

SEB – *The relationship bank in our part of the world*

CEO Annika Falkengren's speech at the 2013 AGM

I too want to welcome you to our annual general meeting here at the Stockholm Concert Hall.

As always, it is a pleasure to see so many of the Bank's shareholders here. Many of you are not only shareholders, but also customers in the bank.

2012 was another challenging year for the global banking system. It was the fifth consecutive year characterised by uncertainty in financial markets and weak growth in the global economy. The excessive mortgages assumed by American households over many years were followed by a global financial crisis. Additionally, a number of countries have struggled with large and difficult sovereign debt problems.

Central banks have seen their balance sheets grow five-fold over these years, while banks have reduced their risk levels and trimmed assets, and interest rates have fallen to historically low levels. This proves how interconnected today's financial systems are.

Slide 1

Europe has been catching a lot of attention in recent years. For many years, harmonisation and the creation of a common currency – the euro – contributed to the perception that a Greek government bond was as safe as a German one. You can see on the chart that the story is different today.

The Nordic region has shown remarkable resilience throughout the crisis, but as small and open economies, we have been affected too. We see that the world economic outlook continues to be characterized by a muddling through scenario.

Serving companies and private individuals – our customers – in this environment with low visibility and a fragile economic recovery requires resilience and a long-term perspective.

SEB has that.

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

Our operating profit was 14.2 billion Swedish kronor. Excluding one-off items and adjustments for new accounting principles disclosed in connection with the annual accounts presentation, our operating profit was 15.4 billion kronor.

Adjusting for significant reversals of previous credit-loss provisions in 2011, our operating profit rose 15 per cent. In 2012, we had more normal credit loss provisions.

Our income rose to 38.8 billion kronor.

Our underlying costs were below our 23 billion kronor cost ceiling even including redundancy costs and higher provisions due to changed principles for pension accounting.

Credit quality continued to be high and the credit loss ratio was 0.08 per cent.

Return on equity was 11.5 per cent.

Earnings per share were 5.53 kronor.

The core tier one capital ratio was 15.1 per cent, using the proposed dividend increase. According to the new Basel III regulation, our core tier one capital ratio was 13.1 per cent.

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We have expanded our business while strengthening our resilience further.

Long-term relationships have been and continue to be one of the cornerstones in our business.

Important prerequisites are that we understand our customers' needs and have a sound corporate culture where employees have an internal compass guiding them towards healthy business acumen. This is something that cannot be regulated; it is something that develops over time.

In the bank, we put much effort into developing the business acumen based on what we see as our mission...helping people and businesses thrive by providing quality advice and financial resources. That means we listen, share our knowledge and meet our customers' needs and expectations.

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The core of SEB's corporate culture – rewarding relationships – is derived from our values: commitment, mutual respect, professionalism and continuity.

I want to give you an example of what our culture means in practice. In recent years, investors have increasingly sought out safe, interest-bearing products that support sustainable development. One of our employees was inspired by this. How could we as a bank act to stay ahead of the curve while offering financing solutions that more clearly support a sustainable development?

Five years ago this led to cooperation with the World Bank, making us a global pioneer as we launched bonds with a clear environmental profile, under the name Green Bonds. Up to now, we have issued Green Bonds worth a total of 16 billion kronor, providing financing to around 40 environmental projects in 17 countries.

To me, this is a concrete example of what we stand for: an understanding of our customers' needs, an international view, an entrepreneurial spirit and a truly long-term perspective!

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SEB is a corporate bank. Two-thirds of our revenue relates to companies. And as you see in the slide behind me, we have a different anatomy than the other Nordic banks.

The end of 2012 marked the end of the three-year business plan that we began when the situation in the Baltic region had stabilised.

Three years ago, we wanted to take advantage of the window that was open in the Nordic region with a different competitive situation than before. The foreign banks had once again retreated after the financial crisis.

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Today, we as a corporate bank have built a platform outside Sweden while we have strengthened our retail operations here at home.

Three years ago, we wanted to significantly increase customer satisfaction. Now we see great progress.

Growth and improvements would be made without costs going up as a result. We have lowered costs.

