



AS SEB Pank Group

Interim Report of Quarter II 2021

Introduction - general information

1. Credit institution

Company name	AS SEB Pank
Address	Tornimäe Str. 2, Tallinn 15010, Estonia
Registered in	Republic of Estonia
Registry date	08/12/1995
Registry code	10004252 (Estonian Commercial Register)
Phone	+372 6 655 100
Fax	+372 6 655 102
SWIFT	EEUHEE2X
e-mail	info@seb.ee
Internet homepage	http://www.seb.ee

2. Auditor

Audit company	Ernst & Young Baltic AS
Registry code	10877299 (Estonian Commercial Register)
Address	Rävala 4, 10143 Tallinn, Estonia
Reporting date	30/06/2021
Reporting period	1 January 2021- 30 June 2021
Reporting currency	Euro (EUR), millions

3. General information

The 100 per cent owner of AS SEB Pank is the publicly traded parent company Skandinaviska Enskilda Banken AB (publ), which is the parent company of SEB Group, a Nordic provider of financial services with a long history. SEB Group is a leading Nordic financial services group. SEB Group has around 15,000 employees.

SEB is the bank of choice for large corporations and financial institutions in Sweden and holds a forefront position in providing corporate services in Norway, Denmark, Finland and the United Kingdom. SEB provides universal banking services in Sweden, Estonia, Latvia and Lithuania. In Germany, the operations have a strong focus on corporate and investment banking based on a full-service offering to corporations, institutional customers and internationally operating real estate investors. SEB is well positioned to serve corporate customers from the Nordic countries, the United Kingdom and Germany around the globe, with offices in international financial centres such as New York and London, in Asia via offices in Shanghai, Beijing, Hong Kong and Singapore. AS SEB Pank is an Estonian financial group belonging to SEB Group, which provides services to private persons, companies, and the public sector.

4. Basis for preparation

Skandinaviska Enskilda Banken AB (publ), the parent company of AS SEB Pank, publishes interim reports for SEB Group on web page www.sebgroup.com/jir. The present AS SEB Pank Group interim report is not audited.

The demand for loans is increasing, deposits continue to grow rapidly

The clients' interest in financing increased in the second quarter, with the private client loan market especially active. SEB's loan portfolio grew by 2.4 per cent in the second quarter, reaching almost 6 billion euros. At the same time, the clients' deposits increased by 10.5 per cent, amounting to 5.4 billion by the end of the first six months. If the same trend continues, the loan and deposit portfolios will be equal in a few quarters, meaning that the need for financing would be fully covered by domestic savings. It may be presumed that the continued strengthening of the economic environment and the lessening of the uncertainty arising from the coronavirus crisis will continue to support the courage of commercial undertakings to invest in the upcoming months.

One client in four is prepared to invest

The number of clients who are interested in investing their savings productively is increasing rapidly. In order to provide a better service to those interested in investing, we have launched the first Robo-Advisor in the Baltic states in the second quarter which helps our clients to find suitable investment solutions via their mobile phones. The investment robot has been accepted very well by the clients; we have helped almost one thousand clients start regular investment in a short period of time.

Adjustment of the consumer loan market

Next to investments, another breakthrough is happening in the market of consumer loans. The consumer loan interests in Estonia have been the highest in Europe and we found that this was not appropriate for the level of development of our market. We have kept our consumer loan offer one third lower compared to the average of the market and can see that the market is coming along with the change and the average interest rate for small loans had dropped by a fifth in the market within one year. Meanwhile, the decrease in the credit cost rate of consumer loans has been around half of the decrease in the interest rates; therefore, clients should pay attention to the service fees and the transparency of calculating interests when comparing the terms and conditions of loans.

Sustainability is very important for the bank and the clients alike

SEB was the only bank to achieve the highest level of responsible entrepreneurship this year and we are proud of this. We have made great efforts together with our clients to be a responsible company and will continue to do so in the future. SEB's ATMs and offices are working based on green energy, paperless services are being provided by our branch offices, and video meetings are held with the clients to save time and money and protect the environment by foregoing the trip to a branch office. SEB is advising our business clients on their journeys towards more sustainable and environmentally friendly activities and supports diversity and equal treatment in the working environment and in the entire society. SEB also supports communities by cooperation, donations, and mentorship.

The high-quality loan portfolio increased the profit of SEB by 23.3 per cent

Compared to the second quarter of the previous year, the revenue of the bank remained the same, but the expenses decreased by 5 per cent. Close cooperation with our clients and supporting them during difficult moments with grace periods and additional liquidity has kept the quality of the loan portfolio good and therefore, the bank reduced the reserves for possible loan losses by 0.5 million euros in the second quarter. Our high-quality loan portfolio and increasing efficiency enabled to ensure that the bank's profit for the six months was 23.3 per cent higher compared to the same period last year.

The Estonian branch of SEB ended the first six months of 2021 with a profit of 50.7 million euros. In 2020, SEB ended the first six months with a profit of 41.1 million euros. In the first six months, the operating profit of SEB was 85.6 million euros (85.3 million euros in the first six months of 2020) and the operating expenses amounted to 28.9 million euros (30.4 million euros in the first six months of 2020). The bank reduced its reserves for credit losses by 0.5 million euros in the first half of 2021 (during the same period in 2020, the bank increased the reserves by 8.1 million euros).

