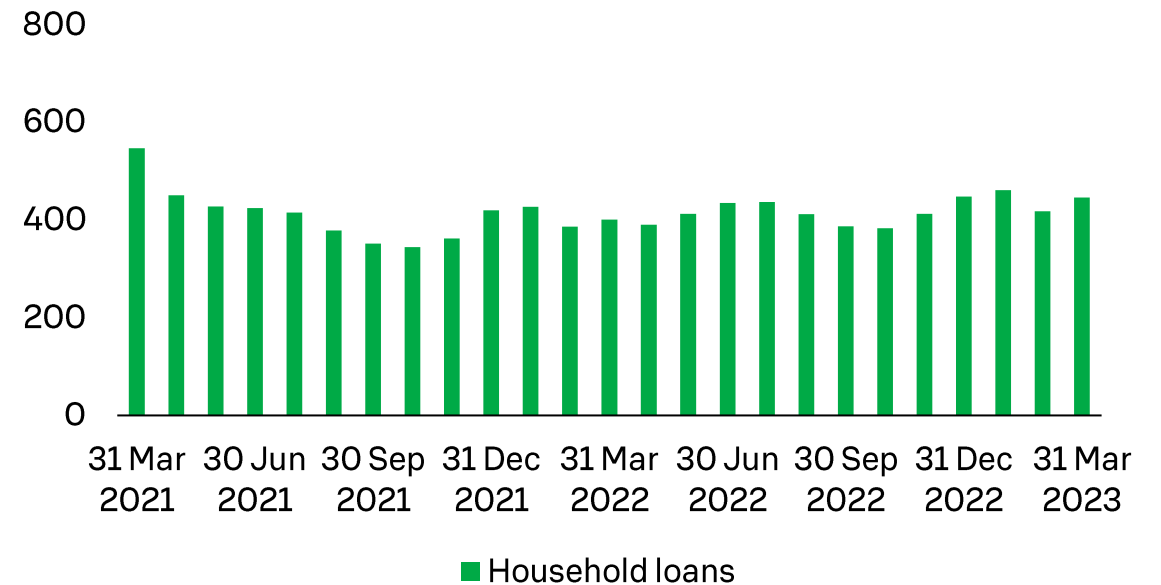
# REPAYMENT HOLIDAYS AND PAYMENT SCHEDULES

Household customer loans subject to repayment holidays or other changes to the payment schedules

## SHARE OF LOANS SUBJECT TO REPAYMENT HOLIDAYS



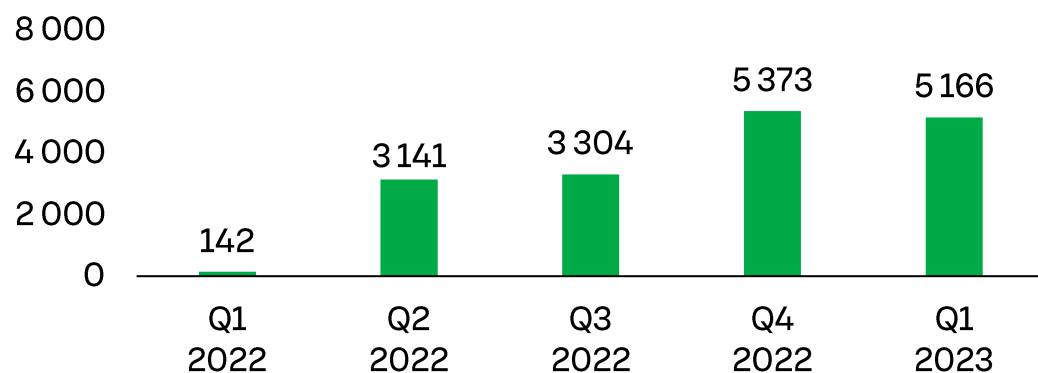
## AMOUNT OF LOANS SUBJECT TO REPAYMENT HOLIDAYS (EUR m)



