

AS SEB Pank

Interim report of Quarter II



2022

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	https://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	30/06/2022
Reporting period	1 January 2022- 30 June 2022
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 is a bank with a unique customer base and market position, it serves customers in home markets and through international network across the globe. SEB holds a forefront position in providing corporate services in Scandinavia and the United Kingdom. SEB provides universal banking services in Sweden and the Baltics. 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. In 2021, SEB decided to broaden the corporate banking business in Europe to include the Netherlands, Austria, and Switzerland. SEB is well positioned to serve corporate customers around the globe, with offices in several international financial centers. SEB's international network is also highly instrumental in offering global financial institutions access to investment opportunities in Nordic assets – an area in which SEB is the leader.

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/ir. The present AS SEB Pank consolidated interim report is not audited.

The customers and the bank are focusing on energy-saving projects

The sharp increase in energy prices has dramatically increased the interest of customers in more efficient energy solutions. To assist people in preparing for autumn and winter, SEB helps households and companies finance the purchase of solar panels or the renovation of heating systems. The bank also tries to help them find other ways to reduce dependence on expensive fossil fuels. SEB is one of the few Estonian banks that has been awarded the Gold Label of Responsible Business Index, which means that we operate in an environmentally friendly way and fully support similar projects by our customers. The loan portfolio of SEB grew by 5 per cent year on year and exceeded the 6-billion-euro mark in half a year for the first time. SEB is not worried about more difficult times ahead in the economy because our strength lies in supporting our customers in difficult times. We are strong and our customers and partners can count on us.

The volume of deposits in SEB exceeded the 6 billion mark

The volume of deposits in SEB grew by 12.8 per cent year on year and also exceeded the 6 billion mark for the first time in the first half of the year. Customers are financially healthy and liquidity is being increased at the moment, which is reasonable considering the environment. The fall in the stock markets has made some customers take advantage of the situation, but there are also those whose appetite for investment has decreased. In the second quarter, SEB lowered investment-related fees, meaning we are now the best partner in Estonia for the average investor. We also expanded the capabilities of our Robo-Advisor so that customers can regularly invest their money in ETFs in addition to funds.

The number of employees increases by 4 per cent in the summer

In summer, our workforce increases by 4 per cent, as we provide nearly forty young people their first practical work experience. The competition for internship positions is tight, but worth it, because many interns will become our full-time employees in autumn. SEB has always been popular in the youth segment and not only as an employer – we have more than 75,000 young customers, which means that every third young person in Estonia starts managing their finances with our help. Therefore, it is important for us to teach financial literacy in schools, provide an internship programme, as well as update the product range with modern payment solutions such as Apple, Garmin, or Fitbit Pay.

The profit of SEB of the first half of the year was 49.1 million euros

SEB Pank Group (the Group) finished Q2 2022 with a profit of EUR 49.1 million (EUR 50.7 million in Q2 2021). The operating profit of the Group amounted to EUR 88.8 million (EUR 86.8 million in Q2 2021) and its operating costs to EUR 31.7 million (EUR 28.9 million in Q2 2021). The Group increased net expected credit losses by EUR 0.4 million (decreased by EUR 0.5 million in Q2 2021). Imposed levies to resolution fund was EUR 1.1 million (EUR 1.2 million in Q2 2021). Income tax was EUR 6.5 million (EUR 6.5 million in Q2 2021). In total, the Group paid various taxes to the Estonian treasury in the first half of the year in the total amount of 18.2 million euros.

Consolidated financial statements

1. Consolidated income statement

(millions of EUR)

	2022	2021		
	6 months	Q II	6 months*	Q II
Net interest income	60.1	30.2	58.3	28.6
Net fee and commission income	25.9	13.2	23.8	12.5
Net financial income	2.0	-1.1	4.7	2.4
Profit and loss from investments in associates	0.2	0.1	0.0	0.0
Other operating income	0.6	0.3	0.0	0.0
Net other income	0.8	0.4	0.0	0.0
Total operating income	88.8	42.7	86.8	43.5
Personnel expenses	-24.0	-12.6	-21.6	-11.4
Depreciation, amortization and impairment of tangible and intangible, right-of-use assets and investment property	-3.7	-1.8	-3.9	-1.9
Other expenses	-4.0	-1.9	-3.4	-1.6
Total operating expenses	-31.7	-16.3	-28.9	-14.9
Profit before credit losses and imposed levies	57.1	26.4	57.9	28.6
Net expected credit losses	-0.4	-1.1	0.5	0.0
Imposed levies: resolution fee	-1.1	-0.6	-1.2	-0.6
Profit before income tax	55.6	24.7	57.2	28.0
Income tax expense	-6.5	-2.8	-6.5	-3.2
Net profit for the year	49.1	21.9	50.7	24.8

*restated comparative data (Note 1)

2. Consolidated statement of comprehensive income

(millions of EUR)

	2022	2021		
	6 months	Q II	6 months	Q II
Net profit for the year	49.1	21.9	50.7	24.8
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	49.1	21.9	50.7	24.8

