

CEO Annika Falkengren's speech at SEB's AGM 29 March 2012

I too want to welcome you to our annual general meeting here at the Stockholm Concert Hall. For me this is one of the most important days of the year, when we get an opportunity to meet you – the bank's shareholders – and describe our business during the past year. It's very gratifying to see so many people here. Several of you are not only shareholders but also our customers.

When we have met in recent years it has been amid high uncertainty and drama in the world around us.

2011 was also a difficult year in many aspects.

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A recovery and increased belief in transparency – manifested by the Arab spring – characterised the first half of the year. Volatility and market turmoil increased during the summer as a result of sovereign debt issues in many parts of Europe and the United States. The recovery came to a halt. Interest rates fell significantly and stock markets plummeted by around 20 per cent.

Global imbalances in the world economy are almost as great today as they were five years ago. In the Western world we see debt levels higher than they have been for 70 years and in Europe this has generated some tension among countries using the euro. The global banking system has continued to face major challenges at the same time as it has to adapt to a new set of rules concerning banks' capital and liquidity.

We have seen some stabilisation in recent months – not least because of the European Central Bank's decision to provide markets with liquidity. But, I think we all realise that some fundamental and tough decisions must be made in order to get the indebted countries back on track. It will take time.

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That is why I want to underline what I have said at our AGMs in recent years – we are active in a time of difficult and exceptional market conditions. In this environment resilience and trust from

the world around us is crucial. A strong balance sheet, stable earnings and a long-term perspective is more important than ever for a bank.

We have that at SEB.

As I review our priorities and what we have done during the year, there will not be any surprises.

That is good and intentional. As a bank we should be predictable and take a long-term view.

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That leads me to the bank's results and the year in numbers.

I can establish that SEB is operating in one of the more robust parts of the world, has active and healthy customers and a strong, and stable asset quality.

Our operating result reached SEK 15.3 bn. Income rose to SEK 37.7 bn. On the cost front we exceeded our target to maintain 2010 levels, with costs coming in at SEK 23.1 bn.

As we made SEK 1.5 bn in write-backs of Baltic credit provisions, we had a "positive" credit loss level of 0.08 per cent, or SEK 778 mn.

Return on equity reached 10.7 per cent before the write-back of credit losses, (11.9 per cent including them).

Our net earnings per share were SEK 5.59.

Our core Tier 1 ratio reached 13.7 per cent.

This reflects two key words that have guided us – resilience and flexibility.

We must have a strong balance sheet and adequate liquidity buffers to support our customers as a financial partner, irrespective of the current market climate.

We must have the flexibility to grow with our customers.

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All my co-workers and I have a clear ambition for SEB – to always be perceived as the bank that is close to its customers. That is the ambition that makes us want to do a little bit more every day and become a little better in the eyes of our customers.

Our strategy is based on deepening our customer relationships through strong financial stability while growing in our areas of strength. The basis for long-term profitability is long-term customer relationships.

For us it is a journey and we have come a good way down the road. We are more confident than ever that it is important to stay the course and not deviate from it.

That is why you have heard me talk at previous AGMs about the steps we have taken to integrate the bank into One SEB where we take the customer's perspective rather than a product-oriented perspective.

I have talked about SEB Way, which is how we work with internal processes to increase productivity and free up more time to meet our customers.

I have talked about how we have intentionally narrowed our strategic focus. We are a universal bank in Sweden and the Baltic countries. We focus on large companies and institutions in the other Nordic countries and Germany. That is why we divested our retail banking businesses in Germany and Ukraine. Our ambition is to be the Nordic region's corporate bank.

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So, you will recognise the strategic priorities we had for 2011, meaning that we have:

1. Built on our relationship banking model. It provides us with more business from current customers but also with business from new customers.
2. Invested in the corporate segment in the Nordic countries and Germany; in Sweden also in the SME segment (small and medium size enterprises).
3. Further reinforced our resilience.

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SEB has a unique relationship as a financial partner to 2,700 large companies and financial institutions. We are building an ever stronger relationship with 400,000 small and medium-size enterprises and we serve 4 million private individuals every day.

We have more customers doing more business with us. That is in a situation when banks around Europe are cutting back on their lending.

At SEB we increased lending by 10 per cent last year. Lending to companies grew by SEK 62 bn and lending to private individuals grew by SEK 46 bn.

