

SEB – the relationship bank in our part of the world

I too would like to welcome you to our annual general meeting here in the Stockholm Concert Hall.

The day for our general meeting is special to me. It is an opportunity to sum up the year that has passed, make a series of decisions and to look forward.

I hope you feel happy – and proud – of SEB's performance during 2013.

Our customers do more business with us while we are privileged to also welcome more customers to the bank. As the Nordic region's corporate bank we have had the power – and still have the power – to invest further to strengthen our market position while increasing cost and capital efficiency.

I am convinced that it reflects our firmly-rooted belief that it is with excellent customer experiences that we lay the foundation for sustainable profitability. Through thick and thin we deliver services that our customers demand. We want to always act so that our customers – and society at large – perceive a relationship with SEB as personalised, dynamic and long-term.

Slide 1 - year in figures

That brings me to the bank's earnings and thus the year in numbers.

Income increased to 41.6 billion kronor.

Costs fell to 22.3 billion kronor.

Asset quality remained high and the loan loss ratio was 0.09 per cent.

Operating profit amounted to 18.1 billion kronor, which is up 27 per cent from the previous year and by 18 per cent when adjusted for one-off effects in 2012.

Return on equity increased to 13.1 percent.

Earnings per share amounted to 6.74 kronor.

The common equity Tier 1 capital ratio under the new Basel III framework was further strengthened to 15.0 percent.

The financial targets that we announced last year expressed a desire to reach a long-term return on equity of 15 percent. Then I said here at the annual general meeting that we in our business plan put a clear direction how, with stable costs, we would grow profitably. Now, after a year, we have grown by 7 per cent.

Slide 2 - our business

We are and will remain a relationship bank and this also characterises the bank's anatomy. We are a bank that not only manages and performs customer transactions, but we want to deeply understand the customer's business and needs in order to be able to meet up with comprehensive offerings and also share our knowledge and expertise.

We have a strong international network. Here in Sweden we have our history and the largest market. As you know, we sold our retail operations in Germany in 2010 and our retail operations in Ukraine in 2011. This means that outside Sweden we are a corporate bank.

Two-thirds of our lending is corporate related.

Slide 3 - SEB's ambition (leading Nordic ... + best bank ...)

Our ambition is just like I told you a year ago, that SEB will be the leading Nordic bank for corporate customers and institutions, and the best universal bank in Sweden and the Baltic countries.

This is the ambition that makes us put in a little extra effort every day... to be a little better in the eyes of customers.

Slide 4 - strategic priorities (long-term customer relationships, growth in areas of strength, resistance + flexibility)

And that is exactly what forms the basis of our strategy. Our priorities are the same:

- We continue to develop relationships with our customers. It is the customers' needs – not products – which we focus on.
- We continue to grow among major corporations and institutions in the Nordic countries and Germany, among small and medium-sized companies in Sweden and the Baltic countries and in the savings area.
- And we maintain our resilience with a strong balance sheet and increased cost efficiency.

I want to give you some examples of what we have achieved so far based on our priorities.

Slide 5 - lending to companies and households

A sign that we are on track is the development in 2013, which shows we continued to increase our lending to both corporates and households.

17,000 more small and medium-sized companies in Sweden and the Baltic states chose to become full-service customers of the bank.

For most residential customers the mortgage makes up a significant part of the household economy, and it is thus often what cements the relationship with the bank. Our growth in the Swedish mortgage market has been a conscious choice and today we have almost half a million private customers considering SEB to be their main bank.

We are still, after several years, the only bank to show our funding costs on mortgages on a daily basis. We have taken the initiative to introduce amortisation on mortgages, and in early 2013 we started to demand amortisation when the loan-to-value exceeded 70 percent. Now, all banks are doing the same.

Slide 6 - Digital development - several venues

Sweden is at the forefront of many industries in terms of using new technologies as well as usability and simplicity from the customers' perspective. This also applies to banks.

