Chairman of the Board’s address at SEB’s Annual General Meeting 2014

Dear shareholders

The Board's work continues to be intense.

The Bank's Board of Directors has the overall responsibility for operations and decides on the nature and direction of the business, the strategy and the framework and targets.

In the past year, the Board's first priority was the ongoing efforts to achieve the Bank's strategic objectives.

But our work has also continued to be marked by efforts to interpret and adapt the Bank's operations to the large amount of new regulations.

SEB is a financially strong and profitable bank, and this has been critical as we continued to stand by our customers – companies, institutions and individuals – despite a challenging development in recent years, both in the financial markets and in the real economy.

It is something that we shareholders of SEB can be proud of.

Over the past three years, SEB increased its lending by 228 billion kronor and deposits grew by 138 billion kronor. This is an increase equivalent to 20 per cent.

At the same time, we have strengthened the bank's capital position each year.

Financially strong and profitable banks also benefit customers as a bank's own cost of funding – the bank’s raw material costs – will be lower and thus will benefit customers through lower interest rates on lending.

Banks that are not profitable and are incurring significant losses can cause much damage to the economy at large. We have seen many examples in Europe in recent years.

The picture is still difficult to interpret and the recovery fragile even though the global economy is now slowly getting up on firmer ground.

We see that the U.S. recovery is becoming more solid.

It seems that Europe has left its deep recession behind, for now.

Central bank’s massive liquidity support has been crucial for the stabilisation, and in Europe economies are still dependent on further actions by the ECB.

I think many agree that the function, efficiency and stability of the global financial system must be safeguarded.

It is therefore good that the banking system today holds more capital, use longer-term funding and have larger liquidity buffers.

But we see many complex regulations that are now being introduced.
This applies not only to capital and liquidity but also involves infrastructure and establishment of effective interfaces between supervision at macro and micro level, as well as market behaviour and consumer protection.

It applies to rules implemented at international, regional and national levels.

As we have talked about at recent AGM's, Sweden has chosen to introduce a regulatory framework for capital and liquidity that is stricter than the EU's Capital Requirements Directive, CRD4.

Even today we do not know fully how the Swedish CRD4 rules will be designed. This applies to the size of countercyclical capital buffers and also to how the restriction regarding the number of assignments a member of a bank's board of directors may have will finally be defined.

When so many rules are to be simultaneously introduced without anyone capable of understanding the total effect, a risk also arises that the economic development in general is inhibited.

This is why it is our view that regulations should be introduced gradually so that they can be calibrated along the way. Equally important is that in Sweden we get a common playing field with the rest of Europe.

However, I would like to emphasise that our bank already largely complies with the new regulations we see coming.

But adaptation is a large task – in the bank we have some 20 major projects going with nearly 60 sub-projects at a total cost of about 900 million kronor over five years, the majority in 2013 and 2014.

Added to this is the bank's cost for stability funds and deposit guarantee schemes as well as fees to regulators, all of which in 2013 amounted to 1.2 billion kronor.

What I have tried to point out is that the multitude of regulations that are now being introduced:

1. Have yet to be clarified. We do not know yet what the playing field looks like.
2. Pose a risk to growth in the real economy because no one can foresee the combined effects of them.
3. For SEB – and for the banking system as a whole – it involves significant regulatory costs and thus significant costs to the bank's shareholders.

The bank's management has laid out an ambitious business plan for the coming years. They have stress tested the plan for different scenarios and quantified the potential impacts.

It is based on a clear strategy in terms of customer segments and geography. SEB has good earnings capacity, and through strengthened market positions in our home markets we continue to strengthen it further. The business plan is based on SEB continuing to invest in the business while maintaining cost discipline.

Together with management, we on the board have discussed the business plan and are satisfied that the bank has a very robust financial position and our assessment is that the bank can reach the ambitious goals in the plan.

One year ago we clarified SEB's financial goals in order to set the expectations you as shareholders should have on the bank. The financial targets remain unchanged even if capitalisation target may be revised when the Swedish implementation of CRD4 crystalizes.

SEB strives to create dividend growth over time.

From the Board of Directors, we believe that the proposed dividend increase of 1.25 kronor to 4 kronor per share is well balanced. Consideration was given to what demands the nature, scope and risks associated with the bank's business put on capital and the company's balance sheet, liquidity and financial position.

This represents a pay-out ratio equivalent to 59 per cent of the profits.

Dividends should also be viewed in relation to you as shareholders contributing 19.5 billion kronor in capital and dividend withholding in 2009.

The Board of Directors follows Board-approved procedures that regulate our roles and ways of working together, with specific instructions for the Board's Committees; The Risk and Capital Committee, The Audit and Compliance Committee and The Remuneration and Human Resources Committee.

The Board of Directors worked intensely in the past year and many issues have been of great importance for the bank's future.

We've had nine board meetings where we, among other things, highlighted the business through in-depth reviews of the different business and market segments, discussed talent development as well as the bank's risk exposure and credit quality. In addition the Board of Directors had a full-day seminar on risk and capital issues.

The Committees, which prepare some decisions for the Board, met on a total of 22 occasions.

One issue prepared by the Remuneration Committee is that the Board has the responsibility to propose guidelines for remuneration to the executive management at the AGM.

And as you have seen in the documentation our proposal for long-term equity based programs is conforming – in all material respects – to the guidelines for structure and scope that the AGM decided on a year ago.

From the board, we emphasise a long-term view, equity ownership and clear performance.

A new question for the AGM to decide on is the maximum ratio between fixed and variable compensation for a small number of the bank's employees.

I would like to bring up the background to the proposal submitted by the Board, not least because the media have given the impression that it applies generally in the bank and that it involves increases in variable compensation.

It does not!

Generally, SEB has decreased the proportion of employees who receive variable compensation in recent years – nowadays it is only one tenth of the bank's 16,000 employees that receive variable pay.

SEB is a major international player in areas such as foreign exchange and fixed income trading, equities trading, corporate finance and asset management.

We want to continue to be active in these areas, and variable pay is market practice there.

The proposal for variable pay equal to a of maximum 24 months' salary can apply to a maximum of 400 employees, and thus not to all those who receive variable pay.

For these individuals, it is a decrease compared with what applied under previous regulations.
It affects mainly employees outside Sweden who operate in markets where SEB is a leading international player and where the bank faces competitors who do not operate under the same regulatory requirements.

As you have seen in the documentation, the proposal does not include the Bank's CEO or other members of executive management. As I said, we will make a decision on this later today.

To handle all the issues arising because of a bank's complex operations in a comprehensive manner, we need a board with broad composition and a diversity of skills and experience.

As Chairman, I note that the Board's work has functioned well.

I would therefore like to conclude by thanking my colleagues on the Board for the past year.
I also want, on the entire board's behalf, extend my warmest thanks to the bank's management and employees.

SEB can now continue to grow based on a real position of strength, with good earnings potential and a strong balance sheet as the base.

Thank you!