

AS SEB Pank Group

Interim Report of Quarter III 2018



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	AS PricewaterhouseCoopers
Registry code	10142876 (Estonian Commercial Register)
Address	Pärnu Str. 15, 10141 Tallinn, Estonia
Reporting date	30.09.2018
Reporting period	01.01.2018 - 30.09.2018
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, provider of financial services. SEB Group is a leading Nordic financial services group. As a relationship bank, SEB in Sweden and the Baltic countries offers financial advice and a wide range of financial services. In Denmark, Finland, Norway and Germany, the bank's operations have a strong focus on corporate and investment banking based on a full-service offered corporate and institutional customers. Bank has presence in about 20 countries worldwide.

AS SEB Pank Group 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 Group interim report is not audited.

Consolidated financial statements

1. Consolidated income statement

(millions of EUR)

	2018		2017	
	9 months	QIII	9 months	QIII
Net interest income	73.6	25.4	66.6	23.2
Net fee and commission income	36.1	12.5	35.2	12.1
Net financial income	5.4	2.3	4.9	1.1
Share of profit of associates	0.3	0.2	0.2	0.1
Other income	0.5	0.0	1.1	0.2
Total income	115.9	40.4	108.0	36.7
Personnel expenses	-29.1	-9.6	-28.4	-9.3
Other expenses	-10.1	-3.3	-12.7	-3.8
Depreciation, amortisation and impairment of tangible and intangible assets	-2.4	-0.8	-2.8	-0.9
Total expenses	-41.6	-13.7	-43.9	-14.0
Profit before expected credit losses	74.3	26.7	64.1	22.7
Expected credit losses*	-0.2	-0.7	-	-
Impairment losses on loans and advances**	-	-	0.2	0.2
Profit before income tax	74.1	26.0	64.3	22.9
Income tax	-17.5	0.0	-7.5	0.0
Net profit	56.6	26.0	56.8	22.9
Profit attributable to the sole equity holder	56.6	26.0	56.8	22.9

* Based on IFRS 9 expected loss model

** Based on IAS 39 incurred loss model

2. Consolidated statement of comprehensive income

(millions of EUR)

	2018		2017	
	9 months	QIII	9 months	QIII
Net profit	56.6	26.0	56.8	22.9
Items that may subsequently be reclassified to the income statement:				
Revaluation of available-for-sale financial assets	0.0	0.0	0.4	0.3
Total other comprehensive income	0.0	0.0	0.4	0.3
Total comprehensive income	56.6	26.0	57.2	23.2
Sole equity holder of the parent entity (total)	56.6	26.0	57.2	23.2
-Total comprehensive income from continued operations	56.6	26.0	57.2	23.2

3. Consolidated statement of financial position

(millions of EUR)

	30.09.18	01.01.18	31.12.17
ASSETS			
Cash and cash balances with central bank	291.8	1 051.2	1 051.2
Loans to credit institutions	582.9	172.3	172.3
Loans to the public	5 044.0	4 747.8	4 751.0
Debt securities	100.4	89.2	89.2
Equity instruments	9.0	7.4	7.4
Derivatives	20.3	23.5	23.5
Investments in associates	1.3	1.0	1.0
Intangible assets	4.8	3.9	3.9
Property, plant equipment	10.1	9.7	9.7
Accruals and prepaid expenses	13.6	15.0	15.0
Total Assets	6 078.2	6 121.0	6 124.2
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits from central banks and credit institutions	923.5	1 214.5	1 214.5
Deposits and borrowings from the public	4 012.3	3 747.2	3 747.2
Other financial liabilities	77.4	78.7	78.7
Derivatives	18.9	23.2	23.2
Provisions	0.3	0.0	0.0
Accrued expenses and prepayments	19.8	18.1	18.1
Total Liabilities	5 052.2	5 081.7	5 081.7
Share capital	42.5	42.5	42.5
Share premium	86.3	86.3	86.3
Other reserves	19.4	19.4	19.4
Retained earnings	877.8	891.1	894.3
Total shareholders' equity	1 026.0	1 039.3	1 042.5
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6 078.2	6 121.0	6 124.2

4. Consolidated cash flow statement

(millions of EUR)

	2018	2017
	9 months	9 months
Cash flow from operating activities	-268.3	-220.3
Cash flow from investment activities	-4.9	-1.5
Cash flow from financing activities	-70.0	-30.0
Net change in cash and cash equivalents	-343.2	-251.8
Cash and cash equivalents at the beginning of year	1 244.9	1 270.9
Net change in cash and cash equivalents	-343.2	-251.8
Cash and cash equivalents at the end of period	901.7	1 019.1

5. Changes in consolidated shareholders' equity

(millions of EUR)

