

AS SEB Pank Group

Interim report of Quarter IV



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	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	31/12/2021
Reporting period	1 January 2021- 31 December 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 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/jr. The present AS SEB Pank Group interim report is not audited.

Last year, SEB Eesti financed the Estonian economy with 2 billion euros

Last year, SEB financed new projects worth 1.3 billion euros for companies and 700 million euros for private customers. Demand for loans was highest in the agricultural, forestry, wholesale, and retail trade sectors. The real estate sector has been very active, but also IT, for example. We expect corporate loan demand to increase this year, as 85 per cent of the capacity of Estonian industry had already been used in the second half of last year. This means that companies have to invest in additional production capacity to grow.

SEB is ready to contribute to the continued growth of the Estonian economy – we are interested in financing companies with a growth ambition, a desire to increase productivity and efficiency, and a mission to move towards more sustainable and cleaner management. Rising energy prices and inflation are serious issues for both companies and individuals, and we are ready to help customers manage risks.

The growth of deposits was still in double digits

Deposits and liquid funds of individuals and companies continued to grow faster than loans last year. Deposits of individuals grew by 16 per cent over the year and those of business customers by 14 per cent. In addition to the constant money printing by central banks, this has also been affected by the sale of several companies, which resulted in an increase in the liquid assets of companies. The rapid growth of household deposits has been driven by high wage growth, continued lower spending on travel and entertainment, and nearly 1 billion euros paid to families in September as a result of the pension reform. Half of the money withdrawn from the second pension pillar had been spent by the end of the year.

Two trends: investment and sustainability

While the money withdrawn from the second pension pillar was mainly used for consumption, in general the people of Estonia have started to invest significantly more or at least want to start with it. Demand for personal investment advice has been high for some time, so in the middle of last year, SEB came up with the first robot advice solution in Estonia. Today, almost 3,000 people have started investing with the help of the Robo-Advisor.

High energy prices have reminded consumers that sustainable homes or vehicles are more secure decisions for the future. Only 1.5 per cent of Estonian homes have an A-class and 3.5 per cent a B-class energy label, so the rise in energy prices has a direct impact on Estonian families. We cannot control energy prices, but we can reduce energy consumption, which not only has an economic impact but also helps to save the environment. The focus of SEB is therefore on more favourable loans for the purchase of sustainable homes and vehicles, as well as raising awareness of the footprint of each person in the environment, for the measurement of which we launched a special mobile application at the end of the year.

SEB Eesti earned a profit of 99.4 million euros in 2021

The units of SEB Eesti ended 2021 with a profit of 99.4 million euros, which is 12 million more than in 2020. The operating income of SEB was 174.8 million euros and the operating expenses were 62.8 million euros. The profit growth last year was affected by a reduction in the reserves for loan losses – while in 2020, the bank increased reserves by 11 million euros in case loan losses increased, last year, the amount of these reserves was reduced by 3.2 million euros.

Thanks to strong financial results, very high capitalisation, and stable loan quality, the bank distributed 77 million euros in dividends in 2021. In 2021, SEB calculated 15.8 million euros in income tax.

Consolidated financial statements**1. Consolidated income statement**

(millions of EUR)

	2021		2020	
	12 months	Q IV	12 months	Q IV
Net interest income	115.3	29.2	117.0	29.3
Net fee and commission income	50.3	13.5	47.5	12.2
Net financial income	8.8	2.4	9.7	3.1
Dividends	0.0	0.0	0.1	0.1
Profit and loss from investments in associates	0.4	0.0	0.2	0.0
Other operating income	0.0	0.3	0.3	-0.1
Net other income	0.4	0.3	0.6	-2.7
Total operating income	174.8	45.4	174.8	44.4
Personnel expenses	-45.3	-12.5	-43.6	-11.8
Depreciation, amortization and impairment of tangible and intangible assets	-7.7	-1.9	-7.8	-1.3
Other expenses	-9.8	-3.9	-11.1	-3.6
Total operating expenses	-62.8	-18.3	-62.5	-16.7
Profit before credit losses	112.0	27.1	112.3	27.7
Net expected credit losses	3.2	2.7	-11.0	-2.6
Profit before income tax	115.2	29.8	101.3	25.1
Income tax expense	-15.8	-6.1	-13.9	-4.8
Net profit for the year	99.4	23.7	87.4	20.3

2. Consolidated statement of comprehensive income

(millions of EUR)

	2021	2021	2020	2020
	12 months	Q IV	12 months	Q IV
Net profit for the year	99.4	23.7	87.4	20.3
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	99.4	23.7	87.4	20.3

3. Consolidated statement of financial position

(millions of EUR)

	31/12/2021	31/12/2020
Assets		
Cash and balances with central bank	1,339.0	493.2
Loans to credit institutions	231.2	765.7
Loans to the public	6,040.4	5,908.0
Debt securities	227.1	227.1
Derivatives	6.1	6.6
Equity instruments	4.7	9.6
Investments in associates	1.7	1.4
Intangible assets	4.7	5.0
Property, plant and equipment	9.9	10.6
Right of use assets	16.6	18.0
Investment property	2.4	0.0
Other assets	40.1	28.2
Prepaid expenses and accrued income	16.0	16.5
Total assets	7,939.9	7,489.9
Liabilities and equity		
Liabilities		
Deposits from central banks and credit institutions	914.0	1,002.7
Deposits and borrowings from the public	5,790.7	5,273.8
Derivatives	5.0	7.9
Current income tax liabilities	5.0	9.0
Deferred income tax liabilities	2.1	5.3
Provisions	6.2	4.5
Other liabilities	136.1	108.8
Accrued expenses and prepaid income	10.0	30.2
Total liabilities	6,869.1	6,442.2
Equity		
Share capital	42.5	42.5
Share premium	86.3	86.3
Other reserves	19.4	19.4
Retained earnings	922.6	899.5
Total equity	1,070.8	1,047.7
Total liabilities and equity	7,939.9	7,489.9

4. Changes in consolidated shareholders' equity

(millions of EUR)

	Share capital	Share premium	Reserves	Retained profit	Total shareholders' equity
Balance at 01 January 2020	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
Balance at 01 January 2021	42.5	86.3	19.4	899.5	1,047.7
Net profit for the year	-	-	-	99.4	99.4
Total comprehensive income for the period	-	-	-	99.4	99.4
Dividends	-	-	-	-77.0	-77.0
Other*	-	-	-	0.7	0.7
Balance at 31 December 2021	42.5	86.3	19.4	922.6	1,070.8

* Long Term Incentive programmes

5. Consolidated cash flow statement

(millions of EUR)

	2021	2020
	12 months	12 months
Cash flow from operating activities	520.3	403.9
Cash flow from investment activities	-2.6	-71.7
Cash flow from financing activities	-81.7	-104.7
Net change in cash and cash equivalents	436.0	227.5
Cash and cash equivalents at the beginning of year	1,082.0	850.0
Net foreign exchange difference	-6.9	4.5
Net change in cash and cash equivalents	436.0	227.5
Cash and cash equivalents at the end of period	1,511.1	1,082.0

Note 1

Accounting principles

The interim report condensed financial statements of AS SEB Pank Group for Quarter IV 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 IV 2021 are in conformity with the accounting principles used in the annual report for the year ended on 31 December 2020 apart from the changes in the method of preparation of cash flow statement. In 2021, the Group changed the method of reporting of cash flows from operating activities from direct to indirect. Comparative information for the year 2020 was restated accordingly.