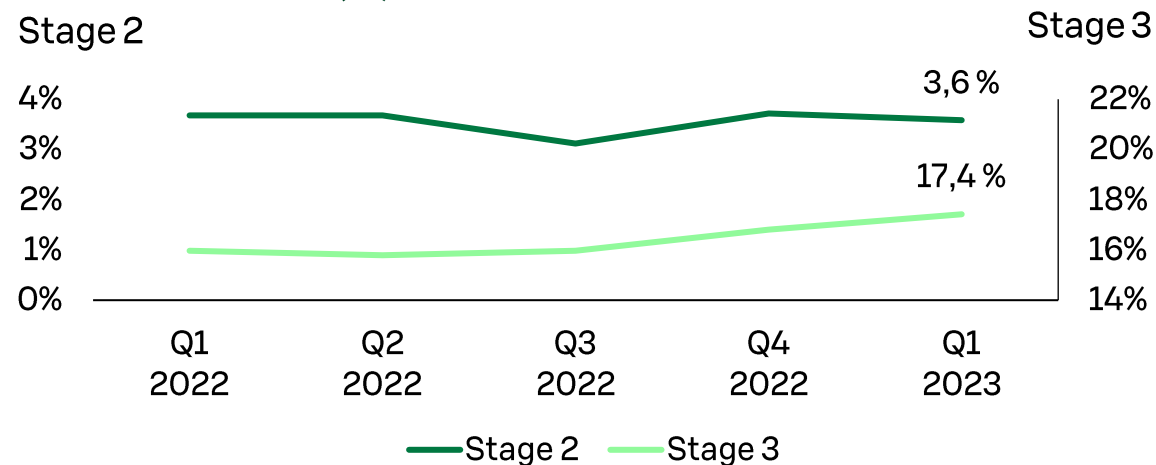
- Household loans subject to repayment holidays and other changes to payment schedules remained stable in Q1.
- Repayment holidays deviating from the original payment plan have primarily been granted to household customers.
- The share of loans subject to repayment holidays was 7.8% of total household loans (8.0% on 31 Dec 2022).

# STABLE CREDIT QUALITY – NPL RATIO 1%

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



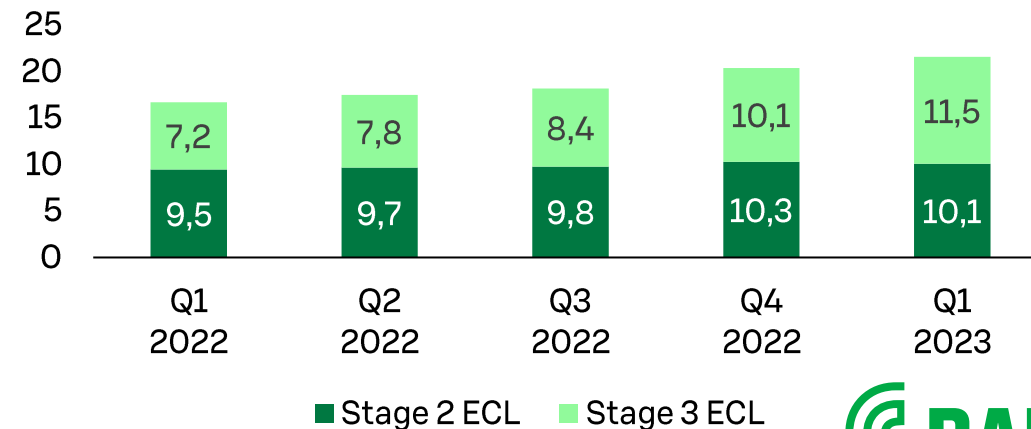
## COVERAGE RATIO (%)



## COMMENTARY

- Cumulative net credit losses were EUR 5.2 million (0.1) during the first quarter.
- Total ECL provision was EUR 24.2 million (EUR 22.5 million at the end of 2022). NPL ratio was 1.0 per cent (0.9)
- The changes in management judgement increased the ECL provision by EUR 1.5 million in Q1, correspondingly EUR 1.6 during Q4 2022. Increases in interest rates and prices are expected to weaken the financial standing of customer households.

