

Release

A MAGAZINE FROM RBS NORDIC REGION

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New horizons

Saab invests internationally with local presence.

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Clearer focus on clients

I FREQUENTLY TRAVEL to London and Edinburgh, where RBS has its origins and its base.

ON MY LATEST visit to Scotland, around 150 leaders from the bank's global network met our new CEO, Ross McEwan, to discuss strategy for the next few years.

IT WAS A pleasure to hear Ross talk about a clearer focus on clients. Of course placing the needs of our clients at the centre is nothing new, but after a few years of focusing heavily on renewing internal processes, risk management and adapting to tighter regulations, it is refreshing. It is time to genuinely put clients' best interests at the top of the agenda.

ANOTHER KEY STRATEGIC concept is simplicity. In order to offer clients the best, collaborations need to run smoothly, also within the bank. This approach will benefit clients through speed and a high level of service.

THE GLOBAL NETWORK is an important competitive edge for RBS. It helps create interesting solutions for our clients in the Nordic region. Another explicit ambition is to now link ourselves more clearly to RBS's domestic market, the UK.

THE NORDIC REGION is the UK's second largest import market, and we are both at the top when it comes to global exports. For example, Norway accounts for 25% of Britain's energy supply.

THE NORDIC REGION is the fifth largest export market to the UK and an attractive part of the RBS network. The foundation is our healthy public finances, a strong financial sector and successful export companies. We look forward to strengthening British-Nordic relations.



Reinhold Geijer

Reinhold Geijer
Head of RBS
Nordic Region

Release

A magazine from RBS Nordic Region for customers, partners and co-workers.

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PHOTO: SECURITAS

Securitas issues €350m long 7yr bond

SECURITAS ISSUED A €350m long 7 year bond in late November. It is the company's first public bond transaction since September 2012 and increases the weighted average maturity of its debt at a price of ms+110. There was broad pan-European interest, with the brunt of demand coming out of the Nordic region

and Germany. Securitas is a world leader in security with sales of close to SEK65bn in 2012.

The group's turnover is split between Europe (50%), North America (35%) and Ibero-America / Middle East/ Asia/Africa (15%). RBS was joint bookrunner on the transaction.

Ringgits for ASSA ABLOY in Malaysia

ASSA ABLOY'S subsidiary in Malaysia, HID Global, has signed an agreement with RBS for a credit facility of 45 million Malaysian ringgits (MYR), which equates to approximately \$ 14.5m.

HID Global utilised part of the credit facility for the first time at the end of November. In 2014, it will be used to expand the company's production capacity in Malaysia.

The credit facility arrangement is a collaboration between RBS in Sweden and Malaysia.



PHOTO: ASSA ABLOY

ASSA ABLOY is a world leader in lock and door solutions and has its own operations in over 70 countries. One in 10 locks in the world comes from ASSA ABLOY.

Correction regarding SCA

When SCA issued a 10-year bond in euro in the summer, the issue total was € 500m,

which was not stated in the previous edition of Release when the bond was presented.

Meeting challenges

Saab is focusing on showing the world that it has more smart solutions to offer than the Gripen fighter. The company has to meet such financial challenges as business transactions running for decades, tenders that can be out for a year, and a single order that can be greater than the company's entire share capital.

Text: Helene Murdoch *Photo:* Håkan Lindgren



Lena Bertilsson of RBS and Stefan Lind of Saab are working together to facilitate growth.

IN THE PAST defence was mainly a matter of territory, while today it is just as much about trade routes and information systems. However, while defence and security needs are expanding and growing, many countries' defence budgets are shrinking.

For Saab, which since its foundation in 1937 has been tasked with delivering smart systems with a high

defence capability and good resource utilisation to the Swedish Armed Forces, this is not just bad news.

"We could even benefit competitively because our products are multifunctional and cost-effective. This could apply both to purchases and to cost of operation," says Stefan Lind, Head of Group Treasury and Risk Management at Saab.

He mentions the Gripen fighter system as an example, which in addition to its pursuit capabilities can also be used for attack and reconnaissance. Another is the Giraffe radar system. It is primarily used for air and sea surveillance, but can also localise artillery fire.

