



AS SEB Pank Group

Interim Report of Quarter IV 2020

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	31/12/2020
Reporting period	1 January 2020 - 31 December 2020
Reporting currency	Euro (EUR), millions

3. General information

The 100% 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.

SEB Estonia focused on new financing, grace periods, and green products in 2020

SEB adapted well to the difficult situation in 2020. The keywords of this active year were securing new financing, assisting clients in payment difficulties, and developing sustainable banking products.

1.5 billion euros in new loans

Last year, SEB financed new projects worth more than one billion euros for companies and nearly half a billion euros for private clients. Despite the economic downturn, clients' loan demand remained at a good level, indicating that at every stage of the economic cycle there are households and companies that can and want to invest in their development.

Grace periods for 2,900 clients

In the first half of the year, supporting clients in payment difficulties was extremely important. Last year, a total of 2,400 private clients and 500 companies needed grace periods, but today almost all clients have restored their solvency and returned to normal life. However, there are a number of sectors, such as tourism, that still need support. Credit quality remained at a high level throughout the year, meaning that no increase in arrears is foreseen.

Deposits of private persons and companies grew by 18 percent

Due to the restrictions caused by the corona crisis, there were almost half as many office visits last year, and instead we provided loan or investment advice via video calls or solved the client's problems through other digital channels. The activity of clients remained high, especially when growing buffers. Due to the uncertain times, the clients increased their deposits last year. The deposits of private clients in SEB grew by 13 percent over the year and the deposits of business clients by as much as 23 percent.

Development of sustainable products

As innovations, SEB introduced a number of green products last year, from bank cards made of environmentally friendly materials to financing electric cars, as well as funding companies' sustainable projects with green loans. Activities related to environmental protection will continue to be important in the coming years, and we believe that they are become a driving force for growth. We offer our private and business clients assistance and support to ensure that the green turn would be economically successful for them and that Estonia would restore its growth in a new quality. In addition to the innovation centre located in Tallinn, we also opened a similar centre in Tartu last year to help entrepreneurs reshape their business models, with the aim of growing their business quickly and sustainably.

Revenues stable, expenses slightly increasing

The operating revenue of SEB in 2020 amounted to 174.8 million euros (173.6 million euros in 2019) and the operating expenditure 62.5 million euros (59.9 million euros in 2019). The increase in expenditure is due to one-off expenses, increased wage and IT costs, as well as the bank's increased attention to employee health. As of last year, all SEB employees have additional health insurance in addition to the occupational pension. SEB was also named the most desirable employer in Estonia, which we are very pleased about.

SEB Estonia's profit for 2020 amounting to 87.4 million euros

SEB's profit last year was mostly influenced by the increase in reserves in case of loan losses should increase. Last year, we increased reserves by 11 million euros, while in 2019 we reduced loan loss provisions by 3.8 million euros. The reason why loan loss provisions have increased lies in the need to be prepared for the unexpected, although the credit quality itself has remained steadily good.

Due to the increase in reserves, the bank's profit last year decreased by 13 percent and the units of SEB Estonia ended 2020 with the profit of 87.4 million euros. In 2019, the profit of the units of SEB Estonia was 100.7 million euros.

Thanks to strong financial results, extremely high capitalisation, and steadily good credit quality, the supervisory authorities allowed SEB to continue with its current dividend policy, and SEB Pank paid 100 million euros in dividends last year. In 2020, SEB paid 14 million euros in income tax (17 million euros in the same period of 2019).

Consolidated financial statements

1. Consolidated income statement
(millions of EUR)

	2020		Restated (Note 1) 2019	
	12 months	Q IV	12 months	Q IV
Net interest income	117.0	29.3	112.4	29.0
Net fee and commission income	47.5	12.2	50.7	12.9
Net financial income	9.7	3.1	10.1	2.8
Dividends	0.1	0.0	0.0	0.0
Profit and loss from investments in associates	0.2	0.0	0.0	0.0
Other operating income	0.3	-0.1	0.4	0.3
Net other income	0.6	-2.7	0.4	-3.8
Total operating income	174.8	44.4	173.6	45.0
Personnel expenses	-43.6	-11.8	-42.0	-10.5
Depreciation, amortization and impairment of tangible and intangible assets	-7.8	-1.3	-7.4	-1.9
Other expenses	-11.1	-3.6	-10.5	-2.8
Total operating expenses	-62.5	-16.7	-59.9	-15.2
Profit before credit losses	112.3	27.7	113.7	29.8
Net expected credit losses	-11.0	-2.6	3.8	1.0
Profit before income tax	101.3	25.1	117.5	30.8
Income tax expense	-13.9	-4.8	-16.8	-6.7
Net profit for the year	87.4	20.3	100.7	24.1

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

	2020		Restated (Note 1) 2019	
	12 months	Q IV	12 months	Q IV
Net profit for the year	87.4	20.3	100.7	24.1
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	87.4	20.3	100.7	24.1

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

	Restated (Note 1)	
	<u>31/12/2020</u>	<u>31/12/2019</u>
Assets		
Cash and balances with central bank	493.2	844.1
Loans to credit institutions	765.7	66.0
Loans to the public	5,908.0	5,706.9
Debt securities	227.1	159.2
Derivatives	6.6	6.1
Equity instruments	9.6	13.4
Investments in associates	1.4	1.2
Intangible assets	5.0	5.1
Property, plant and equipment	10.6	10.6
Right of use assets	18.0	20.4
Other financial assets	28.2	11.1
Other non-financial assets	16.5	19.4
Total assets	<u>7,489.9</u>	<u>6,863.5</u>
Liabilities and equity		
Liabilities		
Deposits from central banks and credit institutions	1,002.7	1,212.3
Deposits and borrowings from the public	5,273.8	4,446.1
Derivatives	7.9	7.8
Current income tax liabilities	9.0	6.9
Deferred income tax liabilities	5.3	9.7
Provisions	4.5	3.3
Other liabilities	108.8	104.1
Accrued expenses and prepaid income	30.2	13.6
Total liabilities	<u>6,442.2</u>	<u>5,803.8</u>
Equity		
Share capital	42.5	42.5
Share premium	86.3	86.3
Other reserves	19.4	19.4
Retained earnings	899.5	911.5
Total equity	<u>1,047.7</u>	<u>1,059.7</u>
Total liabilities and equity	<u>7,489.9</u>	<u>6,863.5</u>