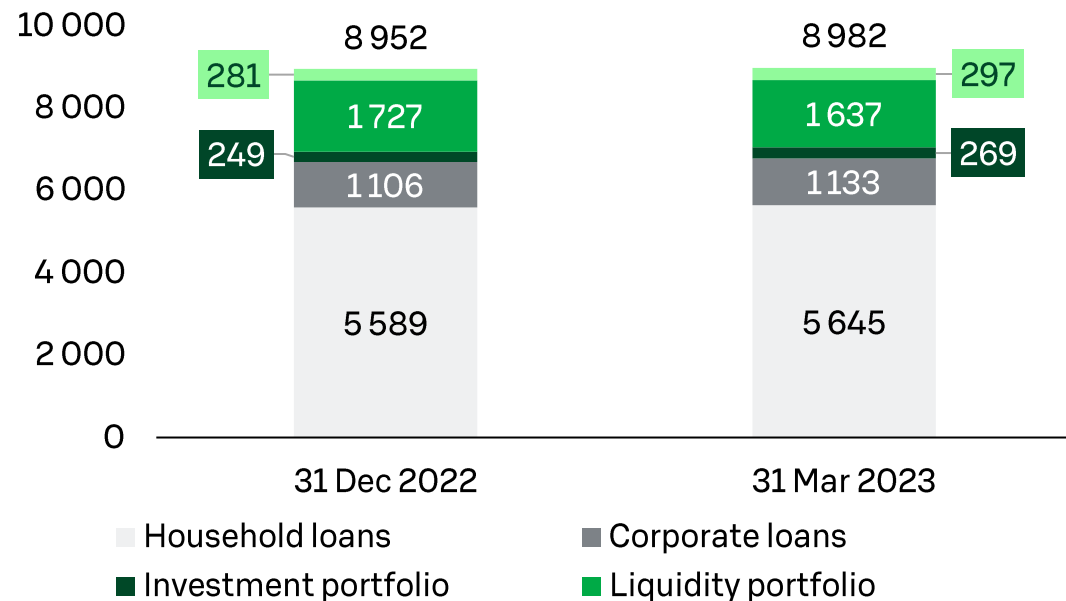
## STAGE 2 AND 3, ECL PROVISION (EUR m)