Most customers want us to make it easy for them to do their banking transactions. They want to meet us in more ways than before and more often. The last two years, developments in digital banking services has been dramatic.

We Swedes are constantly online and we want to do our banking, no matter where we are. Today, approximately 85 per cent of SEB's contacts with individuals and small businesses go through the internet and mobile banking. Ten years ago, only one third of customers chose the online bank for their banking transactions.

Ease of use is everything here. During the last year we were the first bank to offer mobile banking services for companies through an app. We improved our internet bank and for the first time the number of mobile logins exceeded that of the internet bank.

Swedish banks have also jointly developed the Swish service, which is a simple and secure payment solution for everyone where you only need the other person's cell phone number in order to transfer funds. Now 1 million people have signed up in Sweden and together they have made 2 billion kronor worth of transactions. The next step is to enable "Swishing" money to companies.

The telephone still means a personal relationship. Our telephone bank, which we are now also establishing in Sundsvall, have 600 employees offering customers personalised advice and service over the phone 24 hours a day every day of the year. A service that we are alone in offering.

The trend is that customers want to visit our branch offices in a different way today. Swedish bank customers visit a bank branch on average only once a year, compared with 27 visits for an average customer in the United States. Customers come to our branch offices for more personal advice and to discuss more complex issues.

The digital revolution will continue. But it will never replace personal contact and advice, and we at SEB will continue to invest in and develop all the different venues.

Slide 7 - Nordic and Germany for business banking (customer-driven growth)

We exemplify our second strategic priority – to grow in areas of strength – in how we have now established ourselves as a corporate bank in the Nordic countries and in Germany.

Since the inception of this growth initiative in 2010 we have attracted over 400 new large corporate customers in the Nordic countries and Germany. Gradually they increase the depth of their business with us. Usually a new customer initially uses one to two product clusters and then after three to four years grows the number to five or more. Swedish corporations often use 7-8 product clusters. Over the past four years, new customers contributed 10 per cent of income growth.

We find that customers appreciate our model. Every time I am in Germany, I am struck by how different a German corporate customer is accustomed to viewing their banking relationship. Our way of coming out to the customers without great drama, meeting with them regularly and asking questions is different – but also very much appreciated.

Slide 8 - central bank balance sheets + lending companies

On to the developments in our third strategic priority: to maintain our resilience with a strong balance sheet and increase efficiency.

The financial crisis had devastating effects. Weak banks that suffered heavy losses damaged many economies. Countermeasures have been massive. Central bank balance sheets have increased fivefold, banks have reduced their risk levels, deleveraged and interest rates have fallen to historically low levels. It shows how intertwined the current financial system is.

And as you can see here on the left in the slide, the Riksbank in Sweden could withdraw its liquidity support quickly unlike in what happened in Europe and the U.S.

Swedish banks are safe, stable and profitable – essential prerequisites in order to enable us to jointly safeguard financial stability in the economy to the benefit of all businesses and households.

When the global economy plummeted in 2008-2009, central banks reduced interest rates to stimulate the economy. In Sweden, banks could funnel the reduction on to customers, resulting in uniquely low mortgage rates. Many weak European banks could not do the same as their stability and viability was questioned, which affected their funding costs. Swedish households saw their mortgage costs drop from about 90 to 40 billion kronor during these years. This freed up a consumption space equivalent to 1 per cent of GDP. There was a reason why Sweden withstood the recession so well.

With good liquidity and strong capital ratios, banks may have greater resilience to possible future crises but also the capacity to invest and support customers in the long term. Also here we detect a great difference between Europe and Sweden as you see here to the right of the slide.

Swedish banks have increased their lending to corporates, while bank lending to corporates continue to decline in Europe.

Slide 9 - financial strength

Resilience and flexibility has been our guiding light during this prolonged period of large fluctuations in financial markets and weak growth.

