

## **CEO speech at the Annual General Meeting 2015**

I would also like to warmly welcome you to our Annual General Meeting here in Stockholm's Concert Hall.

2014 was a good year for the bank's customers and for you - the bank's owners.

The last few decades, there have been major changes that have altered conditions for banking.

For many years, the idea of harmonising contributed to a common Europe and the creation of a monetary union – the eurozone – where a Greek government bond was considered as safe as a German bond. In the 1990s, the internet changed customer needs and demand for banking services. In the first few years of the new millennium, the strong trend of globalisation was accentuated, which led to a boost for the world economy. People spoke of "the new record years." Financial markets showed strong performance. But risks increased and were priced incorrectly.

I would therefore like to step back and briefly touch on the global economy in which we are operating right now.

### **Slide 1**

The past seven years have been marked by the global financial crisis and slowing growth. In addition, geopolitical risks have heightened – not least in the light of developments in Ukraine and the Middle East.

A number of new regulations have contributed to a more stable global banking system, but also pushed up the cost of operating a bank. At the same time, central banks have substantially increased their balance sheets by supplying market liquidity and lowering interest rates to record lows. That liquidity has found its way to stock markets.

We operate in exceptional times, where economic relationships are turned upside down with negative interest rates. A development that calls for caution; there is no history book to turn to.

### **Slide 2**

For us as a bank, these kinds of global conditions require long-term resilience and financial strength so that we can stand strong even in very difficult times. As a bank, it is of course our fundamental role to ensure that savings and liquidity can be converted into financing the real economy in a safe manner.

A strong banking system contributes to a strong real economy.

Sweden is a small, open economy, with many successful export companies. The vast majority of these have a relationship with our bank, and that increasingly applies in the other Nordic countries. From a European perspective, SEB is a bank with a large proportion of lending to productive enterprises. Just as it should be, being the corporate bank that we are.

It is sometimes said in public debate that banks have become more restrictive in terms of lending to businesses.

It is not true.

Swedish banks have increased lending to businesses - by 4 percent only in the past year, and at year-end the Swedish banking system had lent SEK 1,215bn to businesses in Sweden.

And there is a big difference between developments in Europe and Sweden. In Europe, the banking system's lending to companies has declined for several years.

Studies from for example the Bank for International Settlements (BIS), central banks' member bank, shows that rather than tightened lending conditions to businesses, it is a lack of confidence among businesses that lies behind low demand for credit – in Sweden too.

### **Slide 3**

I spoke earlier about the need for us as a bank to build financial strength for resilience in difficult times. That strength must be based on profitability.

You have, as a shareholder, invested equity in the bank for a total of SEK 135bn. That is just over SEK 60 per share. That is what we need to stand strong even in a very grim scenario.

And we are resilient.

We want to give you, our shareholders, return on your invested capital in line with other listed companies.

As you can see, banks reached a return on equity slightly above the average for the Swedish stock exchange as a whole in 2014.

The conclusion is that a banking system that is able to keep its customers, its shareholders and its authorities' confidence in the long-term must be profitable.

Absolute numbers are large when it comes to banks, as banks have large balance sheets. Our profits at SEB of SEK 20bn must be related to us having equity capital of SEK 135bn and a credit portfolio worth SEK 2,100bn.

### **Slide 4**

If I very briefly summarise the past year for SEB's part, it is characterised by increased activity among our major clients.

Altogether in 2014:

Revenue rose 6 percent to SEK 44bn excluding non-recurring items.

Costs fell to SEK 22.1bn. The cost ceiling, which we set already in 2013 at SEK 22.5bn, has now been extended through 2016.

Credit quality has remained high. Provisions for credit losses amounted to SEK 1.3bn, which corresponds to a loan loss ratio of 0.09 percent.

Operating profit excluding non-recurring items amounted to SEK 20.4bn, which is an increase of 12 percent over the year before.

Return on equity was 13.1 percent

Earnings per share amounted to SEK 7.51.

The core Tier I capital ratio improved further to 16.3 percent.

### **Slide 5**

In a longer perspective, we can see that five years ago we had earnings of SEK 37bn. Today it is SEK 44bn - an increase of nearly 20 percent.

At the same time, we have reduced costs by nearly SEK 2bn to SEK 22.1bn. And this at a time when regulation on regulatory framework has been implemented and requirements for reporting to more and more agencies has increased exponentially. Nowadays, we have SEK 1bn in costs for monitoring and compliance functions. They see to it that we submit over 20,000 reports per year - nearly some 100 reports per day - to authorities.

According to new Swedish regulation, Swedish banks are supposed to have more capital than our European competitors. Five years ago, we had a capital adequacy ratio of over 10 percent. Today, we have a capital adequacy ratio of 16.3 percent.

We have increased our lending by 6 percent per year over a ten-year perspective.

