

SKB GROUP SUCCESSFULLY CLOSED FIRST HALF OF 2022

PRESS RELEASE

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The SKB Group closed the first half of the year with a net profit in the amount of 25.1 million EUR, which is 4.2 million EUR or 20 % more than in the same period last year. Better business results are largely the result of the general recovery of the economy after the COVID-19 epidemic, which had a favourable effect on the reduction of risk costs as well as on the increased volume of business with customers. Compared to the same period last year, the SKB Group increased its return on equity (ROE) by 1.2 percentage points to 11.6 % in the first half of 2022, which ranks it among the most profitable banks in Slovenia.

In the first half of 2022, the SKB Group increased its loan portfolio by 263 million EUR or by 10 %, mainly due to high growth in loans to corporates and housing loans, so that the balance of loans as of 30 June 2022 amounted to 2,889 million EUR. Increased economic activity and higher household consumption had a favourable impact on higher income from fees; revenues from loan transactions, card operations, payment transactions, management of bank accounts and revenues from fees for account balance on customer deposits increased in particular. The SKB Group generated 62.0 million EUR in net **banking income** in the first half of 2022, which is 2 % more than in the same period last year. Compared to the average of banks in Slovenia, SKB Bank still maintains a higher interest as well as service margin (fees).

In the first half of 2022, the **operating costs** of the SKB Group increased by 7.7 % to 36.8 million EUR compared to the same period last year, which was mainly driven by higher labour costs due to the adjustment of wages to inflation and higher service costs as a result of increased scope of work in the field of digitalization and automation of operations, increased costs due to higher energy prices, and also higher costs of regulators. The SKB Group's **cost efficiency** deteriorated somewhat as the ratio of costs to generated revenues increased from 56.2 % in the first half of 2021 to 59.4 % in the same period this year. Despite this, SKB Bank remains one of the most cost-effective banks compared to the average of Slovenian banks.

Operating profit of the SKB Group in the first half of this year decreased by 5.3 % to 25.2 million EUR, due to higher operating costs.

In the first half of 2022, the SKB Group recorded revenues from **risk costs** in the amount of 6 million EUR, which was mainly influenced by the release of provisions formed during the COVID epidemic. The loan portfolio quality remains solid. The share of non-performing loans of the SKB Group in the first half of 2022 amounted to 1.5 %.

The growth of the SKB Group's loans almost doubled in the first half of 2022 compared to the same period last year. The favourable growth of the portfolio was mainly influenced by the increased volume of newly approved corporate deals and the increased volume of newly approved housing loans. The SKB Group has followed the increased economic activities of companies with an offer that is attractive to clients and meets their needs. With this, it achieved a 16-percent share in the growth of corporate loans in the entire Slovenian banking system. The SKB Group responded to the high demand of households for housing loans with accelerated and favourable lending activity and contributed a solid 13 % to the growth of the entire Slovenian banking system. In the leasing segment as well, the SKB Group recorded good results in the first half of 2022. The **deposit** portfolio continues to remain high and stable, and clients also choose to invest in Amundi and Moorea investment funds.

The capital base of the SKB Group in the first half of 2022 is entirely based on first-class capital and provides a quality foundation for stability of operations. **The capital adequacy ratio** (ratio between capital and risk-adjusted assets) amounted to 14.61 % in the first half of 2022.

The OTP Group, owner of the SKB Group, closed the first half of 2022 with an adjusted consolidated **profit** of 629.1 million EUR, which is 2 % more than in the same period last year (despite significant losses suffered by the subsidiary banks in Russia and Ukraine). The higher result was achieved mainly at the expense of better operations in the second quarter of the current year. Compared to the first quarter of 2022, **net banking income** improved (+9 %) and risk costs decreased significantly (-56 %). The growth of performing loans in 2022 was 8 % (excluding Russian and Ukrainian loans). **Return on equity** based on adjusted profit was 17.0 %, which is 2.1 percentage points less compared to the same period last year (excluding the half-year results of subsidiary banks in Russia and Ukraine, adjusted return on equity would have been 23.2 %). Capital adequacy was 17.9 %.

At the SKB Group, we will also continue with the planned **development activities** in the second half of 2022, and we will adapt our operations and offer to the rapidly changing conditions on the market. In the last period, we thus adjusted the offer of interest rates for lending to households and cancelled the fees for managing funds in accounts and deposits, and we also improved the offer of life insurance for borrowers. With a customized offer, we continue to support various segments of the bank, strengthen our activities with financing in the agriculture segment, and thus help the development of Slovenian agriculture and the countryside. As the only bank in Slovenia, we offered wealthier clients the option of enriching their assets with structured products. The latest research measuring customer satisfaction and experience has again shown that SKB Bank enjoys customer loyalty and satisfaction above the average of Slovenian banks.

We are also aware of the importance of environmental and climate initiatives oriented towards sustainable management and the expectations of customers, owners, and the social environment. SKB Bank is therefore constantly upgrading its strategy with **ESG guidelines** and is already changing its operations in some areas. Together with other banks, we are actively involved in working groups within the framework of the Association of Banks of Slovenia, with the aim of accelerating activities in the field of **sustainable financing** and transparent reporting.

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The SKB Group

The SKB Group consists of the SKB Bank and its subsidiaries SKB Leasing and SKB Leasing Select. In the SKB Group more than 900 employees are carrying 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 2021 in Slovenia, presented by The Banker magazine, Best Bank of 2022 in Slovenia, presented by the Global Finance magazine and Superbrands 2022 Slovenia.

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