

AS SEB Pank Group

Interim Report of QIV 2008



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Statement of the Management Board

Management Board of AS SEB Pank is on an opinion that the Interim Report of Quarter IV 2008 consists of the following parts and reports:

- Introduction – general information
- Management Report
- Consolidated Financial Statements
- Notes

The financial and other additional information published in the Interim Report of Quarter IV 2008 is true and complete. Consolidated financial statements gives a true and fair view of the actual financial position, results of operations and cash flows of the group.

Consolidated financial statements have been compiled in accordance with the International Accounting Standard IAS 34 “Interim financial reporting” and in conformity with the requirements of Eesti Pank for publishing information. AS SEB Pank and subsidiaries of the consolidated group are assumed to be going concern.

The Interim Report of Quarter IV 2008 is not audited.

Ahti Asmann
Chairman of the Management Board

I. 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	08.12.95
Registry code	10004252 (Estonian Commercial Register)
Phone	+372 6 655 100
Telex	173 006 UNION EE
Fax	+372 6 655 102
SWIFT	EEUHEE2X
e-mail	postkast@seb.ee
Internet homepage	http://www.seb.ee

2. Auditor

Audit company	AS PricewaterhouseCoopers
Registry code	10142876
Address	Pärnu Str. 15, 10141 Tallinn, Estonia
Report balance sheet date	31.12.2008
Reporting period	01.01.2008 - 31.12.2008
Report currency	Estonian kroon (EEK), millions

II. Management Report
1. Bank and consolidated group
1.1. Consolidated group

31.12.08

Company name	Register	Reg.date	Address	Activity	Holding (%) ***	At an acquisition cost (EEK mio)
AS SEB Liising	10281767	03.10.97	Tallinn, Tornimäe 2	Leasing	100.0%	23.4
AS SEB Kindlustusmaakler*	10723587	16.01.01	Tallinn, Tornimäe 2	Insurance brokerage	100.0%	-
AS Rentacar*	10303546	20.10.97	Haapsalu, Karja 27	Leasing	100.0%	-
AS SEB Varahaldus	10035169	22.05.96	Tallinn, Tornimäe 2	Asset management	100.0%	42.5
AS SEB Elu- ja Pensionikindlustu	10525330	21.01.99	Tallinn, Tornimäe 2	Life and pension insurance	100.0%	30.0
AS Bangalo	10088272	18.10.96	Tallinn, Tornimäe 2	Rental of computers	100.0%	47.0
AS SEB Enskilda	11354037	16.02.07	Tallinn, Tornimäe 2	Financial consulting	100.0%	11.5
OÜ Strongler	10141919	23.04.97	Tallinn, Tornimäe 2	Real estate	100.0%	26.2
SEB IT Partner Estonia OÜ**	10002566	20.11.95	Tallinn, Liimi 1B	IT consulting, programming	35.0%	0.3
AS Sertifitseerimiskeskus**	10747013	27.03.01	Tallinn, Pärnu mnt 12	Data communication services	25.0%	15.1
OÜ TietoEnator Support **	11065244	30.08.04	Tallinn, Roosikrantsi 1	IT consulting, programming	20.0%	0.6
						196.6

All enterprises registered in Estonian Commercial Register.

* Consolidated subsidiaries of AS SEB Liising

** Associates

*** For all investments the percentage of holding equals to both, the holding from the number of shares as well as from the number of votes.

Parent company of the Group is AS SEB Pank, its activity being banking (information on page 3).

The 'consolidated group' in the meaning of Credit Institutions Law in Estonia and the 'Group' for IFRS consolidation purposes are identical.

Non-profit association SEB Heategevusfond is an association, not belonging to the consolidation group, registered on 06.01.2006. The founders of the association are AS SEB Pank and AS SEB Elu- ja Pensionikindlustus. The association is aimed at raising and distributing funds for charitable cause to organisations, dealing with children, who have been deprived of parental care. Upon dissolution of the association, the assets remaining after satisfaction of the claims of creditors shall be transferred to a non-profit association or foundation with similar objectives, entered to the list of associations subject to income tax incentive of the Government of the Republic, or a legal person in public law, state or local government.

1.2. Changes in the consolidated group during the accounting period and plans for year 2009

In January HF Liisingu AS was liquidated, respective entry was made by Estonian Commercial Register on 31.01.2008.

In June was sold a subsidiary JSC SEB Leasing (Russian entity), which was moved in SEB Group to direct ownership by SEB AB. In June also was sold ownership in the associate Pankade Kaardikeskus AS (card centre).

No such events or trends have occurred by the time of publishing the report, which would affect the financial strategy of the group in 2009.

2. Key events in QIV and year 2008

Efficiency and development

The number of the AS SEB Bank's active customers grew by 17,500 individuals and 2,000 companies in 2008.

Since 7 March 2008, AS SEB Pank has been rebranded and the bank now operates under the name SEB Pank.

In January, AS SEB Pank successfully launched SEPA payments, becoming the only bank in Estonia to be a direct member of the pan-European clearing system.

AS SEB Pank was the first bank in Estonia to gain approval from the Financial Supervisory Authority to use IRB (Internal Ratings Based Approach) and AMA (Advanced Measurement Approach) models for credit and operational risk management and measurement for capital requirements.

AS SEB Pank, along with other major banks in Estonia, successfully completed the sale of the card payment processing company Pankade Kaardikeskus AS (PKK) to Northern European Transaction Services (NETS).

SEB group and the leading international insurance company Genworth Financials launched Payment Protection Insurance for private borrowers, which allows their loan obligations to be fulfilled even in the event that they involuntarily become unemployed or temporarily incapacitated as a result of an accident or illness. 2000 clients made use of this opportunity in 2008.

