SEB

Item 17 a) – c)

The Board of Directors' of Skandinaviska Enskilda Banken AB (publ) proposal for decision at the Annual General Meeting on 26 March 2018 on Long-term Equity Programmes for 2018

Background

SEB aims to attract and retain committed and competent employees who contribute to the Bank's long-term success. Employee remuneration should encourage high performance, sound and responsible behaviour and risk-taking that is aligned with SEB's values and the level of risk tolerance set by the Board of Directors (Board). It should promote the employees' long-term commitment to creating sustainable value for customers and shareholders. The total remuneration reflects the complexity, responsibility and leadership skills required in each position as well as the performance of the individual employee. Performance is evaluated on the basis of financial and non-financial goals, with SEB's values as a starting point.

Equity-based remuneration is a means to attract and retain staff with key competences in SEB. It is also an incentive for the employees to become shareholders of SEB, which builds and strengthens long-term commitment in the interests of the shareholders. Furthermore, regulatory requirements for financial institutions demand that variable remuneration to a large extent is paid out in equity or equity-related instruments.

SEB first introduced long-term equity programmes in 1999. Information about the programmes has been provided in the annual reports and at the Annual General Meetings (AGMs). The scope of the outstanding programmes can be found in the Annual Report 2017.

Long-term Equity Programmes 2018

The programmes are evaluated on a continuous basis throughout the year by the Remuneration and Human Resources Committee of the Board (RemCo). RemCo also monitors the employees' participation in the programmes.

The evaluation has, based on last year's in-depth evaluation following a three year evaluation cycle, continued to focus on the effectiveness, attractiveness and competitiveness of the Bank's programmes while taking into consideration further regulatory changes. Furthermore, market, shareholder preferences and society trends are analysed as well as the external and internal communication. The outcome of the evaluation is reported to the Board and also discussed with the major shareholders together with the suggested proposal for the upcoming AGM.

A number of improvement areas were identified which will be addressed during the coming period, including the strengthening of communication, adjusting some programme features to increase the perceived value amongst the participants and adaptation to regulatory requirements.

Based on the evaluation and discussions with major shareholders in SEB, it is proposed that the AGM resolves on the following three long-term equity programmes for 2018:

a) SEB All Employee Programme 2018 (AEP) for all employees in most of the countries where SEB operates,
b) SEB Share Deferral Programme 2018 (SDP) for the Group Executive Committee (GEC), certain other senior managers and key employees, and
c) SEB Restricted Share Programme 2018 (RSP) for some employees in certain business units.

The guiding principle has been to keep the structure from 2017, but at the same time make necessary changes to adapt to new regulations, keeping in mind shareholders interest of transparent and less complex programs. The AEP and SDP are proposed to have the same structure as last year. The RSP largely mirrors the same structure as the SDP but is structured to secure attractiveness and regulatory alignment for staff below senior managers in certain business units.

The proposed programmes allow for risk adjustment for current as well as future risks. The final outcome may therefore be cancelled partly or entirely in accordance with regulations, among other things taking the Bank's result and capital and liquidity required in the business into account.

The preparation of the proposal

The proposal has been prepared by the Board and RemCo. The Board's and RemCo's view is that the proposal strikes an appropriate balance between motivating the employees and achieving a long-term, well-balanced and competitive remuneration.

SEB All Employee Programme 2018 (AEP) (17 a)

SEB All Employee Programme 2018 (AEP) is a programme for all employees in most of the countries where SEB operates. 50 per cent of the outcome is paid in cash and 50 per cent is deferred for three years and paid in SEB A-shares in Sweden and in SEB A-shares or cash adjusted for the SEB A-share's Total Shareholder Return (TSR) outside of Sweden. The AEP requires, with certain exemptions such as retirement, disability and orderly transition, the employee to be employed during three years from allotment to be eligible for payment. The individual maximum allotment is capped in Sweden at SEK 75,000 and the outcome is based on the fulfilment of pre-determined Group targets, the financial targets (i) return on equity and (ii) cost development and the non-financial target (iii) customer satisfaction. Outcome is subject to a proposal at the AGM 2019 on dividend distribution to the shareholders for 2018. Should the total outcome under the AEP be below approximately 20 per cent of the maximum outcome, the total outcome may be paid in cash without deferral.

The programme is proposed to comprise an obligation for the Bank to deliver a maximum of approximately 5.7 million shares. The expected outcome for the programme is approximately 2.0 million shares.

