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United Bankers Plc

STOCK EXCHANGE RELEASE of 26 August 2020 at 9 a.m.

## United Bankers Plc's semi-annual review 1 Jan - 30 June 2020: Real asset investments supported growth in a difficult market environment

The figures in this release are unaudited.

### January-June 2020 in brief

- The Group's revenue (income from operations) in the review period amounted to EUR 17.9 million (EUR 14.7 million in 1–6/2019), an increase of 22.0 %.
- The Group's adjusted EBITDA in the review period amounted to EUR 6.4 million (EUR 3.1 million in 1–6/2019), an increase of 106.9 % and adjusted operating profit amounted to EUR 5.5 million (EUR 2.3 million in 1–6/2019), an increase of 140.1 %.
- The Group's operating profit for the review period amounted to EUR 5.3 million (EUR 2.1 million in 1–6/2019), an increase of 150.5 % and the profit for the review period amounted to EUR 4.1 million (EUR 1.6 million in 1–6/2019), an increase of 156.6 %.
- Earnings per share were EUR 0.38 (EUR 0.17 in 1–6/2019), an increase of 130.3 %.
- The performance of the asset management business was strong despite the difficult operating environment. Net income from asset management increased during the review period to EUR 15.5 million (EUR 10.6 million), a growth of 46.5 % compared to the reference period. Net fees from funds increased by 64.9 %. Net income from capital markets services amounted to EUR 0.5 million (EUR 1.5 million), a decline of 71.4 % compared to the reference period.
- Together with the other partners, United Bankers sold its holding in the UB Nordic Forest Fund I Ky in June. The total sales price of the fund amounted to EUR 73 million. For UB Nordic Forest Management Ltd, the sale generated a performance fee of approximately EUR 4.1 million, of which approximately EUR 2.8 million was recorded in United Bankers' profit for the review period.
- As a result of the decline in the investment market caused by the Coronavirus pandemic, the fund performance was largely negative. Furthermore, the financial insecurity deteriorated the demand for investment services. At the end of the review period, managed assets amounted to EUR 3.2 billion (EUR 3.6 billion on 31 December 2019), a decrease of 9.8 %.
- The cost-to-income ratio improved considerably and amounted at the end of the period to 0.69 (0.80 on 31 December 2019).

- On 18 June 2020, the company transferred from the First North Growth Market Finland marketplace to the Nasdaq Helsinki Stock Exchange list. The one-off costs of the transfer to the stock exchange list amounted to EUR 0.2 million.
- The outlook for the year 2020 remains unaltered: United Bankers estimates that its adjusted operating profit will increase compared to the preceding year.

**Key figures** (the figures are presented in more detail in the attachment to the semi-annual review)

|   | 1-6/2020 | 1-6/2019 | change<br>%* | 1-12/2019 |
|---|----------|----------|--------------|-----------|
| <i>Key Income Statement Figures</i>                       |          |          |              |           |
| Revenue, MEUR   | 17.9     | 14.7     | 22.0         | 32.5      |
| Adjusted EBITDA, MEUR                                     | 6.4      | 3.1      | 106.9        | 8.4       |
| Adjusted operating profit, MEUR                           | 5.5      | 2.3      | 140.1        | 6.7       |
| Adjusted operating profit,<br>% of revenue                | 30.8     | 15.7     |              | 20.6      |
| Operating profit, MEUR                                    | 5.3      | 2.1      | 150.5        | 5.9       |
| Profit for the period, MEUR                               | 4.1      | 1.6      | 156.6        | 4.4       |
| <i>Profitability</i>                                      |          |          |              |           |
| Return on Equity (ROE), %                                 | 18.7     | 10.6     |              | 13.1      |
| Return on Assets (ROA), %                                 | 11.7     | 6.3      |              | 7.7       |
| <i>Key Balance Sheet Figures</i>                          |          |          |              |           |
| Equity ratio, %   | 66.7     | 60.4     |              | 59.5      |
| Capital adequacy ratio, %                                 | 20.7     | 16.6     |              | 22.9      |
| <i>Key Figures Per Share</i>                              |          |          |              |           |
| Earnings per share, EUR                                   | 0.38     | 0.17     | 130.3        | 0.44      |
| Earnings per share, EUR (diluted)                         | 0.38     | 0.16     | 134.8        | 0.43      |
| Equity per share, EUR                                     | 3.53     | 3.09     |              | 3.56      |
| Dividend per share**                                      |          |          |              | 0.43      |
| <i>Other Key Figures</i>                                  |          |          |              |           |
| Cost-to-income ratio                                      | 0.69     | 0.84     |              | 0.80      |
| Assets under management at the<br>end of the period, MEUR | 3 216    | 3 185    |              | 3 565     |
| Number of clients at the end of<br>the period             | 15 900   | 15 500   |              | 15 950    |
| Personnel at the end of the<br>period (FTE)***            | 126      | 139      |              | 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 number of personnel stated has been converted to full-time personnel