Encouraged by the success of SME start packages, SEB group also launched package-based products for private individuals. In terms of pricing the more relevant banking products are free of charge for clients and there is just one fixed monthly fee instead of various bank charges. The packages have proven to be very popular and SEB group has attracted a number of new active customers; in fact 50% of package clients are completely new or previously passive clients. The packages have also boosted customer satisfaction since they make our banking services easier and simpler. By the end of 2008 more than 50,000 clients used package-based pricing.

SEB Estonia (SEB Pank Group and his subsidiaries in Estonia) introduced a new service concept in September with a relationship agreement called the SEB Pension Plan. This new concept is something we believe will differentiate us from our main competitors, as we are the only bank in Estonia that provides a systematic overview of pension investments in all three pillars. The SEB Pension Plan attracted 10,000 customers within four months.

In October SEB Estonia launched the new II pillar pension fund SEB Optimal Pension, which invests 75% of its assets in less risky instruments: bonds, money market instruments, deposits and other assets.

More than 10,000 pensioners opened an account in AS SEB Pank in Q4 in order to obtain their retirement pay through the bank. Previously they received their pension through post offices. AS SEB Pank offered them a special bank card which provides discounts in 185 pharmacies across Estonia operated by AS SEB Pank's partner Apteek1. The pharmacy discount bank card is the first of its kind in Estonia.

SEB Estonia has effectively increased its market share among companies which are starting up. More than half of all newly established companies started their business with AS SEB Pank in 2008.

Customer relations and customer satisfaction

AS SEB Pank ranked third in an image profile survey carried out in 2008 by TNS Emor in Estonia, up one position on the previous survey. The survey covered 66 major companies in the country and measured their image based on people's general attitude and perceived strength. The survey was conducted in April and was the eighth of its kind

The latest customer satisfaction poll conducted by TNS Emor revealed that despite a difficult year on the financial market and for the world economy, private and corporate customer satisfaction is still highest with AS SEB Pank. The fact that AS SEB Pank's customer relations are significantly stronger than the European average is also worthy of mentioning. Whereas in Europe the average customer satisfaction index for retail banking is 68, the corresponding index in AS SEB Pank is 77. 98% of our customers are satisfied with our services, and 93% would recommend AS SEB Pank and its services to their friends and family. Our customers feel that the bank's main strengths lie in staff competence; its ability to consider the customer's interests; appealing customer service; and the bank's good reputation.

The Banker, the global financial magazine published by the Financial Times publishing group, selected AS SEB Pank as the best bank in Estonia in 2008 – the second year in a row that AS SEB Pank received the award.

AS SEB Pank and AS SEB Enskilda were also recognised as the "Best Equity House in Estonia" by the pre-eminent international finance magazine Euromoney. The magazine highlighted AS SEB Enskilda's roles in Estonia in the IPO of Arco Vara for €83M in June 2007 as well as the groundbreaking listing of Trigon Agri. In conclusion, Euromoney noted that "of the three banks operating in the Estonian IPO market in the past 12 months – AS SEB Enskilda, Suprema and UniCredit – the first is clearly the market leader."

In early 2009 the world's leading magazine on securities services, Global Custodian, gave AS SEB Pank's Custody Services the highest possible rating on the Estonian market – Top Rated, based on customer satisfaction surveys in 2008.

Social responsibility and sponsorship

AS SEB Pank supports Estonia's leading business plan competition 'Ajujaht', which is designed to contribute to the creation of new knowledge-based companies and to boost the business skills of students and young scientists. 259 business ideas were submitted this year. These are transformed into business plans with the help of experts and perfected until the teams are ready to meet investors and take the idea to a successful launch. The competition will run until spring 2009.

In 2008 the MTÜ SEB Heategevusfond (Charity Fund) conducted several campaigns to raise money to support children without parental care. Since the foundation of the fund in 2006 almost 9 million kroons has been raised in support of children's shelters and safe houses all over Estonia. Our aim is to provide children who have no parental care with more equal opportunities, allowing them to feel that they are on the same level as peers raised in conventional families, to be active and to broaden their horizons. The bank provides the fund with two million kroons in support every year. To date over 6000 bank customers have joined us in our efforts and are making donations on a regular basis. The funds raised with the help of these good people have been used to organise various events for children – sports days, first aid courses, visits to the theatre and cinema and more. We have also distributed more than 1000 children's books and bought sports equipment.

3. Capital adequacy (millions of EEK)	Basel II*	Basel I
	rules	rules
	31.12.08	31.12.07
CAPITAL BASE		
Paid-in share capital	665.6	665.6
Premium	1,346.6	1,346.6
General banking reserves	304.9	321.5
Retained earnings / loss	5,571.0	5,739.3
Unrealised profit for previous periods on shares of subsidiaries and associated companies (negative)	-3.7	-
Unrealised FX differences	0.0	-0.8
Intangibles	-390.5	-392.9
Audited profit for the period (group without life insurance)	0.0	
Total primary own funds	7,494.0	7,679.3
Subordinated debt	2,613.0	2,613.0
Available for sale financial instruments	-2.5	-
Unrealised part of profit on shares of subsidiaries and associated companies	1.7	-
Allowances and adjustments exceeding expected loss	0.5	
Total supplementary own funds	2,612.7	2,613.0
Majority holding in other credit and financial institutions	3.6	3.6
Majority holding in insurers	30.0	-
Total deductions	33.6	3.6
Total third level own funds	-	-
Own funds included in calculation of capital adequacy	10,073.1	10,288.7
	Basel II*	Basel I
	rules	rules
	31.12.08	31.12.07
CAPITAL REQUIREMENTS		
Central government and central banks with standardised approach	22.4	
Municipalities and regions with standardised approach	90.2	
State agencies, non-profit institutions and associations with standardised	2.0	
Retail claims with standardised approach	289.2	
Overdue claims with standardised approach	3.9	
Shares of investment funds with standardised approach	5.4	
Other assets with standardised approach	91.3	
Credit institutions, investment firms and municipalities with IRB	20.4	
Other companies with IRB	2,816.1	
Retail claims with IRB	715.5	
Total capital requirements for covering the credit risk and counterparty credit risk (in Basel I risk weighted assets)	4,056.4	76,562.3
Capital requirement for covering interest position risk	19.2	
Capital requirement for covering equity position risk	0.6	
Total capital requirements for covering the FX risk, commodity risk and AMA of operational risk	19.8	46.0
Capital requirements total	4,222.0	
Transition period floor of own funds if using IRB	6,510.8	
Capital requirements for calculating capital adequacy	6,510.8	76,608.3

*Basel II calculations are made for Group without AS SEB Elu- ja Pensionikindlustus (life insurance), holding in insurer is deducted. Basel I calculations are made for Group with AS SEB Elu- ja Pensionikindlustus, holding in subsidiary is eliminated in group consolidation.