SEB Share Deferral Programme 2018 (SDP) (17 b)

SEB Share Deferral Programme 2018 (SDP) is a programme for GEC and certain other senior managers and key employees, approximately 1,000 participants in total. The participants are granted an individual number of conditional share rights based on the fulfilment of pre-determined Group, business unit and individual targets outlined in SEB's business plan. The targets are set on an annual basis as a mix of the financial target Return on Equity/Return on Business Equity, cost development as well as on e.g. customer satisfaction and parameters such as compliance, employee commitment, SEB's corporate sustainability and risk management. For GEC the initial allotment may not exceed 100 per cent of the base pay.

For GEC and other senior managers, ownership of 50 per cent of the share rights is transferred to the participant after a qualification period of three years, 50 per cent after a qualification period of five years. For other participants, ownership of 100 per cent of the share rights is transferred after three years. After each respective qualification period there is an additional holding period of one year after which the share rights can be exercised during a period of three years. In order to facilitate share ownership and strengthen the shareholder alignment, in addition to the above mentioned exercise period, the exercise period for GEC members is extended during the period that they are members of GEC. Each share right carries the right to receive one Class A-share in the Bank.

For participants in countries, mainly outside of SEB's European locations, the outcome may be deferred and paid in cash adjusted for the SEB A-shares' Total Shareholder Return, excluding the dividend distribution. 50 per cent of the final outcome is paid out after four years and 50 per cent after six years for senior managers. For other participants in these countries the deferred amount is paid out after four years.

The SDP requires, with certain exemptions such as retirement, disability and orderly transition, the employee to be employed during three years from allotment to be eligible for payment. A further requirement for GEC and other senior managers is that they hold shares in SEB equal to a pre-determined amount, for GEC equivalent to one year salary net of taxes, acquired no later than during the initial three year vesting period. If these requirements are not fulfilled, the share rights may be forfeited.

The holders are compensated for dividends to the shareholders after the qualification period. Thus, the number of share rights/the deferred amount will be recalculated, after the AGM each applicable year, taking the dividend into account.

The programme is proposed to comprise an obligation for the Bank to deliver a maximum of approximately 2.8 million shares.

SEB Restricted Share Programme 2018 (RSP) (17c)

In order to ensure a competitive and attractive remuneration model within certain business units of SEB, as well as to comply with new regulations implemented in EU and Sweden, a Restricted Share Programme is proposed. The participants, in total approximately 1,000 selected employees on the level below senior executives, are granted an individual number of share rights based on the fulfilment of pre-determined Group, business unit and individual targets as outlined in SEB's business plan. The targets are set on an annual basis as a mix of financial targets and non-financial targets.

The ownership of the share rights are transferred to the participants during a three year period in either four (starting 2018) or three (starting 2019) annual instalments. The share right are subject to restrictions in terms of e.g. certain regulatory forfeiture and employment requirements during the period between the initial allotment and the transfer of the ownership.

After the transfer of the ownership there is an additional holding period of one year after which the share rights can be converted to shares and transferred to the participant. Each share right carries the right to receive one Class A-share in the Bank.

For participants in countries mainly outside SEB's European locations the outcome may be deferred and paid in cash adjusted for the SEB A-shares' Total Shareholder Return, excluding the dividend distribution. The deferred amount is paid out after each respective holding period.

The programme is proposed to comprise an obligation for the Bank to deliver a maximum of approximately 4.2 million shares.

Allotment under the programmes

The maximum number of shares that can be transferred under the programmes is 12.7 million. The calculated expected outcome is approximately 8.5 million shares. The maximum number of shares under the programmes equals approximately 0.58 per cent including and 0.32 per cent excluding the SEB All Employee Programme (expected outcome equals approximately 0.38 per cent including and 0.29 per cent excluding the SEB All Employee Programme) of the total number of shares in the Bank. The delivery of Class A-shares is proposed to be effectuated with existing shares. Allotment under the programmes shall be made before the 2019 AGM.

The number of shares which each participant may receive in the programmes may be subject to recalculation under the terms and conditions of the programmes as a consequence of AGM decisions on issues of bonus shares to shareholders, splits, preferential issues and similar measures.

Participation in the programmes requires that it is legally and appropriately possible in the jurisdiction concerned and that such participation in the Bank's judgement is possible with reasonable administrative and financial costs.

Shares received and purchased under the programmes are ordinary SEB Class A-shares with the right to a dividend. The share rights are not securities that can be sold, pledged or transferred to others.

General

Before final outcome of the AEP, SDP and RSP programmes are determined, the Board, or if the Board so decides RemCo, shall examine whether the outcome inter alia from a risk perspective is reasonable considering SEB's financial results and position, the conditions on the stock market, conditions related to the participant and other circumstances such as changes in accounting principles, and if not, as determined by the Board and within the limit of the total programme, change the outcome to a number deemed appropriate. The outcome may be set to zero. Any change shall be communicated in connection with SEB's first financial report following the decision.

