



AS SEB Pank Group

Interim Report of Quarter II 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	30/06/2020
Reporting period	1 January 2020 - 30 June 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.

Adaptation of households and enterprise to the crisis has been good

As a result of the coronacrisis, the loan growth has decelerated and savings are growing. SEB's year-on-year total loan portfolio increased 6% and deposits by 11% in the first half of the year – a year ago the same indicators were 11 and 8%, respectively.

Corporate loan growth has slowed down to 3.6%, from nearly 13% of the last year, while the growth of corporate deposits has accelerated to 11.4%, from 5.2%. As the environment is unstable, the enterprises are postponing their more longer-term decisions; however, the deposit growth is an indicator of an overall good financial health of companies. We are open to financing new projects and can see that competition for strong loan projects is intense. A sudden slowdown in economy taught us the need for quick adaptation – interest towards the implementation of e-commerce payment solutions is high; besides, everything in connection with innovation and upgrade of business models has become more important for business clients. We advise our business customers to join the newly established Innovation Leaders Club, to together find the ways for fast recovery of the economy.

Changes in the financial conduct of private persons have been minor. The private loan growth decelerated to 6.5%, from the previous year's 8.2%, while the deposits increased at the same pace with the last year, being more than 11%. Private consumption has returned to its pre-crisis level. Only with regard to home loans, the clients are still somewhat more cautious than before the crisis. Likewise to enterprises, the private persons are postponing mainly larger prospective investments; yet, savings have remained on a high level throughout the crisis.

Grace period served its purpose

During the emergency situation, nearly 4% of our borrowing private clients needed a grace period to cope with their loan payments. Grace period was requested by 16% of corporate clients. The quick relief offered by the grace period was an efficient measure and the level of debts has remained stably low. Several granted grace periods have already been terminated by the clients, as their income and cash flows have recovered. At the moment, nearly 3% of private persons and 12% of corporate clients in our loan portfolio are enjoying the grace period. The relatively low share of clients in the total loan portfolio, who have taken out a grace period, and the decreased number of new applications for the grace period is a proof to the fact that the financial health of our clients remains good and stable. However, if the clients are facing any setbacks in income or cash flows, we still encourage them to ask for a grace period.

SEB's income and expenses on the previous year level

SEB's operating income for the first half-year amounted to EUR 85.3 million (EUR 84.9 million for the first half of 2019) and operating expenses to EUR 30.5 million (EUR 30.0 million in the first half of 2019). SEB entities in Estonia ended the first half of 2020 with a profit of EUR 41.1 million. In 2019, SEB entities in Estonia ended the first six months with a profit of EUR 50.6 million.

Although the bank's income and expenses were almost the same size as the year before, the profit for the first half-year was nearly 10 million less, as we increased the provisions for loan losses. We placed about one-fifth of the first half-year's profit into reserves in order to be prepared for an increase in loan losses in the coming quarters, when according to the forecasts, Estonia's economy is expected to face a nearly 10% recession. The bank increased its provision for loan losses within EUR 8.1 million in the first half of 2020 (in the same period last year, the bank decreased the provisions within EUR 2.4 million).

Consolidated financial statements

1. Consolidated income statement
(millions of EUR)

	2020	2019
	6 months	6 months
Net interest income	58.2	54.2
Net fee and commission income	23.3	25.1
Net financial income	2.8	1.9
Gains less losses from investment securities	0.6	3.5
Profit and loss from investments in associates	0.0	0.0
Other operating income	0.4	0.2
Net other income	1.0	3.7
Total operating income	85.3	84.9
Personnel expenses	-21.2	-21.1
Depreciation, amortization and impairment of tangible and intangible assets	-3.9	-3.6
Other expenses	-5.4	-5.3
Total operating expenses	-30.5	-30.0
Profit before credit losses	54.9	54.9
Net expected credit losses	-8.1	2.4
Profit before income tax	46.8	57.3
Income tax expense	-5.6	-6.7
Net profit for the year	41.1	50.6

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

	2020	2019
	6 months	6 months
Net profit for the year	41.1	50.6
Other comprehensive income for the year	-	-
Total comprehensive income for the year	41.1	50.6

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

	<u>30/06/2020</u>	<u>31/12/2019</u>
Assets		
Cash and balances with central bank	499.0	844.1
Loans to credit institutions	653.1	66.0
Loans to the public	5 818.0	5 706.9
Debt securities	239.1	159.2
Derivatives	6.0	6.1
Equity instruments	13.1	13.4
Investments in associates	1.4	1.4
Intangible assets	5.3	5.1
Property, plant and equipment	11.5	10.6
Right of use assets	18.6	20.4
Other financial assets	7.2	11.1
Other non-financial assets	21.4	19.4
Total assets	7 293.7	6 863.7
Liabilities and equity		
Liabilities		
Deposits from central banks and credit institutions	1 150.4	1 212.3
Deposits and borrowings from the public	4 904.3	4 446.1
Derivatives	7.7	7.8
Current income tax liabilities	2.4	6.9
Provisions	3.6	3.3
Other financial liabilities	96.6	104.1
Other non-financial liabilities	17.8	13.6
Total liabilities	6 182.8	5 794.1
Equity		
Share capital	42.5	42.5
Share premium	86.3	86.3
Other reserves	19.4	19.4
Retained earnings	962.7	921.4
Total equity	1 110.9	1 069.6
Total liabilities and equity	7 293.7	6 863.7

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

	Share capital	Share premium	Reserves	Retained profit	Total shareholders' equity
Year beginning at 01/01/2019	42.5	86.3	19.4	883.4	1 031.6
Dividend paid	0.0	0.0	0.0	-63.0	-63.0
Other	0.0	0.0	0.0	0.2	0.2
Net profit	0.0	0.0	0.0	50.6	50.6
Other comprehensive income:					
Net change in available-for-sale financial assets	0.0	0.0	0.0	0.0	0.0
Total other comprehensive income	0.0	0.0	0.0	0.0	0.0
Total comprehensive income	0.0	0.0	0.0	50.6	50.6
Final balance at 30/06/2019	42.5	86.3	19.4	871.2	1 019.4
Year beginning at 01/01/2020	42.5	86.3	19.4	921.4	1 069.6
Dividend paid	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.2	0.2
Net profit	0.0	0.0	0.0	41.1	41.1
Other comprehensive income:					
Net change in available-for-sale financial assets	0.0	0.0	0.0	0.0	0.0
Total other comprehensive income	0.0	0.0	0.0	0.0	0.0
Total comprehensive income	0.0	0.0	0.0	41.1	41.1
Final balance at 30/06/2020	42.5	86.3	19.4	962.7	1 110.9

5. Consolidated cash flow statement
(millions of EUR)

	2020 6 months	2019 6 months
Cash flow from operating activities	335.8	-224.4
Cash flow from investment activities	-84.1	-4.4
Cash flow from financing activities	-2.4	-63.0
Net change in cash and cash equivalents	249.3	-291.8
Cash and cash equivalents at the beginning of year	850.0	1 260.4
Net change in cash and cash equivalents	249.3	-291.8
Cash and cash equivalents at the end of period	1 099.3	968.2

Note 1

Accounting principles

The interim report condensed financial statements of AS SEB Pank Group for Quarter II 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 II 2020 are in conformity with the accounting principles used in the annual report for the year ended on 31 December 2019.