



UNITED BANKERS PLC

Financial statement release 2020



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United Bankers Plc

Financial Statement Release of 19 February 2021 at 9 a.m.

United Bankers Plc's financial statement release 2020: Earnings growth continued despite the difficult market environment

January-December 2020 in brief

The figures in this release are unaudited

- The Group's revenue (income from operations) in the financial period amounted to EUR 34.4 million (EUR 32.5 million in 1–12/2019), an increase of 5.8 %.
- The Group's adjusted EBITDA amounted to EUR 10.3 million (EUR 8.4 million in 1–12/2019), an increase of 22.5 % and adjusted operating profit amounted to EUR 8.6 million (EUR 6.7 million in 1–12/2019), an increase of 29.1 %.
- The Group's operating profit amounted to EUR 8.4 million (EUR 5.9 million in 1–12/2019), an increase of 40.8 %.
- The profit for the financial period amounted to EUR 6.5 million (EUR 4.4 million in 1–12/2019), an increase of 47.8 %.
- Earnings per share were EUR 0.60 (EUR 0.44 in 1–12/2019), an increase of 35.4 %.
- Assets under management amounted at the end of the financial period to EUR 3.8 billion (EUR 3.6 billion as per 31 December 2019), an increase of 5.8 %. The development of the net fund subscriptions was strong in a difficult market environment.
- Net fee income from asset management in the financial period amounted to EUR 26.7 million (EUR 24.3 million), a growth of 9.8 % compared to the preceding year. Net fee income from capital markets services amounted to EUR 2.7 million (EUR 3.0 million), a decline of 11.2 % compared to the preceding year.
- On 18 June 2020, the company migrated to the official list of Nasdaq Helsinki from the First North Growth Market Finland market place. The one-off costs of migrating to the official list amounted to EUR 0.2 million.
- The cost-to-income ratio at the end of the financial period amounted to 0.74 (0.80 on 31 December 2019).
- The Board of Directors proposes a dividend of EUR 0.51 (EUR 0.43) per share.
- Outlook for the year 2021: United Bankers estimates that its adjusted operating profit will increase, provided the operating environment continues to develop favourably during 2021.

Group revenue and profit development in 2020

During the financial period, the revenue of the United Bankers Group (income from operations) increased to EUR 34.4 million (EUR 32.5 million), entailing an increase of 5.8 per cent compared to the preceding year.

The Group's adjusted EBITDA for the financial period increased by 22.5 per cent to EUR 10.3 million (EUR 8.4 million). The adjusted EBITDA improved particularly due to the favourable fee development of funds. Also the adjusted operating profit increased notably and amounted to EUR 8.6 million (EUR 6.7 million), with an increase of 29.1 per cent compared to the preceding year. The Group's operating profit increased by 40.8 per cent, amounting to EUR 8.4 million (EUR 5.9 million). Earnings per share amounted to EUR 0.60 (EUR 0.44).

The spread of the Coronavirus into a pandemic and the shutting down of societies rendered the operational environment of the first part of the year exceptionally challenging. The uncertainty caused by the Coronavirus crisis was clearly reflected throughout the year both in the demand for United Bankers' asset management products and services, and capital markets services. The expansionary monetary policy of central banks, along with the support packages governments directed at the economy gradually began to restore the trust of the markets and investors. As a result of the gradually reduced uncertainty, also the demand for asset management and capital markets services gained momentum towards the latter part of the year.

The most notable portion of the fees for the asset management segment consisted of fees received from funds. Both management and performance fees increased as compared to the preceding financial period. Performance fees were impacted particularly by the positive performance of the forest funds. In June, United Bankers, together with its other partners, sold the forest areas of its UB Nordic Forest Fund I Ky to a European insurance industry group. Of the EUR 4.1 million performance fee UB Nordic Forest Management Ltd received in connection with the transaction, a sum of EUR 2.8 million was recorded in United Bankers' result for the financial period. In addition to the funds, also the asset management fees were on the increase. Income received from structured corporate loans, on the other hand, continued to decline in a market environment that was exceptionally challenging for them. The result of the capital markets services improved owing to the favourable development during the latter half of the year, as the demand for the services recovered after the uncertainty of the beginning of the year caused by the Coronavirus crisis. The return on United Bankers' own investments in the first half of the year was negative by EUR 0.5 million, but during the remainder of the year, also the return on its own investments for the entire year turned positive.