Our customers chose to trust SEB with managing an additional SEK 43 bn of their capital – of which SEK 24 bn is in private banking. Companies and households increased their deposits in the bank by SEK 150 bn.

I want to provide you with some examples:

- More than 80 per cent of companies listed on Swedish stock exchanges have a relationship with SEB. During 2011 an additional 114 large companies in the Nordic region and Germany chose SEB as their bank.
- Here in Sweden we are financing 120,000 small companies ... that is 11,000 more than in 2010.
- In Sweden and the Baltic countries we have attracted 90,000 additional private customers in total. Here in our home market we are helping over 300,000 households finance their homes ... that is 33,000 more compared with the year before.

And now, with banks a hot topic for discussion in many places, we can note that we pay over SEK 6.5 bn in corporate tax, social fees, deposit guarantee fees and fees to the Swedish stability fund.

Most important for us is to always, in all circumstances, have the capacity to meet our customers' needs. It is those needs that govern our behaviour.

To me, that is exactly what it means to be a relationship bank.

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Our second priority is to establish ourselves even more clearly as a corporate bank.

We have a different profile compared to other Nordic banks. Two-thirds of our income comes from companies and long-term savings, of which 45 per cent is directly related to companies.

We have been serving enterprises for over 150 years. We have always followed our large corporate customers out in the world and we can serve them from London, New York and not least Asia, where we now have offices in four locations. That is also why we opened a new office in Hong Kong last year.

Traditionally, our position with the largest companies is particularly strong in Sweden. In the other Nordic countries and Germany we have often built our relationships with corporate customers on cutting-edge products in a number of areas.

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The need among corporate customers to have a long-term, established and stable banking relationship became clear during the crisis when international banks pulled back from the Nordic region. Based on our history and position, that provided us with new opportunities.

We intentionally started to invest in the Nordic and German corporate markets in 2010. Today SEB is one of the three leading corporate banks in Denmark, Finland and Norway. In Germany, our more focused strategy allows us to grow also among the larger medium size companies.

We have set a goal to increase the number of corporate customers by 400, and since we started this push in 2010 we have attracted 202 new customers. We have increased lending, including pledges and commitments, by SEK 108 bn in this segment over two years. We also see that our new customers are doing more business with us.

Today, SEB is the Nordic bank that customers say they are most likely to increase their business with.

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In Sweden our ambition is to create an even stronger position as a corporate bank for all companies, whether small or large.

We have strengthened our competence in the Retail Banking division concerning international banking and payments, and we have created regional corporate centres.

We are moving ahead step by step. Over five years, we have increased the number of companies we do business with by 60,000. That means 12 per cent of Sweden's one million businesses are customers in our bank.

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Moving on to our third priority – further strengthening our resilience so we can continue to support our customers during an extended period of turmoil and weak growth.

We took an active decision when the financial crisis struck with full force: SEB should emerge as an even stronger bank than before the crisis.

That is where we are today.

We have reduced the risk on our balance sheet. We have increased our liquidity reserves. We are now one of Europe's best capitalised banks. Our Baltic credit problems are behind us. We have managed to take necessary costs for this. Meanwhile, we have been there for our customers during the entire crisis that followed after Lehman Brothers' bankruptcy.

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As I described at last year's AGM, our Baltic business has been profitable since mid-2010.

Throughout the crisis SEB as a whole reported a profit each quarter and each year. We decided to build our own distressed credit unit when times were difficult in the Baltic countries. Using our experience from the Swedish crisis in the early 1990s, we knew that dealing with the situation early on would help us secure that businesses could survive and families could stay in their homes. And we never left a Baltic family without a home.

We saw two phases emerging.

In the first phase we would make provisions for handling upcoming problems and in a second phase we would use those provisions.

As non-performing loans peaked, we had made SEK13 bn worth of provisions. Since then we have used 3 billion kronor for confirmed losses and recovered another SEK 3 bn. That leaves us with SEK 7 bn; an amount we think will cover remaining risks for losses by a good margin.

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We now have a credit portfolio of high quality. Over 90 per cent is related to our Nordic and German business and during the past 10 years we have reported credit losses of below 0.1 per cent here. No other Nordic bank has reported similarly low credit losses.

Strengthened resilience characterised our actions last year. A year ago, when worries about the sovereign debt situation in the eurozone increased, we chose to take costs for extending our funding, increasing our liquidity reserves and raising the quality of our bond portfolio. We improved our capital ratios further.

