Chairman of the Board Marcus Wallenberg's speech at SEB's AGM 2012-03-29

Honoured shareholders,

During 2011 capitalisation and liquidity, two issues that have always been prioritised by the board, got even more attention due to developments in the global economy and on the financial markets.

Banks constitute financial hubs in society and for SEB financial stability, trust and relationships are critical success factors.

A modern society can not function and develop without well-functioning banks that contribute to society – individuals and companies.

As banks, we transfer people's savings into productive investments.

As banks, we make sure companies and individuals can pay each other when they exchange goods and services.

And as banks, we distribute risks between those willing to take them and those who are not.

That in itself means we have a particular responsibility.

SEB's financial strength and the responsibility that comes from being a systemically important financial institution have been central issues on the board's agenda all year. Not least due to implications for the bank's financial targets and our ability to create value for you, our shareholders.

I will return to this later.

SEB has a board with a broad set of competences that can shed light on complex issues in a multifaceted way.

In the board we put great importance on creating clear roles of responsibility for executive positions and decision makers, for example within credit approval, customer advisory, wealth management and insurance policy provision.

We held 11 board meetings in 2011 and in addition to that the board's committees held a further 26 meetings.

Our work follows a process decided on by the board. That process governs the board's role and work, as well as giving instructions to the board's committees – the Risk and Capital Committee, the Audit and Compliance Committee and the Remuneration and HR Committee. The committees handle certain issues ahead of a decision from the board.

The board has the overall responsibility for the bank's business and decides on what direction that business should take … in other words its strategy … as well as frameworks and goals associated with that strategy.

The board regularly reviews and evaluates progress using our goals and guidelines as the basis for its work.

The board is also responsible for ensuring that the business is organised so that adequate control functions are established and that risks in the business are identified and defined, and that they are measured, followed up on and monitored. All in compliance with external and internal rules, including the bank's articles of association.

Further, SEB has a Code of Conduct that describes and sheds more light on SEB's values as well as setting the standard for our business behaviour.

Clear policies and guidelines for sustainability, such as the Corporate Sustainability Policy, and group-wide position statements are also important in this context.

Today I want to highlight three issues that are particularly important for us shareholders.

The first is about the bank's strategy. The second is about the new, extensive regulatory framework we see developing globally. The third is about SEB's long-term financial goals.

Let me start with the bank's narrower and more focused strategy.

After the most immediate crisis following the Lehman Brothers collapse, we in the board, together with the bank's management, took a decision to further strengthen the bank's resilience. We did this based on SEB's deep customer relationships and in order to have the flexibility to continue growing.

We strengthened the capital position materially, in part with help from you, our shareholders. We extended maturities for our funding and reinforced our liquidity.

We discontinued activities that the board and the bank's management believed had low potential or did not fit in the relationship banking model. That is the backdrop for us selling our retail banking businesses in Germany and Ukraine. We did not have enough scale to operate a full-service bank in Germany.

This refocusing governs our behaviour today. We will soon hear Annika Falkengren talk about the investments and efforts that are planned for the future. We on the board fully support those efforts, all in line with our strategy.

We are convinced that it's a business strategy that will create value for the bank's customers, and thereby for shareholders, step by step.

Now to the second issue: introduction of new regulations for the international banking sector.

We saw decisions made on the new Basel III regulation during 2011. That is the global regulatory framework for banks' capital and liquidity that aims to contribute to a more stable and transparent financial system long term.

European banks have reduced their balance sheets to meet the new demands. As a result it has been more difficult for them to fulfil their roles as payment facilitators and liquidity providers to enterprise as well as before.

That is, and may continue to be, worrying when the economy is weak.

This has not been the case to the same extent in Sweden. The Swedish banking system is one of the best capitalised in Europe and SEB increased its lending by 10 per cent last year.

Meanwhile, Sweden has decided to lead the way and introduce stricter capital demands on the four largest banks – considered to be systemically important – before the rest of the world.

That is possible because the Swedish banking system is already in a strong capital position. That is often not the case internationally.

It may not be a significant problem to shoulder the stricter demands today when foreign competitors struggle with the European debt crisis and recession.

Taking a longer term view, SEB and the other large Swedish banks must hold 25 per cent more capital for every krona lent to customers.

That means higher capital costs.

Swedish banks must adapt to other rules that demand longer funding maturities and higher liquidity reserves.

This means higher funding costs.

This is challenging as it may distort competition. It affects the bank's customers and it affects the bank's shareholders.

Moving on to my third message … the issue of financial goals.

Our ambition is to achieve competitive profitability – return on equity – over time.

It's challenging in the sense that the new regulations being introduced raise the ongoing cost of operating a bank. Operational costs are up due to increased supervision and reporting demands. At the same time, capital and funding costs are up.

To mitigate this, we need a profitable banking system that can manage on its own and that can generate more profit than the cost of capital. And that can attract new capital to grow and strengthen the business when needed. Profitable banks do indeed create stability and profitable banks manage to fund themselves without support.

We, the board, want to have a clear view of the full regulatory framework and its effect on the bank before defining long-term financial goals in absolute terms.

But, we already understand that banks cannot achieve the same return on equity as they did historically. We have already seen lower profitability compared to before the crisis.

By pushing the higher costs out and by making our business even more efficient, we are striving to raise the return on equity from today's level. But, fully compensating for higher costs will be a challenge.

Therefore,

We on the board strive for an appropriate capital position that can create the necessary resilience while remaining financially sound. The amount of capital should enable a solid return on equity from our banking business.

Against this backdrop, the board considers the dividend proposal appropriate. We have considered how much capital is needed based on how we do business, the size of our business and the risks associated with it. We have also looked at the company's consolidation needs, liquidity and position in general.

The proposed dividend of 1.75 kronor is in line with the bank's dividend policy – 40 per cent over a business cycle.

The board also recommends the annual general meeting to approve a mandate to repurchase 10 per cent of outstanding shares in SEB in accordance with Swedish law.

With this mandate, we want to ensure flexibility for the board to secure an appropriate capital structure long term, in the interest of shareholders.

We are now putting 2011 behind us and I want to extend my warm gratitude to my colleagues on the board for their work over the past year.

I also want to extend an equally warm thank you to the bank's president, management and dedicated employees.

Through their hard and dedicated work and wise actions they have acted to give SEB a strong position, backed by a strong balance sheet.

Thank you!