



Q3 RESULTS

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9 November 2021

STRONG PROFIT GROWTH CONTINUED IN THE GROUP

Wealth Management operating profit increased nearly ten-fold

Highlights from the Q3

- Operating profit increased to EUR 20.6 million (12.7)
- Lending increased to EUR 5.9 billion (5.3)
- Assets under management increased to EUR 11.9 billion (9.8)
- Capital adequacy ratio decreased to 14.9 per cent (15.1)
- Profit growth was influenced by a solid 9.3 per cent increase in total income and significantly lower impairment losses
- The cost-to-income ratio improved year-on-year and was 0.74 (0.77)

(EUR millions)	1-9/2021	1-9/2020	Change
Net interest income	67.3	67.8	-0.6%
Net fee and commission income	56.3	46.2	21.8%
Total income	134.1	122.7	9.3%
Operating profit	20.6	12.7	61.9%
Cost-to-income ratio	0.74	0.77	-0.03



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. We started a process to renew the S-Bank brand and to discontinue the use of the FIM brand.**
- 2. We successfully carried out the first bond issue to cover the MREL requirement. S&P confirmed the BBB/A-2 rating with a stable outlook.**
- 3. Our owners completed a corporate transaction, in which the S Group acquired all the S-Bank shares previously held by the LocalTapiola Group and Elo.**

Banking

- The euro amount of the purchases made with the S-Etukortti Visa card in January–September grew by 13.9 per cent on the amount for the previous year.
- The housing loan portfolio's growth was 3.5-fold compared with the overall market over a 12-month review period.
- Investment in digital services continued. New customers can now become co-op members of the S Group's Cooperative stores and S-Bank customers directly in the S-mobiili app.
- Operating profit was EUR 28,7 million (24,1).

Wealth Management

- Excellent performance: operating profit increased nearly ten-fold year-on-year.
- Net subscriptions to the S-Bank and FIM funds increased year-on-year and performance exceeded the market average.
- The number of unit holders in S-Bank and FIM funds rose by 69,000 in one year to 325,000.
- Operating profit was EUR 5,6 million (0,6).

KEY INFORMATION ON S-BANK IN Q3 2021



3.1
million
customers



325,000
unit holders in S-Bank and
FIM-funds



EUR 8.4
billion
balance sheet



2.1
million
online banking IDs



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



EUR 20.6
million
operating profit



2.6
million
international
payment cards



Around
80
customer service points
at S Group outlets

Key financials

KEY FIGURES

	2018	2019	2020	1-9/2021
Total income	153	168	174	134
Operating profit	17	29	21	21
Deposits	5,833	5,948	6,925	7,600
Lending	4,187	4,781	5,444	5,883
Non-performing loans	0.5%	0.6%	0.6%	0.6%
Assets under management	7,577	9,041	10,785	11,886
Debt securities	1,668	1,081	1,229	1,311
Cost-to-income, %	83.0%	74.0%	74.0%	74.0%
ROE, %	2.9%	5.2%	3.3%	4.6%
ROA, %	0.2%	0.4%	0.2%	0.3%
Equity ratio, %	7.0%	7.1%	6.4%	6.0%
Capital adequacy ratio, %	16.8%	16.3%	15.7%	14.9%
CET-1 ratio, %	14.9%	14.6%	13.7%	13.2%

Steady
income base,
room to grow

Strong
deposit
funding base

AuM
developing
rapidly

Cost-to-
income to
continue to
improve

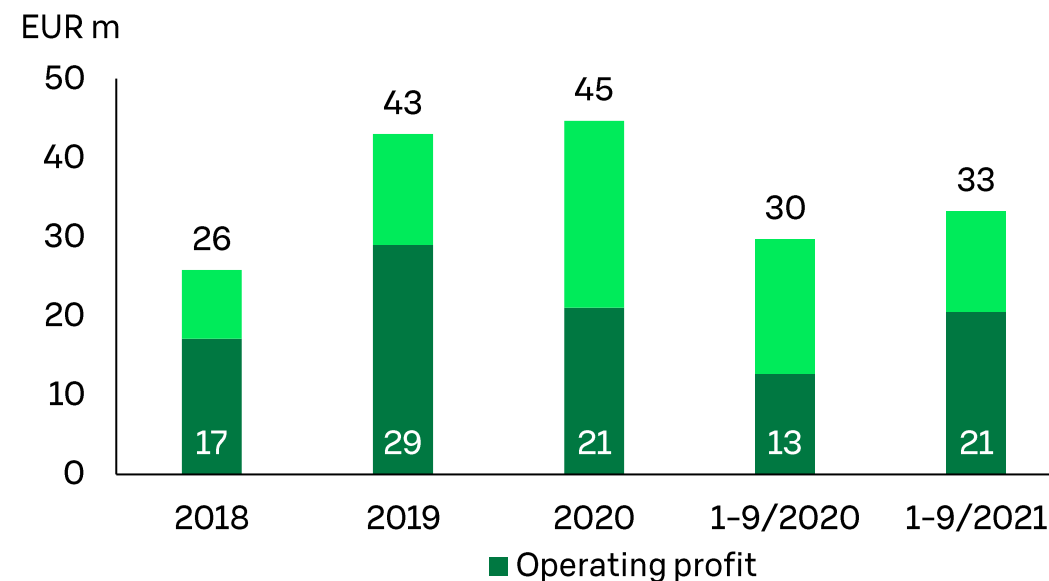
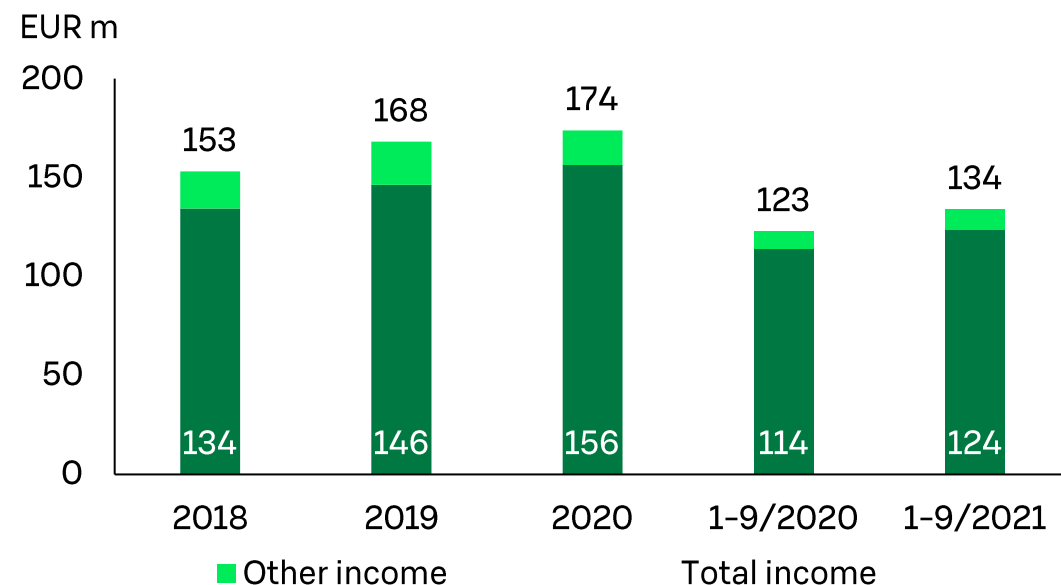
Robust capital
base