CAPITAL RATIOS

	Basel II* rules	Basel I rules
	31.12.08	31.12.07
Capital adequacy (%)	15.47	13.20
Tier 1 Capital Ratio (%)	11.48	9.85
Tier 2 Capital Ratio (%)	3.99	3.35

**MEMBERS OF CONSOLIDATION GROUP,
INCLUDED TO CAPITAL ADEQUACY
CALCULATION**

AS SEB Pank
AS SEB Liising
AS SEB Varahaldus
AS Bangalo
AS SEB Enskilda
OÜ Strongler

**MEMBERS OF CONSOLIDATION GROUP, NOT
INCLUDED TO CAPITAL ADEQUACY
CALCULATION**

AS SEB Elu- ja Pensionikindlustus

In Estonia the Basel II capital adequacy rules are in effect from 1 January 2007. Basel II is new capital adequacy framework which aims to converge regulative capital to the actual capital need of the bank according to its risk profile. Capital requirements for credit risk are reflecting the actual risk better than the previous rules, capital requirements for operational risk are introduced and the risk management and internal capital assessment of banks are subject to stricter scrutiny by the supervisors. In period 01.01.2008 - 30.06.2008 SEB Pank Group used standard method for calculation of credit risk and market risk and base method for calculating operational risk. From July 1, 2008, after respective permissions were granted by the supervisors, SEB Pank Group started to use the internal ratings based approach for reporting of credit risk and advanced approach for reporting of operational risk under Basel II.

4. Risk concentration

	<u>31.12.08</u>	<u>31.12.07</u>
Total claims against persons associated with the credit institution's consolidation group, EEKmio	15.7	18.5
The share of claims of the persons associated with the credit institution's consolidation group in net own funds, %	0.16	0.19
Total of large exposure claims, EEKmio	2,378.9	1,894.3
The share of large exposure claims in net own funds, %	23.61	19.97
Number of large exposure customers, pcs	2	2

5. Key Figures

	<u>31.12.08</u>	<u>31.12.07</u>
Net profit, EEKmio	766.4	2,026.5
Average equity, EEKmio	8,457.8	7,076.9
Return on equity (ROE), %	9.06	28.64
Average assets, EEKmio	86,625.7	79,553.0
Return on assets (ROA), %	0.88	2.55
Net interest income (excl. off-balance sheet transactions), EEKmio	1,873.3	1,601.7
Average interest earning assets, EEKmio	81,912.7	74,606.4
Net interest margin (NIM), %	2.29	2.15
Cost / Income ratio, %	43.0	39.2
Impaired NPL / gross portfolio, %	2.35	0.38

Explanations

Return on equity (ROE) = Net profit / Average equity * 100

Return on assets (ROA) = Net profit / Average assets * 100

Net interest margin (NIM) = Net interest income (excl. off-balance sheet transactions) / Average interest earning assets * 100

Cost / Income Ratio = Total Operating Expenses / Total Income * 100

Impaired NPL / gross portfolio = Impaired, non-performing loans, gross / Loans and advances to customers without allowances for doubtful debt * 100

II. Consolidated Financial Accounts

1. Consolidated Balance Sheet

(millions of EEK)

	<u>31.12.08</u>	<u>31.12.07</u>
ASSETS		
Cash	712.1	751.9
Balances with central bank	5,739.4	4,192.5
Loans and advances to credit institutions	6,026.6	5,436.8
Loans and advances to customers	69,619.0	71,989.0
Financial assets held for trading	399.2	527.1
Financial assets at fair value through profit or loss	1,043.3	1,461.8
Available-for-sale financial assets	412.4	66.2
Other assets	598.1	3,120.2
Deferred income tax assets	0.0	0.7
Investments in associates	9.2	53.7
Intangible assets	390.5	392.9
Property plant and equipment	146.6	162.2
TOTAL ASSETS	85,096.4	88,155.0
LIABILITIES AND SHAREHOLDERS' EQUITY		
Due to credit institutions	35,776.4	35,410.1
Due to customers	35,006.2	35,889.0
Lending funds	129.9	144.0
Other liabilities	1,516.2	4,446.1
Deferred income tax liabilities	0.0	4.2
Issued debt securities	106.1	667.5
Financial liabilities at fair value through profit or loss	497.6	361.2
Provisions	611.2	527.0
Subordinated loans	2,620.9	2,622.3
Total Liabilities	76,264.5	80,071.4
Share capital	665.6	665.6
Share premium	1,346.6	1,346.6
Other reserves	318.9	332.9
Translation reserve	0.0	-0.8
Retained earnings	6,500.8	5,739.3
Total shareholders' equity	8,831.9	8,083.6
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	85,096.4	88,155.0

2. Consolidated Income Statement

(millions of EEK)