One challenge for Saab is that its working capital can vary greatly over >>



PHOTO: COPYRIGHT SAAB AB

Flying abroad. A high percentage of exports means a high currency risk for Saab and calls for well-considered solutions. Pictured: The Gripen D with the Swiss Air Force.

» time, partly depending on how advances are paid. Saab's operation is generally characterised by large investments, long time periods and technical development or refinement of its products. Some business transactions can span several decades.

"IT IS NORMAL for working capital to vary in our line of business, and this is partly due to the project mix and when we receive milestone payments. But securing a positive cash flow is one of our key priorities. We therefore spend a lot of time and energy reviewing our stock and the potential for advance payments, for instance," says Lind.

"We face many different kinds of financial challenges. One is that a high percentage of exports automatically entails a high currency risk. This risk also needs to be managed for tenders, some of which can be under considera-

tion for up to a year before a decision is made. Some potential contracts are worth more than our share capital, which also poses a challenge."

When it comes to currency risk linked to handling tenders, Saab Treasury uses three models, depending on the size of the bid.

For tenders of less than SEK 100m the exchange rate is set the date the order is received, based on existing hedges, among other things. For tenders of between SEK 100m and SEK 1bn, the exchange rate is set on the date the tender is submitted to the client. How much is hedged depends on

FACTS

A great many solutions



Saab is not just the Gripen fighter. The company offers many other defence and security-oriented systems, from reconnaissance and air defence systems, management systems and radar to surveillance systems for airspace, ports and prisons, for example. Saab is also a subcontractor to leading international aircraft manufacturers such as Boeing and Airbus.

Its products are sold in more than 100 countries. Saab's most important markets are in Europe, Asia and North America.

the probability of Saab winning the contract. For tenders of over SEK 1bn, tailor-made solutions are needed. Furthermore, the currency risk is managed by hedging the order book. The aim is to achieve risk neutrality.

YET ANOTHER CHALLENGE is that sometimes the counterparties have a low credit rating and also lack financing. EKN, the Swedish Exports Credits Guarantee Board, plays an important role in these cases and can issue state guarantees for any non-payment.

In 2013, Saab had a breakthrough for the new version of the Gripen – the Gripen E – when Switzerland's parliament voted to buy it. A referendum in 2014 will determine whether the purchase of the 22 fighter jets will go ahead.

IN FEBRUARY 2013 another agreement was signed with the Swedish Defence Materiel Administration, which will procure the aircraft on behalf of the Swedish state. The agreement entails an order for 60 Gripen E in 2013–2026 in what has been called one of Sweden's biggest industrial projects.

The agreements for potential orders from Sweden and Switzerland are worth almost SEK 48bn in total. Discussions are also under way with a number of other countries.

Saab is strongest in Europe, with an emphasis in Sweden. At the same time, it is continuing to expand on markets deemed to have the right conditions for growth, such as the US, Asia and India. As of 2013, a new market organisation has been established with its own presence on most of the priority markets.

"BEING WHERE THE clients are is an important step for growing outside of the Nordic region. We need to increase our understanding of our clients' needs and situation, and of local conditions. Everyone knows the Gripen, but we must also strengthen global awareness of the rest of our product portfolio," says Lind.

"The strategy for growing on the



"Being where the clients are is an important step for growing outside of the Nordic region," says Stefan Lind.

"We must strengthen global awareness of our product portfolio"

global defence and security market entails employing local personnel, conducting product development locally and acquiring local companies."

ONE OF SAAB'S latest acquisitions is Dutch HITT, a company that develops and implements technical solutions to improve security at ports and airports. The acquisition is in line with Saab's strategy to become market leader in surveillance and traffic management.

In 2013 Saab made an investment in the listed Indian company Pipavav-Defence and Offshore Engineering Company, which is a well-known name in the marine market in India.

A wide-ranging focus on research and development is another important way for Saab to secure future growth and profitability. In 2012, approximately

25 per cent of turnover went on research and development. This makes Saab one of the most research-intensive companies not just in Sweden, but in the entire global defence industry.

"One of the research areas we are currently prioritising is radar and sensor technology, which can be applied both in defence and in civilian applications," explains Lind.

