

PERFORMANCE OF THE SKB GROUP IN THE FIRST HALF-YEAR OF 2021

PRESS RELEASE

Ljubljana, 10 September 2021

The first six months of this year and the results of the SKB Group's performance are behind us. In the first half year of 2021 the credit portfolio of the Group increased by 129 million EUR or by 5.3 %. Higher volume of loans to corporates, in particular revolving loans, contributed the most to the growth. The portfolio of housing loans also increased, while the volume of consumer loans remained at the same level as at the end of 2020. Increased volume of newly approved housing and consumer loans, with the start of growth in March 2021 continued successfully throughout the remaining months of the first half-year. Volume of deposits remains high; this year saw a particular increase in the volume of a vista deposits in the retail segment. The SKB Leasing Group also recorded higher volume of new transaction in the first half-year as compared to the same period last year and consequently a higher portfolio of leasing transactions as compared to the end of year 2020.

Operating profit of the SKB Group in the first half of 2021 amounted to 26.6 million EUR and remained at the same level as in comparable period last year. Net banking income amounted to 2 million EUR or 3.4 % higher than in the same period last year, which was driven mostly by higher revenue from financial instruments and net fee income. The latter increased in line with the improved epidemiological situation and recovery of the economy in the second quarter of 2021, in particular due to higher volume of transactions and lower expenses, while the effect of higher revenue from fees for account balance for deposits was also favourable. High liquidity on the market and strong competition in the crediting segment caused further decrease of interest rates and consequently of net interest income. Despite this, SKB Bank's net interest margin remains higher than the average of the banking sector.

Operating costs of the SKB Group were by 2 million EUR higher as compared to the same period last year, mainly due to higher regulatory costs and costs related to the development of IT and higher labour costs as a consequence of additional hiring needs. However, the share of costs in the SKB Bank's revenue is still more favourable than the average of the banking system. In the first half year of 2021, the SKB Group recorded costs from provisions and impairments; however, the latter were significantly lower than in the same period last year when the Group formed additional impairments due to the COVID crisis. Profit before tax amounted to 25.6 million EUR, which is 12.6 million EUR more than in the same period last year, mainly due to lower costs of provisions and impairments. Return on equity (ROE) in the first half of the year was 10.4 %, or 4.7 percentage points higher than in the same period last year.

In the first half of 2021, the OTP Group, of which the SKB Group is a part, also operated successfully. It ended the first half of the year with a consolidated adjusted profit of 246.3 billion HUF (688 million EUR), which is more than twice as high as in the same period last year. Adjusted return on equity increased to 19.1 % as compared to 9.8 % in the same period last year. At the end of May 2021, OTP Bank signed an agreement on the purchase of a 100-percent share in Nova KBM. The transaction is expected to be completed at the end of the second quarter of 2022, and with the merger of SKB Bank and Nova KBM, the OTP Group will take over the leading position in the Slovenian banking market.

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The SKB Group

The SKB Group consists of SKB Bank and its subsidiaries SKB Leasing and SKB Leasing Select. At the SKB Group, more than 900 employees carry out banking and leasing services for more than 200,000 clients in the Slovenian market. SKB Bank is the holder of prestigious titles: Bank of the Year 2020 in Slovenia, presented by The Banker magazine, Best Bank of 2020 in Slovenia, presented by the Global Finance magazine and Superbrands 2021 Slovenia.

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