	Note	2008	2008	2008	2007	2007	2007
			II half	QIV		II half	QIV
Interest and similar income	6	4,993.4	2,513.1	1,253.7	4,157.5	2,275.9	1,184.8
Interest expenses and similar charges	7	-3,120.1	-1,542.1	-773.4	-2,555.8	-1,417.3	-736.7
Net Interest Income		1,873.3	971.0	480.3	1,601.7	858.6	448.1
Fee and commission income	8	1,045.2	466.3	216.9	1,228.3	597.6	308.3
Fee and commission expense	9	-317.8	-149.5	-72.4	-393.2	-196.8	-96.0
Net fee and commission income		727.4	316.8	144.5	835.1	400.8	212.3
Net income from foreign exchange		134.0	66.4	34.3	161.8	95.9	46.6
Gains less losses from financial assets at fair value through profit or loss		-198.3	-171.3	-162.0	47.7	-11.7	-25.0
Income from insurance activities		-44.6	-49.5	-46.5	74.2	23.7	12.9
Income from dividends		30.0	30.0	29.3	0.6	0.0	0.0
securities		148.8	0.3	0.0	15.2	6.4	6.4
Share of profit of associates		1.6	-0.2	-0.1	10.8	6.0	2.8
Other income		13.4	-54.9	-88.2	549.3	523.2	517.6
Personnel expenses		-677.6	-333.5	-166.9	-690.4	-344.9	-175.6
Other expenses		-412.0	-140.5	-10.8	-350.4	-183.8	-109.3
Depreciation, amortization and impairment of tangible and intangible assets		-65.0	-32.9	-16.4	-61.3	-31.0	-15.9
Profit before impairment losses on loans and advances		1,531.0	601.7	197.5	2,194.3	1,343.2	920.9
Impairment losses on loans and advances	10	-761.0	-147.2	-121.8	-152.4	-120.8	-113.4
Profit before income tax		770.0	454.5	75.7	2,041.9	1,222.4	807.5
Income tax		-3.6	0.0	0.0	-15.4	-8.6	-3.4
Net profit	12	766.4	454.5	75.7	2,026.5	1,213.8	804.1
Earnings and diluted earnings per share, EEK		11.51	13.66	4.55	30.45	36.47	48.32

3. Consolidated cash flow statement

(millions of EEK)

	31.12.08	31.12.07
I. Cash flows from operating activities		
Interest received	4,712.9	3,883.3
Interest paid	-2,529.9	-2,015.5
Dividends received	29.9	0.6
Fee and commission received	1,045.2	1,228.3
Net trading income and other operating income	-65.7	463.3
Personnel expenses and other operating expenses	-1,047.2	-1,001.9
Income taxes paid	-3.5	-15.4
Revaluation adjustments	-37.9	-12.2
Cash flows from operating profits before changes in the operating assets and liabilities	2,103.8	2,530.5
Changes in operating assets:		
Loans and advances to credit institutions	2,014.9	-1,646.2
Loans and advances to customers	1,231.1	-11,987.7
Other assets	740.6	-468.5
Changes of operating liabilities:		
Due to credit institutions	-2,169.5	10,015.5
Due to customers	-923.6	2,979.7
Lending funds	-14.2	29.5
Other liabilities	-710.9	462.5
Cash flow from operating activities	2,272.2	1,915.3
II. Cash flows from investing activities		
Net increase-/decrease+ of investment portfolio securities	-1,901.9	-10,817.7
Proceeds from sale of investment portfolio securities	2,120.3	10,428.6
Proceeds from sale and liquidation of associates	46.1	0.0
Purchase of tangible and intangible assets	-51.8	-94.9
Proceeds from sale of tangible and intangible assets	4.8	10.1
Cash flow from (used in) investing activities	217.5	-473.9
III. Cash flows from financing activities		
Proceeds from debt securities (issuing)	250.1	615.6
Repurchasing and redemption of debt securities	-810.0	-234.7
Proceeds from subordinated loans	0.0	782.3
Cash flow from financing activities	-559.9	1,163.2
Net increase in cash and cash equivalents	1,929.8	2,604.6
Cash and cash equivalents at beginning of period	10,219.9	7,601.5
Effect of exchange rate changes on cash and cash equivalents	3.4	13.8
Cash and cash equivalents at end of period	12,153.1	10,219.9
Cash and cash equivalents includes:	31.12.08	31.12.07
Cash on hand	712.1	751.9
Balances with the central bank	5,730.4	4,181.0
Liquid deposits in other credit institutions	5,694.8	5,094.7
Trading portfolio	15.8	192.3
	12,153.1	10,219.9

4. Changes in Consolidated Shareholders' Equity

(millions of EEK)

	Paid up capital	Share premium	Reserves	Translation differences	Retained profit	Total shareholders' equity
Year beginning 01.01.2006	665.6	1,346.6	338.0	0.1	3,719.9	6,070.2
Net change in available for sale financial assets	0.0	0.0	-8.4	0.0	-3.8	-12.2
Currency translation differences	0.0	0.0	0.0	-0.9	0.0	-0.9
Total recognised income for the year	0.0	0.0	-8.4	-0.9	-3.8	-13.1
Statutory reserve	0.0	0.0	3.3	0.0	-3.3	0.0
Profit for the year	0.0	0.0	0.0	0.0	2,026.5	2,026.5
Final balance 31.12.2006	665.6	1,346.6	332.9	-0.8	5,739.3	8,083.6
Year beginning 01.01.2007	665.6	1,346.6	332.9	-0.8	5,739.3	8,083.6
Net change in available for sale financial assets	0.0	0.0	-16.9	0.0	-2.0	-18.9
Currency translation differences	0.0	0.0	0.0	0.8	0.0	0.8
Total recognised income for the year	0.0	0.0	-16.9	0.8	-2.0	-18.1
Statutory reserve	0.0	0.0	2.9	0.0	-2.9	0.0
Profit for the year	0.0	0.0	0.0	0.0	766.4	766.4
Final balance 31.12.2007	665.6	1,346.6	318.9	0.0	6,500.8	8,831.9

5. Contingent assets and liabilities and commitments

(millions of EEK)