DEVELOPMENT OF KEY INCOME MEASURES

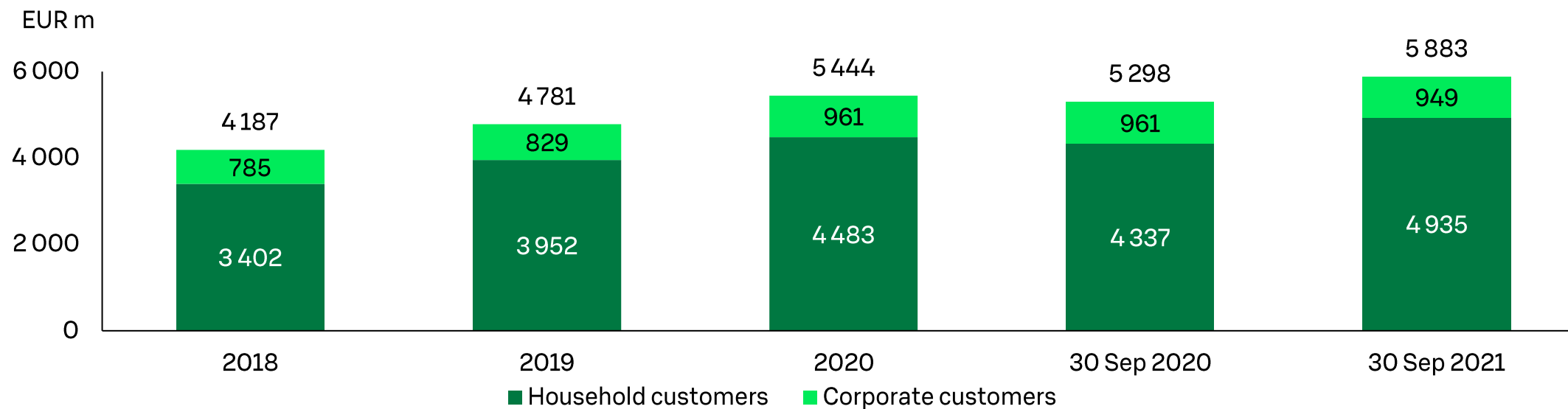
Stable figures since 2018 as S-Bank has strived to capture market share (and has succeeded in this)

Total income and operating profit before loan losses



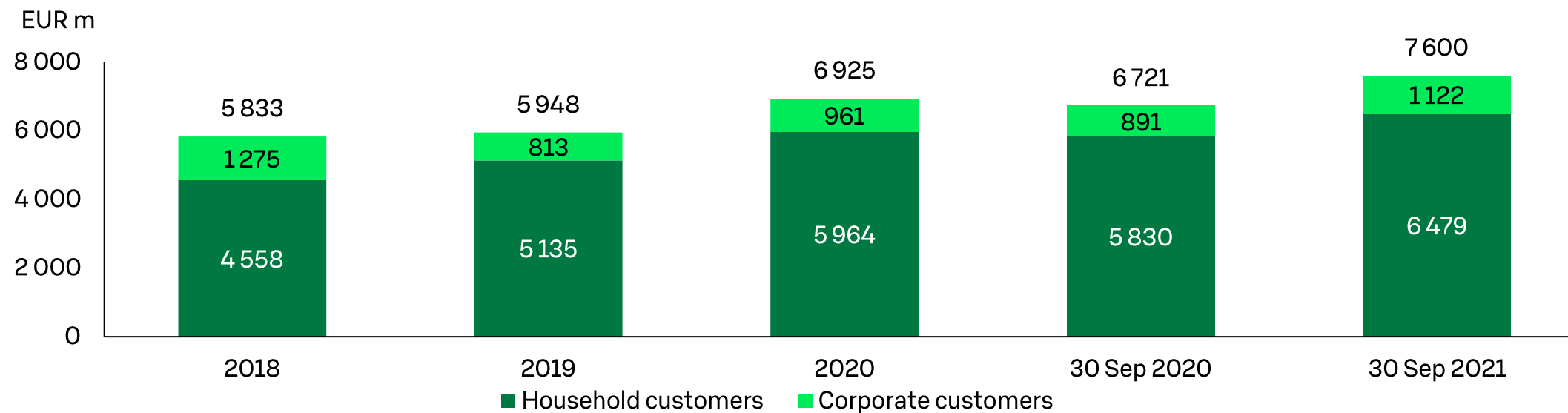
- S-Bank income metrics have been quite stable throughout the years with total income increasing from EUR 153 million in 2018 to EUR 174 million in 2020. At the same time, the operating profit before loan losses has increased from EUR 26 million to EUR 45 million
- The Banking segment contributed 82% of total income in 2020 – the Wealth Management segment’s share of income has been growing in recent years
- In January–September 2021, S-Bank’s operating income grew over 60% to EUR 20.6 million from EUR 12.7 million in January–September 2020
- Impairment of receivables amounted to EUR 12.7 million (17.0) in January–September 2021.