1. Consolidated income statement
(millions of EUR)

	2021		2020	
	6 months	QII	6 months	QII
Net interest income	57.1	28.0	58.2	28.5
Net fee and commission income	23.8	12.5	23.3	11.3
Net financial income	4.7	2.4	2.8	1.4
Gains less losses from investment securities	0.0	0.0	0.6	2.6
Profit and loss from investments in associates	0.0	0.0	0.0	0.0
Other operating income	0.0	0.0	0.4	0.1
Net other income	0.0	0.0	1.0	2.7
Total operating income	85.6	42.9	85.3	43.9
	0.0			
Personnel expenses	-21.6	-11.4	-21.2	-10.4
Depreciation, amortization and impairment of tangible and intangible assets	-3.9	-1.9	-3.9	-2.0
Other expenses	-3.4	-1.6	-5.3	-3.3
Total operating expenses	-28.9	-14.9	-30.4	-15.7
	0.0			
Profit before credit losses	56.7	28.0	54.9	28.2
Net expected credit losses	0.5	0.0	-8.1	-6.8
Profit before income tax	57.2	28.0	46.8	21.4
Income tax expense	-6.5	-3.2	-5.7	-2.6
	0.0			
Net profit for the year	50.7	24.8	41.1	18.8

2. Consolidated statement of comprehensive income
(millions of EUR)

	2021	2020
	6 months	6 months
Net profit for the year	50.7	41.1
Other comprehensive income for the year	-	-
Total comprehensive income for the year	50.7	41.1

3. Consolidated statement of financial position
(millions of EUR)

	30/06/2021	31/12/2020
Assets		
Cash and balances with central bank	500.2	493.2
Loans to credit institutions	543.9	766.0
Loans to the public	5,955.1	5,908.0
Debt securities	216.1	227.1
Derivatives	5.6	6.6
Equity instruments	10.5	9.7
Investments in associates	1.4	1.3
Intangible assets	5.3	5.0
Property, plant and equipment	10.4	10.6
Right of use assets	17.1	18.0
Other financial assets	7.9	28.2
Other non-financial assets	28.2	16.5
Total assets	7,301.7	7,490.2
Liabilities and equity		
Liabilities		
Deposits from central banks and credit institutions	648.4	1,002.7
Deposits and borrowings from the public	5,419.0	5,273.8
Derivatives	6.0	7.9
Current income tax liabilities	3.1	9.0
Deferred income tax liabilities	5.3	5.3
Provisions	3.7	4.5
Other financial liabilities	104.2	108.8
Other non-financial liabilities	90.2	30.5
Total liabilities	6,279.9	6,442.5
Equity		
Share capital	42.5	42.5
Share premium	86.3	86.3
Other reserves	19.4	19.4
Retained earnings	873.6	899.5
Total equity	1,021.8	1,047.7
Total liabilities and equity	7,301.7	7,490.2

4. Changes in consolidated shareholders' equity
(millions of EUR)

	Share capital	Share premium	Reserves	Retained profit	Total sharehold ers' equity
Balance at 01 January 2020	42.5	86.3	19.4	921.4	1,069.6
Net profit for the year	-	-	-	41.1	41.1
Total comprehensive income for the period	-	-	-	41.1	41.1
Dividends	-	-	-	-	-
Other**	-	-	-	0.3	0.3
Balance at 30 June 2020	42.5	86.3	19.4	962.8	1,111.0
Balance at 01 January 2021	42.5	86.3	19.4	899.5	1,047.7
Net profit for the year	-	-	-	50.7	50.7
Total comprehensive income for the period	-	-	-	50.7	50.7
Dividends	-	-	-	-77.0	-77.0
Other**	-	-	-	0.3	0.3
Balance at 30 June 2021	42.5	86.3	19.4	873.6	1,021.8

** Long Term Incentive programmes

5. Consolidated cash flow statement
(millions of EUR)

	2021 6 months	2020 6 months
Cash flow from operating activities	-23.8	335.8
Cash flow from investment activities	6.2	-84.1
Cash flow from financing activities	-79.3	-2.4
Net change in cash and cash equivalents	-96.9	249.3
Cash and cash equivalents at the beginning of year	1,082.0	850.0
Net change in cash and cash equivalents	-96.9	249.3
Cash and cash equivalents at the end of period	985.1	1,099.3

Note 1

Accounting principles

The interim report condensed financial statements of AS SEB Pank Group for Quarter II 2021 has been prepared in conformity with International Accounting Standard IAS 34 "Interim Financial Reporting" and the disclosure requirement established by the Credit Institutions Act. These condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020, prepared in conformity with International Financial Reporting Standards (IFRS).

The Group's accounting principles, used in the interim report of AS SEB Pank Group for Quarter II 2021 are in conformity with the accounting principles used in the annual report for the year ended on 31 December 2020.