And three years ago, we were clear that we wanted to increase our resilience further and ensure we were ready for the new regulations. We now have one of Europe's highest capital ratios and we have adapted to the new regulations.

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As you have heard me talk about at previous meetings, we were clear on the goals we had for investments in the Nordic countries, Germany and Sweden in terms of number of new customers and increased lending volume.

Today we have added 300 large corporates and institutions as new clients. We have increased credit volume by 130 billion kronor. And we have reached our goal in terms of increased earnings while our position as a corporate bank in Denmark, Finland and Norway is much stronger.

We have advanced our position as a broad bank for businesses in Sweden. In the past three years, over 31,000 businesses became new SEB customers. At the same time, we have increased lending to small businesses by 60 billion kronor. In 2012 alone, lending increased by 14 billion kronor. Today close to every fourth start-up company selects SEB as its bank. In big cities, it is one out of every three companies.

Even for private customers, our focus on accessibility and simplicity, combined with counselling attracted 20,000 more household customers in 2012. They chose SEB as their main bank Sweden. Now we have nearly 450,000 full-service customers, over 40,000 more than we had three years ago.

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We have more new customers and existing customers to do more business with us.

Throughout the protracted period of financial turmoil, and during those years the Baltics region had very serious challenges, SEB turned a profit, every quarter. We have not utilised any government guarantees. Instead, we have had the resilience and been there for our customers.

If you go back ten years in time, you will see that we have increased our deposits from and lending to customers by 6 per cent per year.

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We want satisfied customers! Customers who recommend us to others and work with us to develop the relationship. We firmly believe that customer loyalty is built over time when we live up to our promises of sustainability and transparency.

We therefore carefully follow how customers perceive that we treat them.

For a long time we have had the leading position among large companies in Sweden. Nowadays, we are ranked as the leading bank among large corporates in Finland and number two in Denmark and Norway. SEB is the Nordic bank that large businesses would rather recommend to others, according to Prospera, the market research company that is considered the most authoritative.

A similar survey for smaller companies, EPSI Sweden (Svenskt kvalitetsindex, SKI) shows we have gone forward in customer satisfaction. From our current second place, we now aspire to the top position there as well.

In Sweden and each of the Baltic countries, i.e. in all the countries where we are a universal bank, SEB was appointed "Bank of the Year".

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More customers, increased breadth in our customer relationships along with cost control has led to a significant strengthening of our earning capacity.

We have increased our flexibility by increasing efficiency. We have lowered our costs.

In an average quarter for SEB in 2012, profit before loan loss provision was 20 per cent higher than two years ago.

Our increased customer business creates stable growth.

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During the past three-year period, we have continued to build buffers and stronger capital ratios, credit quality, and the bank's own funding. A quarter of the balance sheet currently consists of liquid assets.

By a wide margin, we meet regulation on the new short-term liquidity coverage ratio, LCR, and we have been early to take up long-term debt to reduce vulnerability to turbulent markets.

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We would not have gotten this far without all of SEB's fantastic employees.

I often meet employees around the bank in different contexts and am amazed at the team spirit that characterises daily life in the bank. They take on challenges by seeking common solutions to make it easier and better for our customers. There is a passion and pride in knowing that we as a bank help to get businesses and individuals to grow, not just now but over time.

And again ... a healthy corporate culture where employees have a clear internal compass is something that must be ingrained in the organisation.

For us, it is obvious that questions about ethics and about transparency and about what is right and wrong is part of good business acumen.

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I have now told you about what we have achieved in recent years.

Based on the platform that we have built, we are raising the long-term ambition for the next three years.

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

Our ambition is to be the leading Nordic bank for companies and institutions, and the best universal bank in Sweden and the Baltic countries.

It means just as before:

- That we will continue to develop relationships with our customers. It is the customers' needs – not services – which we put in the center.

- It also means that we continue to grow in selected areas of strength, such as among major companies and institutions in the Nordic countries and Germany, among small-and medium-sized companies in Sweden, and through an advisory-focused offering in the savings area.