LONG-TERM LENDING GROWTH CONTINUED



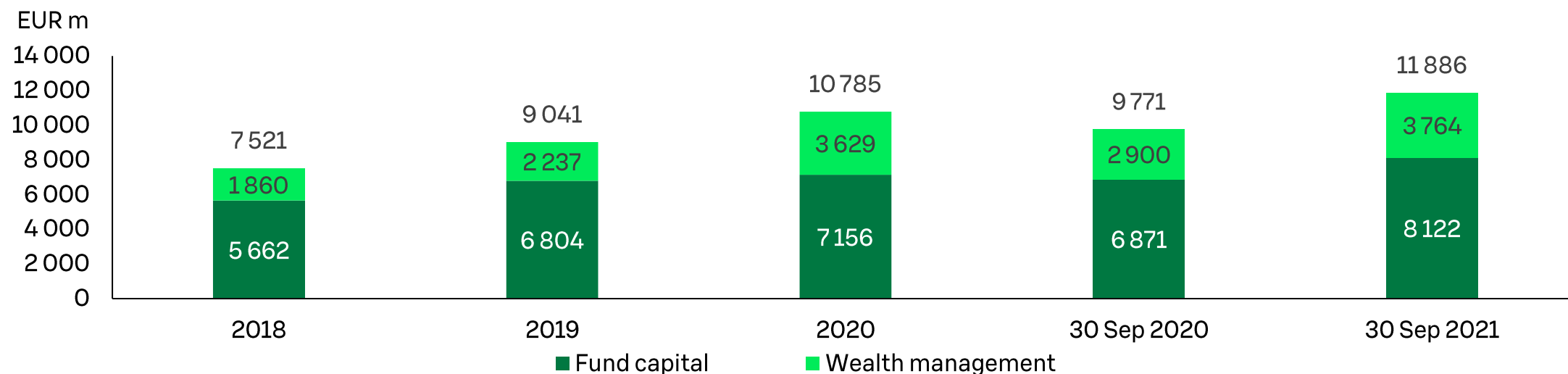
Lending (EUR m)	30 Sep 2021	31 Dec 2020	Change from beginning of the year	12-month change
Household customers	4,934.7	4,483.1	10.1%	13.8%
Corporate customers	948.5	961.2	-1.3%	-1.3%
Total	5,883.3	5,444.4	8.1%	11.0%

TOTAL DEPOSITS CONTINUED TO GROW



Deposits (EUR m)	30 Sep 2021	31 Dec 2020	Change from beginning of the year	12-month change
Household customers	6,478.8	5,964.1	8.6%	11.1%
Corporate customers	1,121.6	960.9	16.7%	25.9%
Total	7,600.4	6,925.0	9.8%	13.1%

ASSETS UNDER MANAGEMENT CONTINUED TO GROW



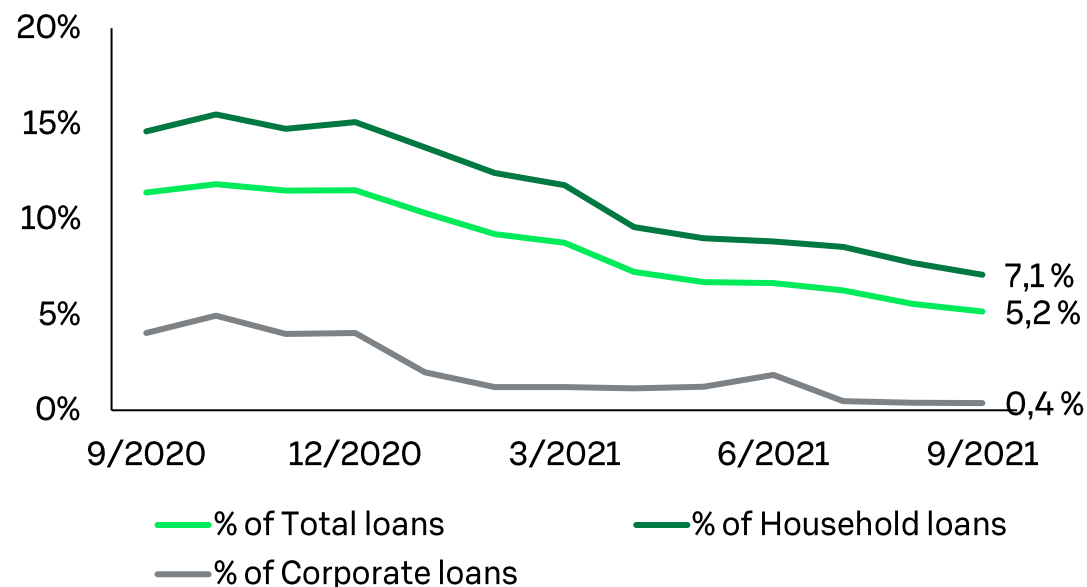
- In addition, S-Bank Properties Ltd managed EUR 439,8 million in customer assets, consisting of real estate and joint ventures.
- The management of 28 LocalTapiola funds will be transferred in stages from S-Bank Fund Management Ltd to Seligson & Co Fund Management Company Plc (owned by the LocalTapiola Group) before the end of 2021. 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 – will be merged with S-Bank mutual funds in November.

Assets under management (EUR m)	30 Sep 2021	31 Dec 2020	Change from beginning of the year	12-month change
Fund capital	8,122.1	7,156.4	13.5%	18.2%
Wealth management	3,764.2	3,628.7	3.7%	29.8%
Total	11,886.3	10,785.1	10.2%	21.7%

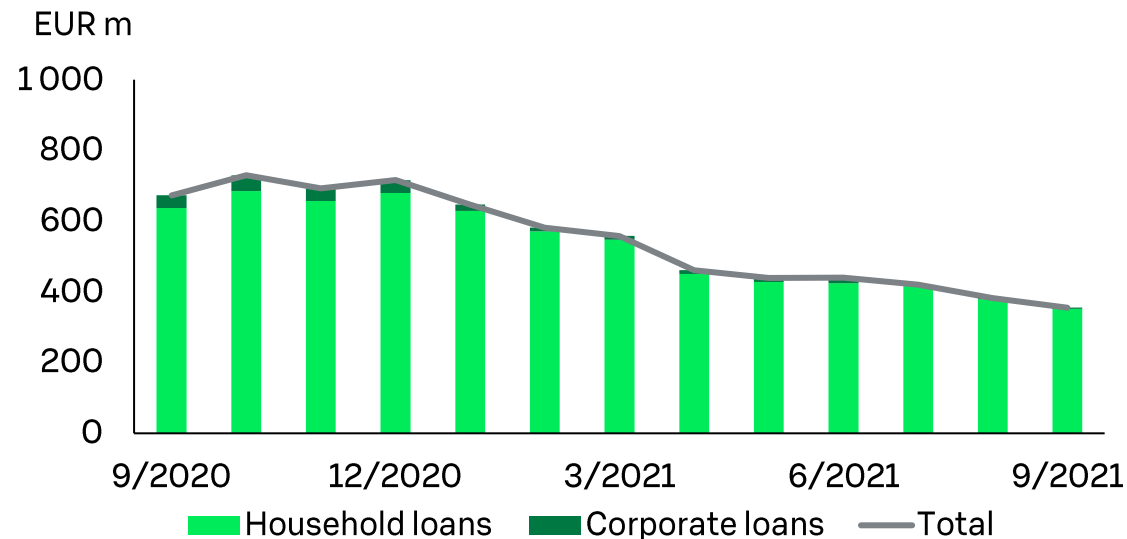
REPAYMENT HOLIDAYS AND PAYMENT SCHEDULES