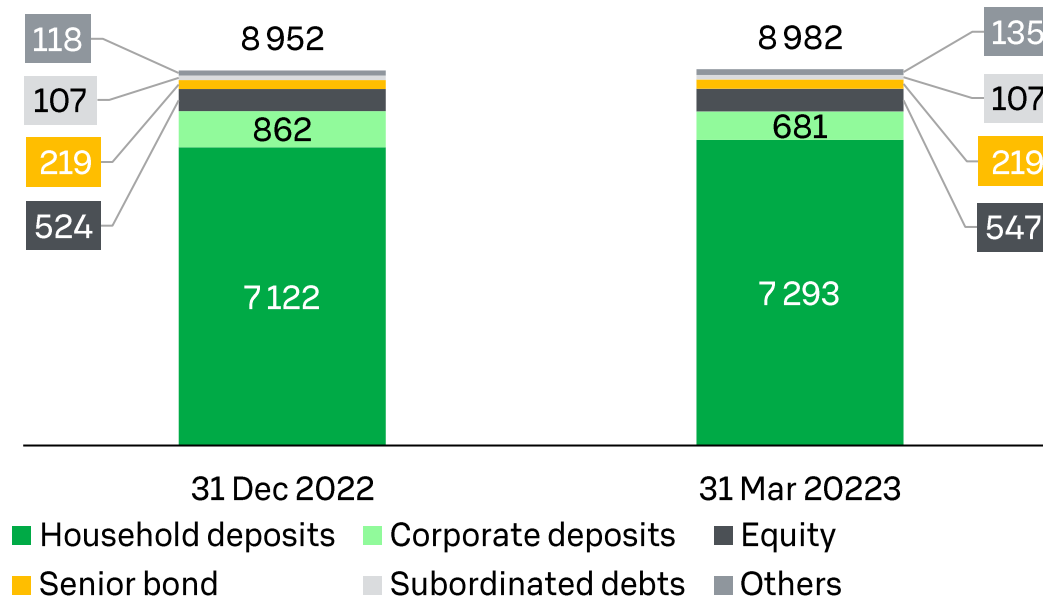
# BALANCE SHEET & FUNDING

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

## ASSETS (EUR m)



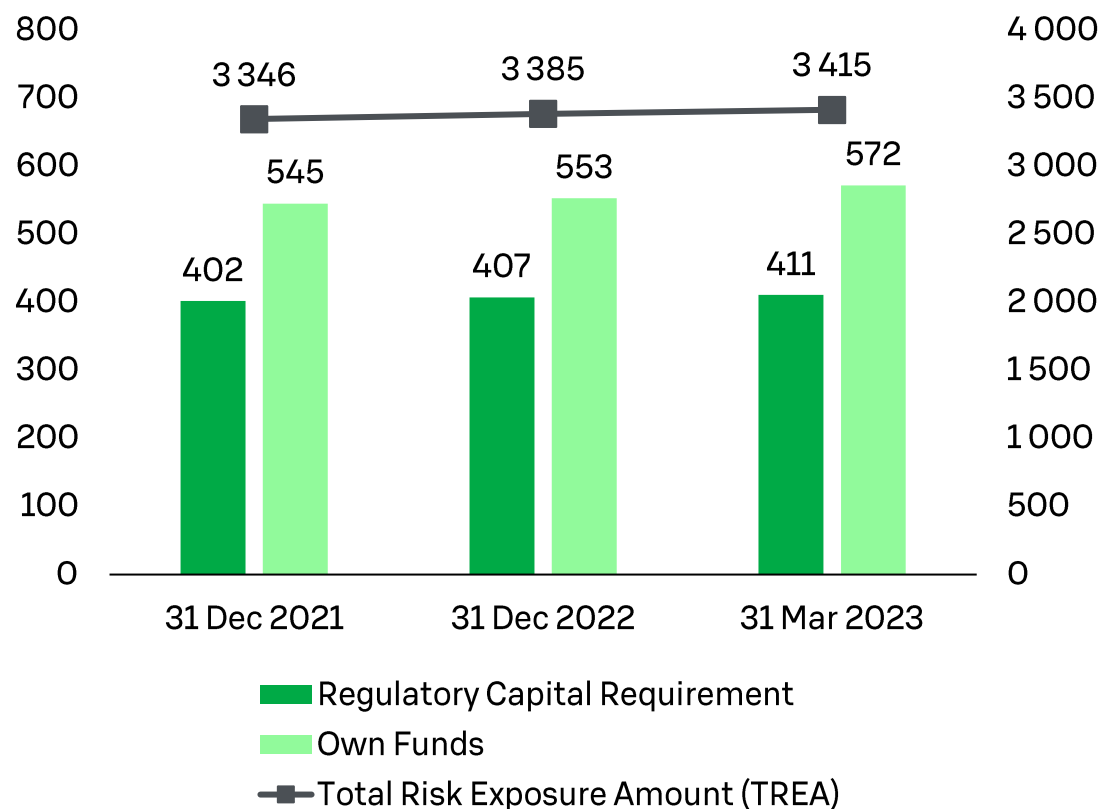
## LIABILITIES AND EQUITY (EUR m)



- Household and corporate deposits comprised 89% (89%) of total liabilities and own funds at the end of Q1 2023. At the same time, lending to households comprised 63% (62%) of the total assets.
- Lending growth continued in the first quarter of 2023 and deposits decreased slightly. Lending growth concentrated to household customers. Household customer deposits increased, and corporate customer deposits decreased.

