

President's address

at

FöreningsSparbanken's Annual General Meeting, April 11, 2002

Distinguished guests,

It is my pleasure as President and Chief Executive Officer of Sweden's best and most widely represented bank to have the opportunity to address this Annual General Meeting here in Sundsvall.

Introduction

In my presentation today, I will comment on the Bank's development in the last year and our opportunities in 2002. I will also give my view of the role of banks in general and FöreningsSparbanken in particular in the community, and specifically here in Västernorrland.

I will also explain the objective of our current and future investments, where the focus is growth and where customer satisfaction is critical to our success.

Cancelled merger and the road ahead

First, however, I would like to comment on the subject I ended my address with at last year's Annual General Meeting – the merger work we had then started and since have broken off. At the time of last year's Annual General Meeting, we had just begun our preparations for the merger with SEB. Now this is all behind us, and we are going our own way as FöreningsSparbanken.

I remain convinced, in agreement with what Göran Collert just stated, that the basic idea behind the merger plans was sound.

But the merger was not to be. That's that, and now my job as President and CEO is to do the best I can based on what has happened.

This challenge, however, is a very positive task. After the analysis that followed the breakup with SEB, it is safe to say that FöreningsSparbanken has ended the merger process a stronger bank.

The merger preparations provided a valuable assessment of our operations compared with other players in the market and showed that we stand up well to the competition.

The merger work confirmed our strategic direction, which we are now clarifying even further. I'll come back to this later.

FöreningsSparbanken stands strong on its own, with the direction we have chosen. There is no need to jump at the next marriage proposal that comes along to find an alternative structural solution. Given the EU Commission's way of looking at competitive issues, there aren't likely to be any opportunities for a major restructuring in the Swedish banking sector for the foreseeable future. Cross-border deals, on the other hand, are very possible.

We are obviously following developments with regard to future structural changes, especially in the Nordic region and Baltic states.

2001: A stable year for FöreningsSparbanken

In an otherwise dramatic year, FöreningsSparbanken presented a solid, stable operating profit of slightly over SEK 8 billion. We also did quite well in comparison with other banks. Our stability helped to make us the second most profitable bank in Sweden in 2001.

Profit was bolstered by improved net interest income. An essentially unchanged loan loss level also contributed to the relatively good result.

At the same time, the decline in equity trading led to lower commission income. It should also be noted that part of the improvement in the Group's net interest income was generated outside Sweden by our international subsidiaries, particularly Hansabank of Estonia, which contributed strongly also to net commission income, and Denmark's FIH, even though the return on shareholders' equity is still higher in our Swedish operations.

In addition, we were able to reduce the Group's overall cost level for comparable units, i.e. adjusted for new operations, such as our investments in the Baltic states. If we look at staff costs alone, they too declined during the year.

The stability of the overall profit shows the strength of our branch operations and a business built on a base of households and local companies. Robur's increase in its share of net fund investments in the Swedish market from 17 to 20 percent, although on a declining overall market, is one result of this strength.

I am also pleased to report that aggregate income during the fourth quarter of 2001 was slightly higher than the corresponding quarter of 2000.

But don't think that we are pleased with the situation as it stands. We have to further strengthen our operations to better meet future threats and opportunities. This will require improved cost efficiency as well as growth and higher volumes.

I will return to our prospects for this year. Obviously our prospects depend on how well we manage our business, but the opportunities available to us are also largely dependent on how our operating environment develops.

Upturn - with reservations

The burst Internet bubble and rapidly growing problems in the telecom industry contributed to a slowdown in the global economy last year. The dramatic events of September 11 reinforced this negative trend.

Late last year and early this one there have been conflicting signals on the economy. In his opening speech Göran Collert pointed to the uncertainty and risks he sees in our operating environment.

I agree that we face an unusually precarious financial and political situation internationally. There is great uncertainty, and little to guide us along the way. But we can't allow uncertainty to lead to confusion. Our bank has to be able to meet the financial service needs of everyone in Sweden, in growth markets as well as in areas that are facing stagnation and structural stress.

When we analyze economic development in the areas where we are active, we also see that different parts of the country, different industries and different companies face completely different situations. We can't judge them all alike. We might have been able to do so during the last stock market boom, but not now.

