

## SKB GROUP CONCLUDED THE BUSINESS YEAR SUCCESSFULLY DESPITE THE COVID-19 EPIDEMIC

### PRESS RELEASE

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The SKB Group concluded the business year 2020 with a net profit of 34.9 million EUR, which is 19.3 million EUR less than the previous year. In 2020, the performance of the SKB Group as well as of the entire banking system was heavily impacted by the crisis caused by facing the COVID-19 epidemic. It affected all fields of operations. Due to increased credit risk, the SKB Group additionally formed provisions and impairments which are the main reason for a lower net profit. In 2020, the SKB Group achieved a 9.1 % return on equity.

in 000 EUR	2020	2019	Difference	Change (%)
Net interest	79,895	82,843	-2,948	-3.6
Net non-interest income	42,782	41,433	1,349	3.3
Net bank income	122,677	124,276	-1,599	-1.3
Operating cost	-62,216	-62,558	342	-0.5
OPERATING PROFIT	60,461	61,718	-1,257	-2.0
Reservations and impairments	-18,509	4,908	-23,417	-477.1
Other	-12	-75	63	-84.0
Profit from regular operations	41,940	66,551	-24,611	-37.0
Tax	-7,090	-12,446	5,356	-43.0
Net profit	34,850	54,105	-19,255	-35.6

The SKB Group was active in the field of **client loans and sales of financial leasing**. The client demand decreased in 2020 as a consequence of **higher level of caution and worsened economic situation** due to the COVID-19 epidemic in Slovenia and worldwide. However, despite higher cost of excess liquidity, increased competition in the field of loans and consequential pressure on lowering the loan interest rates and lower service income mainly from payment transactions and card operations services because of the epidemic, **the Bank generated 122.7 million EUR of total net bank income**, which is 1.3 % less than in 2019. When compared to the bank average in Slovenia, the SKB Bank still **retains a higher interest and service margin**.

In 2020 the SKB Group continued **with the automatization, digitalisation, and optimisation of business processes**. Despite increased requirements of the regulators and legislators and additional costs related to integration into the OTP Group, the SKB Group **managed to decrease the operating costs (-0.5 %)**. Excluding the cost of integration and adaptation of business processes to the OTP Group, the **cost efficiency of the Group had improved in 2020**; the cost to income ratio amounted to 49.2 % which is less than in the year 2019 (50.3 %). When compared to the bank average in Slovenia, the SKB Bank in 2020 still retains **a more favourable cost to income ratio**.

The operating profit of the SKB Group decreased by only 2 %, **to 60.5 million EUR** in 2020; therefore, **the operations of the SKB Group in given circumstances can be defined as successful**.

The cool-down of economic activity due to the COVID-19 epidemic increases the expectations of a progressive worsening of the loan portfolio. Therefore, contrary to the year 2019 when the SKB Group had noted income from risk cost, **it formed additional impairments and provisions**. The portfolio of non-performing loans and other financial assets at the end of 2020 amounted to 2.7 %, which is 39 basis points more than at the end of 2019. The SKB Group keeps on retaining **the stable quality of its portfolio**.

In 2020, the SKB Group **additionally** strengthened **its capital base**, as it increased the capital adequacy ratio (the ratio between the capital and the risk adjusted assets) from 12.3 % at the end of 2019 to 15,16 % at the end of 2020.

The beginning of the year 2020 had been full of ambitions and optimism at the SKB Bank due to the numerous changes related to the new ownership. Due to the COVID-19 epidemic SKB bank needed to add preventive activities for **ensuring continuous operations of the Bank** to the Banks' regular operations and integration and development projects already in the first months of 2020. Despite the challenges that acted as a consequences of the pandemic, in 2020 the overall operation of the SKB bank's new owner OTP Group, also remained uninterrupted. In 2020 the accounting profit of OTP Group amounted to 739,2 million EUR. Including adjusting items, the adjusted consolidated profit amounted to 883,3 EUR (-31 % y-o-y). The adjusted ROE stood at 13 %.

The banking environment has been very dynamic and fast-changing in the past few years and the SKB Bank has been able to **respond in a fast pace to all clients' requirements and expectations**. Therefore, in 2020, we made several updates of the mobile bank MOJ@SKB and online bank SKB NET and equipped them with new functionalities for providing even more security and an even better user experience. We introduced to our clients a new payment service called **Flik** – a mobile application for immediate free transactions among the banks' users in Slovenia. For over a year, we have been offering our clients **banking packages** with content tailored to various profiles and needs of our clients and with a selection of daily banking products at a single price. We also continue to **offer investment funds**, among which the Amundi funds were recognised by the analysts as the Best Mutual Funds of 2020 in as much as five categories.

Moreover, **the SKB Leasing Group** remains clients' first choice for the execution of leasing operations. In the past year, it had reinforced its position even more by partnering with foreign importers and therefore proving its orientation towards development.

**With a new strategic program**, the SKB Bank also under the new ownership, **pledges to follow the ambitions** based on **providing the best digital solutions in the market and satisfying clients expectations**. By offering high-quality and innovative products and services we will keep the clients first and we will make sure to be their **always present yet invisible finance partner**, who promptly and effectively responds to their needs.

Business results and many received awards from the expert public indicate that the SKB Bank carries out its mission well and effectively. Despite the demanding year, SKB bank also strongly adapted its organizational procedures to the situation, and even in a year of uncertainty, **newly hired more than 80 employees** with optimized recruitment procedures, which were largely carried out remotely. **The proof of successful operations, high-quality of services and high clients' trust** are among other also the received awards **»Bank of the Year 2020 in Slovenia«**, presented by internationally acclaimed The Banker magazine and **»Best Bank of 2020 in Slovenia«**, presented by the Global Finance magazine. The Slovenian public also recognises the SKB Bank as a quality and trust-worthy bank as its brand was recognised as one of the brands titled **»Superbrands 2020 in Slovenia«**.

**Anita Stojčevska, the CEO of the SKB Bank**, claims that the key for receiving such acknowledgments is operating in compliance with the crucial values, such as **team spirit, responsibility, innovation, and commitment**. »We believe that this is the foundation for an encouraging business environment and healthy long-term relationships with clients. Good results despite the complex situation of the past year and received awards and accolades are proof that the SKB Bank has played successfully and has **maintained its role of a powerful finance partner** for the economy, individuals and the entire environment in these uncertain conditions of the epidemic as well. At the SKB Bank, we promise and ensure that we will **remain a solid and reliable partner** who will support the right decisions.«

#### **For more information:**

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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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