# OWN FUNDS, CAPITAL REQUIREMENTS & MREL

## OWN FUNDS AND CAPITAL REQUIREMENTS (EUR M)



## COMMENTARY

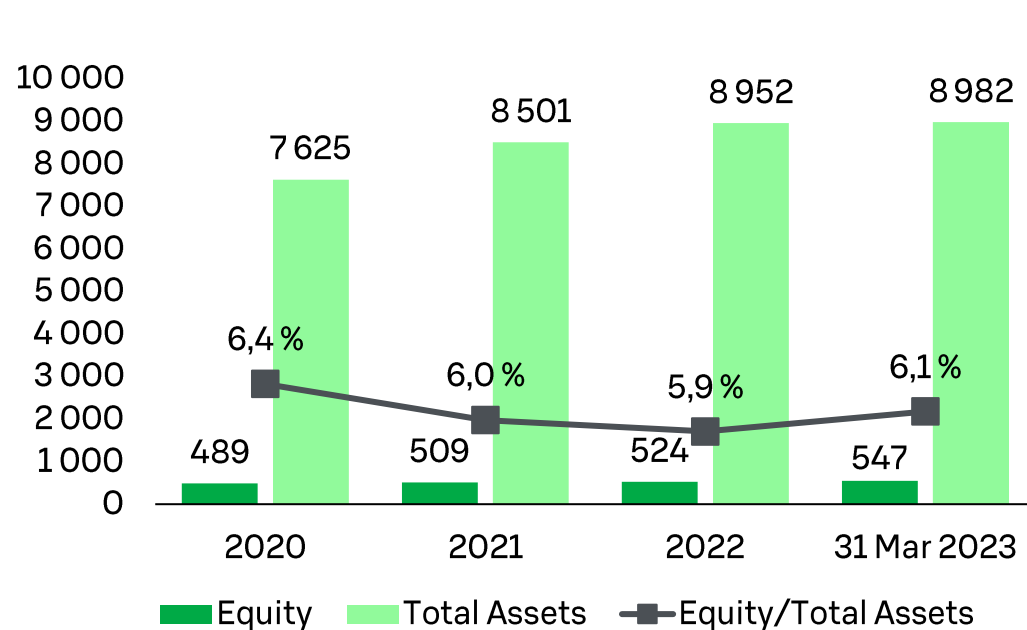
- Own funds were positively affected especially by profit performance due to net interest income.
- The total risk exposure amount (TREA) increased slightly during first quarter. Risk exposures increased in exposures secured by mortgages on immovable property and corporate exposures.
- Regulatory capital requirement was 12.04 per cent of the TREA, that equals to EUR 411 million.
- Regarding MREL requirements, S-Bank's own funds and eligible liabilities on 31 March 2023 were well above regulatory requirements and internal limits.  $MREL_{TREA}$  was 23.2 per cent and  $MREL_{LRE}$  8.6 per cent.
- The current minimum level of  $MREL_{TREA}$  is 17.23 per cent and  $MREL_{LRE}$  is 5.91 per cent.
- In addition to the above-mentioned  $MREL_{TREA}$  requirement, S-Bank needs to fulfill an additional capital buffer requirement of 2.54 per cent.
- Based on the latest decision by the Financial Stability Authority on 6<sup>th</sup> April 2022, the upcoming full  $MREL_{TREA}$  is 20.34 per cent and the  $MREL_{LRE}$  is 8.41 per cent. These target levels will enter into force on 1 January 2024.