RBS IS ONE of the eight relationship banks Saab works with. The collaboration has been ongoing for many years and includes receivables sales (the only bank Saab sells account receivables to), issuing guarantees, cash management in the Czech Republic and India, as well as currency trading.

"The relationship was already there when I started in 2000. It is important for us to have a long-term partner who can be with us in both prosperity and adversity, because our operation is, by definition, long term. It's also vital to have a partner who understands our business," Stefan Lind concludes. ✕

Statkraft is expanding in wind power. Major investments are being made in the UK, primarily at Dogger Bank.

Energy companies are attracted to the UK, which has the best wind resources and sea-bed conditions in Europe, coupled with a favourable political climate for renewable energy. Statkraft of Norway is at the forefront.

Text: Helene Murdoch



Fair winds for Statkraft

Statkraft, among other things, is involved in the development of Dogger Bank – the world's biggest wind power project. Now the company wants to test the enormous turbines that are under development.

“We hope to obtain a concession this year and start a trial run in 2014,” explains Torbjørn Steen, Vice President Communications, Wind Power and Technologies at Statkraft.

SEVEN THOUSAND YEARS ago, Dogger Bank was home to tens of thousands of people. When the sea took over, the turbulent shallow waters at Dogger Bank became a burial ground for many seafarers.

There are now plans to erect up to 2,000 turbines in the area. The total physical capacity would be 13 GW, making it the world's biggest wind

FACTS

Working with RBS

RBS has been one of Statkraft's relationship banks for over a decade. The bank co-ordinated a major loan (NOK 12bn) in January 2011 and has provided financing for two Norwegian wind power projects, for example. RBS has also been a bookrunner in several of Statkraft's eurobond issues.

farm. The concession for developing the first stage has been granted to the Forewind consortium, which comprises Norwegian Statkraft and Statoil, German RWE and British SSE. One attraction is the state subsidies which are five times higher than in Sweden, for example.

STATKRAFT, A LEADER in renewable energy in Europe, is well established in the UK. The company was involved in a number of British wind power projects as far back as 2006, and has subsequently built three. It also operates a hydro power station in Wales.

2012 marked the launch of Sheringham Shoal, the world's third largest wind farm at the time, which is owned

by Statkraft together with Statoil. The wind farm comprises 88 turbines with a capacity to supply more than 220,000 homes with electricity.

“The launch of Sheringham Shoal heralded an important breakthrough, both for wind power in the UK and for Statkraft when it comes to strengthening its position as a market leader in Europe for renewable energy,” says Steen.

The development and testing of the technology for ocean wind farms is also described as one of the keys to the Dogger Bank project.

“**GENERALLY SPEAKING**, everything in Dogger Bank can be said to be bigger in terms of number and size. This places new demands on everything from the foundations to operation and boats. The technology is under development. We hope to receive a concession from the Norwegian government before the end of the year to test run a turbine at the island of Smøla. Test operation could then begin in autumn 2014.”

Norwegian giants Statkraft and Statoil have reaped great success in their collaboration regarding offshore wind power projects. Another example is Dudgeon.

“We complement each other, Statkraft is a pioneer in renewable energy and Statoil has extensive offshore knowledge and experience,” says Steen.

STATKRAFT'S HISTORY IS closely associated with the development of hydro power in Norway. The operation has its roots in the late 19th century when water power first began to be exploited. With operations in more than 20 countries, Statkraft is now focusing on leading a global development towards ‘green’ electricity.

“Hydro power can already compete with coal on cost, while costs for other renewable energy sources, including wind power, are continuously being squeezed. We have had a long time to develop our expertise and find profitability in renewable energy,” Steen explains. ✕

Reviews credits in the east

Text: Anneli Kamlin

TeliaSonera refinances on its growth market Kazakhstan and continues collaboration with RBS.

TELIASONERA'S SUBSIDIARY Kcell is Kazakhstan's largest mobile operator, with almost 50 per cent market share. The company operates under two brands: Kcell on the corporate market and Activ on the private market.

In September Kcell signed an agreement with RBS for a credit facility of 4 billion Kazak tenge (KZT), equivalent to just over \$ 25m.

