

STRONG PERFORMANCE OF SKB GROUP IN Q1 2023

PRESS RELEASE

Ljubljana, 24 May 2023

In the first quarter of 2023, the SKB Group generated a net profit of 17.4 million EUR, which is 4.1 million EUR (+30.7 %) more than in the same period last year. The formation of the business result in the first quarter of 2023 was significantly influenced by the increase in net interest income as a result of the growth of market interest rates. Compared to the same period last year, the SKB Group increased its return on equity (ROE) by 2.8 percentage points to 15.2 % in the first quarter of 2023, ranking it one of the most profitable banks in Slovenia.

In the first quarter of 2023, the SKB Group generated 41.7 million EUR in **net banking income**, which is 11.3 million EUR or 37.0 % more than in the same period last year. Increased credit activity, especially in the field of corporate lending and housing loans, and higher interest rates due to the growth of market interest rates contributed significantly to this. Net interest increased by 64.6 % (12.2 million EUR) and amounted to 31.1 million EUR in the first quarter of 2023. Net income from fees decreased as compared to the same period last year because the Bank stopped charging fees for deposits in August last year. Compared to the average of banks in Slovenia, SKB Bank still maintains a higher **service (fees) margin**, while the **interest margin** is at the same level as the average of the banking system.

In the first quarter of 2023, the SKB Group's **operating expenses** increased by 13.1% to 22.0 million EUR in the first quarter of 2023 compared to the same period last year, which was mainly due to higher labour costs as a result of the adjustment of wages to inflation and higher service costs as a result of increased scope of work in the field of digitization and automation of operations, increased costs due to higher service prices as a result of high inflation, and also higher costs of regulators. The SKB Group's **cost efficiency** has increased as the ratio of costs to generated revenues has decreased from 63.9% in the first quarter of 2022 to 52.8 % in the same period this year. Thus, compared to the average of Slovenian banks, SKB Bank remains one of the most cost-effective banks.

The **operating profit** of the SKB Group in the first quarter of 2023 amounted to 19.7 million EUR and, compared to the same period of last year, increased by 8.7 million EUR or by 79.1 %.

In the first quarter of 2023, the SKB Group recorded income from risk costs in the amount of 1.8 million EUR, which was influenced by the release of provisions mainly from corporate loans. The quality of the loan portfolio remains solid. In the same period last year, income from risks amounted to 5.7 million EUR. The share of **non-performing loans** of the SKB Group amounted to 1.2 % at the end of March 2023.

The SKB Group **increased its loan portfolio** by 218 million EUR or 8 % on an annual basis, so that the loan balance as of 31 March 2023 amounted to 2,967 million EUR; the increase in the loan portfolio is mainly due to the growth of corporate loans (+12.9 %) and housing loans (+6.6 %). The market share of total loans increased from 10.6% at the end of March last year to 11.1% at the end of March this year. In the first three months of this year, the loan balance of the SKB Group decreased by 8 million EUR (-0.3 %), mainly due to lower demand for corporate loans, and the demand for housing loans also dropped. Nevertheless, in the first three months SKB Bank increased its market share of total loans from 10.8 % at the end of 2022 to 11.1 %. Also in the **leasing segment**, the SKB Group achieved favourable results in the first quarter of 2023.

The **deposit portfolio** continues to remain high and stable. The SKB Group increased deposits by 8.8 % on an annual basis. The market share of deposits increased from 9 % at the end of March 2022 to 9.2 % at the end of March 2023 and remains stable compared to the end of 2022. As in the entire banking system, deposits decreased in the first three months mainly at the expense of a vista deposits.

The SKB Group maintains good **liquidity** and a solid **capital position**. At the end of March 2023, it strengthened the **capital adequacy ratio** (ratio between capital and risk-adjusted assets) to 17.7 %. The capital base of the SKB Group provides a quality foundation for the stability of operations.

The OTP Group, the owner of the SKB Group, closed the first quarter of 2023 with an **adjusted consolidated profit** of 481 million EUR, which is doubled as compared to the same period last year. The increase in profit after tax was significantly influenced by lower risk costs and increased operating income. **Return on capital** based on adjusted profit amounted to 23.0 %, which is 10.9 percentage points more compared to the same period last year. **Capital adequacy** amounted to 16.8 %.

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The SKB Group

The SKB Group consists of the SKB Bank and its subsidiaries SKB Leasing and SKB Leasing Select. At 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 2022 in Slovenia, presented by The Banker magazine, Best Bank of 2022 in Slovenia, presented by the Global Finance magazine, Superbrands 2023 Slovenia, and WAC Workplace Active Certification.

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