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

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Balance at 31 December 2018	42,5	86,3	19,4	885,4	1 033,6
Effect of applying IFRS16 *	-	-	0,0	-2,0	-2,0
Effect of changes in accounting treatment (Note 1)	-	-	-	-10,2	-10,2
Balance at 1 January 2019 (restated)	42,5	86,3	19,4	873,2	1 021,4
Net profit for the year (restated)	-	-	-	100,7	100,7
Total comprehensive income for the period	-	-	-	100,7	100,7
Dividends	-	-	-	-63,0	-63,0
Other**	-	-	-	0,6	0,6
Balance at 31 December 2019 (restated)	42,5	86,3	19,4	911,5	1 059,7
Balance at 1 January 2020 (restated)	42,5	86,3	19,4	911,5	1 059,7
Net profit for the year	-	-	-	87,4	87,4
Total comprehensive income for the period	-	-	-	87,4	87,4
Dividends	-	-	-	-100,0	-100,0
Other**	-	-	-	0,6	0,6
Balance at 31 December 2020	42,5	86,3	19,4	899,5	1 047,7

*IFRS 16 Leases is applied from 1 January 2019

5. Consolidated cash flow statement
(millions of EUR)

	Restated (Note 1)	
	2020 12 months	2019 12 months
Cash flow from operating activities	408.4	-169.3
Cash flow from investment activities	-71.7	-63.4
Cash flow from financing activities	-104.7	-67.9
Net change in cash and cash equivalents	232.0	-300.6
Cash and cash equivalents at the beginning of year	850.0	1,150.6
Net change in cash and cash equivalents	232.0	-300.6
Cash and cash equivalents at the end of period	1,082.0	850.0

Note 1

Accounting principles

The interim report condensed financial statements of AS SEB Pank Group for Quarter IV 2020 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 2019, 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 IV 2020 are in conformity with the accounting principles used in the annual report for the year ended on 31 December 2019, apart from the accounting policy changes resulting from recognition of deferred tax liability on undistributed profits of subsidiaries and associates retrospectively.

According to the paragraph 39 of IAS 12 an entity is required to recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, and associates. After IASB clarification of this paragraph, AS SEB Pank and other companies in Estonia have started to recognise deferred tax liability on undistributed profits of subsidiaries and associates.

Deferred tax liability is recognized only in consolidated financial statements level as a result of IFRIC agenda decision.

In the opinion of the management, IFRIC agenda decision provided new information that was not available previously and could not reasonably have been expected to be obtained considering common long-lasting practice in Estonia. The complexity of the matter demonstrates that the accounting policy applied before the agenda decision was published, was not an error. The change is therefore treated as change in accounting policy due to recent IFRIC agenda decision.

The cause of the change in accounting policy due to recent IFRIC agenda decision is that the investee (subsidiaries) pays no tax on undistributed earnings, and that tax will be paid by the investee on distribution. Therefore, although investee applies IAS12.52A therefore no deferred tax is recorded until distribution, at consolidated financial statements level Group applies paragraph 39 and thus need to record a deferred tax liability, since Group expects a reversal of those differences.

By applying the change in accounting policy due to recent IFRIC agenda decision, AS SEB Pank has restated each of the affected financial statement line items for the prior periods in the tables below.

The Group has reclassified gain from investments in equity instruments and funds shares measured at fair value through profit or loss mandatorily from Gains less losses from investment securities in to Net financial income line on the face of consolidated income statement. Change in presentation was done to align items presented on the face of income statement with other SEB Baltic banks. Details of reclassifications made are presented in the table below

Impact on Consolidated statement of financial position (millions of EUR)				Restated		Restated	
	31/12/2019	Change in opening balance	Change in period 2019	31/12/2019	31/12/2018	Change in opening balance	01/01/2019
Assets							
Investments in associates	1,4	-0,2	0,0	1,2	1,4	-0,2	1,2
Total assets	6 863,7	-0,2	0,0	6 863,5	6 558,2	-0,2	6 558,0
Liabilities and equity							
Deferred income tax liabilities	0,0	10,0	-0,3	9,7	-	10,0	10,0
Retained earnings	921,4	-10,2	0,3	911,5	885,4	-10,2	875,2
Total equity	1 069,6	-10,2	0,3	1 059,7	1 033,6	-10,2	1 023,4
Total liabilities and equity	6 863,7	-0,2	0,0	6 863,5	6 558,2	-0,2	6 558,0
Impact on Consolidated income statement (millions of EUR)							
	2019	Reclassifications	Change in accounting policy	Restated 2019			
Net financial income	5,4	4,7	-	10,1			
Gains less losses from investment securities	4,7	-4,7	-	0,0			
Profit and loss from investments in associates	0,0	-	0,0	0,0			
Income tax expense	-17,1	-	0,3	-16,8			
Net profit for the year	100,4	0,0	0,3	100,7			

The change did not have an impact on the Group's operating, investing and financing cash flows.