We have invested in our customers while becoming more efficient. Today, we have more customers in more countries, and customers do more business with us.

### **Slide 6**

And customers are more satisfied.

Currently, we are the bank that Nordic companies most recommend and do business with. We have gone from a Swedish to a Nordic corporate bank.

And among Swedish small business and private customers, we are the bank that made the most progress in the EPSI survey (Svenskt Kvalitetsindex, SKI).

This development reflects our long-term business plan. We serve 4 million customers at SEB. They meet us at nearly 300 branches (with more than 160 in Sweden), via our 24-hour telephone banking services (with 2.2 million calls per year in Sweden), and by 300 million logins or visit through our digital interfaces per year. This all corresponds to customers coming into contact with us almost every other day.

We are *the* relationship bank in our part of the world. Customers should feel that they are completely taken care of at a high service level and with simple, accessible services. We develop and invest in even better customised solutions based on our firm belief that high customer loyalty is the foundation for long-term profitability.

**Slide 7**

We have three clear focus areas at SEB:

- To grow among large companies and institutions in the Nordic countries and Germany;
- To strengthen our position among small and medium-sized companies in Sweden and the Baltic States;
- To grow within long-term savings from a holistic perspective when it comes to advice to customers.

**Slide 8**

There was high activity among our major clients last year. Many Nordic companies made acquisitions, while others did initial public offerings (IPOs). We actively participated in the majority of these transactions.

Since starting our increased focus on Nordic countries and Germany in 2010, nearly 500 new large corporates have chosen SEB. Today, we have a total of 3,000 large corporate and institutional clients that grow their business with us.

The 500 new clients now contribute 12 percent of revenues in this segment – SEK 2bn in revenue that we would not otherwise have had.

Growth outside Sweden has created geographic diversification that contributed to a double-digit increase in all countries.

**Slide 9**

We are seeing increased demand for products with clear sustainability focus. More institutions want to invest in, and more large companies want to issue, green bonds to finance projects or investments that have a positive impact on the climate. This is a market that we initiated with the World Bank in 2008. We are the largest player globally, and this is in an area that is the fastest growing.

We are actively pursuing dialogue with our corporate clients about their environmental and social challenges. The starting points for this dialogue are our company-wide position statements on child labour, climate change and water, as well as our industry policies. These policies are a natural foundation and are incorporated into each credit and business decision.

We are clear about our expectations, cherishing dialogue and that the company has an action plan that they also act on. And we follow up.

**Slide 10**

If I then move on to our second growth area - to grow also among smaller companies, we saw last year that the activity level was lower among smaller companies and their demand was low.

Overall, we see that companies demand advice and a financial partner who understands them as entrepreneurs and who understands their business.

As a corporate bank, we continue to support entrepreneurship and innovation in several ways, including by being an active partner in a number of entrepreneurial forums and we contribute almost SEK 20m per year in Sweden to them.

**Slide 11**

In recent years, we have worked through our entire offering. Insurance savings is increasing, and during the year we made the decision to be the only major Swedish bank to also offer traditional life insurance.

We have gone through our range of funds and reduced fees on fixed-income and strategy funds. For our fund management, we now work even more with mathematical models to process large amounts of data. We have further strengthened our advisory corps.

This work has led us to improved returns on funds, and we have also seen higher net inflows of long-term savings to SEB.

The current environment of low and negative interest rates is a call for caution. The importance of sound advisory services is increasing.

**Slide 12**

New technology in the form of digitisation affects all industries - including banks.

It is both about digitisation offering opportunities in terms of effective administrative and internal processes, and offering opportunities to meet customer needs in new ways. New players, who do not operate under the same regulatory requirements as banks – see opportunities to approach bank customers with new solutions.

But few, if any, can offer customers complete solutions as a bank. Accessibility, integrated interfaces and user-friendly are key words in this development. Customer needs and behaviours are changing rapidly. Clearly the map today is different, and that makes different demands on navigating forward in this environment.

**Slide 13**

In 2014, we improved all digital interfaces - mobile, internet banking, our C & I Online service for larger companies, and all websites.

For a full 97 percent of contacts with the bank, smaller companies as well as private customers choose digital channels. We see that with the new channels, customers choose to have even more contact with us.

The digital evolution continues. But it will never replace the personal meeting. Our branches remain an important part of our meeting places.

**Slide 13**

The good performance for our customers and the bank would not be possible without all of our employees. This may seem obvious, but in my eyes it should not be taken for granted. At SEB, there is a large 16,000 person team that makes a difference and jointly makes sure that we can be the best bank in customers' eyes.

It is about values, culture, leadership, and good business acumen. It is the people and services that make a difference.

**Slide 14**

All of us in SEB are doing our best to make customers satisfied.

At the end of the day, it is satisfied customers that create long-term value for us shareholders.

THANK YOU!