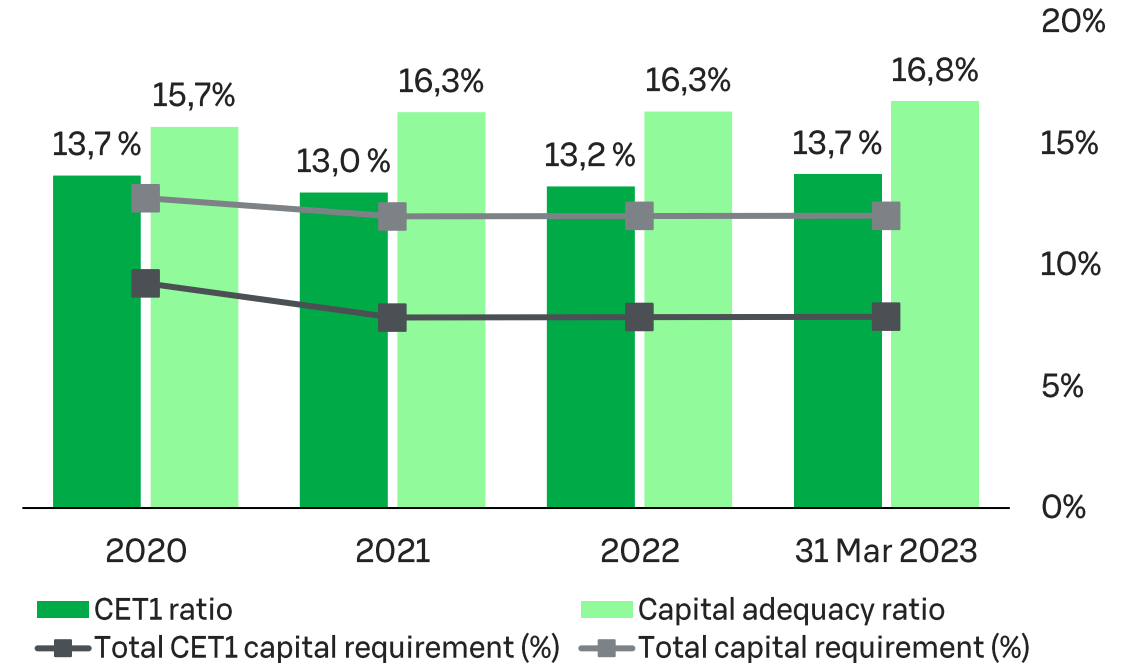
# CAPITAL POSITION

Strong capital position well above the regulatory levels despite high growth

## EQUITY / TOTAL ASSETS (EUR m)

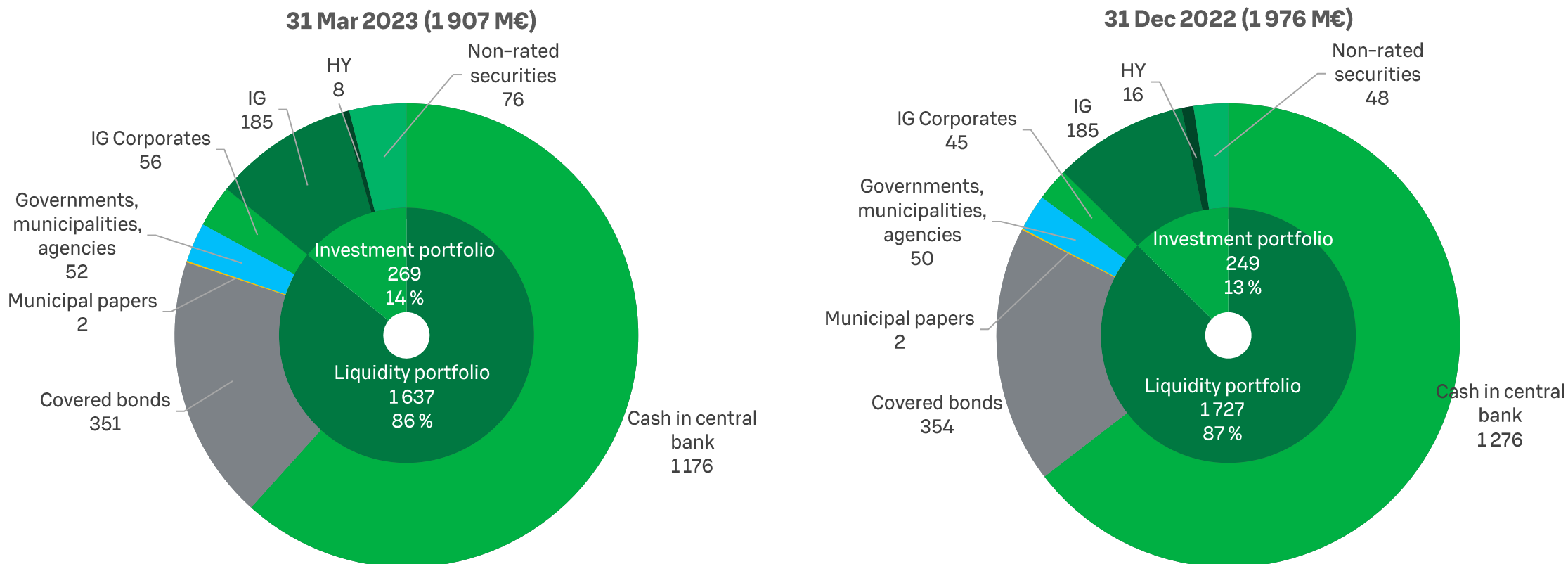


## KEY CAPITAL RATIOS (CET1 + CAPITAL ADEQUACY RATIO)



- S-Bank has seen strong development in its asset base since 2020. While growing strongly, the equity ratio has been maintained at a robust level, ranging from 5.9% to 6.4% between 2020 and 2022. At the end of the review period, the equity ratio stood at 6.1% and the CET1 ratio at 13.7%.
- The key capital ratios have been maintained well above the regulatory requirements.

# S-BANK'S LIQUIDITY AND INVESTMENT PORTFOLIOS



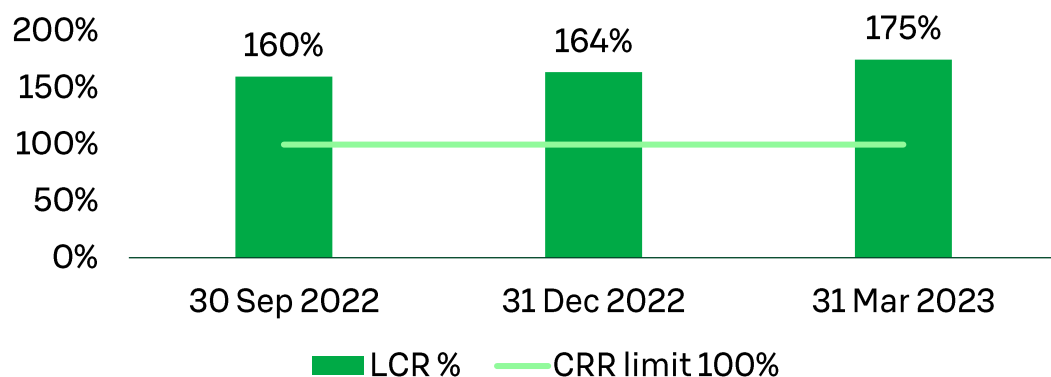
- S-Bank's liquidity and investment portfolios totalled EUR 1 907 million at the end of Q1 2023 (EUR 1 976 million at the end of 2022). The decrease in the total portfolio size was concentrated in the liquidity portfolio. The total amount of the investment portfolio increased slightly. In the liquidity portfolio the amount of central bank deposits decreased and in the investment portfolio the amount of non-rated debt securities increased.