31.12.08	Contract amount		Fair value	
	Assets	Liabilities	Assets	Liabilities
1. Irrevocable transactions	926.6	10,088.9	0.0	0.0
1.1. Guarantees and pledges	640.3	4,280.5	0.0	0.0
<i>incl. financial guarantees</i>	625.9	1,624.9	0.0	0.0
1.2. Loan commitments	286.3	5,807.4	0.0	0.0
1.3. Other off-balance sheet commitments	0.0	1.0	0.0	0.0
2. Derivatives	11,258.3	11,250.1	383.4	489.4
2.1. Currency related derivatives	5,422.0	5,509.7	68.1	152.4
2.2. Interest related derivatives	4,215.6	4,223.3	275.2	275.2
2.3. Equity related derivatives*	1,620.7	1,517.1	40.1	61.8
	12,184.9	21,339.0	383.4	489.4

31.12.07	Contract amount		Fair value	
	Assets	Liabilities	Assets	Liabilities
1. Irrevocable transactions	745.8	11,655.2	0.0	0.0
1.1. Guarantees and pledges	273.9	3,908.8	0.0	0.0
<i>incl. financial guarantees</i>	234.7	1,362.9	0.0	0.0
1.2. Loan commitments	471.9	7,736.2	0.0	0.0
1.3. Other off-balance sheet commitments	0.0	10.2	0.0	0.0
2. Derivatives	9,079.7	9,071.5	334.8	324.2
2.1. Currency related derivatives	4,614.1	4,612.5	38.6	38.1
2.2. Interest related derivatives	2,927.9	2,927.6	0.0	0.0
2.3. Equity related derivatives*	1,537.7	1,531.4	296.2	286.1
	9,825.5	20,726.7	334.8	324.2

* Derivative transactions are executed to cover the client's position and the derivative risks are not taken to own portfolio. All risks arising from these transactions are fully mitigated with parent company. The equity option prices are calculated using for all input data (e.g. underlying prices or volumes) either independently sourced input (e.g. the underlying prices) or an independent price verification is performed on the next day to compare the values to independently sourced market data (e.g. for volumes).

Note 1**ACCOUNTING PRINCIPLES**

The interim report of AS SEB Pank Group for QIV 2008 has been prepared in conformity with International Accounting Standard IAS 34 "Interim Financial Reporting" and the disclosure requirements, established by Eesti Pank.

The accounting principles, used in the interim report of AS SEB Pank Group for QIV 2008 are in conformity with the accounting principles, used in the annual report for the year ended on 31 December 2007.

Some changes were made in the presentation of items of income statement and balance sheet comparing to the annual report 2007.

On the assets side are separately recorded "Financial assets held for trading", "Financial assets designated at fair value through profit or loss", "Available-for-sale financial assets", which were recorded in the one balance sheet line "Securities" in 2007. Derivatives are recorded in the line „Financial assets held for trading“, which were recorded in the balance sheet line „Other assets“ in 2007.

On the liability side are separately recorded "Issued debt securities", "Financial liabilities designated at fair value through profit or loss", which were recorded in the one balance sheet line "Issued debt securities" in 2007. Derivatives are recorded on the line "Financial liabilities designated at fair value through profit or loss", which were recorded in the balance sheet line "Other liabilities" in 2007. Breakdown of the balances was described in Notes to the financial statement in 2007.

Assets (millions of EEK)	adjusted		change	balances
	31.12.08	31.12.07		31.12.07
Securities	0.0	0.0	-2,055.1	2,055.1
Financial assets held for trading	399.2	527.1	+527.1	0.0
Financial assets at fair value through profit or loss	1,043.3	1,461.8	+1461.8	0.0
Available-for-sale financial assets	412.4	66.2	+66.2	0.0

Liabilities (millions of EEK)	adjusted		change	balances
	31.12.08	31.12.07		31.12.07
Other liabilities	1,516.2	4,446.1	-324.2	4,770.3
Issued debt securities	106.1	667.5	-37.0	704.5
Financial liabilities at fair value through profit or loss	497.6	361.2	+361.2	0.0

Note 2**Geographic concentration of financial assets and liabilities**

(millions of EEK)

	Cash and balances with central bank	Loans and advances to credit institu- tions	Loans and advances to custo- mers	Securi- ties	Other assets	Total assets	Due to credit institu- tions	Due to custo- mers	Other liabi- lities	Total liabilities	Contingent liabilities
31.12.08											
Sweden	6.1	469.3	34.9	192.6	0.0	702.9	34,740.9	176.0	2,712.2	37,629.1	2,676.5
Estonia	6,280.7	1.2	69,055.6	934.6	1,058.6	77,330.7	285.5	30,965.4	2,552.6	33,803.5	18,194.6
United Kingdom	1.9	4.7	41.9	44.3	0.0	92.8	32.2	1,587.4	0.6	1,620.2	61.8
Russia	2.5	122.8	17.5	50.7	0.0	193.5	29.3	268.1	0.2	297.6	1.8
Germany	64.8	5,344.0	48.4	53.5	0.0	5,510.7	542.1	24.1	0.2	566.4	89.6
United States	15.1	50.3	24.5	18.4	0.3	108.6	5.5	431.0	0.1	436.6	1.5
Canada	0.6	0.3	0.0	0.0	0.1	1.0	0.7	34.7	0.0	35.4	0.0
Japan	0.7	1.7	0.0	2.1	0.1	4.6	0.0	1.9	0.0	1.9	0.0
Finland	0.0	0.5	294.5	131.4	0.0	426.4	4.0	116.6	0.3	120.9	281.3
Latvia	4.1	11.5	0.3	20.6	0.0	36.5	31.3	36.2	0.0	67.5	10.2
Lithuania	2.4	0.8	0.7	18.2	0.2	22.3	16.0	9.8	0.8	26.6	2.8
Luxembourg	0.0	2.0	9.7	145.6	6.2	163.5	2.4	0.2	3.2	5.8	0.0
Netherlands	0.0	0.3	10.0	39.0	0.0	49.3	0.0	5.0	0.0	5.0	0.1
Other Western Europe	6.8	10.6	45.7	161.5	0.1	224.7	23.5	645.2	0.3	669.0	16.4
Other Eastern Europe	2.9	5.3	0.6	28.9	0.2	37.9	60.2	24.8	1.8	86.8	0.0
Other countries	62.9	1.3	34.7	22.7	69.4	191.0	2.8	679.8	209.6	892.2	2.4
TOTAL	6,451.5	6,026.6	69,619.0	1,864.1	1,135.2	85,096.4	35,776.4	35,006.2	5,481.9	76,264.5	21,339.0