There are signs, however, of an imminent rebound in the economy, which in some cases has already begun. Many indications are that the worst is over for Swedish industry. We can look forward to an upturn, though probably a slow, cautious one that will accelerate at the end of the year and into early 2003. The continued problems in the telecom industry could lead to further delays, however. It is worrisome that in its latest report, the OECD projects a period of three years or more before the telecom industry recovers from its overexpansion.

The government's recent downward revision of its growth forecast for the Swedish economy is another sign that our economic problems are greater than many had previously believed. At the same time, we have to remember that we are still talking about growth, albeit slower than earlier thought.

The likelihood of a slow rebound is partially due to the fact that the recent recession was combined with a generally higher level of indebtedness among businesses and households. This leaves little room for a quick boost in the economy through debt-financed demand.

In addition, a large part of the industrial sector in Sweden and internationally is operating at far below capacity. It will take some time before higher production leads to new investments in production equipment.

The low value of the Swedish krona relative to both the dollar and the euro has been a help to Swedish export companies. But we cannot expect this to continue as the economy enters a new phase. This is another factor that clouds our future economic development.

On the other hand, the fact that this is an election year in Sweden and in a number of other major European countries will lead to additional, politically motivated stimulus measures, which could strengthen economic activity.

It hopefully won't take longer than till the beginning of next year before the situation brightens for the many small businesses in our country that depend on sales to large telecom and automotive companies. We have seen how difficult it can be for many small businesses when Ericsson and Nokia cancel orders or when Volvo or Saab pressure subcontractors to cut their margins.

There is no indication of this as yet in our books, but if the rebound is delayed much longer, there is a risk that many companies will incur severe problems. We would feel it early on due to our local presence and closeness to customers.

The picture is anything but uniform, however. Here in Västernorrland, for example, historical data indicates that the share of employees in the private service sector has increased both in absolute terms and relative to the total number of employees in the county. This is especially positive, since the service sector accounts for a significant share of the economic growth in the country as a whole.

At the same time, the number of industrial jobs here in Västernorrland has decreased considerably, despite the major investments that have been and are being made, and that the total number of people employed in the county has shrunk. One positive sign, as far as Sundsvall is concerned, is that our 'Boindex' data shows consumer purchasing power has increased of late. This is a clear indication of growth in the local economy.

I am concerned, however, about some of the fundamental problems we see in society. In growth regions, we face a troublesome labor shortage that is inhibiting expansion. One way to handle this is by encouraging an influx of manpower. This could help also in Västernorrland and other forestry-oriented counties, for example, where additional people who are prepared to invest in new businesses are an important success factor. At the same time, we have a number of underutilized resources in our country, and I would particularly point to the potential of entrepreneurial women in this regard. Here in the bank, we are working with various partners to stimulate and facilitate new businesses, including in Norrland's interior.

Another factor – which also illustrates a major problem in working life here in Sweden – is the high rate of sick leave absences. You may have seen the recent article in the newspaper Aftonbladet that stated that sick leave is so high that if all those who have been granted long-term leave were to return to work - and their substitutes didn't have jobs – we would never have seen last year's drop in unemployment.

Sick leave is a problem for those directly affected and for society, at a total cost of some SEK 120 billion a year, according to current calculations. And this doesn't include the impact that this not utilized manpower could have if used productively to contribute to economic growth.

The role of banks in business and community development

We at FöreningsSparbanken are not only aware of our role in the local community, but see it as an important part of our operations. Together with other full-service banks, we have helped to build a financial infrastructure that creates opportunities for businesses and households to thrive in every part of our country.

What opportunities would businesses here in the Sundsvall region – and even more so in the interior farther north – have if every bank followed the example of certain niche banks and had only one branch in downtown Stockholm?

What our bank gives its customers and the entire community is a financial infrastructure that ultimately is essential to all manufacturing and business. Together with other full-service banks, we provide efficient payment systems. We help to finance companies and thereby contribute to growth and development by assuming credit risks.

FöreningsSparbanken's customers have access to nearly a thousand branches and qualified advisors throughout Sweden. Together with our partners, the independent savings banks, we have more than twice as many branches as our closest competitor and as many branches as all other Swedish banks combined.

We are and will continue to be Sweden's most accessible bank for most companies as well as for households. This is part of our responsibility to the community, which in turn is part of our heritage and our business opportunities.