At the same time, a two-year loan was taken out with the local bank Halyk Bank of Kazakhstan for KZT 30bn.

“It is important for us to build strong local bank relations, and Halyk



Agneta Wallmark, Group Treasurer at TeliaSonera.

Agneta Wallmark, Group Treasurer at TeliaSonera.

THE LOAN HAS been raised to refinance previous credits which have become due for payment.

“In tandem with developing domestic bank relations, we value collaboration with international players, such as RBS, as our global relationship banks represent continuity and have a broad understanding of TeliaSonera's work approach,” says Wallmark.

Kazakhstan, with a population of 17 million, has enjoyed an average



TeliaSonera has almost 50 per cent market share in Kazakhstan.

increase in GDP of 6 per cent since 2009.

“The country is dependent on its natural resources, primarily oil, and therefore on raw material prices for its growth in GDP. Various initiatives are under way to diversify the economy,” says Patrick Nylund at RBS in Stockholm.

RBS HAS BEEN in Kazakhstan since 1994 and has around 30 local employees there.

“Our global relationship banks represent continuity”

“It's a complicated market, particularly because the regulations are constantly changing,” says Nylund.

ONE RELEVANT CHANGE is that Kazakhstan has tied its currency to a basket comprising the US dollar, euro and Russian rouble, rather than solely the US dollar as before. This reflects the extensive trade between Kazakhstan and Russia, while also reducing vulnerability towards the dollar. ✕



Tasteful elegance at the National Heritage Board in Visby.



Lars Ekström and Mikael Ekman study excavated finds.



Text: Anneli Kamlin Photo: Håkan Lindgren

Building change

As a property owner and landlord, RBS Nordisk Renting supports its clients in developing their business. One example is on the Swedish island of Gotland, where the National Heritage Board are facing changes.

One building stands out in the old A7 regimental area near the Gotland capital of Visby. Among the buildings from the turn of last century rises a modern building with a glass and concrete façade. “The building was constructed especially for us when part of the operation moved from Stockholm to Gotland in 2007,” says Mikael Eklund, unit manager for the service unit at Sweden’s National Heritage Board.

In addition to the National Heritage Board, there is also space here for Swedish Travelling Exhibitions. The building contractor for the project was RBS Nordisk Renting, which still owns the property and leases it out. “It is a particularly fine, special building,” says Eklund. In 2008 the design was awarded the Swedish Precast Concrete Federation’s architectural prize for “a highly elegant use of concrete elements”. Walking

around inside the building, there is certainly a lot of concrete to be seen, but also large areas of larch wood in the courtyard. Sweden’s National Heritage Board and Swedish Travelling Exhibitions have recently been given a slightly different remit. “Our role has become more advisory and less operational. Our primary purpose is to convey knowledge, and this influences our requirements

regarding premises,” explains Eklund. The National Heritage Board is a central authority for issues relating to cultural environment and cultural heritage. It works with everything from well-known buildings to small discoveries excavated from the earth.

THE PREMISES IN Visby house well-equipped laboratories for research and method development, for example. Most things can be found here: a scanning electron microscope, most recently used to study in detail textile suits of armour from the 14th century which were found at a burial site in Visby; equipment for tensile tests, where a newly created drapery for the UN was tested for strength; X-ray equipment which has helped decipher runes on ancient iron crosses... To name but a few examples. “We have resources for wet chemical analysis, soil analysis, microscopy, X-ray,

chemical analysis, climate and ageing experiments. There are also preservation laboratories for work on wood, leather, metal, stone, paintings and textiles,” says laboratory engineer Lars Ekström. Although laboratories and studios have a huge content, today they are unnecessarily scattered. In partnership with the owner of the building, RBS Nordisk Renting, a process is under way to concentrate the operation. “We look forward to the change, it’s important for us that we don’t have areas wasted. At the same time we need help developing the environment. New installations will make it easier to control air humidity and temperature, which are incredibly important bearing in mind the sensitive materials we handle,” Mikael Eklund concludes. X

Reflections

Pär Magnusson
Chief Economist, RBS Nordic



PHOTO: HEINZ ANGERMAYR

Cheaper isn’t better

VERY HIGH INFLATION is terrible for the economy. The only thing worse is very low inflation – deflation. But surely things becoming cheaper is better? If no one buys today but waits until tomorrow, demand will be so weak that prices fall even further, and then of course it’s worth waiting another day to buy, but then prices fall further. It becomes a downward spiral that encourages people to sit on their money instead of consuming and investing. What may appear to make good sense on an individual basis, i.e. postponing consumption, turns out to make very bad sense on a macroeconomic basis when everyone does it at the same time. Quite simply, overall we all become poorer.