Changes to the payment schedules

Share of loans subject to repayment holidays



Amount of loans subject to repayment holidays

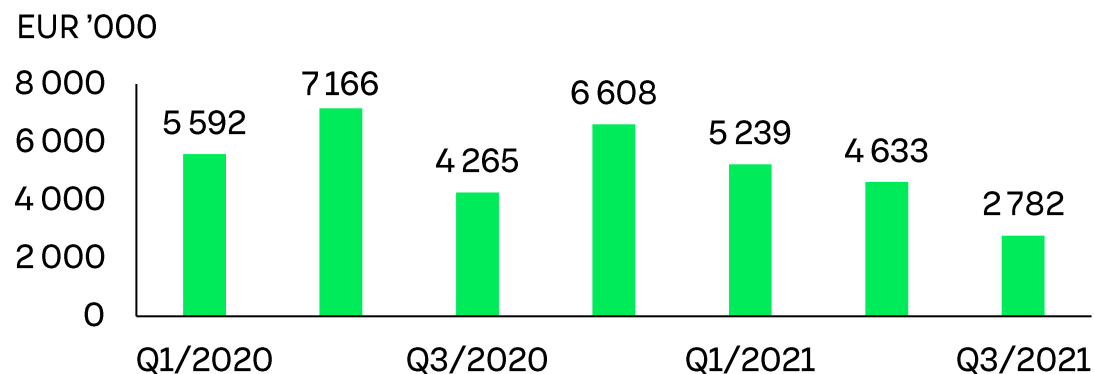


- Repayment holidays and changes to payment schedules returned to the level preceding the coronavirus pandemic during the reporting period.
- The volume of loans subject to repayment holidays continued to decrease during the third quarter of the year, representing 5.2 % of total loans (11.5 % on 31 Dec 2020).
- The volume for the household loans was 7.1% (15.1% on 31 Dec 2020) and for the corporate loans 0.4% (4% on 31 Dec 2020).

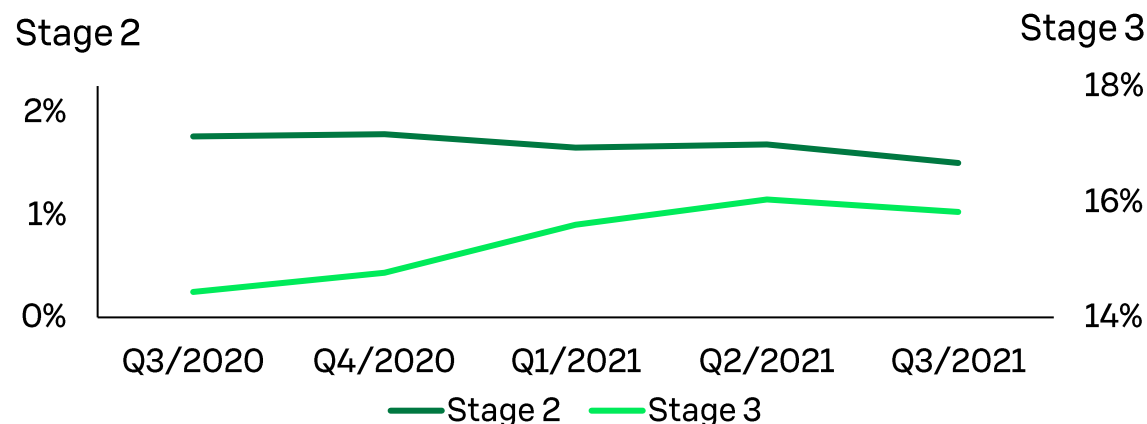
STABLE CREDIT QUALITY

Steady improvement on net credit losses

Expected and final credit losses



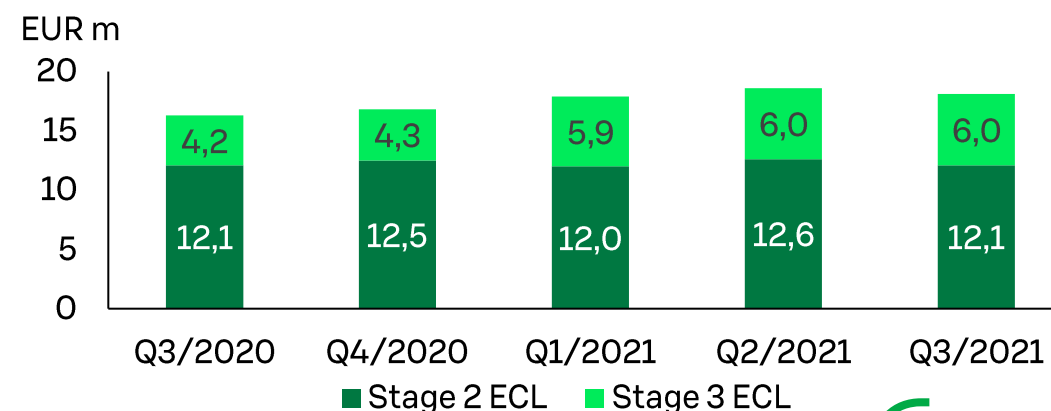
Coverage ratio (%)



Commentary

- Total ECL-provision was EUR 20,8 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. The change in non-performing loans has remained steady in Q2 and Q3.
- Net credit losses have decreased significantly since Q2 2020.