Resilience also means keeping costs under control and increasing productivity. We entered 2011 with a target to keep our costs unchanged from 2010, and we also extended that goal to 2014.

We managed to cut costs to below our target last year, and entering 2012 we have raised the bar further. We now aim to keep costs at SEK 23.1 bn – the level we achieved last year.

We see that costs for operating a bank will go up in the future. That means higher demands for cost efficiency. Mainly continued everyday efficiency gains and prioritising between costs in order to strengthen the bank long term.

We will finance our own growth!

And we aim to grow with current and new customers, as illustrated by my first two priorities.

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We will do that in the new financial landscape currently taking shape – slowly but increasingly clearly. Access to liquidity and capital – our raw materials – will become more expensive.

As president of SEB I can look back on a period of significant changes for banks and the financial sector.

There's a clear BEFORE and a clear AFTER the financial crisis. The new Basel III rules governing banks' capital and liquidity aim to secure a long-term sustainable and transparent financial system. This is something we support!

However, despite Sweden's robust government finances and despite Swedish banks' stability, we pay more as a bank to finance ourselves.

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One example of the new landscape is mortgage pricing. An issue that has been the topic of much discussion.

SEB employs individual pricing for mortgages based on our own funding costs and a margin that is tied to the individual customer.

Since summer 2010 we have been the only bank to disclose our actual funding costs. Customers have appreciated that. We have had 400,000 unique visitors to our web site.

The Riksbank's repo rate is often incorrectly associated with mortgages on a three-month rate contract. Customers sign up for mortgages with a horizon significantly longer than that and as a bank we fund ourselves with much longer maturities.

The graph shows how our funding costs have increased compared to the repo rate. The Riksbank's repo rate sets the overall pace for interest rates. Banks can borrow from each other with short-term maturities on the inter-bank market, but we fund our mortgage lending primarily by issuing covered bonds and that funding has become more expensive.

In total we lend SEK 322 bn kronor in the Swedish mortgage market. Our total lending is SEK 1,246 bn. Income from mortgages constitutes 5 per cent of the bank's total income.

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What worries me is that we, as a Swedish bank, cannot operate in the new financial landscape on a level playing field.

Four Swedish banks must hold more capital than other Swedish banks, other European banks and the bank's defined in Basel III as systemically important on a global scale. We four Swedish banks must also adapt to new liquidity rules faster than other banks.

In the new world, deposits from companies are worth less than household deposits. I think that is wrong.

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We need to assume that 62 per cent of deposits from companies will disappear and therefore we need to have significant liquidity reserves. The corresponding figure for household deposits is only 8 per cent.

I use our 565 billion of corporate deposits as an illustration. We need to assume that 340 billion kronor of that can disappear within 30 days. That means we can only use corporate deposits to fund lending to large and small companies in a very limited way, even though we know that corporate deposits are stable and increasing in our bank. That is forcing us to use more expensive funding with longer maturities, which will result in more expensive lending to businesses – for no reason.

Sweden is a small open economy that depends to a large extent on its strong industrial companies and growth among small and medium size enterprises for future success.

As a corporate bank, we want to continue to be there for them!

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An environment with low interest rates and higher capital demands is challenging. But, with our relationship banking model and our robust balance sheet, we're well prepared to support our customers going forward.

SEB has a strong platform.

We are active in a region we know well and which is one of Europe's most stable. Based on the bank we are today, we can draw on our strengths.

As shareholders, you will recognise the bank clearly. We will stay with what we know.

We are keeping to the middle of the road and will not deviate or take shortcuts. We will not spread ourselves too thin by expanding internationally outside our current markets. We are focused.

But, we do act on opportunities that are in line with our strategy.

As earlier, for the future that means:

- We continue to develop our customer relationships
- We will continue to grow through our large corporate business in the Nordic region and Germany, our Swedish SME business, and our holistic and advisory oriented savings offering.
- We maintain our resilience and increase our cost efficiency.

In other words – we focus on what we do best: developing long-term relationships with our uniquely attractive customer base.

Together with all of SEB's fantastic employees I will work tirelessly to realise our long-term goal to be the Relationship Bank in our part of the world.

It is a long journey.

It will take time.

But, it is a journey that I and my co-workers are strongly committed to.

Thank you! Now, I am happy to answer your questions.