- And that means that we maintain our resilience through increased cost efficiency

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As you heard our Chairman of the Board speak of, we have clarified our financial goals in connection with producing and stress-testing the business plan.

Our aim is:

- To pay a dividend of 40 per cent or more

- To maintain a core tier one capital ratio of 13 per cent under the new Basel III framework. Thus we have a buffer in addition to the Swedish requirement of a 10 per cent core tier one capital ratio as of this year and 12 per cent by 2015.

- And ... our ambition is to create a competitive return on equity

All this mean that in the long term we strive to achieve a return on equity of 15 per cent.

How will we do it?

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In the case of large corporate and institutional customers, we want to exploit the platform that we have built outside Sweden. We can handle much larger volumes of business. It is about offering advice-based and capital-efficient solutions and developing the role of being a customer's main bank.

In recent years, larger companies have chosen to complement traditional bank financing with financing via capital markets through the issuance of corporate bonds. We have an important role to play here, and we are the market leader for this in Sweden and the Nordic region. We develop the market further and have also built up a larger capacity on the credit analysis side.

As the most international Nordic bank, we also see how the markets outside Europe and North America are becoming increasingly important for our business customers.

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The Stockholm Stock Exchange's 120 largest companies have about 30 per cent of their sales to the Nordic countries and northern Europe respectively and about one-third in aggregate to Asia and the Americas.

We accompany our clients out in the world. SEB has been present in Asia for 30 years. Today we have three offices in China - Hong Kong, Shanghai, and Beijing - one in India and one in Singapore. We have 200 employees in the region to take care of 600 customers based in the Nordic countries and Germany with full-scale banking services. Overall, we now invest further to serve our customers in growth markets outside Europe.

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Turning then to smaller companies and private customers, we want – again – to attract full-service customers.

But we see that our mission is bigger than that. We want to help develop the Swedish businesses' competitiveness and build the next generation of companies. We can already see that the majority of all new jobs come from new businesses.

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For us, it is natural to support entrepreneurship across the country through a series of partnerships. We are there all the way from the high school and college level by supporting Young Enterprise (Ung Företagsamhet) and Venture Cup, through the start-up and growth phase in which we support NyföretagarCentrum and Connect, and finally through our most successful entrepreneurs in the Entrepreneur of the Year award.

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We look to both the company's and the entrepreneur's needs. Therefore, we strengthen our local presence and expertise further to ensure that decisions are close to the customer. We want to be where the customers are.

In the same way, we act to meet private customers' needs. We want our retail customers to be able to take part in a comprehensive offer in the way that suits them.

We continue to invest in making it even easier for customers. We develop mobile apps and other digital venues. Here, there has been dramatic change.

We see that the customers' needs and behaviours change. Today, approximately 85 per cent of SEB's contacts with individuals and small businesses are through the Internet. Ten years ago, only a third of the bank's customers used the internet for their banking contacts. In SEB, we handle 750 million payments per year. Today, 97 per cent of them are handled completely automatically. Ten years ago, this was only 22 per cent.

The development of mobile banking has been exponential. In 2012, we had over 30 million visits to our mobile applications. And recently we launched the first app for business customers in Sweden. Five years ago there was no mobile banking that way.

At the same time, we see that customers want more personal advice on complex issues – over the phone and in the branch offices. We are the only bank with personal telephone counselling 24 hours a day and all days of the year.

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Despite a challenging environment with low interest rates, I look to the future with confidence.

Our focus remains. We will be *the* relationship bank in our part of the world.

As a leading corporate bank, we have the most satisfied customers and are continuously working to deepen customer relationships. Profitability will follow as we do that.

By running the business efficiently, we create room for investment. Our costs have declined and will decline again this year.

Credit quality in the bank is always a top priority and we use a customer's ability to repay as the basis for evaluation. Any problems should be identified early and resolved in the best consensus.

And we are not tampering with our resilience. Our financial position is strong, regardless of the external situation.

The Bank's employees and I are passionate about this. We think and act long-term. We take no shortcuts, but we are working on it as the SEB team that we are ... motivation and commitment is really strong!

THANK YOU!