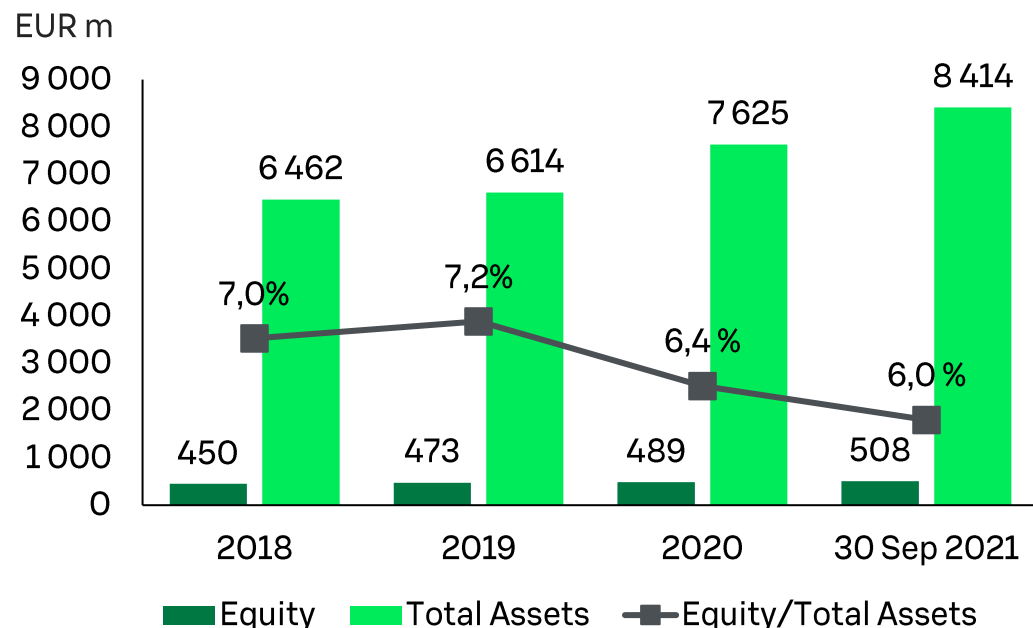
Stage 2 and 3, ECL provision



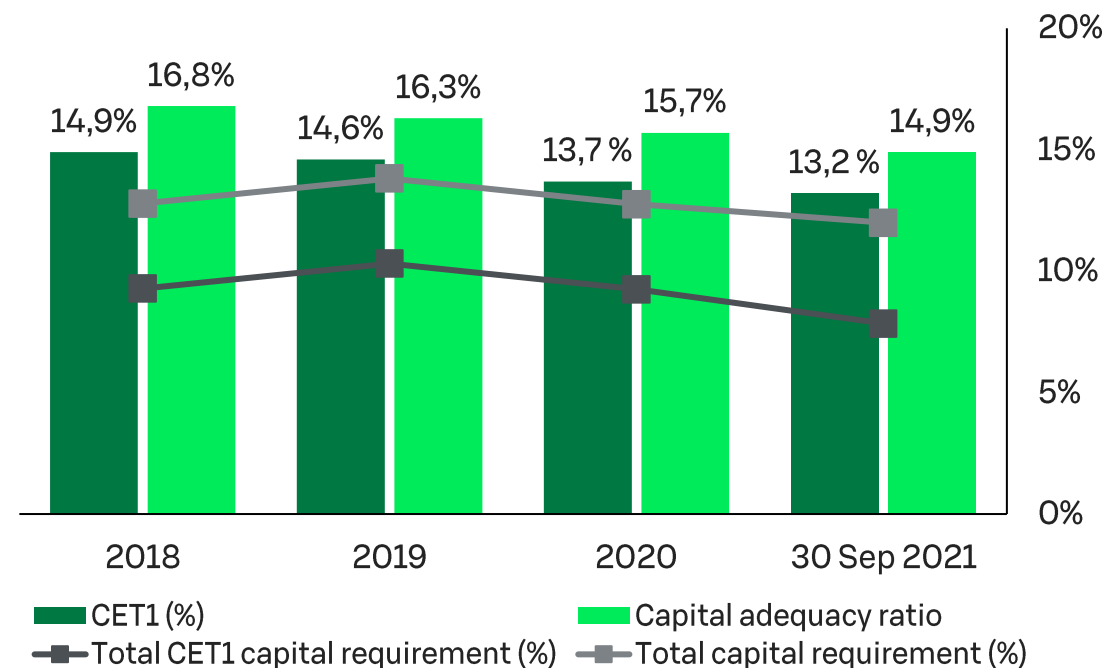
CAPITAL POSITION

Strong capital position well above the regulatory levels despite high growth

Equity / total assets



Key capital ratios (CET1* + capital adequacy ratio)



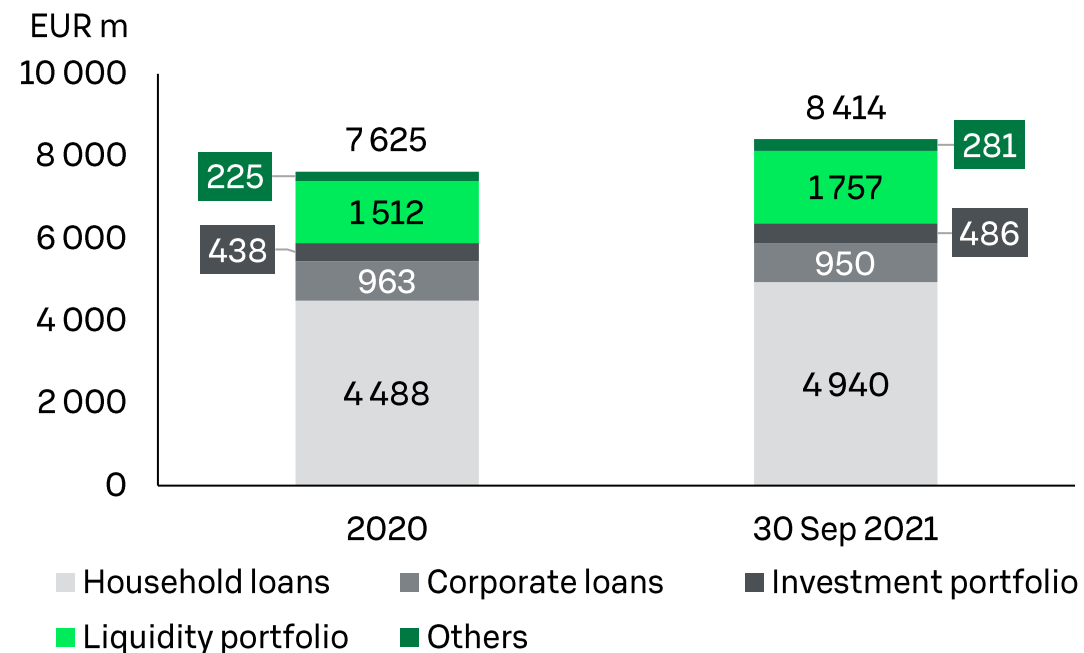
- S-Bank has seen strong development in its asset base since 2018. While growing strongly, the equity ratio has been maintained at a robust level, ranging from 6.4% to 7.2% between 2018 and 2020. In Q3, the equity ratio stood at 6.0% and CET1-ratio at 13.2%
- The key capital ratios have been maintained 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.