The Board, or if it so decides RemCo, is authorised to decide on the detailed terms and conditions for the AEP, SDP and RSP programmes based on the aforementioned principles. The aggregate total maximum number of shares under the programmes may be distributed between the programmes as decided by the Board or RemCo.

The Board, or if it so decides, RemCo is authorised to make changes to the AEP, SDP and RSP programmes from time to time if so deemed advisable and provided that the programmes following such changes are within the limits of the maximum number of shares, the maximum number of shares as percentage of total number of shares and the calculated maximum costs for the programmes combined.

Taxation

The programmes have been designed in such a way that participants will normally be taxed for the benefit of receiving shares in the income year when the shares are received. The taxable value of the benefit will normally be equal to the closing price for the shares when the shares are received. The value of the benefit is taxed as income from employment for the participant. Thus, social security contributions will in most cases be charged on the benefit amount and be a cost for the employer.

The cost for the programmes

The *maximum* annual charge for the deferred part, i.e. shares and cash adjusted for TSR, of the AEP that may affect the profit and loss account is SEK 150m, out of which SEK 32m is related to social charges. The annual charge to the profit and loss account for the expected calculated outcome under the programme is estimated to SEK 64m, out of which SEK 14m is related to social charges. The expected aggregated charges during the total programme period in the profit and loss account are SEK 256m.

The *maximum* annual charge for the SDP that may affect the profit and loss account is SEK 77m, out of which SEK 18m is related to social charges. The annual charge to the profit and loss account for the *expected* calculated outcome under the programme is estimated to SEK 65m, out of which SEK 15m is related to social charges. The expected aggregated charge during the total programme period in the profit and loss account is SEK 265m.

Based on the structure of the RSP, where part of the ownership is transferred immediately and part is distributed pro-rata, the annual charge will differ each year during the programme length. The *maximum* annual charge for the RSP that may affect the profit and loss account is SEK 330m the first year and SEK 24m the last year, out of which SEK 76m and SEK 6m respectively is related to social charges. The annual charge to the profit and loss account for the *expected* calculated outcome under the programme is estimated to SEK 325m and SEK 24m respectively, out of which SEK 75m and SEK 5m respectively is related to social charges. The expected aggregated charge during the total programme period in the profit and loss account is SEK 500m.

The maximum calculated annual charge is based on the assumptions that the price of the SEB Class A-share is SEK 100 and that no participant is leaving SEB during the employment requirement period. Furthermore, it should be noted that should the SEB share price increase from the assumed SEK 100 the increase in maximum calculated annual charge will be approximately SEK 3m for every SEK in increase. The part of the programmes that will be settled in cash will create a higher volatility in the Income statement since the change in the share price is reported when it occurs.

The expected average annual charge in the profit and loss account for the three programmes is equivalent to approximately 1.7 per cent of the total annual staff costs in the SEB Group.

Hedging and transfer of shares

The AEP, SDP and RSP programmes lead to certain financial exposure for the Bank, due to market price changes for the SEB share. The aim is to hedge this exposure by the acquisition of own shares (item 18 b on the agenda for the AGM) or by equity swap contracts with third parties. The social security contribution is not hedged. Based on the current interest level, it is estimated that the annual interest expense for the hedging arrangement for the programmes is negligible.

There are different methods for effectuating the transfer of shares to the participants under the programmes, such as delivery of own shares and an agreement with a third party under which the third party transfers shares to the participants under the programmes. The Board considers delivery of own shares as the most cost efficient and flexible method. Therefore this is the main alternative (item 18 c on the agenda for the AGM).

Proposed decision concerning Long-term Equity Programmes for 2018 (item 17 a – c on the agenda)

The Board of Directors proposes that the AGM decides on long-term equity programmes for 2018 based on the scope and main guidelines referred to above in the form of:

a) SEB All Employee Programme 2018 (AEP) for all employees in most of the countries where SEB operates,
b) SEB Share Deferral Programme 2018 (SDP) for the Group Executive Committee, certain other senior managers and key employees, and
c) SEB Restricted Share Programme 2018 (RSP) for some employees in certain business units.

There is a requirement for resolutions to be passed in accordance with the Board of Directors' proposal that the resolutions of the AGM are supported by shareholders representing more than half of the votes cast.

Stockholm in February 2018

Skandinaviska Enskilda Banken AB (publ)

THE BOARD OF DIRECTORS