	Share capital	Share premium	Reserves	Retained profit	Total shareholders' equity
Year beginning at 01.01.2017	42.5	86.3	20.3	836.8	985.9
Dividend paid	0.0	0.0	0.0	-30.0	-30.0
Other	0.0	0.0	0.0	0.4	0.4
Net profit	0.0	0.0	0.0	56.8	56.8
Other comprehensive income:					
Net change in available-for-sale financial assets	0.0	0.0	0.4	0.0	0.4
Total other comprehensive income	0.0	0.0	0.4	0.0	0.4
Total comprehensive income	0.0	0.0	0.4	56.8	57.2
Final balance at 30.09.2017	42.5	86.3	20.7	864.0	1 013.5
Balance at 31.12.2017	42.5	86.3	19.4	894.3	1 042.5
Effect of applying IFRS9 *	0.0	0.0	0.0	-3.2	-3.2
Restated balance at 01.01.2018	42.5	86.3	19.4	891.1	1 039.3
Dividend paid	0.0	0.0	0.0	-70.0	-70.0
Other	0.0	0.0	0.0	0.1	0.1
Net profit	0.0	0.0	0.0	56.6	56.6
Total comprehensive income	0.0	0.0	0.0	56.6	56.6
Final balance at 30.09.2018	42.5	86.3	19.4	877.8	1 026.0

*IFRS 9 Financial instruments is applied from 1 January 2018

Note 1

Accounting principles

The interim report condensed financial statements of AS SEB Pank Group for Quarter III 2018 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 2017, prepared in conformity with International Financial Reporting Standards (IFRS).

As of 1 January 2018 there are significant changes to the accounting principles from the application of IFRS 9 Financial Instruments and of IFRS 15 Revenue from Contracts with Customers. The transition tables has been created to explain the changes to Group`s financial statements as of 1 January 2018. These changes primarily cover the new presentation of balance sheet to better reflect the new requirements under IFRS 9 Financial Instruments and the effects of transition from IAS 39 to IFRS 9 as per 1 January 2018. Group does not have transition effect of IFRS 15 on financial statements.

Additional information about Group`s adoption of IFRS 9 and IFRS 15 is described in the Annual Report 2017 note 1.21 “New International Financial Reporting Standards, amendments to published standards and interpretations by the International Financial Reporting Interpretations Committee” on page 42-44.

In all other material aspects, the Group`s accounting principles, used in the interim report of AS SEB Pank Group for Quarter III 2018 are in conformity with the accounting principles used in the annual report for the year ended on 31 December 2017.

Transition disclosure

1. Change in presentation of financial position (millions of EUR)

Financial position (balance sheet)	Restated closing balance	Change in presentation	New presentation of closing balance	Financial position - new proposed structure
	31.12.17		31.12.17	
ASSETS				ASSETS
Cash and balances with central bank	1 051.2	0.0	1 051.2	Cash and balances with central bank
Loans and advances to credit institutions	172.2	0.1	172.3	Loans to credit institutions
Loans and advances to customers	4 734.1	16.9	4 751.0	Loans to the public
Financial assets held for trading	23.6	-23.6	0.0	
Financial assets designated at fair value through profit or loss at inception	89.2	-89.2	0.0	
Available-for-sale financial assets	7.3	-7.3	0.0	
	0.0	89.2	89.2	Debt securities
	0.0	7.4	7.4	Equity instruments
	0.0	23.5	23.5	Derivatives
Investments in associates	1.0	0.0	1.0	Investments in associates
Intangible assets	3.9	0.0	3.9	Intangible assets
Property, plant equipment	9.7	0.0	9.7	Property, plant equipment
Accruals and prepaid expenses	15.0	0.0	15.0	Accruals and prepaid expenses
Other assets *	17.0	-17.0	0.0	Other assets *
TOTAL ASSETS	6 124.2	0.0	6 124.2	TOTAL ASSETS
LIABILITIES AND SHAREHOLDERS EQUITY				LIABILITIES AND SHAREHOLDERS EQUITY
Due to credit institutions	1 214.5	0.0	1 214.5	Deposits from central banks and credit institution
Due to customers	3 747.2	0.0	3 747.2	Deposits and borrowings from the public
Other Liabilities	78.7	0.0	78.7	Other financial liabilities
Financial liabilities at fair value through profit or loss	23.2	0.0	23.2	Derivatives
Provisions	0.0	0.0	0.0	Provisions
Accrued expenses and prepayments	18.1	0.0	18.1	Accrued expenses and prepayments
Total Liabilities	5 081.7	0.0	5 081.7	Total Liabilities
Share capital	42.5	0.0	42.5	Share capital
Share premium	86.3	0.0	86.3	Share premium
Other reserves	21.0	-1.6	19.4	Other reserves
Retained earnings	892.7	1.6	894.3	Retained earnings
Total shareholder's equity	1 042.5	0.0	1 042.5	Total shareholder's equity
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	6 124.2	0.0	6 124.2	TOTAL LIABILITIES AND SHAREHOLDERS EQUITY