Thanks to our branches and highly qualified employees, in combination with our alliances with local retailers and the cooperation with the Swedish postal service, which gives us access to 1,300 teller locations and 2,700 rural mail carriers, we are even better able than we were a year ago to offer our customers more time for advice, more access to teller services and more opportunities to obtain cash.

Our customers today can physically reach us, and our services, at more locations and in more ways than a year ago. In addition, the number of customers who use our telephone and Internet services has continued to grow. Today we have over two million customers who utilize FöreningsSparbanken by Telephone and slightly over 1.1 million who use FöreningsSparbanken by Internet.

New technology is often thought of today as a given by those who want to use it. At the same time, with more people choosing to handle their day-to-day banking business by telephone and Internet, our branch employees get more time and resources for sales and personal advice. With 5.5 million customers, it is essential that we can develop our operations based on the needs and opportunities of all our customers.

Increasing customer satisfaction

What we are doing now is continuing in our efforts to ensure more satisfied customers. This is our highest priority. Our customers should feel welcome to FöreningsSparbanken regardless of whether they come to one of our branches or visit us in other ways. We know that a personal relationship – the way customers are treated at the bank – is the most important thing. This is a job best done locally.

Obviously, our savings, loan and payment offerings are also critical if we are to keep our customers satisfied. They shouldn't have to go elsewhere for good terms and offers.

That's why we recently eliminated all restrictions on our "Private account", while further raising the interest rate to 3.50 percent, which puts it at the top among salary accounts in the Swedish banking market.

We had earlier eliminated all withdrawal fees, launched our new e-savings account with a 3.35-percent interest rate from the very first krona and with no balance limit, and have long offered one of the highest interest rates on salary accounts – 3.50 percent on our "Private account" on amounts up to SEK 15,000. We have now made this account even more attractive by no longer requiring that payment services be linked to it.

These improvements are a part of a continuous effort to develop competitive products and services for our customers.

Customer satisfaction with these improvements is evidenced by the fact that our fund management company, Robur, increased its share of net investments in mutual funds from 17 to 20 percent, and by the considerable success of our mortgage provider, Spintab, particularly in the important Stockholm market, where we strengthened our position both in absolute terms and with regard to market share in the last year.

Increased accessibility to all our services and investments in branch operations are also very important elements in the efforts to make customers even more satisfied with the bank.

At the same time that we improve our offering for salary account customers, we are continuing to expand what we call “FöreningsSparbanken Privat”, with extensive asset management services for customers with large investment capital and advisory needs.

We are also working to further develop products and services for medium-size businesses, which often have relatively complex needs, but do not have the resources of large corporations to handle them fully themselves.

In all this work, the role of the branch operations is decisive. Every branch also works with its own customer satisfaction program based on its customers’ needs and opportunities. Furthermore, we follow up these programs centrally as an important part of our evaluation of local operations and as a basis for Group-wide improvements. A number of improvements are already under way. For example, this fall we will be introducing a faster and better system for processing customers’ opinions.

Efficient handling of opinions, both positive and negative, is one way to be a better bank. By expanding the surveys we have been conducting for years on our so-called “market capital,” i.e. what customers think about the bank and our services, to also directly measure what our customers think locally, about each branch, we are clearly signaling that customer satisfaction is more important than ever in everything we do.

Our priorities in 2002

As I mentioned, **more satisfied customers** are our highest priority this year.

I have also spent a large part of my speech on branch operations and our employees there. The **branches**, which are the hub of our operations, are the second area of priority.

The branches are an asset for our customers. Last year we spent nearly a half billion kronor in expenses for premises alone, to maintain our branch network. We invested nearly SEK 30 million to open new and develop existing branches, and we will make further similar investments in 2002.

Our over 500 branches are the base for the 5,550 employees in the branch operations in their contacts with customers, regardless of whether this takes place at the branches or when visiting customers. Here, I would also like to mention the 700 employees in our highly appreciated telephone bank.

Having contact with and meeting our employees is important to customers. It also places great importance on our employees’ competence. We are therefore putting our energy into raising competence in various areas of our operations. This **competence boost** is also a priority area this year.