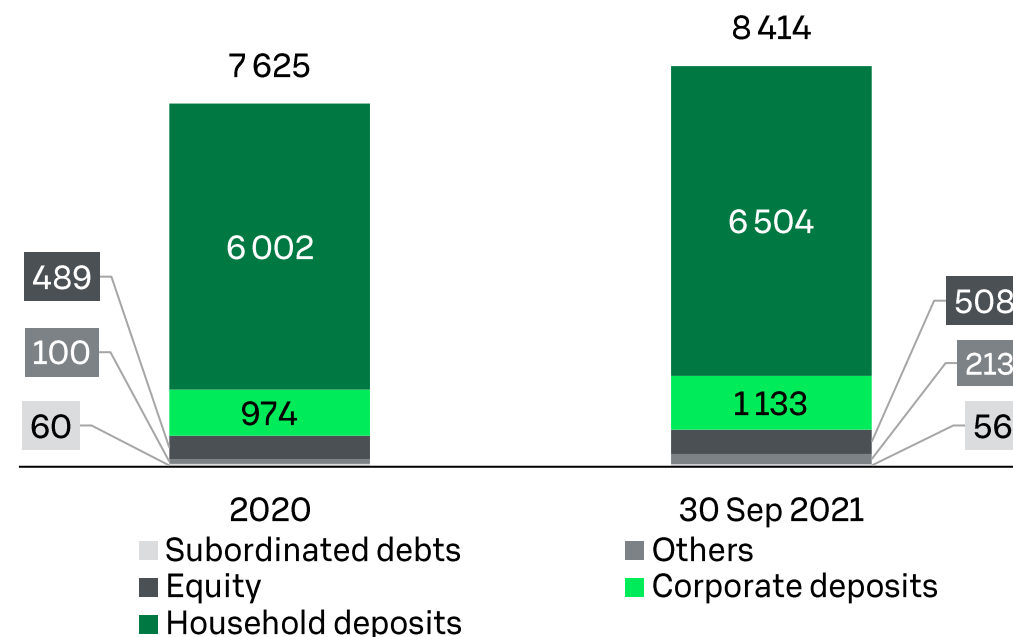
BALANCE SHEET & FUNDING

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

Assets



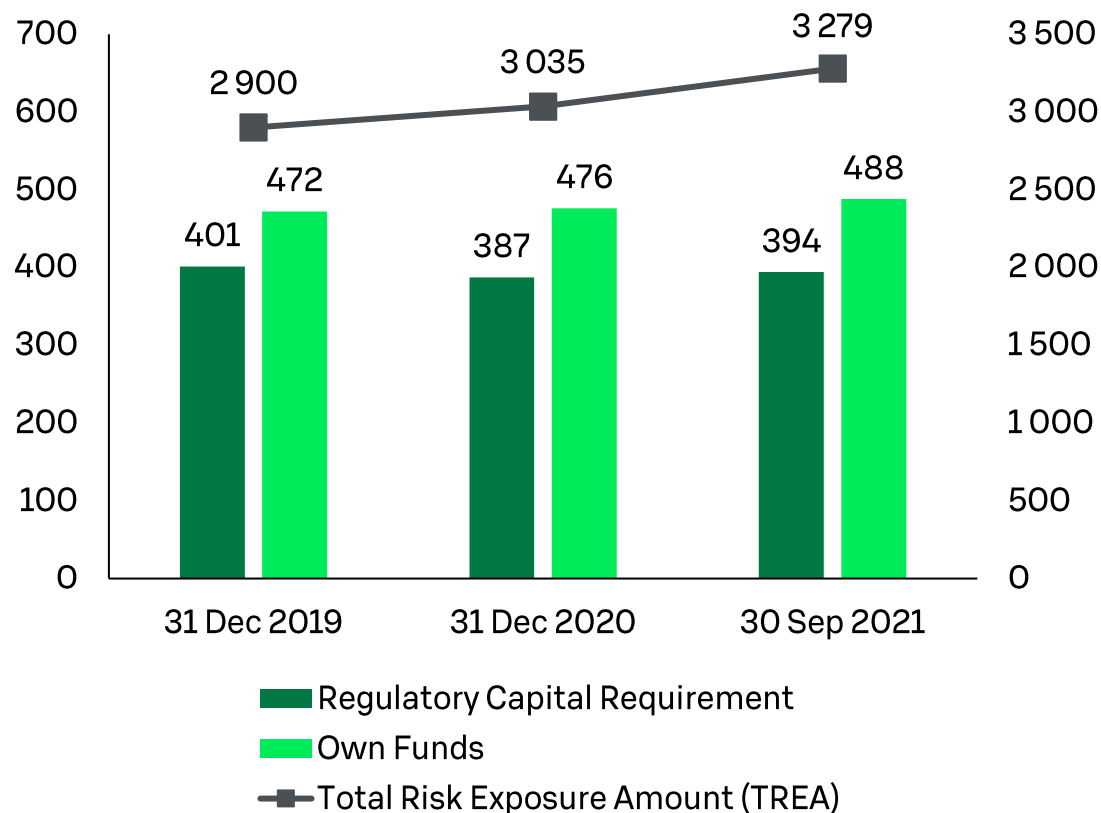
Liabilities and Equity



- Household and corporate deposits comprised 91% of total liabilities at the end of 2020 as well as at the end on Q3/2021 – at the same time, lending to households comprised 59% of the total assets.
- Deposits and lending growth continued to be strong in Q3 2021. The growth concentrated mainly to household customers.