Unfortunately this deflation trap is not just a theoretical notion. Japan has been stuck in deflation for the past 15 years and the EMU is thought to be heading for a similar development. If we don’t watch out in Sweden, it could happen here too. Then Sweden’s central bank, will have to do everything it can to bring about negative real interest. In this situation, people with a save or squander mindset will find it hard to adjust. Squandering becomes a virtue, and saving a vice. People with too large debts will have to be saved from a deflationary spiral at the expense of the savers. Deeply instilled economic moral ideas will be turned on their head. X

British Telecom and Country Manager
Carl-Erik Lagercrantz promote
British-Nordic relations.



British Telecom is focusing in the Nordic region on collaboration with the big export companies. The telecom giant keeps it British in choosing RBS as its banking partner.

Text: Anneli Kamlin *Photo:* Håkan Lindgren

British going Nordic

The office in Kungsholmen, Stockholm, exudes an air of new beginnings. The area is full of construction cranes and the premises smell of newness.

But the company here, British Telecom (BT) is hardly a newcomer. It is the world's oldest telecom company, and one of the biggest.

"WE HAVE BEEN here in the Nordic region since the late 1980s. We focus on large multinationals that need a partner for all network-oriented communication," says Carl-Erik Lagercrantz, Country Manager BT Nordics and Baltics.

"We work with global export companies such as Aker Solutions, Volvo, Ericsson, H&M and SKF. We meet their communication solution needs

"One example is trading systems for banks, which have to be free of interference"

within the groups but across national boundaries, between offices, factories, data centres, call centres and so on."

BT's driving forces for focusing on the Nordic region are closely linked to how

trade and industry are structured here.

"Of course there are other regions that are larger, but the export industry is very prominent in the Nordic region."

At the same time BT works in the opposite direction.

"WE HELP BT'S clients in other countries when they need communication solutions

in the Nordic region."

The foundation is basic network services, with special solutions being added as required.

"One example is trading systems for

banks, which have to be completely free of interference."

ONE OF THE clients for this type of service happens to be RBS. With their shared focus on large Nordic corporations, a base in the UK, a strong heritage, the support of clients from other countries in the Nordic region and a global network, it is easy to draw parallels between BT and RBS.

"Moreover BT uses RBS, also in the Nordic region. However, there's nothing saying we have to. We actively choose to work with RBS because it's a strong bank. The collaboration covers ongoing banking services, but RBS also works with our Nordic investors."

The main focus of the collaboration in the Nordic region is cash management. RBS has for example set up a cash pool for centralising liquidity in euro and in Swedish, Norwegian and Danish currencies, which are then automatically transferred to the cash pool BT has with RBS in the UK.

Being the head of a company in a British multinational automatically brings with it experience of British corporate culture.

"THE ATMOSPHERE IS characterised by humour, which is very nice. At the same time Brits often get straight to the point, even with tough issues," says Lagercrantz.

"One particular aspect of British corporate culture is the importance of linguistic nuances. English has a large vocabulary, and business leaders also like to use a vivid, nuanced manner of expressing themselves." ✕

FACTS

British Telecom

The BT Group has net sales in the region of £ 18bn and operates in over 170 countries. BT Nordics has 150 employees in Sweden, Denmark, Finland and Norway.

Text: Anneli Kamlin

Flexible swaps



Njord Gas is a part-owner of the large Norwegian gas pipe network.

PHOTO: ØYVIND SÆTRE, GASSCO

Well-considered interest and currency swaps are important parts of the financing arrangement for Njord Gas.