We are investing considerable resources here to satisfy our customers and improve the bank's profitability. This year we will invest over SEK 330 million in various forms of training and competence development. Per employee, this works out to slightly over SEK 15,000.

These investments do not mean, however, that we will lose our focus on clear, effective cost controls. A low cost level and high **cost efficiency** are essential not only to current profitability, but to allow us the leeway for priority investments in the future.

The fifth priority area is **growth**. All the other points will help us to grow our business. Growth is decisive to our long-term profitability as a bank.

Our growth opportunities

With its structure and operations, FöreningsSparbanken has good opportunities for growth. This applies to metropolitan areas, particularly Stockholm, where we are now increasing our presence. It also applies to individual groups, such as savings customers in general, high-asset private customers and medium-size companies.

Through our increased branch activity, we are encouraging customers to use the bank more, and to use more of our products and services. By improving competence and the ways we work – and because the growing number of customers using our electronic channels for simple transactions has freed up time for our branch employees – we are facilitating active prospecting efforts.

We will also continue to better adapt our offerings and services to the needs and opportunities of each customer and customer group. We are doing so through more effective IT support, which gives our employees – and customers – a better overview of each customer's activity and opportunities. We are also doing so through individualized customer visits, for customers who so desire. But most importantly, all of us in the bank have to adopt a customer-oriented attitude.

I also see good opportunities for continued growth in our electronic channels. We are now expanding our Internet bank through what we call "FöreningsSparbanken by Internet – Youth," for young people, which we launch during the spring. The shift in simple banking transactions to electronic channels has a value in and of itself for both customers and the bank, though it also, as I previously mentioned, frees up time for personal customer contacts at our branches.

In metropolitan areas, we have begun an effort in Stockholm, the local market where we see the greatest development potential, to open new, and develop and expand existing, branches. Although we have as many as 650,000 private customers and in the range of 40,000 business customers in the Stockholm region, our market shares there for historical reasons have been significantly lower than in the rest of the country. I should note, however, that our employees there are doing good work. For example, our lending in the region rose by 12 percent in 2001. In the expansive housing market, we have further strengthened our positions. Spintab's mortgage lending rose by no less than 19 percent in Stockholm last year.

Success in the Stockholm market and in other growth areas benefits the entire bank. In 2001 we opened new branches and invested to expand and develop existing ones. Efforts to further expand our presence in Stockholm in various ways are now continuing with increased intensity. To guide us in this work, we have used our analyses of how various customer groups in Stockholm see the bank and of our market shares for various groups.

We are now working in the Stockholm market in particular to further develop our offerings to better satisfy the sometimes divergent needs of various customers and customer groups. This will mean special efforts for financially strong customers and medium-size companies, as well as for the so-called broad market with salary and household customers.

Growth will also be achieved in significant part outside Sweden, as was the case in 2001. Estonia, Latvia and Lithuania have very good opportunities, with our subsidiary Hansabank as the leading pan-Baltic bank – a position now being further strengthened through the acquisition of Lithuania's second largest bank, LTB.

In the three Baltic states, growth opportunities are similar to what we saw in Sweden after the Second World War. Through the Hansabank Group, we have contact with potentially over three million customers. This in itself provides very significant and valuable business opportunities. I also anticipate further opportunities for our successful Danish operations via FIH.

Conclusion

In conclusion, I would submit that FöreningsSparbanken is a stable bank well prepared to handle the operating environment in which we, and our customers, are active.

The goal of our work is growth and increased market shares. This is essential to our long-term development and profitability and to create value-added for all our stakeholders.

An important factor in our long-term efforts to develop the bank and generate growth is our success model, which is based on the philosophy that everything we do at the bank is aimed at satisfying customers. By offering good terms, treating customers competently and increasing our level of activity, we create opportunities for more and better business.

In this effort, the branch operations and employees involved in local customer work are decisive to our success and to that of our customers. I usually say that the branches are the hub of our operations.

To maintain and increase the freedom of action we need to invest in growth and develop customer relationships, we have to maintain a strong focus on cost efficiency.

Cost efficiency also creates opportunities to develop and further strengthen the competence that creates value for our customers. Clearly, our employees, their commitment and their competence are decisive to the bank's success. This deserves repeating.

Lastly, I would like to thank our customers, our employees, our many elected representatives and our shareholders for the past year.