Last year we strengthened our capital base by a further 13 billion kronor and today we have 123 billion kronor in capital.

We know our customers well and have high quality in our loan portfolio, with a loan loss ratio of only 0.09 per cent.

In addition to capital, we also have buffers through that we keep about 25 per cent of the balance in cash.

We have now been working with a cost cap for several years. Year by year we have lowered our costs while we have been able to continue to invest in our customer business. The cap, which we set at 22.5 billion kronor for 2013 and 2014, is now valid through 2015.

Slide 10 - Photo employee + values

If there is anything that makes me a little extra proud to stand here today, it is all the bank's outstanding employees.

Employees who see that in the end it is the whole that determines a customer's perception of the bank.

This is something we constantly emphasise at SEB.

It is about responsiveness to customers' needs and that there is a healthy corporate culture where employees have a clear internal compass. This is nothing that we can command to happen... it is something that grows ... and that is marked by a genuine interest in service, by the quality of the advice we give clients and an attention to detail.

This is also what our culture stands for. It is based on our values – commitment, mutual respect, professionalism and continuity.

There is a passion and pride in knowing that we as a bank help to get businesses and individuals to grow not only now but over time. And where we all feel that we are part of a team that never takes shortcuts – we simply apply good business acumen.

I thought I would show you a slightly different film that we have made and that we have used throughout the bank in connection with discussing the bank's way forward. It is an internal film that we really only show to our employees, but I want to show you a shortened version of it.

**Film Screening (3 mins shortened version of the business plan movie / whiteboard - film)
(after the film has been shown....)**

Slide 11 - picture people

Hopefully, you recognise yourselves!

And as you can see, we emphasise that everything we do should contribute to a better customer experience. We want satisfied customers. Customers who recommend us to others and, together, we want to develop the relationship. Therefore, we follow closely what customers think of us.

Slide 12 collaborations + Pyramid bakery

As a bank, we have a clear ambition to widely participate and support future generations in the community at large.

We do this in many ways: for example, through the Mentor association which works in schools with drug prevention measures. Through the years, over 500 employees stepped up as mentors for teens and thus acted as role models.

Another example is that for many years we have had the privilege to be a proud sponsor of the Stockholm Concert Hall and the Royal Stockholm Philharmonic Orchestra.

As a corporate bank, we also want to help build the next generation of companies, for example through a number of partnerships with entrepreneurs. We do it all the way from high school and college level by supporting Ung Företagsamhet (Young Enterprise) and Venture Cup, through to the

start-up and growth phase via Nyföretagarcentrum (Enterprise Agencies) and finally through the cooperation with our most successful entrepreneurs in the Entrepreneur of the Year awards.

I would like to tell you about Emad Bayoumy who was named pioneer of the year by IFS, an organisation that promotes entrepreneurship among immigrants. We at SEB have been a partner for many years.

Emad Bayoumy, a baker originally from Egypt, founded the Pyramid bakery in Dala Järna (a small town 300 kilometres northwest of Stockholm) 20 years ago with 400 kronor in his pocket. Today the company has a turnover of 86 million kronor. Emad said to me at the awards ceremony:

"When I started up it was just SEB that believed in me. Since then, the bank's staff in the office in Falun have come to visit me and we have had a close contact. Treatment and service has always been based on my needs. As my business grew I have been courted by other banks. But the confidence you have showed me 20 years ago, it makes me trust you!"

His story shows what SEB stands for. And that is exactly how we continue to operate.

Slide 13 our goals ahead

I have now told you about how we see our role and our ambitions forward.

We are and will remain a relationship bank.

Through investments and efforts, we have the power to be at the venues where our customers are. We offer accessibility as customers want it and to have a balance sheet by which we can take care of a growing customer base long term.

For us it is simply to continue doing what we do – but all the time a little bit better. There are, as I said no shortcuts!

And that is what creates sustainable and competitive profitability for our shareholders.