# LIQUIDITY

## Robust liquidity position and easy access to additional funding

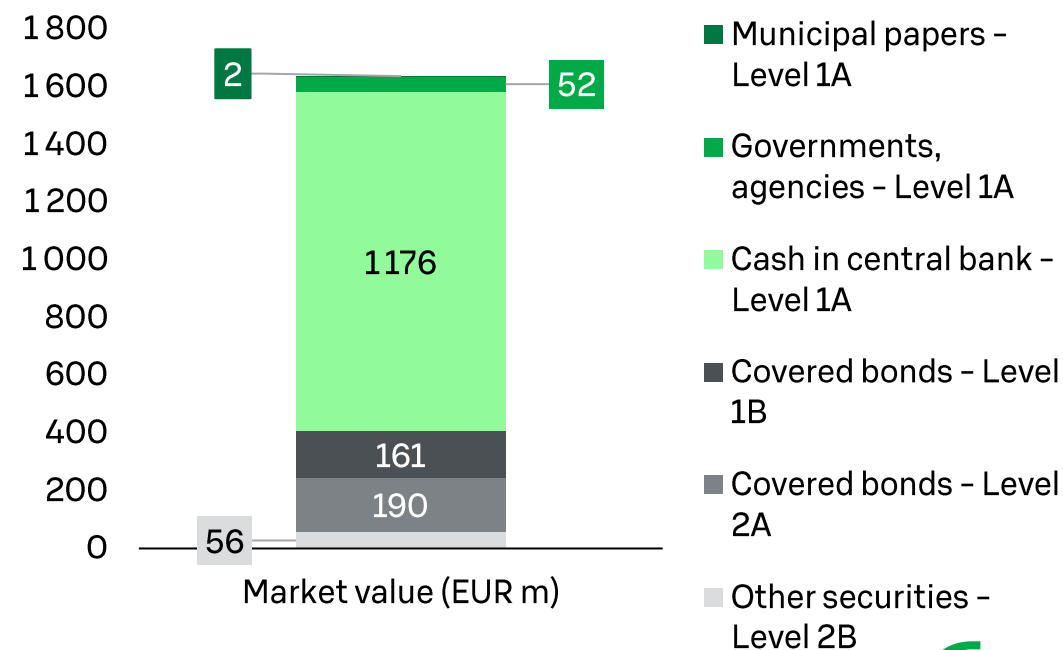
### LIQUIDITY OVERVIEW

- S-Bank's liquidity portfolio totaled EUR 1 637 million at the end of Q1 2023 (EUR 1 727 million at the end of 2022)
- Level 1 assets comprise 85% of the portfolio with the largest allocations in cash in central bank
- 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 was 152% at the end of Q1 2023 (151% at the end of 2022) - wide headroom over the regulatory requirement of 100%
- LCR was 175% at the end of Q1 2023 (164 % at the end of 2022) which is also well above the 100% regulatory limit