As a whole, the result for the year 2020 indicates that considering the exceptional circumstances, United Bankers' performance was excellent. The company succeeded in growing its business amidst a challenging operating environment, even though a considerable portion of the year work was being carried out remotely and the number of client meetings was markedly lower than contemplated. The finalisation of the integration of UB Brokerage Company Ltd was continued as planned, and sales-related synergies continued to be achieved.

The number of personnel, converted into full-time employees, decreased somewhat from the preceding year and amounted to 129 persons at the end of the year (135 persons on 31 December 2019). Of this number, a total of 10 persons were fixed-term personnel (7 persons on 31 December 2019). Overall, the company's costs decreased slightly compared to the preceding financial period. Both the personnel and other administrative costs decreased and totalled EUR 18.6 million (EUR 19.2 million). Other operating expenses amounted to EUR 1.0 million and include, *inter alia*, one-off costs of EUR 0.2 million incurred from the migration of United Bankers to the official stock exchange list. The cost-to-income ratio improved from the situation at the end of the previous year and amounted to 0.74 (0.80).

July-December 2020 in brief

- The Group's revenue (income from operations) in the latter part of the year amounted to EUR 16.5 million (EUR 17.8 million in 7–12/2019), a decrease of 7.5 %.
- The Group's adjusted EBITDA in the latter half of the year amounted to EUR 4.0 million (EUR 5.4 million in 7–12/2019), a decline of 26.1 % and adjusted operating profit amounted to EUR 3.1 million (EUR 4.4 million in 7–12/2019), a decline of 28.9 %.
- The Group's operating profit amounted to EUR 3.1 million (EUR 3.8 million in 7–12/2019), a decline of 19.3 %.
- Earnings per share were EUR 0.21 (EUR 0.28 in 7–12/2019), a decline of 22.5 %.

Business development July-December 2020

In the latter part of the year, United Bankers' revenue and profit decreased from the corresponding period in the preceding year. The amount of assets under management during the review period was generally at a lower level compared to the reference period as the result of the wide-spread value depreciation of different asset classes caused by the Coronavirus crisis in the spring, and, especially, of the fund redemptions that occurred in March-April. For this reason, performance fees from funds fell clearly short of the reference period level. The sale of UB Nordic Forest Fund I effected in June also contributed to the lower management and performance fees recorded from funds in the latter half of the year. The situation in the investment market stabilised during the fall, and the values of investments continued to recover from the rock-bottom figures of the spring. Albeit the amount of assets under management recovered during the latter part of the year, the growth in management fees remained moderate. This was attributable to the growth in net subscriptions, as well as the strong market recovery, occurring mainly not until the November-December. The fee income from structured investment loans continued to decline following the already sluggish beginning of the year.

In the United Bankers' capital markets services, the latter half of 2020 was relatively active, which supported the favourable profit development of the capital markets service segment at the end of the year. Prior to the turn of the year, UB Securities Ltd, the company's subsidiary providing capital markets services, completed several transactions.

Key consolidated figures (the figures are presented in more detail in the attachment to the release)

	7-12/2020	7-12/2019	change %*	1-12/2020	1-12/2019	change %*
<i>Key Income Statement Figures</i>						
Revenue, MEUR	16.5	17.8	-7.5	34.4	32.5	5.8
Adjusted EBITDA, MEUR	4.0	5.4	-26.1	10.3	8.4	22.3
Adjusted operating profit, MEUR	3.1	4.4	-28.9	8.6	6.7	28.9
Adjusted operating profit, % of revenue	18.9	24.6		25.1	20.6	
Operating profit, MEUR	3.1	3.8	-19.3	8.4	5.9	40.8
Profit for the financial period, MEUR	2.4	2.8	-13.5	6.5	4.4	47.8
<i>Profitability</i>						
Return on Equity (ROE), %	17.2	13.0		17.1	13.1	
Return on Assets (ROA), %	11.5	7.8		10.8	7.7	
<i>Key Balance Sheet Figures</i>						
Equity ratio, %				66.8	59.5	
Capital adequacy ratio, %				17.8	22.9	
<i>Key Figures Per Share</i>						
Earnings per share, EUR	0.21	0.28		0.60	0.44	
Earnings per share, EUR (diluted)	0.21	0.27		0.59	0.43	
Equity per share, EUR				3.73	3.56	
Dividend per share**				0.51***	0.43**	
<i>Other Key Figures</i>						
Cost-to-income ratio	0.80	0.77		0.74	0.80	
Assets under management at the end of the period, MEUR				3 772	3 565	
Number of clients at the end of the period				15 700	15 950	
Personnel at the end of the period (FTE)***				129	135	

* The percentage change has been calculated using the actual figures, the figures shown in the table have been rounded.