	Cash and balances with central bank	Loans and advances to credit institu- tions	Loans and advances to custo- mers	Securi- ties	Other assets	Total assets	Due to credit institu- tions	Due to custo- mers	Other liabi- lities	Total liabilities	Contingent liabilities
31.12.07											
Sweden	6.8	4,828.2	42.5	453.1	4.5	5,335.1	34,677.7	213.9	2,629.3	37,520.9	1,894.2
Estonia	4,832.6	6.0	69,692.4	953.8	3,001.0	78,485.8	325.8	31,390.1	5,534.6	37,250.5	18,052.1
United Kingdom	3.0	80.8	48.5	0.4	0.0	132.7	6.0	1,620.4	1.2	1,627.6	105.5
Russia	9.2	201.6	1,909.2	130.2	382.2	2,632.4	9.9	254.3	302.3	566.5	48.8
Germany	0.0	12.3	77.4	23.7	0.0	113.4	340.1	41.0	0.0	381.1	64.4
United States	10.6	15.8	33.8	23.9	0.4	84.5	1.7	330.7	0.1	332.5	53.8
Canada	0.7	0.3	0.0	0.0	0.0	1.0	0.0	35.3	0.1	35.4	0.1
Japan	0.3	41.5	0.0	0.9	0.0	42.7	0.0	12.6	0.0	12.6	0.0
Finland	0.0	0.5	16.5	8.9	0.1	26.0	4.1	157.6	0.3	162.0	177.8
Latvia	5.0	82.9	39.9	33.0	0.0	160.8	18.0	112.3	0.0	130.3	16.6
Lithuania	2.6	66.9	0.4	25.8	0.0	95.7	15.4	101.3	0.8	117.5	12.0
Luxembourg	0.0	6.2	10.9	174.4	0.0	191.5	2.9	0.6	0.0	3.5	0.1
Netherlands	0.0	0.1	7.6	68.7	0.0	76.4	0.0	3.2	0.0	3.2	0.1
Other Western Europe	6.5	37.4	47.8	125.2	3.8	220.7	7.2	770.0	2.2	779.4	280.7
Other Eastern Europe	3.7	51.9	4.7	66.8	0.1	127.2	0.2	16.2	4.5	20.9	0.1
Other countries	63.4	4.4	57.4	20.0	283.9	429.1	1.1	829.5	296.9	1,127.5	20.4
TOTAL	4,944.4	5,436.8	71,989.0	2,108.8	3,676.0	88,155.0	35,410.1	35,889.0	8,772.3	80,071.4	20,726.7

Contingent liabilities in Note 2 and Note 3 includes guarantees and pledges, loan commitments, forwards, swaps, options, spots, interest rate based derivatives, revocable transactions, stand by loans, other revocable transactions, options of structured products and are presented in contract amount of contingent liabilities.

Securities in Note 2 and Note 3 includes Financial assets held for trading, Financial assets designated at fair value through profit or loss, Available-for-sale financial assets, Investments in associates.

Note 3**Concentration of financial assets and liabilities by economic sector**

(millions of EEK)

31.12.08**Economic sector**

	In balance sheet		
	Cash and loans to central bank, credit institutions and customers	Securities	Contingent liabilities
Finance	12,496.2	260.5	4,979.5
Real estate	11,502.3	597.1	2,578.1
Industry	5,628.6	48.3	1,570.9
Trading	5,123.6	138.6	2,824.3
Transport	3,860.1	35.8	1,378.8
Energy, gas and steam plants	2,353.6	0.0	1,375.9
Agriculture, fishing, forestry	2,043.7	4.4	102.9
Government and state defence	1,769.2	3.7	381.1
Construction	1,389.0	47.4	1,816.3
Hotels, restaurants	1,208.8	6.4	194.5
Health services, social work	935.1	12.1	110.0
Administration and assistance	840.7	34.9	206.3
Art, showbusiness, leisure	580.7	40.5	322.8
Professional, science and technical work	351.2	0.0	87.6
Water supply, canalization, waste management	339.5	0.0	90.2
Information and telecommunication	315.0	41.4	106.2
Education	286.6	0.0	252.5
Mining	58.4	11.6	4.6
Exterritorial organisations	0.1	2.3	0.5
Other government & social services	973.1	192.9	63.8
Individuals	31,135.5	2.8	2,892.2
Derivatives	0.0	383.4	0.0
Allowances	-1,093.9	-	-
TOTAL	82,097.1	1,864.1	21,339.0

31.12.07**Economic sector**

	In balance sheet		
	Cash and loans to central bank, credit institutions and customers	Securities	Contingent liabilities
Trading	10,387.7	1,113.5	4,794.5
Industry	7,216.5	61.6	2,762.5
Finance	6,819.0	99.2	1,799.1
Transport	4,292.5	73.6	1,772.0
Real estate development	2,277.2	127.4	155.8
Agriculture, hunting, forestry	1,962.8	0.7	177.4
Energy, gas and water plants	1,834.6	26.6	950.9
Government, soc.insurance	1,643.4	108.8	377.0
Hotels, restaurants	1,639.0	0.0	95.0
Construction	1,460.5	43.6	1,775.3
Health services, social work	774.4	6.4	180.3
Education	94.5	0.0	21.4
Mining	68.0	1.3	5.0
Fishing	31.3	0.0	1.3
Exterritorial organisations	0.1	0.0	0.5
Other business services	11,155.8	32.4	2,539.4
Other government & social services	1,320.4	63.6	243.8
Individuals	29,738.4	15.3	3,075.5
Derivatives	0.0	334.8	0.0
Allowances	-345.9	-	-
TOTAL	82,370.2	2,108.8	20,726.7