### LIQUIDITY PORTFOLIO, 31 MAR 2023

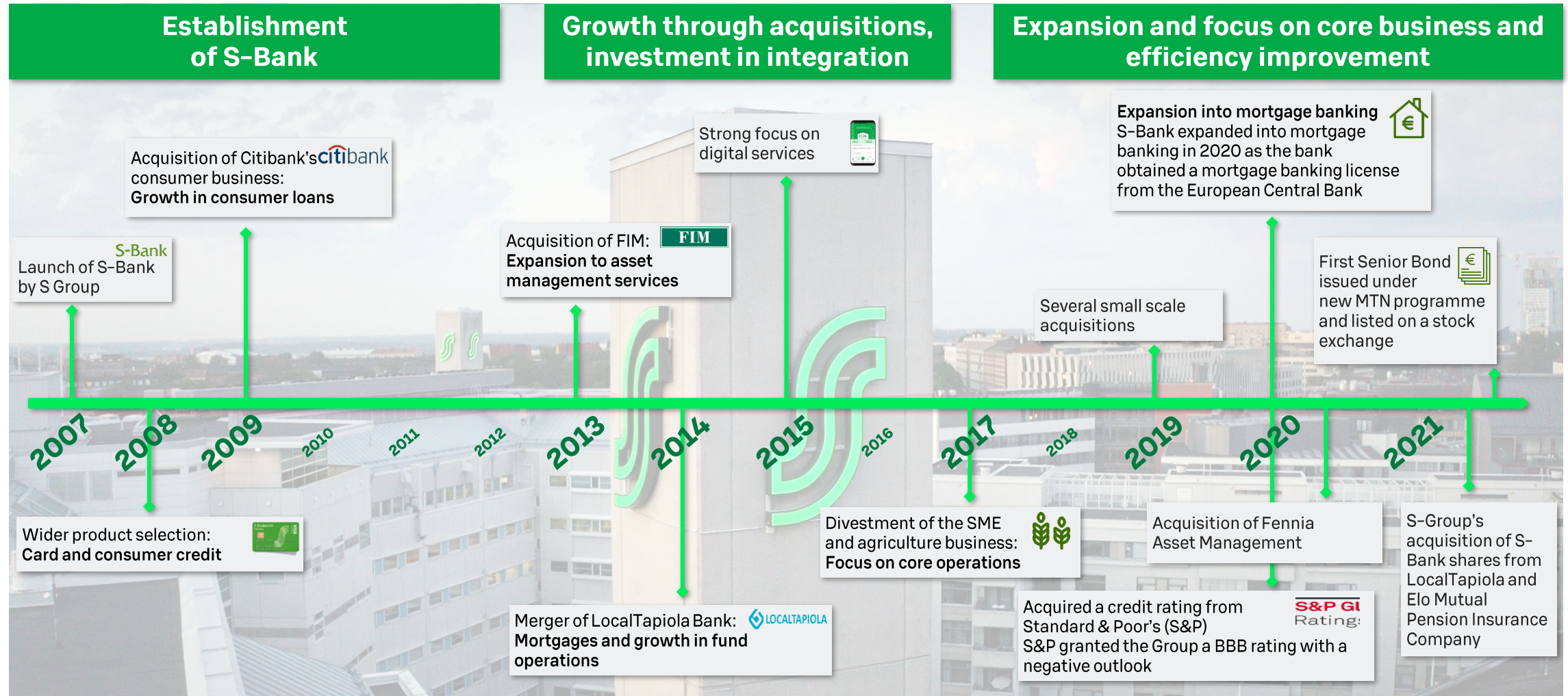
EUR m	Level 1A	Level 1B	Level 2A	Level 2B	Total
Amount held (% of total market value)	1 230 (75%)	161 (10%)	190 (12%)	56 (3%)	1 637



**THANK  
YOU**

# APPENDIX

# HISTORY OF S-BANK



# GROWTH STRATEGY

S-Bank's strategy builds on its unique position

## FOCUS IS ON STRENGTHENING COMPETITIVE ADVANTAGES

Continuously adapting 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

## ACTIVITIES DRIVEN BY LONG-TERM TARGET OF 1 MILLION ACTIVE CUSTOMERS



# THE MOST RESPONSIBLE BANKING BRAND 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 2023, for the eleventh consecutive year, Finns chose S-Bank as the most responsible banking brand 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.



# 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

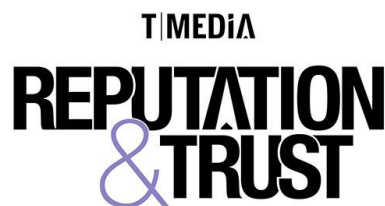
S-Bank is the most responsible banking brand in Finland for the 11th year in a row



Sustainable Brand Index 2023

## MOST REPUTABLE

S-Bank is the most reputable financial company



T-Media's Reputation&Trust 2022 -study

## MOST COMMITTED

S-Bank has the most loyal customers



Customer Index 2022 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 2022

## MOST VALUED

S-Bank is the most valued brand in the financial sector for the 5th year in a row



Brand Valuation 2022 study by Taloustutkimus

# COMPANY STRUCTURE