** Dividend for the 2019 financial period confirmed by the Annual General Meeting of Shareholders on 31 March 2020.

*** The Board of Directors' proposal concerning the dividend payable for the 2020 financial period.

As its key financial figures, United Bankers presents adjusted EBITDA and adjusted operating profit, which the company uses to illustrate the profitability and result of the Group's business operations as a going concern. Adjusted key figures are used to improve comparability between reporting periods. The adjusted key figures have been adjusted for the impacts of corporate transactions influencing comparability, as well as certain material non-operating items. Further information on the calculation of key figures is available in the tables section of the release.

CEO Patrick Anderson

The year 2020 will go down in history as an offbeat year. At the start of the year, the spread of the Coronavirus into a global pandemic resulted in a stock market crash, turning first into hope in the summer and ultimately into a euphoria propelled by the churning of the note printing presses. The actions of the central banks, combined with the public sector recovery measures, are of an unprecedented magnitude and being executed simultaneously all over the world. It is probable that the development of the forthcoming years will be more volatile than usual, regardless of how the situation with the epidemic continues. The risks notwithstanding, the near future may prove to be also a surprisingly favourable time both for the equity and the real estate investor.

Had it not been for the Coronavirus, United Bankers would have had an outstanding year. The Coronavirus clearly decelerated our growth as well as several of our projects, but that being said, the year was still the best year of our 34-year operating history. Our revenue, operating profit and assets under management are all at a level we have previously not been able to attain. The company's core business, alternative investment funds, continued their growth even in 2020, and particularly the demand for real asset management solutions is not exhibiting any signs of slowing down. Our real property funds account for markedly over one third of our assets under management, and already represent close to two thirds of our fund capital. Their significance for our profitability and our future growth is even considerably greater than this. Even in remote working conditions, we have managed to execute our growth strategy, and considering the circumstances, I am happy with our performance during this exceptional time period.

The revenue of the United Bankers Group increased by 5.8 per cent in 2020, amounting to EUR 34.4 million. Our adjusted EBITDA improved by 22.5 per cent to EUR 10.3 million. Our adjusted operating profit, in turn, increased by 29.1 per cent, to EUR 8.6 million, and the profit for the financial period grew by 47.8 per cent, amounting to EUR 6.5 million. In the asset management segment, the net fee income increased by 9.8 per cent to EUR 26.7 million, while the net fee income of the capital markets segment declined by 11.2 per cent, to EUR 2.7 million compared to last year.

Our managed assets increased to nearly EUR 3.8 billion, entailing a growth of 5.8 per cent compared to the situation one year before. Despite the challenging market conditions, the net subscriptions for our funds were EUR 191.8 million on the positive side, and according to the Fund Report published by Investment Research Finland, we collected the third largest amount of net subscriptions out of all of the fund management companies registered in Finland, immediately after two major banks. Also, for the second year in a row, we were one of the fastest growing fund management companies in Finland, when proportioning net subscriptions to the fund assets. Our most notable successes in terms of portfolio management occurred in our forest and real estate fund business operations, where all of our funds generated positive returns for our clients and whose performance fees were substantial throughout. Also our Swedish branch and our Private Investment Office service geared towards the wealthiest segment were able to demonstrate strong growth regardless of the difficult market.

Amidst the market turmoil, we also executed, as planned, our migration from the First North market place to the official list of the stock exchange. We continued to optimise our internal processes and improve our overall cost-efficiency. Furthermore, we kept the focus of the organisation strictly on our core business operations. The results of these actions manifest themselves, for instance, through a decrease in our costs, despite the growth of our revenue. Operationally, the company is again slightly more streamlined than in the preceding year, and our cost-effectiveness improved to 0.74 (0.80). We will be continuing with this base work also in the current year.

Throughout the year, we also exerted considerable efforts into developing not only the company's sustainability aspects, but also the responsibility of our investment activities. United Bankers' responsible business practices are guided by the values the company considers important: customer-centricity, agility and team spirit, all of which are demonstrated both in our daily work, and in the results of our work. Our investment activities aim to reduce the negative environmental effects of our investments, as well as to increase their positive sustainability effects in the long term. For instance, the carbon calculations of our forest funds demonstrate that our forests are both a notable carbon reservoir and a carbon sink. Also in real estate, we have progressed in our sustainability goals, but we still have our work cut out for us in the current year. We look forward to the measurable results relating to these actions, which we will be publishing as part of our reporting.