* Loans related advances

2. Financial position - reconciliation upon transition IAS 39 to IFRS 9

(millions of EUR)

	New presentation of closing balance	Change in ECL allowances	Opening balance
Financial position - new proposed structure	<u>31.12.17</u>		<u>01.01.18</u>
ASSETS			
Cash and balances with central bank	1 051.2		1 051.2
Loans to credit institutions	172.3		172.3
Loans to the public	4 751.0	-3.2	4 747.8
Debt securities	89.2		89.2
Equity instruments	7.4		7.4
Derivatives	23.5		23.5
Investments in associates	1.0		1.0
Intangible assets	3.9		3.9
Property, plant equipment	9.7		9.7
Accruals and prepaid expenses	15.0		15.0
TOTAL ASSETS	6 124.2	-3.2	6 121.0
LIABILITIES AND SHAREHOLDERS EQUITY			
Deposits from central banks and credit institutions	1 214.5		1 214.5
Deposits and borrowings from the public	3 747.2		3 747.2
Other financial liabilities	78.7		78.7
Derivatives	23.2		23.2
Provisions	0.0		0.0
Accrued expenses and prepayments	18.1		18.1
Total Liabilities	5 081.7	0.0	5 081.7
			0.0
Share capital	42.5		42.5
Share premium	86.3		86.3
Other reserves	19.4		19.4
Retained earnings	894.3	-3.2	891.1
Total shareholder's equity	1 042.5	-3.2	1 039.3
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	6 124.2	-3.2	6 121.0

3. Overview of changes to measurement categories on transition to IFRS 9

(millions of EUR)

ASSETS	Closing balance 31.12.2017 IAS 39 measurement categories						Opening balance 01.01.2018 IFRS 9 measurement categories				
	HFT ¹⁾	FVO ²⁾	AFS ³⁾	LaR ⁴⁾	Other ⁸⁾	Total	FVHFT ⁵⁾	FVMPL ⁶⁾	AmC ⁷⁾	Other ⁸⁾	Total
Cash and balances with central bank				1 051.2		1 051.2			1 051.2		1 051.2
Loans to credit institutions				172.3		172.3			172.3		172.3
Loans to the public				4 751.0		4 751.0			4 747.8		4 747.8
Debt securities		89.2				89.2		89.2			89.2
Equity instruments			7.4			7.4		7.4			7.4
Derivatives	23.5					23.5	23.5				23.5
Investments in associates				1.0		1.0			1.0		1.0
Intangible assets					3.9	3.9				3.9	3.9
Property, plant equipment					9.7	9.7				9.7	9.7
Accruals and prepaid expenses					15.0	15.0				15.0	15.0
TOTAL ASSETS	23.5	89.2	7.4	5 975.5	28.6	6 124.2	23.5	96.6	5 972.3	28.6	6 121.0

LIABILITIES AND SHAREHOLDERS EQUITY	HFT ¹⁾	FVO ²⁾		AmC ⁷⁾	Other ⁸⁾	Total	FVHFT ⁵⁾		AmC ⁷⁾	Other ⁸⁾	Total
Deposits from central banks and credit institutions				1 214.5		1 214.5			1 214.5		1 214.5
Deposits and borrowings from the public				3 747.2		3 747.2			3 747.2		3 747.2
Other financial liabilities				78.7		78.7			78.7		78.7
Derivatives					23.2	23.2				23.2	23.2
Provisions	0.0					0.0	0.0				0.0
Accrued expenses and prepayments					18.1	18.1				18.1	18.1
Total shareholder's equity					1 042.5	1 042.5				1 039.3	1 039.3
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	0.0	0.0	0.0	5 040.4	1 083.8	6 124.2	0.0	0.0	5 040.4	1 080.6	6 121.0

¹⁾HFT – Financial assets held for trading

²⁾FVO – Financial assets designated at fair value through profit or loss at inception

³⁾AFS – Available for sale financial assets

⁴⁾LaR – Loans and receivables

⁵⁾FVHFT - Financial assets held for trading at fair value through profit or loss

⁶⁾FVMPL – Non-trading financial assets mandatorily at fair value through profit or loss

⁷⁾AmC – Financial assets at amortized cost

⁸⁾Refers to non-financial assets

Note 2

Capital adequacy

The information about capital adequacy is presented on separate report "AS SEB Pank Group Capital Adequacy and Risk Management Report (Pillar 3) 2018 Quarter III" on web page www.seb.ee.