

# JAN LIDÉN'S SPEECH AT THE ANNUAL GENERAL MEETING OF FÖRENINGSSPARBANKEN HELD IN MALMÖ ON 25<sup>TH</sup> APRIL 2006

Esteemed shareholders, ladies and gentlemen!

I, too, would like to issue a very warm welcome to FöreningsSparbanken's 2006 Annual General Meeting, here in Malmö.

Living as you do in the Öresund region, you have long been used to regular cross-border contacts. The region has made excellent use of its strengths and has successfully established itself as a flourishing part of the northern European scene.

And the successful development of the Öresund region is mirrored by that of FöreningsSparbanken. We are now one of the leading banks in the Nordic region and Baltic States - a geographical area where we are seeing a rapid increase in cross-border contacts and high levels of economic activity.

The acquisition of the outstanding shares in **Hansabank** was an important event last year. The acquisition means that the Group now has four domestic markets - Sweden, Estonia, Latvia and Lithuania - and over 17,000 employees. And we hold leading positions in most of the important banking segments in those four countries, offering our customers a comprehensive range of financial services.

Approximately 80 per cent of the banks profits are at present generated in Sweden, with the remaining 20 per cent coming from the Baltic States. And so in that respect, Sweden is naturally our most important market, and one where we must both defend and develop our service and product offerings, with high customer value and good profitability. But at the same time, there is huge potential for growth beyond Sweden's borders. This means that more and more of our profits will be generated in markets other than Sweden, and there is every likelihood that in a few years' time, at least half of our profits will come from operations based outside Sweden.

We are currently putting considerable effort into developing our cross-border business and exploiting the experience our multinational Group has of its different domestic markets.

A new **organisational structure** was established within the Group last year, with five strategic business areas. The Swedish and Baltic banking markets are two

such areas, the other three being Swedbank Markets, Shared services, and International strategic and banking operations.

Under the Group's new organisational structure, a Group Executive Management team, comprising representatives of several business areas, will be responsible for the Group's overall management. To date, a Group Senior Management team, made up of the Group's 64 senior executives, has been formed.

The starting point for the new Group's orientation has been established in our business philosophy, which applies throughout the Group.

It describes the aim of the Group's business activities - **our mission**; the things that are important to us in our day to day work with customers and other stakeholders - **our fundamental values**; and finally, the position we are endeavouring to achieve - **our vision**.

And now I'd like to explain what we mean by these three components.

Understanding and operating on the basis of our customers' requirements enables us to offer them the best financial solutions, and thereby improve their quality of life. Which, in turn, enables us to achieve an ongoing increase in our company's value, and to act as a positive force in society. This is our mission.

Our values are based on our conviction that the Group's healthy profits and increased international recognition are the result of a **performance-orientated culture**, clear and **transparent communication**, a **willingness to change**, and the **strong commitment** of our employees.

Our vision is to be the leading financial institution in the Nordic region and Baltic States. When we say, the leading financial institution, we mean the one with:

- the highest level of customer satisfaction,
- the best profitability in every market,
- and which is the most attractive employer in every geographical market.

Our vision includes concrete and ambitious goals. The past year has seen us take a number of steps towards realising our vision.

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I am delighted to be able to say that Swedish customers' opinion of us just keeps getting better, and this is reflected in the steadily upwards trend by our bank since 2001 in the Swedish Quality Index's annual measurement of **customer satisfaction** for banks.

The Privata Affärer business magazine declared FöreningsSparbanken to be 2005's Bank of the Year. The citation read as follows:

“With more competitive mortgage interest rates, radically higher rates on savings, an improved website, and a range of funds that includes external ones, FöreningsSparbanken is a fine example of how the major banks have started taking the competitive threat posed by banking's upstarts seriously. The bank also combines its otherwise excellent product range with local proximity to the customer in 476 branch offices nationwide.”

We are convinced that our fine performance is the result of our persistent and systematic efforts on our part to increase both customer benefit and operational efficiency. We have, for example, established concrete target figures for sales and customer satisfaction, over and above the more traditional profitability parameters, in most of the units that have contact with customers.

For the third year in a row now, Affärsvärlden's Financial Barometer survey has awarded us the title of Business Bank of the Year.

Our Baltic colleagues also celebrated winning a number of fine awards last year, including the title of Best Bank awarded to Hansabank in Estonia and Lithuania. In Latvia Hansabank was named most respected company.