Note 4**Overdue**

By overdue maturity
(millions of EEK)

	< 30 days	30 < 60 days	over 60 days	Total
31.12.08				
Loans	2,908.7	743.8	2,209.0	5,861.5
Other	0.0	0.9	1.9	2.8
Total	2,908.7	744.7	2,210.9	5,864.3
31.12.07				
Loans	1,511.8	319.5	465.3	2,296.5
Other	1.7	1.2	6.5	9.5
Total	1,513.5	320.7	471.8	2,306.0

The table indicates the balance (brutto) of overdue claims.

Note 5**Allowances on loans and advances**

(millions of EEK)

	31.12.08	31.12.07
At January, 1	345.9	235.6
Loan provisions	962.0	207.4
Reversals of provisions	-200.0	-18.2
Loans and advances written off	-16.8	-75.0
Exchange rate adjustments	2.8	-3.9
At December, 31	1,093.9	345.9
Recoveries from write-offs	8.2	17.9

Note 6**Interest and similar income**

(millions of EEK)

	2008 II half year	2008 Q IV	2007 II half year	2007 Q IV	2007 Q IV
Loans	4,021.7	2,046.4	1,016.9	3,189.1	931.4
Leasing	769.2	356.8	178.0	725.7	206.5
Deposits with other banks	189.5	101.1	52.3	149.0	41.2
Fixed income securities	13.0	8.8	6.5	93.7	5.7
	4,993.4	2,513.1	1,253.7	4,157.5	1,184.8

Note 7**Interest expenses and similar charges**

(millions of EEK)

	2008 II half year	2008 Q IV	2007 II half year	2007 Q IV	2007 Q IV
Credit institutions	-1,714.9	-860.1	-435.4	-1,430.3	-414.6
Time and other saving deposits	-680.3	-354.0	-186.3	-518.5	-143.8
Demand deposits	-543.3	-241.4	-112.4	-470.6	-136.7
Subordinated debts	-147.2	-74.6	-36.4	-114.3	-35.1
Issued bonds	-28.5	-9.1	-1.4	-16.5	-4.9
Loan funds	-5.6	-2.7	-1.4	-5.5	-1.6
Other	-0.3	-0.2	-0.1	-0.1	0.0
	-3,120.1	-1,542.1	-773.4	-2,555.8	-736.7

Note 8**Fee and commission income**

(millions of EEK)

	2008	2008	2008	2007	2007	2007
	II half year		Q IV	II half year		Q IV
Credit and payment cards	376.4	180.4	85.9	376.9	198.9	99.8
Securities market services	199.3	91.1	38.4	239.1	124.2	66.6
Credit contracts*	139.8	43.9	18.1	216.0	104.2	53.1
Transaction fees	131.2	66.9	33.5	121.7	63.6	31.0
Non-life insurance brokerage fees	46.9	23.0	11.3	43.9	22.2	11.6
Corporate Finance fees	35.9	11.7	1.0	112.6	24.4	14.8
Income from leasing agreements (full service)	45.3	13.2	11.1	53.1	27.5	14.5
Other	25.8	12.8	5.5	23.0	11.5	6.3
Income from electronic channels	16.8	8.2	4.1	15.1	7.7	4.0
Cash handling fees	13.6	7.0	3.6	16.2	8.2	4.0
Other settlement fees	14.2	8.1	4.4	10.7	5.2	2.6
	1,045.2	466.3	216.9	1,228.3	597.6	308.3

*Credit contracts include loan, leasing, letter of credit and guarantee contracts signed with customers, which are short-term and do not constitute interest income, but are of administrative nature for arrangement reorganisation of credits.

Note 9**Fee and commission expense**

(millions of EEK)

	2008	2008	2008	2007	2007	2007
	II half year		Q IV	II half year		Q IV
Credit and payment cards	-169.5	-76.7	-35.8	-192.1	-100.8	-50.7
Securities market	-39.2	-20.6	-8.0	-43.0	-23.4	-12.4
Expenses to leasing agreements (full service)	-35.0	-14.4	-8.3	-43.5	-22.3	-12.0
Cash collecting fees	-27.1	-14.4	-7.4	-25.5	-13.6	-6.9
Transaction fees	-18.6	-9.5	-5.1	-18.0	-9.3	-4.8
Other	-15.3	-7.3	-4.0	-14.0	-7.6	-3.8
Expenses of electronic channels	-12.0	-6.0	-3.6	-12.2	-6.3	-3.1
Corporate Finance fees	-1.1	-0.6	-0.2	-44.9	-13.5	-2.3
	-317.8	-149.5	-72.4	-393.2	-196.8	-96.0

Note 10**Impairment losses on loans and advances**

(millions of EEK)

	2008	2008	2008	2007	2007	2007
	II half year		Q IV	II half year		Q IV
Allowances for advances to customers	-753.8	-139.8	-115.6	-171.3	-138.8	-131.5
new loan allowances	-962.0	-203.6	-43.2	-207.4	-165.4	-152.0
recoveries from write-offs	8.2	5.6	1.6	17.9	14.8	13.9
reversals of allowances	200.0	58.2	-74.0	18.2	11.8	6.6
Assets held for sale	-7.2	-7.4	-6.2	18.9	18.0	18.1
reappraisal	-9.1	-7.9	-6.2	-3.1	-3.3	-2.8
realized gains / losses	1.9	0.5	0.0	22.0	21.3	20.9
	-761.0	-147.2	-121.8	-152.4	-120.8	-113.4