Norwegian Njord Gas Infrastructure was formed in 2010 to buy part of Gassled, the large network of pipes that transport gas from Norwegian oil fields to Europe. The founders and owners of Njord Gas are UBS International Infrastructure Fund and CDC Infrastructure.

"We purchased over 8 per cent of Gassled from ExxonMobile and the acquisition was partly financed by bonds corresponding to NOK 3.8bn," says Birte Norheim, Finance Director at Njord Gas.

THE TRANSACTION WAS carried out with the help of RBS's team for corporate business at the time. RBS also had a key role in the financing.

The tariffs for using the gas network are set by the Norwegian state and linked to inflation. Njord Gas therefore wanted to match its debt exposure to its income flows.

"The process resulted in the issue of bonds in four series, two in Norwegian kroner, one in pounds sterling and one in US dollars. The reasons for the diversification were low interest in Norwegian kroner and

Norwegian inflation, even though there was strong demand for the actual bond," explains Norheim.

"We therefore chose a swap arrangement which took Norwegian inflation into account and provided the right match between financing cost and income flow."

THE WINDS OF change are now blowing across the Norwegian gas market.

"In June Norwegian authorities changed the rules on tariffs, which means a considerable loss of income for the owners of Gassled, particularly after 2020."

As a result, Standard & Poor's downgraded the bonds.

"The changes in our future income profile made it natural to review our capital structure, as we simultaneously fight the tariff changes in the courts."

In August Njord Gas bought back part of the bond and the corresponding swaps were redeemed.

"We are particularly happy that RBS was proactive in the process of redeeming the swaps, which enabled us to benefit from favourable terms on the market," says Norheim.

"We have had an interesting role as trouble-shooter to identify and reduce risks and create an efficient debt portfolio," says Martin Arnborg at RBS. ✕

Co-worker portrait: Maria Rosta



now, and this affects our way of working. All our business with clients has to be checked against the bank's general yield and risk situation."

MARIA ROSTA NOTES that the altered circumstances on the finance markets have made long-term client relations even more important.

"It's a partnership where customers can benefit from RBS's local knowledge in countries with complex rules. At the same time, here in Stockholm we have overall responsibility and an overview when we discuss business with the customers' parent companies."

This means that Maria Rosta meets customers at their head offices, while maintaining contact with subsidiaries, local finance departments, suppliers and customers in other areas.

"A large part of my job is being a spider in the web for my colleagues in the RBS network."

MANY NORDIC MULTATIONALS are currently expanding in Asia, which is intensifying contacts there.

"Challenges there include ever-changing rules and non-convertible currencies. It's both educational and fascinating," she says.

"Trouble-shooting for customers is by far the most rewarding part of my job. There are always interesting new things to be done." ✕

"Trouble-shooting for clients most rewarding"

Text: Anneli Kamlin **Photo:** Håkan Lindgren

She grows vegetables and client relations with the same passion. Maria Rosta is a Relationship Manager at RBS in Stockholm.

When Maria Rosta is not at work she can often be found in her garden, her hands deep in soil.

"I'm very interested in gardening. I love being able to go and get some potatoes, squash or apples right on my doorstep and cook something delicious with them."

But during the week Maria Rosta can be found at the RBS offices in Stockholm as a Relationship Manager for the bank's large corporate partners.

"I come into contact with most of the products offered by RBS."

MARIA JOINED ABN AMRO in 2000 as a recent masters graduate in international economics. There, her job mainly entailed credit analysis.

"Analysing risks has taught me a great deal. After all, the basis of all bank activities lies in assessing and taking risks."

As a Relationship Manager at RBS she no longer works directly in credit analysis, but the fundamental questions in the operation have not changed much – if anything they are stronger.

"Requirements regarding banks' capital adequacy are far more complex

IN BRIEF

Maria Rosta

Lives: On a woodland plot in Tumba, south of Stockholm.

Family: Husband and two children.

Grew up: Various places in southern and central Sweden.

Interested in: Gardening and history, especially ancient Egypt.

Service experience: Worked for one year as everything from waitress to receptionist in hotels in Mannheim and Munich, Germany.

Own time: Half an hour with a book on the commuter train twice a day. Latest reading tip: "Innan floden tar oss" by Helena Thorfinn (currently only available in Swedish).