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The Group has confirmed and developed its **strong market positions** in its domestic markets. In Sweden, for example, we the market leaders in domestic deposits and lending, investment fund savings, individual pension savings, and card issuing.

And in the Baltic States, Hansabank is the leading bank in the market's most important segments.

2005 was characterised by very low interest rates, which helped ensure a high level of demand for credit from private individuals and companies alike. 2005 also saw us confirm our position as the leading player in the Swedish mortgage market, with a total market share of 30 per cent.

Hansabank holds 50 per cent of the mortgage market in Estonia, and its market shares are only slightly lower in Latvia and Lithuania.

Attractive deposit offers in Sweden helped increase FöreningsSparbanken's share of the domestic bank deposits market to 26 per cent.

Hansabank is the clear market leader in the Baltic States, with a 32 per cent share of both the deposits and lending market, and 2005 also saw Hansabank boost its market shares in both Latvia and Lithuania in all product areas.

Credit and debit card usage continued to increase in Sweden in 2005, with the number of card purchases rising by almost 20 per cent. Hansabank, meanwhile, has confirmed or strengthened its position in the card-issuing sector in the various Baltic States.

FöreningsSparbanken in Sweden has developed a debit card with low charges and a limited number of free ATM withdrawals, as part of its efforts to further encourage card usage. These efforts are part of the vital work of reducing levels of cash handling in society - work that is now even more important against the gloomy background of a number of high profile CIT vehicle robberies.

We have gradually advanced our positions in the **corporate market** in recent years. The establishment of dedicated corporate banking units, the recruitment of key skills workers, and a new and more structured methodology have yielded results. An energetic focus on improving the product range has resulted in a range of new services, including cash management, currency services, and pensions and insurance. The latter includes corporate pension plans, traditional pensions, sickness insurance and endowment pensions.

Our Swedbank Markets business area was the biggest player overall in the Nordic and Swedish credit bond market last year. At the same time, sales of structured products increased by 40 per cent.

Activity levels were high in both the equities operations and our projects and corporate finance consultancy services.

Our holding in the Norwegian firm, First Securities, increased to 51 per cent last year. First Securities has reported impressive successes, and the company's brokers and analysts were rated amongst the Norwegian market's best during the year.

The **Shared services** business area is tasked with exploiting the economies of scale that arise when similar duties and services are used by several units within the Group. The business area's efforts in 2005 have helped continue the improvements we are making in terms of both productivity and cost-effectiveness. A strong system of management by objectives, with a clear focus on cutting purchasing costs, has been introduced in the purchasing department. And excellent productivity improvements have also been achieved in the fields of IT and support, with IT costs falling from their levels in previous years, despite a substantial increase in volumes.

**To summarise:** last year's result was the best ever. For the third year in succession, we are the Nordic region's most profitable listed bank. Our profitability is proof that we are investing our resources - in the form of both time and money - in the places where they will yield the best returns.

The Swedish and Baltic operations' revenues increased by 19 per cent and 25 per cent, respectively. The Baltic markets offer continued massive growth potential at a higher level than that found in the more mature Swedish market. In 2005, for example, lending and borrowing increased by 58 per cent and 46 per cent, respectively, in Hansabank.

Our Chairman of the Board has presented our financial goals and our current position in relation to these goals, and for further information on last year's result, I would like to refer you to the Annual Report our web site.

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Our position in terms of both financial strength and high market penetration provide a stable foundation for continuing our efforts to become the leading financial institution in the Nordic Region and Baltic States.

**Our strategic orientation** is two-fold. On the one hand, we want to confirm and develop our position in the markets and market segments where we are currently the market leaders. On the other, we are looking for growth both inside and outside our domestic markets and core segments. To this end, we are engaged in ongoing analysis and evaluation of new opportunities for revenue generation.

Our new offices in northwestern Russia are just one example of this approach, whereby a presence allows us to serve Russian, Nordic and Baltic corporate customers operating in the region.

Our property insurance allows us to offer our customers yet another value-added service as part of our overall relationship with them.

The Swedish market is currently characterised by stiff **competition**. Mortgages are one example of this trend, so last autumn saw us offer our mortgage customers with three-month loans the chance to switch the loan to two-month loans at a lower interest rate, and we are also now, as part of the same drive, offering the market's best mortgage interest rate. Another area where we are taking this approach is that of deposits, where our competitive offering - the savings account Framtidskontot - has attracted both existing and new customers.