I would like to thank United Bankers' clients for their unwavering trust in this difficult year. Our third place in the net fund subscriptions demonstrates that we have been worthy of your trust and proceeded in the right direction. I would also like to express my immense gratitude to our stellar UB team for their commitment and flexibility for the benefit of our clients in an environment of exceptional arrangements and dispersed operations. Without such dedication and team effort, the successes of this year would not have been possible. Challenging times weld our team together more so than uncomplicated years, and I could not be more proud of you, my colleagues. With yet another experience under our belts, we are prepared for whatever the world and the market may bring before us.

The work done in 2020 sets an excellent basis for continuing to create value for our clients and our other stakeholders, as well as for growing our company profitably also in the years to come.

Outlook

It is anticipated that in the current year, the global economy will recover considerably from the deep slump caused by the Coronavirus crisis of 2020. The growth outlook is supported by the expectations of the gradual removal of the restrictive measures and of the opening up of societies, as the Coronavirus vaccine contributes towards alleviating the pandemic. Also the sizeable state support packages and the central banks' highly expansionary monetary policy seek to facilitate economic growth. Both in the Eurozone and in the United States, the GNP is expected to grow by more than 4 per cent, with the growth projection of the global economy being in excess of 5 per cent.

The effect of the restrictions related to containing the Coronavirus pandemic on the general economic development is expected to decrease markedly particularly in the latter half of the year. The restrictive measures have curbed the consumers' possibilities to consume, and the savings rate has increased during the pandemic. The pent-up demand may manifest itself in significantly higher growth figures

towards the end of the year. Also the political environment appears to have calmed down with Donald Trump's presidency having come to an end in the United States. The new president Joe Biden is striving in his policy towards stability and improved predictability. And albeit the United States will continue to strongly advocate its own interests in its foreign and trade policy, the tone of the discourse is notably more diplomatic than it was when the previous president was in office. During Biden's presidency, the United States is also returning to the front of combatting environmental change, which may have a material effect on the outlook of various industries.

The monetary policy of central banks is anticipated to continue highly expansionary for several years to come. In Europe, the key central bank interest rate has remained at zero since the spring of 2016. As a result of the Coronavirus crisis, the US central bank Fed decreased its key interest rate to the level of 0–0.25 per cent in March 2020. Also state interest rates have been clearly declining, and in many countries, the interest rates of long-term government bonds are markedly negative. The liquidity entailed by the expansionary measures of central banks is expected to be further directed towards risk investments. This supports the outlook of the equity market also in the current year.

However, the strong economic recovery measures and the increase in the amount of money have raised concerns about inflation, primarily in the United States, albeit for now, the risk of the rapid acceleration of inflation remains relatively low. If inflation were to start clearly increasing and the long-term interest rates growing rapidly as a result, this would have a negative effect on both the bond and the equity markets. Even though the risk of inflation may currently be higher than it has been in ten years, this is, nevertheless, a medium to long term concern that is unlikely to cause any major upheaval in the near future.

In an environment of low interest rates, investors are likely to continue to favour real property investments, which will also remain attractive owing to the inflation protection they afford. The increased demand for alternative investments is discernible, for instance, in the real estate investment market, the magnitude of which has clearly grown in the past years. An increasing number of professional investors, such as funds, have entered the Nordic real estate market, and also the number of foreign investors has been on the rise. Alongside the real estate market, also Finnish forests are becoming an increasingly attractive investment object for international investors. This will continue to support the outlook of United Bankers' forest and real estate funds going forward. In the Nordic arena, United Bankers is known as an asset manager specialising in real property investment, and the company is also continuing its efforts to expand its selection of alternative investment funds.

The uncertainty caused by the Coronavirus pandemic and the search for novel modes of operation in exceptional conditions postponed a number of corporate arrangements and listings in 2020. Many of the projects are now back on track, thanks to the more stabilised economic outlook. New operating methods facilitate the execution of arrangements even in remote working conditions. Indeed, as concerns mergers and acquisitions, listings and other capital market arrangements, it would appear that we are in for an active year. Similarly to the asset management business, based on the general market environment, also the outlook for United Bankers' capital markets services would appear to be positive.

Outlook for the year 2021: The company estimates that its adjusted operating profit will increase, provided the operating environment continues to develop favourably during 2021.

Board of Directors' proposal concerning profit distribution

The Board of Directors proposes to the Annual General Meeting of Shareholders that based on the balance sheet adopted for the financial period ended on 31 December 2020, a dividend of EUR 0.51 per share be distributed.