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 semi-annual review.

### **Group revenue and profit performance for January-June 2020**

During the review period, the revenue of the United Bankers group (income from operations) increased to EUR 17.9 million (EUR 14.7 million in 1-6/2019), entailing an increase of 22.0 per cent compared to the reference period.

The group's adjusted EBITDA for the review period doubled to EUR 6.4 million (EUR 3.1 million). The adjusted EBITDA improved particularly due to the strong fee performance of funds. Also the adjusted operating profit increased notably and amounted to EUR 5.5 million (EUR 2.3 million), with an increase of 140.1 per cent compared to the comparable period in the preceding year. The group's operating profit amounted to EUR 5.3 million (EUR 2.1 million) and it soared by 150.5 per cent from the preceding year. Earnings per share amounted to EUR 0.38 (EUR 0.17).

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. This was reflected in the demand both for United Bankers' asset management products and services, as well as capital markets services. However, the net income increased both for funds and for asset management. The net income from structured investment loans, on the other hand, decreased considerably during the review period. The activity of capital markets services was at a lower level compared to the preceding year. In addition, the actualisation of a sizeable client order was postponed until July. The losses from the company's own investment activities played their part in deteriorating the profit for the financial period. As a result of the steep market decline of the spring, the company's own investment activities generated a loss of EUR 0.5 million in the first part of the year.

A considerable portion of the strong performance of United Bankers' asset management business is explicable by the substantial growth in the performance fees received from funds. Especially the favourable performance of forest funds was reflected in the performance fees. In June, United Bankers, together with the other partners, sold the forest areas of its UB Nordic Forest Fund I Ky fund to a European insurance industry group. Of the EUR 4.1 million performance fee UB Nordic Forest Management Ltd received in conjunction with the sale and purchase, EUR 2.8 million was recorded in United Bankers' profit for the review period.

The number of personnel, converted into full-time employees, amounted to 126 persons at the end of June (135 persons on 31 December 2019, 139 persons on 30 June 2019). Of this number, a total of 9 persons were fixed-term personnel (7 persons on 31 December 2019). At the end of the review period, the personnel, board members and agents owned a total of approximately 64 % of the company's shares. As a whole, the company's costs decreased somewhat compared to the reference period. The administrative costs, including the personnel and other administrative costs, amounted to EUR 8.7 million (EUR 9.0 million). Other operating expenses in the amount of EUR 0.6 million include one-off costs of EUR 0.2 million incurred from the transfer of United Bankers to the stock exchange list. The cost-to-income ratio improved from the turn of the year and amounted to 0.69 (0.80).

## **CEO's Review**

*Patrick Anderson*

We will remember the first part of 2020 as a highly exceptional time period. The spread of the Coronavirus into a global pandemic in March cast a dark shadow over the economic outlook overnight and caused stock markets to crash all around the world. In an effort to mitigate the shock encountered by the economy, states and central banks elevated their recovery measures to an unprecedented level.