OWN FUNDS, CAPITAL REQUIREMENTS & MREL

Own Funds and Capital Requirements (EUR million)



Commentary

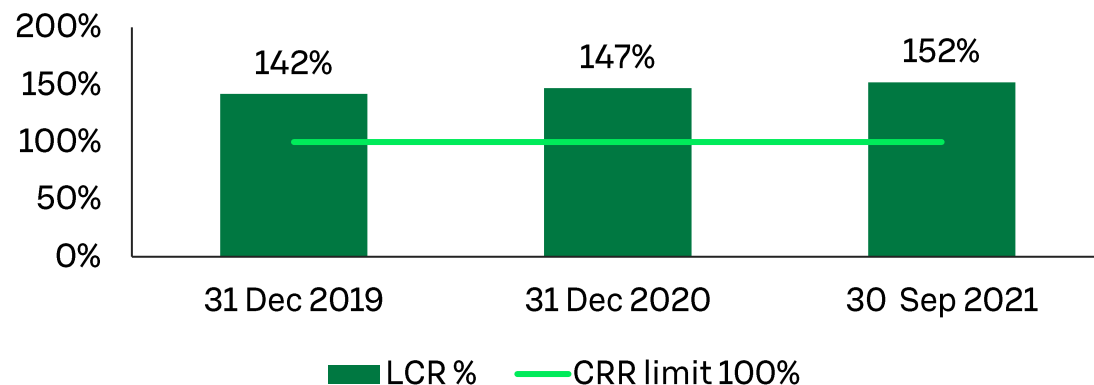
- S-Bank's objective is to ensure a sufficient funding base and structure to meet S-Bank's growth targets
- MREL requirement based on total risk exposure amount in full is 20.04 per cent and the requirement based on the total amount of exposures used in the calculation of the leverage ratio is 5.91 per 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.
- Due to the MREL requirements, S-Bank successfully issued a EUR 170 million senior preferred MREL eligible bond at the end of Q3. The bond is S-Bank's first issuance under its MTN (Medium Term Note) programme.
- In addition to the bond, S-Bank satisfied a smaller part of its MREL requirement via debenture loans in which LocalTapiola Group invested EUR 57.5 million in October.
- S-Bank is fully prepared to meet its total risk-based MREL requirement on 1 January 2022.

LIQUIDITY

Robust liquidity position and easy access to additional funding

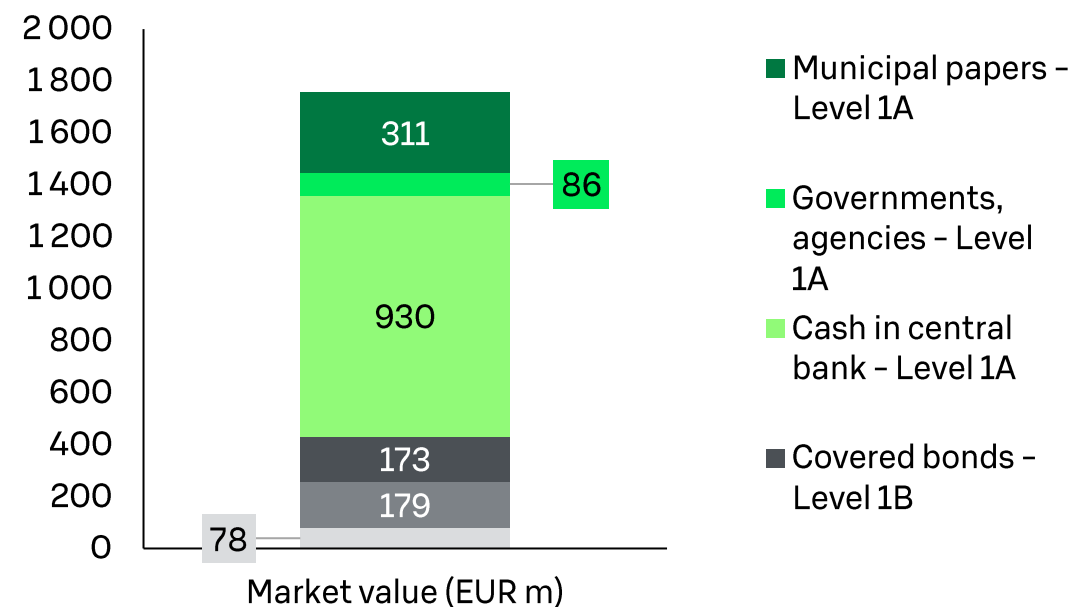
Liquidity overview

- S-Bank's liquidity portfolio totalled EUR 1,757 million in Q3 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 150% in Q3 2021 (151% at the end of 2020) - wide headroom over the coming regulatory requirement of 100%
- LCR at 152% in Q3 2021 (147% at the end of 2020) which is also well above the 100% regulatory limit



Liquidity portfolio, 30 Sep 2021

EUR m	Level 1A	Level 1B	Level 2A	Level 2B	Total
Amount held (% of total market value)	1,327 (75%)	173 (10%)	179 (10%)	78 (4%)	1,757