For further information, please contact:

Patrick Anderson, CEO, United Bankers Plc

E-mail: patrick.anderson@unitedbankers.fi

Telephone: +358 400 244 544, +358 9 25 380 236

United Bankers in brief:

United Bankers Plc is a Finnish expert on asset management and investment markets, established in 1986. United Bankers Group's business segments include asset management and capital markets services. In asset management, the Group specializes in real asset investments. United Bankers Plc is majority-owned by its key personnel and the Group employs 129 employees (FTE) and 35 agents (31 December 2020). In 2020, the United Bankers Group's revenue totalled EUR 34.4 million and its adjusted operating profit amounted to EUR 8.6 million (IFRS). The Group's managed assets amount to approximately EUR 3.8 billion (31 December 2020). United Bankers Plc's shares are listed on the Nasdaq Helsinki Stock Exchange List. The Group companies are subject to oversight by the Finnish Financial Supervisory Authority. For further information on United Bankers Group, please visit www.unitedbankers.fi.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT, 1 000 EUR	1-12/2020	1-12/2019
Fee and commission income	33 969	31 820
Net gains from trading and foreign currency effect	138	530
Dividends and income from equity investments	17	21
Interest income	68	50
Other operating income	166	56
NET INCOME FROM INVESTMENT SERVICES	34 358	32 477
Fee and commission expenses	-4 614	-4 501
Interest expenses	-137	-136
Administrative expenses		
Personnel expenses	-13 966	-13 974
Other administrative expenses	-4 630	-5 234
Depreciation, amortisation and impairment of tangible and intangible assets	-1 694	-1 745
Other operating expenses	-963	-978
Expected credit losses	-5	21
OPERATING PROFIT	8 350	5 929
Income taxes	-1 826	-1 515
PROFIT FOR THE PERIOD	6 523	4 415
Attributable to	6 523	4 415
Non-controlling interest	6 234	4 421
Equity holders of the parent company	289	-7

CONSOLIDATED BALANCE SHEET, 1 000 EUR	31.12.2020	31.12.2019
ASSETS		
Cash	0	1
Loans and advances to credit institutions	10 124	12 109
Loans and advances to the public and public sector	99	146
Debt securities	1 465	2 787
Shares and participations	7 171	2 950
Goodwill	15 693	15 693
Other intangible assets	3 976	3 985
Tangible assets	1 602	2 041
Other assets	17 778	21 777
Accrued income and prepayments	612	751
Deferred tax assets	15	45
TOTAL ASSETS	58 536	62 285
LIABILITIES AND EQUITY		
Liabilities to credit institutions	2 000	2 808
Other liabilities	10 091	16 496
Accrued expenses and deferred income	6 036	4 612
Deferred tax liabilities	1 322	1 297
TOTAL LIABILITIES	19 449	25 213
EQUITY		
Share capital	5 438	5 142
Fund of invested non-restricted equity	21 372	21 372
Retained earnings	11 987	10 501
Non-controlling interest	291	56
TOTAL EQUITY	39 087	37 072
TOTAL LIABILITIES AND EQUITY	58 536	62 285

CONSOLIDATED CASH FLOW STATEMENT, 1000 EUR	1.1.-31.12.2020	1.1.-31.12.2019
Cash flow from operating activities		
Income received from sales	32 217	33 470
Other operating income received	166	56
Operating costs paid	-22 967	-26 012
Cash flow from operating activities before finance costs and taxes	9 416	7 514
Paid interests and finance costs	-108	-97
Interests received	88	50
Incometaxes paid	-544	-865
Cash flow from operating activities (A)	8 852	6 601
Cash flow from investing activities		
Change in tangible and intangible assets	-1 127	-743
Change in receivables from the public	-	-27
Investments in subsidiaries	-326	-396
Dividends received	17	21
Changes in financial assets	-3 122	-279
Cash flow from investing activities (B)	-4 558	-1 423
Cash flow from financing activities		
Acquisition of own shares	-434	-171
Issue of new shares	-	2 838
Debt drawdown	60	-
Repayment of debts	-868	-2 159
Payments of finance lease liabilities	-506	-501
Dividends paid to non-controlling interests	-50	-
Dividends paid to owners of the parent company	-4 488	-3 955
Cash flow from financing activities (C)	-6 286	-3 948
Operating, investing and financing cash flows, total (A+B+C)	-1 992	1 230
Change in cash and cash equivalents	-1 992	1 230
Cash and cash equivalents in the beginning of the year	12 109	10 884
Effect of expected credit losses	7	-5
Cash and cash equivalents in the end of the year	10 124	12 109