

2011-03-24

Marcus Wallenberg AGM
Chairmans speech on the Board's work

Ladies and gentlemen,

SEB has an active Board.

Given the economic environment in which the bank operates, the work of the Board at SEB is intensive.

During 2010, we had 12 Board meetings and, in addition, the Board's committees had a total of 42 meetings during the year.

The work follows an agenda that has been determined by the Board, which regulates the Board's role and work models as well as particular instructions for the Board's committees – the Risk & Capital Committee... the Audit & Compliance Committee... and the Remuneration & Human Resources Committee. The committees prepare certain issues to be addressed by the Board.

The Board has overall responsibility for the operations of the bank and the Group, and determines the nature and structure of the activities... strategy ... as well as frameworks and aims for these.

The Board regularly follows up and evaluates company operations based on the aims and guidelines determined by the Board.

The Board also has responsibility for ensuring that operations are organised in such a manner that the economic conditions are monitored appropriately and that operational risks are identified, defined, measured, followed up and checked...

...all in accordance with external and internal rules, including the bank's articles of association.

Carrying out this work is important ... demanding... and requires trust.

Banks constitute a financial hub in society through their role as lenders, market makers, liquidity providers and payment service providers. This means that financial stability, confidence and relationships are critical success factors.

It is therefore important that those of us on the Board and the bank's management team have a shared basic view of the bank's strategic development based on a conservative view of risk and a deep understanding of the importance that trust plays in a bank's long-term operations.

In addition to the regular rules of procedure, which include establishing the strategic direction,

...determining policies and instructions, ...financial reports,

...capital and financing issues, ... the Group's risk levels, ...

analysing the accounts, ...

guidelines for remuneration for the Group Executive Committee and so on ...

...we had to deal with some particular issues in 2010 that I would like to highlight.

← First, we had to deal with the introduction of new international legislation.

The overall purpose of this has been to create a financial system that is more stable and more transparent with better, global, supervision.

This is something positive.

Having more adequate legislation can achieve a lot, but this alone cannot ensure a sound banking system.

It is also a question of continually improving internal governance, risk management and company culture.

The SEB Board has carefully been following the development of international legislation regarding capital structure, liquidity and financing, as well as remuneration.

Our starting point in this work is that the requirements must be the same in each country.

The banking business in the 21st century is very international and its operations are run within affiliates and subsidiaries.

Competing demands between various forms of legislation usually leads to competition being distorted...a lack of transparency ... and to the regulations not having the intended effect.

As a result, the intentions are not fulfilled.

A particularly harsh or hasty introduction of legislation in Sweden would be undesirable.

The most effective way of avoiding further financial crises is therefore to demand that the most vulnerable banks in Europe improve their level of capital and their buffers. This grouping does not include the Swedish banks.

A better road to take would be a combination of good capital strength and good liquidity together with a consensus with supervisory organisations on what constitutes good risk management and corporate governance.

This leads me to the second area of the Board's work that I would like to highlight.

← To illustrate the importance of the bank's risk management, the Board gathered the supervision of risk taking and risk levels under one function in 2010.

This function is managed by a Chief Risk Officer who, with a Group-wide and prioritised view of risk, reports to the Chief Executive Officer, and who also takes up these matters with both the Board's Risk & Capital Committee and the entire Board.

We also established an overall view of all risks and the concurrence between various types of risk because one important lesson gained from the financial crisis was that counterparty risks, credit risks, liquidity risks, market risks and so on worked together in a negative spiral.

This is where I would like to encourage you to read the expanded risk section on pages 38-54 in the annual report. This section provides a good insight into the risk and capital issues that are important to a bank.

The third area that I want to cover here is the arrival of new legislation for remuneration that is based on lock-in periods, risk adjustment and transparency. Tomas Nicolin, Chairman of the Board's Remuneration & Human Resources Committee, will describe the Board's work on this matter later.

The fourth and final area is of course developments in the world around us, and how the bank and our customers can manage any strains arising from unexpected events.

Compared with the economic climate during AGMs of previous years, you could come to the premature conclusion that we are living in a more stable world today.

We can take pleasure in Swedish companies' export successes and falling unemployment in Sweden.

We can also let ourselves be impressed by the decisiveness of people in the Baltic countries, whose actions have led to upturns in their economies following a couple of very arduous years.

← All of this leads to us talking in Sweden about growth plans, low credit losses and rising interest rates.

At the same time, we are a part of the global economy and major imbalances remain there.

The frailty of the global economic recovery is illustrated by the developments of recent months.

The earthquake in the Pacific Ocean has stricken Japanese society on several levels and has caused immense human tragedy. As always, the long-term economic effects are difficult to assess.

What I mean here is that unforeseen circumstances are what almost always set the day's agenda.

Within SEB, we have therefore judged that the best way of acting in a climate of uncertainty is to continue to have good resilience and flexibility.

These are the key words for the bank's work.

Through the new share issue in 2009 when you, the shareholders, showed the bank your clear trust, but also through further financial measures, SEB now has one of the strongest capital ratios in Europe.

These measures taken to improve capital contributed to SEB being able to support itself throughout the financial crisis.

The bank's core capital ratio further strengthened during 2010 to just below 15 per cent, including the capital effects from the sale of the German retail banking operation.

Consequently, SEB is way above the current capital requirements. SEB also easily fulfils the capital requirements in the light of the new legislation – the Basel III standards. SEB has a very strong balance sheet.

The Board strives for appropriate capitalisation that creates resilience and which is financially defensible at the same time. The scale of the capital will make it possible to achieve good returns on the capital invested in the banking operations.

← This is the background as to why the Board considers the dividend proposal to be balanced, taking into consideration the requirements that the nature, scope and risks of operations place on the scale of shareholder equity, as well as the company's consolidation requirements, liquidity and overall position.

The proposed dividend of 1 krona and 50 öre per share is a return to the bank's dividend policy – 40 per cent of the profit per share during a business cycle.

The size of the dividend amounts to 49 per cent of the profit per share for the financial year 2010.

The Board also proposes that the Annual General Meeting decides on a mandate for the Board to repurchase shares equivalent to a maximum of 10 per cent of the number of shares in SEB, in accordance with Swedish legal rules.

This mandate, which should also be viewed as a return to a more normal situation, creates the flexibility for the Board to work towards having an appropriate capital structure for the good of the shareholders in the long term.

This is an important tool in our toolbox.

As we leave 2010 behind and we, the shareholders, must decide on this year's actions after having heard the external auditors' comments and the Group President's address, I would like to conclude by expressing my thanks to my colleagues on the Board over the past year.

Finally, I want to say a big thank you to the bank's management team and all our dedicated employees. Through their industrious work and intelligent actions, they have helped to give SEB a strong position and a healthy balance sheet.

Thank you!