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

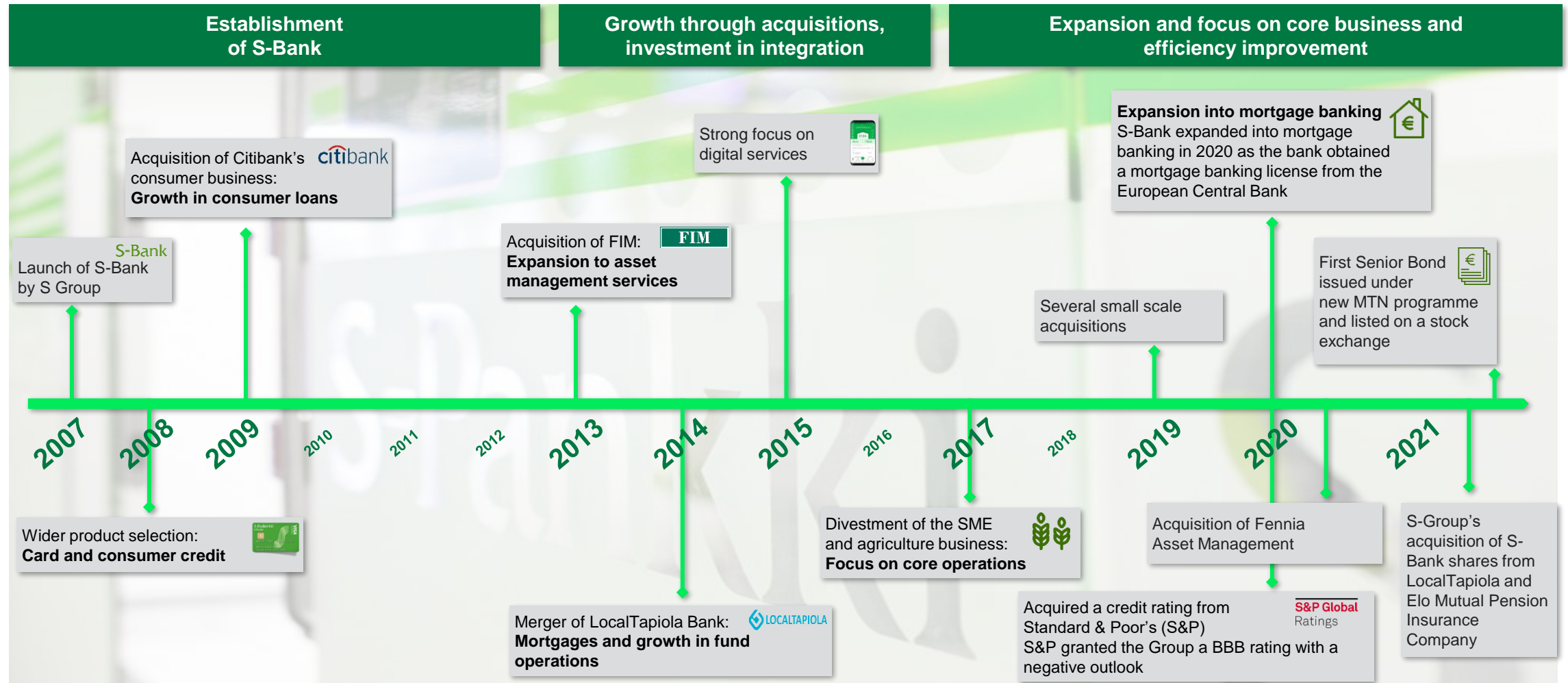
Focus is on strengthening and leveraging S-Bank's existing competitive advantages:

- 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 14.3%*
	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

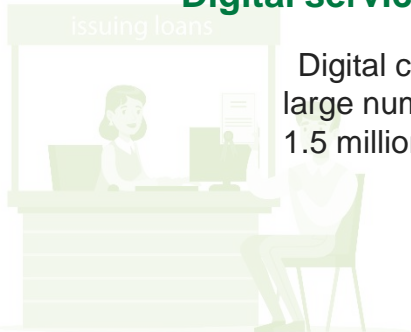
Strong growth potential in the existing customer base

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

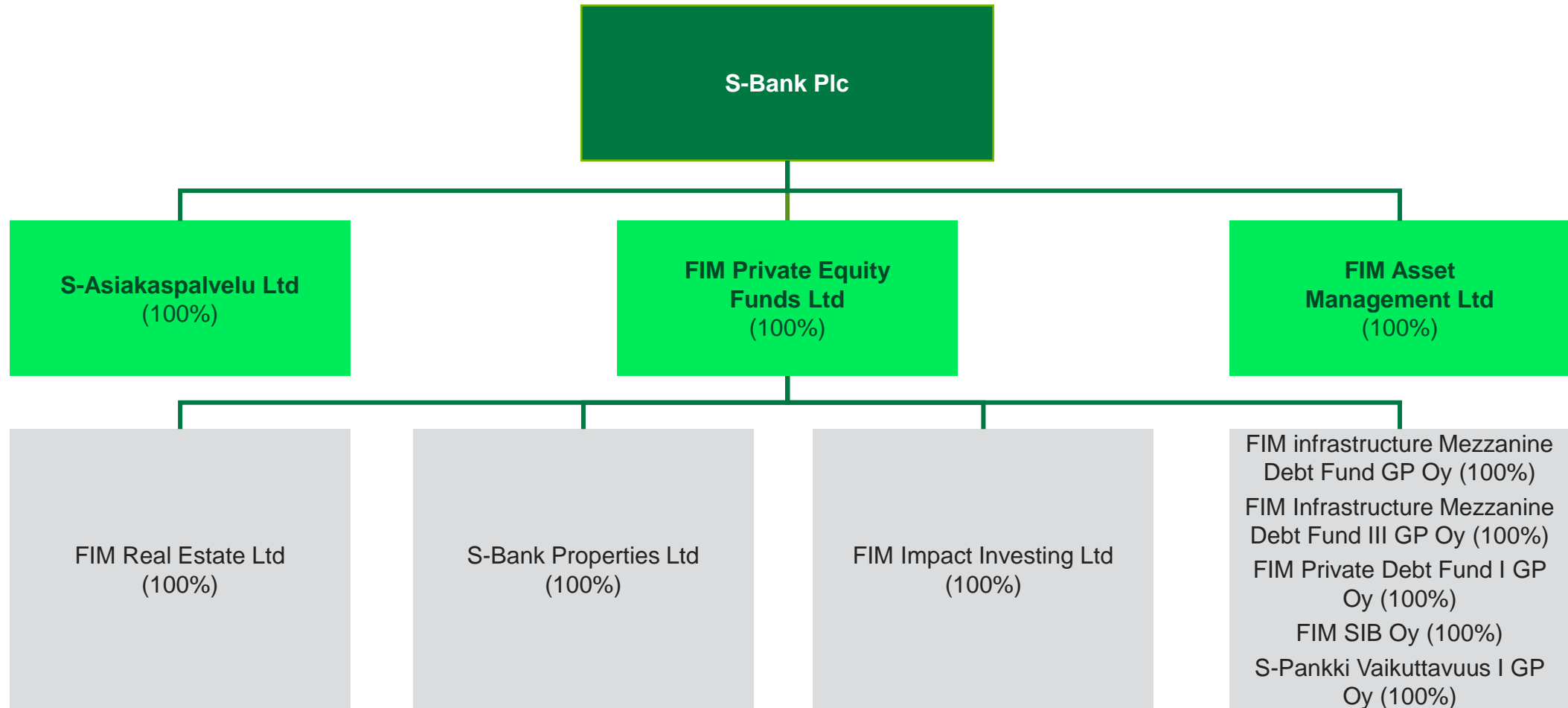


Digital channels allow us to serve a large number of customers efficiently. 1.5 million customers already use our mobile app

*The limit has been set at 1.5 percentage points above the total capital requirement (12.76% in December 2020)

COMPANY STRUCTURE

As at 30 September 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