3. Consolidated statement of financial position

(millions of EUR)

	30/06/2022	31/12/2021
Assets		
Cash and balances with central bank	792.9	1,339.0
Loans to credit institutions	381.5	231.2
Loans to the public	6,252.9	6,040.4
Debt securities	244.6	227.1
Derivatives	26.9	6.1
Equity instruments	4.6	4.7
Investments in associates	1.9	1.7
Intangible assets	5.0	4.7
Property, plant and equipment	10.2	9.9
Right of use assets	16.1	16.6
Investment property	0.0	2.4
Other assets	7.5	40.1
Prepaid expenses and accrued income	16.6	16.0
Total assets	7,760.7	7,939.9
Liabilities and equity		
Liabilities		
Deposits from central banks and credit institutions	472.2	914.0
Deposits and borrowings from the public	6,109.2	5,790.7
Derivatives	18.3	5.0
Current income tax liabilities	2.7	5.0
Deferred income tax liabilities	2.1	2.1
Provisions	4.3	6.2
Other liabilities	115.0	136.1
Accrued expenses and prepaid income	15.6	10.0
Total liabilities	6,739.4	6,869.1
Equity		
Share capital	42.5	42.5
Share premium	86.3	86.3
Other reserves	19.4	19.4
Retained earnings	873.1	922.6
Total equity	1,021.3	1,070.8
Total liabilities and equity	7,760.7	7,939.9

4. Changes in consolidated shareholders' equity

(millions of EUR)

	Share capital	Share premium	Reserves	Retained profit	Total shareholders' equity
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 (1.16 euros per share)	-	-	-	-77.0	-77.0
Other*	-	-	-	0.3	0.3
Balance at 30 June 2021	42.5	86.3	19.4	873.6	1,021.7
Balance at 01 January 2022	42.5	86.3	19.4	922.6	1,070.8
Net profit for the year	-	-	-	49.1	49.1
Total comprehensive income for the period	-	-	-	49.1	49.1
Dividends (1.49 euros per share)	-	-	-	-99.0	-99.0
Other*	-	-	-	0.4	0.4
Balance at 30 June 2022	42.5	86.3	19.4	873.1	1,021.3

* Long Term Incentive programmes

5. Consolidated cash flow statement

(millions of EUR)

	2022 6 months	2021 6 months
Cash flow from operating activities	-266.9	158.8
Cash flow from investment activities	-17.6	-21.0
Cash flow from financing activities	-101.4	-1.1
Net change in cash and cash equivalents	-385.9	136.7
Cash and cash equivalents at the beginning of year	1,511.1	1,082.0
Net foreign exchange difference	-12.6	-5.5
Net change in cash and cash equivalents	-385.9	136.7
Cash and cash equivalents at the end of period	1,112.6	1,213.2

Note 1

Accounting principles

The interim report condensed financial statements of SEB Pank Group for Quarter II 2022 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 2021, prepared in conformity with International Financial Reporting Standards (IFRS).

The accounting principles, used in the interim report of SEB Pank Group for Quarter II 2022 are in conformity with the accounting principles used in the annual report for the year ended on 31 December 2021 apart from the change in presentation of the income statement. The calculated fees to the Single Resolution Fund have been deducted from the interest expenses and they are shown in the income statement in a separate line "Imposed levies: resolution fee". Comparative information for the year 2021 is restated accordingly.

Change in presentation of the income statement

(millions of EUR)

	Presented		Restatement		Restated	
	2021 6 months	Q II	2021 6 months	Q II	2021 6 months	Q II
Net interest income	57.1	28.0	1.2	0.6	58.3	28.6
Net fee and commission income	23.8	12.5	-	-	23.8	12.5
Net financial income	4.7	2.4	-	-	4.7	2.4
Profit and loss from investments in associates	0.0	0.0	-	-	0.0	0.0
Other operating income	0.0	0.0	-	-	0.0	0.0
Net other income	0.0	0.0	-	-	0.0	0.0
Total operating income	85.6	42.9	1.2	0.6	86.8	43.5
Personnel expenses	-21.6	-11.4	-	-	-21.6	-11.4
Depreciation, amortization and impairment of tangible and intangible, right-of-use assets and investment property	-3.9	-1.9	-	-	-3.9	-1.9
Other expenses	-3.4	-1.6	-	-	-3.4	-1.6
Total operating expenses	-28.9	-14.9	-	-	-28.9	-14.9
Profit before credit losses and imposed levies	56.7	28.0	1.2	0.6	57.9	28.6
Net expected credit losses	0.5	0.0	-	-	0.5	0.0
Imposed levies: resolution fee	-	-	-1.2	-0.6	-1.2	-0.6
Profit before income tax	57.2	28.0	0.0	0.0	57.2	28.0
Income tax expense	-6.5	-3.2	-	-	-6.5	-3.2
Net profit for the year	50.7	24.8	0.0	0.0	50.7	24.8

