SEB

Item 18 a) – c)

The Board of Directors' of Skandinaviska Enskilda Banken AB (publ) proposal for decision at the Annual General Meeting on 25 March 2014 on Long-term equity Programmes for 2014

Background

SEB's target is to attract and retain qualified and committed employees in the markets where SEB operates. Good performance and sound behaviour is rewarded. SEB's compensation package rewards correct and appropriate professional behaviour and balanced risk taking, for the benefit of the customers and the shareholders.

Equity-based compensation 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 and it builds 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. The scope of the outstanding programmes can be found in the Annual Report 2013.

Long-term equity Programmes 2014

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

Prior to the AGM 2014 an in-depth evaluation has been conducted. The evaluation has among other things shown that:

- The programmes are seen as efficient in retaining key employees,
- LTI participation strengthens the commitment for SEB's long-term development and encourages participants to be and act like long-term shareholders,
- Level of complexity has decreased over the years, however simplicity in the programme structure could be even more increased,
- There is an understanding that regulatory requirements increases complexity.
- The programmes are considered competitive as compared to peers.
- The performance criteria are considered appropriate and well balanced.

Based on the evaluation and discussions with major shareholders in SEB, it is proposed that the Annual General Meeting resolves on three long-term equity programmes for 2014 in all material respects similar to previous year;

a) SEB Share Deferral Programme (SDP) 2014 for the Group Executive Committee (GEC) and certain other senior managers and other key employees with critical competences,

b) SEB Share Matching Programme (SMP) 2014 for selected key business employees with critical competences, and
c) SEB All Employee Programme (AEP) 2014 for all employees in most of the countries where SEB operates.

The proposed programmes allow for risk adjustment for current as well as future risks and final outcome may therefore be cancelled partly or entirely in accordance with the Swedish Financial Supervisory Authority regulations, among others 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 of Directors and the Remuneration and Human Resources Committee of the Board. The Board's and the Committee's view is that the proposal strikes an appropriate balance between motivating the employees and achieving a long-term, well-balanced and competitive compensation.

SEB Share Deferral Programme (SDP) 2014 (18a)

The GEC and certain other senior managers and other key employees with critical competences, approximately 600 participants in total, are granted an individual number of conditional share rights based on the fulfilment of pre-determined Group, business unit and individual target levels outlined in SEB's business plan. The targets are set on an annual basis as a mix of the financial targets Return on Equity/Return on Business Equity and cost development and the non-financial target customer satisfaction. For GEC the initial allotment may not exceed 100 per cent of the base pay.

Ownership of 50 per cent of the share rights are transferred to the participant after a vesting period of three years, 50 per cent after a vesting period of five years. After each respective vesting period there is an additional holding period of one year after which the share rights can be exercised during a period of three years. Each share right carries the right to receive one Class A-share in the Bank. There is a requirement for vesting that the participant remains with SEB during the first three years. A further requirement for vesting is that the participant holds shares in SEB equal to a pre-determined amount, for GEC equivalent to one year salary net of taxes, acquired no later than on a pro-rata basis during the initial three year vesting period.

The holders are compensated for dividends to the shareholders during the duration of the programme. Thus, the number of share rights will be recalculated, after the Annual General Meeting each year, taking the dividend into account.

Participants in the SEB Share Deferral Programme 2014 are not eligible to participate in the SEB Share Matching Programme 2014 (item 18b).

The programme is proposed to comprise an obligation for the Bank to deliver a maximum of approximately 4.5 million shares.

SEB Share Matching Programme (SMP) 2014 (18 b)

Approximately 200 selected key business employees with critical competences will participate in a share purchase programme with own investment and with the possibility to receive share rights and additional performance based share rights. The investment amount, which is based on previous year's individual performance, pre-determined and capped for each participant, is taken from the cash based variable compensation outcome and mandatory deferred for three years. A determined number of deferral rights are allocated to each participant, one deferral right corresponds to the average market price for one SEB Class A-share during a pre-determined period. After the three year performance period the participants receive one share right in exchange for each deferral right and one matching share right and a maximum of three performance based share rights for each deferral right. Each share right carries the right to receive one Class A-share in the Bank. A further requirement is that the participant remains with SEB during the performance period.

The programme has a performance period of three years and an exercise period of four years.

To motivate participants to keep their share rights after the first day when they can be exercised, the holders are compensated for dividends to the shareholders during the exercise period. Thus, the number of share rights will be recalculated, after the Annual General Meeting each year during the exercise period, taking the dividend into account.

The outcome of the programme, i.e. the number of performance based share rights received, depends on the extent of fulfilment of two pre-determined performance criteria.

Performance criteria
To reach full outcome of performance based share rights under the programme, two performance criteria, total shareholder return (the nominal total return to shareholders, comprising share price appreciation and dividends, TSR) compared to SEB's competitors (1/3 of the total maximum outcome) and TSR compared to long-term interest rate (LTIR) (2/3 of the total maximum outcome), must be met:

The criterion **TSR compared to SEB's competitors** gives a minimum outcome if the TSR increase for SEB per year equals TSR for a weighted Banking Index. Competitors are weighted 75 per cent Nordic banks and 25 per cent FTSEurofirst300 Banks Index. The outcome is then set at 20 per cent of the maximum outcome under this criterion. Above that level, the number of performance based share rights increases with a linear distribution within the interval until a ceiling of 7 per cent increase per year above the Banking Index is achieved. At that level the maximum outcome under this criterion is reached (1/3 of total maximum outcome). Performance is measured based on the average share price 1 January – 31 March 2014 compared to the average share price 1 January – 31 March 2017.

The criterion **TSR compared to LTIR** gives a minimum outcome if the TSR for SEB reaches LTIR + 2 per cent per year. The outcome is then set at 20 per cent of the maximum outcome under this criterion. Above that level, the number of performance based share rights increases with a linear distribution within the interval until a ceiling at a TSR increase of LTIR + 11 per cent per year is achieved. At that level the maximum outcome under this criterion is reached (2/3 of total maximum outcome). