

Swedish bank SEB said Friday it would sign up to a state-backed guarantee programme after it reported a 44-percent drop in net profit in the first quarter due to its exposure to the Baltics.

"The Board has decided to apply for SEB's participation in the Swedish funding guarantee programme. The application will be filed within the next few days," SEB said a statement.

The bank, which is badly exposed to the troubled Baltic economies, initially said it would not join the programme.

The Swedish government announced at the end of October the creation of a guarantee scheme worth 1.5 trillion kronor (138.5 billion euros) to help struggling banks with liquidity problems secure needed loans.

Only one major financial institution, Swedbank, has signed up to the scheme so far.

SEB, Sweden's third-biggest bank in terms of market capitalisation, said it remained in the black in the first quarter, but its net profit dropped to 1.03 billion kronor (95 million euros), against 1.85 billion kronor for the same period a year earlier.

"SEB's underlying business has started off on a strong note," said the bank's chief executive Annika Falkengren in a statement.

"Continued high earnings capacity going forward and the increased capital strength after the rights issue will provide a substantial buffer to withstand further expected deterioration of overall business conditions," she said.

The bank recently carried out a 15-billion-kronor rights issue.

Sweden's SEB seeks state guarantee after profits drop

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The quarterly profits however were below analysts expectations -- a survey by Dow Jones Newswires had forcast a net profit of 1.63 billion kronor.

SEB said its provisions for credit losses soared during the first quarter, to 2.39 billion kronor from 364 million a year ago, largely due to its aggressive approach in Estonia, Latvia and Lithuania.

In the Baltic region alone, which accounts for 13 percent of SEB's total lending, provisions amounted to 1.7 billion kronor.

Excluding provisions for credit losses, SEB's profit rose by 51 percent to 4.19 billion, though that was down by 27 percent from the fourth quarter.

The price of SEB shares were down by 6.05 percent at 35.70 kronor on Friday at 1045 GMT on the Stockholm exchange in a market down by 1.53 percent.