Note 11**Related parties**

(millions of EEK)

	<u>31.12.08</u>	<u>31.12.07</u>
Loans to members of management board of credit institution and internal audit manager, also their confidants and commercial undertakings, controlled jointly or severally by the mentioned persons.	15.3	16.9
Contingent liabilities to members of management board of credit institution and internal audit manager, also their confidants and commercial undertakings, controlled jointly or severally by the mentioned persons (credit lines and commitments to extend credit).	-0.4	-1.6
Deposits of members of management board of credit institution and internal audit manager, also their confidants and commercial undertakings, controlled jointly or severally by the mentioned persons.	-6.5	-8.1
Loans to parent company	581.6	5,169.2
Due to parent company	-37,741.7	-37,328.4
incl. subordinated liabilities	-2,613.0	-2,613.0
Contingent assets and commitments to parent company	652.2	2,183.1
Contingent liabilities and commitments to parent company	0.0	-1,850.1
Loans to enterprises of parent company's consolidation group	5,376.9	162.1
Due to enterprises of parent company's consolidation group	-68.9	-28.8
Contingent assets and commitments to enterprises of parent company's consolidation group	152.4	17.9
Contingent liabilities and commitments to enterprises of parent company's consolidation group	-2.2	-16.4

Interest rates of the loans given to related parties do not differ materially from interest rates of the loans to customers. Transactions with related parties have been based on market terms.

Related parties are:

- parent company
- subsidiaries of parent company;
- associates of parent company;
- associates of the Group;
- members of management board of credit institution and internal audit manager, also their confidants and commercial undertakings, controlled jointly or severally by the mentioned persons.

Note 12**Segment analysis**

(millions of EEK)

					2008
	Merchant Banking	Retail Banking	Treasury and other	Elimina- tions	Group
Profit by business segments					
Net interest income	29.2	1,257.3	574.1	12.7	1,873.3
incl. internal	-110.5	-565.7	663.5		
incl. external	139.7	1,823.0	-89.4		
Net income from fees and commissions	134.7	536.0	66.3	-9.6	727.4
incl. internal	-73.8	135.3	-51.9		
incl. external	208.5	400.7	118.2		
Net financial income *	-103.1	43.5	-3.2	-1.5	-64.3
incl. internal	61.6	-60.1	-0.1		
incl. external	-164.7	103.6	-3.1		
Income from insurance activities	0.0	0.0	-34.7	-9.9	-44.6
incl. internal	0.0	0.0	9.9		
incl. external	0.0	0.0	-44.6		
Other income	1.0	146.2	217.4	-170.8	193.8
incl. internal	0.0	8.4	162.3		
incl. external	1.0	137.8	55.1		
Total income	61.8	1,983.0	819.9	-179.1	2,685.6
incl. internal	-122.7	-482.1	783.7		
incl. external	184.5	2,465.1	36.2		
Other expenses	-120.3	-900.3	-248.1	179.1	-1,089.6
incl. internal	42.9	-357.6	135.6		
incl. external	-163.2	-542.7	-383.7		
Depreciation, amortization and impairment of tangible and intangible assets	-2.6	-31.9	-30.5		-65.0
Total expenses	-122.9	-932.2	-278.6	179.1	-1,154.6
incl. internal	42.9	-357.6	135.6		
incl. external	-165.8	-574.6	-414.2		
Impairment losses on loans and advances	-4.0	-757.0	0.0		-761.0
incl. internal	137.9	-137.9	0.0		
incl. external	-141.9	-619.1	0.0		
Profit before tax	-65.1	293.8	541.3		770.0
incl. internal	58.1	-977.6	919.3		
incl. external	-123.2	1,271.4	-378.0		
Income tax	0.0	0.0	-3.6		-3.6
Net profit	-65.1	293.8	537.7		766.4

* Net financial income = Net income from foreign exchange + Gains less losses from trading and financial assets at fair value through profit or loss at inception.

The Business segments are presented according to IAS 14. No comparative information is presented, because until 31.12.2007 the Group operated as one segment in internal management structure and for both internal and external reporting purposes. Since 1.1.2008, the Group was restructured to manage Retail Banking, Merchant Banking, Treasury, Life Insurance/Wealth Management, and other internal functions as separate units for management/business structure and internal reporting purposes. Since September 2008, when the bonds of AS SEB Pank became listed in Tallinn Stock Exchange, the Group started to report segment information also externally. So effectively the old basis of segment reporting is presented in primary financial statements for 2008 and 2007.

For 2008 segment reporting on new basis includes the following segments - Retail Banking, Merchant Banking, Treasury and Other. The different divisions assist different groups of customers. The customer's demands decide the type of products that are offered. Merchant Banking offers wholesale and investment banking services to large corporations and institutions. Retail Banking offers products mainly to retail customers (private customers and small corporates). Treasury function mainly includes financing obtained from the parent company or other sources and further provided to other segments by internal financing. Other, being below the reportable segment threshold, includes Wealth Management, which performs asset management and Life Insurance, which offers life and pension insurance.

The internal transfer pricing objective in the SEB Group is to measure net interest income, to transfer interest risk and to manage liquidity. The internal price is set according to the market price, which is price paid at the interbank market for a specific interest and liquidity term. The business units do not pay or receive any margins on funds transferred to and from the Treasury unit. Transactions between Business segments are conducted at arm's length. All activity of AS SEB Pank Group take place in Estonia, therefore geographical segment is not presented.

Segment assets and liabilities

(millions of EEK)

	Merchant Banking	Retail Banking	Treasury and other*	Elimina- tions	Group
Total assets	851.8	77,107.0	40,633.7	-33,496.1	85,096.4
Total liabilities	-770.5	-69,169.3	-39,820.8	33,496.1	-76,264.5
Equity	-81.3	-7,937.7	-812.9	0.0	-8,831.9

* Treasury and other includes internal assets and liabilities to other segments.