In the midst of the chaos and crisis, we at United Bankers did not assume a hedgehog defence mode, but, rather, remained active even under the state of emergency and were able to increase our revenue. Our profitability and cost-to-profit ratio also improved substantially. The sale of the UB Nordic Forest Fund I carried out in June naturally also had a notable impact on the strong figures of the first semi-annual period. As concerns the entire year, our outlook remains to achieve the strongest result in the company's history.

The revenue of the United Bankers group increased by 22.0 per cent in the first part of the year, amounting to EUR 17.9 million. Our adjusted EBITDA more than doubled compared to the reference period and amounted to EUR 6.4 million. Our adjusted operating profit, in turn, soared by 140.1 per cent, to EUR 5.5 million. In the asset management segment, the net income increased by 46.5 per cent to EUR 15.5 million, while the net income of the capital markets segment declined by approximately 71.4 per cent, to EUR 0.5 million compared to last year.

The sudden deterioration of the economic outlook and the instability of the investment market was naturally also reflected in our operations. The difficult operating environment had a negative impact, *inter alia*, on the income and net subscriptions of several funds, demand for structured investment loans, income from our own investment activities as well as capital markets services. However, the demand for alternative investment products, in our case, for real assets, did not vanish even in the panic prevailing in the spring, which manifests itself in the favourable development of the fund business operations.

Our managed assets decreased to EUR 3.2 billion, entailing a decrease of approximately 10 per cent compared to the turn of the year. Despite the challenging market conditions, the net subscriptions for

our funds were EUR 38.0 million on the positive side. Our most notable successes originate in our forest business operations, where all of the funds generated a positive result for our clients, and where the 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 transfer from the First North market place to the stock exchange list. We have been expanding our business operations in the past few years both in Finland and abroad, and have solidified the company through corporate acquisitions and key recruitments. As a result of the shift, asset management plays an even more pivotal role in our business operations, and our standing as an operator specialising in real assets has been acknowledged on the Nordic level. The transfer to the stock exchange list represents a significant milestone in our company's development path, but we still have ambition to attain new goals.

We are entering the future with our emphasis being on our core competence as the expert of real asset investments and continuing to streamline our organisational structure and optimising our internal processes. We are also monitoring the implementation of the principles of responsible investment in our funds more closely than previously and further developing our sustainability reporting. Our objective is to considerably increase the managed assets of our alternative investment funds. As a result of the financial crisis caused by COVID-19, the era of the zero-interest rate is likely to be prolonged. This may support the demand for our real asset funds, further reinforcing our medium-term outlook.

I would like to take this opportunity to thank the clients, shareholders and the entire personnel of United Bankers for the first part of the year. Our team is now more skilled, experienced and agile than ever before in the history of the company. The performance and successes of the first part of the year in a completely exceptional operating environment would not have been possible without the dedication and joint efforts of our team.

## **Outlook**

The company maintains the outlook it communicated on 2 March 2020 regarding the performance for the year 2020: United Bankers estimates its adjusted operating profit to increase compared to the preceding year.

United Bankers' capacity to generate profit remained solid during the first half of the year, and also the general conditions in the investment market recovered notably towards the summer. However, the Coronavirus pandemic and the effects of its potential second wave upon the economic development and the investment market continue to generate considerable uncertainty as concerns the outlook for the remainder of the year. Should the market conditions deteriorate again, this may have a negative impact upon the demand for asset management and capital market services, as well as upon the performance of asset management and funds.

The financial statement release of the United Bankers Group for the financial period 2020 is estimated to be published on 26 February 2021 and will be available on the company's website under the "Investors" section at [www.unitedbankers.fi](http://www.unitedbankers.fi).

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*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 126 employees (FTE) and 37 agents (20 June 2020). In 2019, the United Bankers Group's revenue totalled EUR 32.5 million and its adjusted operating profit amounted to EUR 6.7 million (IFRS). The Group's managed assets amount to approximately EUR 3.2 billion (30 June 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](http://www.unitedbankers.fi).*