Meeting competition with measures that mean the terms we offer our customers are advantageous enough to ensure their continued loyalty to

FöreningsSparbanken is a given for us. A long-term approach by both parties is often characteristic of the relationship between a bank and its customers.

From the bank's perspective, this means balancing profitability in the short and long term on the one hand, with lasting customer benefit on the other.

**Investments in lasting customer benefit may be less profitable in the short term, but they have a self-evident long-term value for our customers and thereby for the bank's sustainable profitability.**

Ensuring that our message that we are a competitive bank reaches existing and potential customers - and that they understand it - is strategically vital. This is true not just of our standard products, such as mortgages and deposits, but of our availability and product range, too.

Our **availability** takes the form of 476 branch offices throughout Sweden - more than any of our competitors - staffed by almost 5,000 employees. Around 700,000 private customers have a personal financial advisor.

2 million customers, approximately 200,000 of whom are companies, do their banking business online, and our range of online services is constantly being expanded, e.g. in the form of book keeping and payment services. Meanwhile, 2.2 million customers, 120,000 or so of whom are companies, use telephone banking, and collectively, this makes our telephone and online banking services the market leader in Sweden.

We know that our customers want to be able to decide for themselves when and where they do their banking business. Which is why we are integrating the branch offices, and online and telephone banking services, in order to make life easier for the customer. In concrete terms, this means that it should be easy to start a deal in the office, for example, and wrap it up online.

We have decided to extend the branch offices' opening hours to make it easier for customers to visit the bank when it suits them - not when it suits the bank. The bank is now available 24 hours a day, and a prospective borrower, for example, can now arrange a loan at any time, day or night.

Our partnership with the **savings banks** is an important aspect of our availability. The savings banks' 282 branch offices give the customers access to the bank in every single one of Sweden's municipalities.

Our partnership with the savings banks is based on a commercial footing and is a cooperative partnership. We are now in the process of concluding a new agreement with the savings banks, that will extend our existing partnership, reinforcing the potential for further intensifying the commercial partnership between FöreningsSparbanken and the savings banks.

We regularly monitor our customers views and expectations. Our corporate clients underline the importance of international presence and services that facilitate cross-border business.

The acquisition of Hansabank has meant, in concrete terms, that we have augmented our ability to assist companies on both sides of the Baltic. The establishment of a branch in Helsinki and offices in Copenhagen, have, in combination with the existing Norwegian branch, given us a better comprehensive service offering throughout the Nordic Region and Baltic States. We have also introduced a number of services that facilitate cross-border transactions.

We have used our platform in the Baltic States as a jumping off point for the Russian market. In March, we opened our office in Saint Petersburg, and another branch will be opened before summer in Kaliningrad. Our Russian market strategy is single-minded, but we are implementing it carefully and are giving full consideration to the political and commercial risks entailed in operating in the expanding Russian economy.

Outside our home markets, we provide our customers with assistance through our branches in Marbella and the private banking operations in Luxembourg. Our New York branch enables us to offer a range of services, including active interest rate market and currency trading, merchant and corporate banking. We have also applied for a licence to upgrade our representation office in Shanghai to the status of a full branch office in 2006, because the Chinese market is an important platform in many Swedish companies' overseas programmes. We aim to be able to serve them by providing the expertise and services they demand, on site, in China.

Just like in the Swedish market we have invested in an extensive branch network in the Baltic states. Combining this with well developed internet- and telephone banking services we offer both high accessability and service level for our customers.

We took on over 1,000 new employees in the Baltic markets last year, and expect to employ approximately the same number again this year.

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**2005 was a very successful year for FöreningsSparbanken.** From a customer perspective, the bank offers a complete range of financial services in our four home markets. Our local presence, broad range of services, and competitive prices distinguish us from the competition. From a shareholders' perspective, FöreningsSparbanken offers stable earnings in the relatively mature Swedish

market, coupled with strong growth in the Baltic States. Added to which, we have an aggressive strategy for becoming the leading bank in the Nordic Region and Baltic States.

Our successes are the result of excellent work of the Group's employees in all our markets. I would finally like to stress the importance of their commitment and their single-minded efforts to ensure our continued success.

And with that sentiment, I would like to thank you for your attention and close by once again welcoming you all to this Annual General Meeting!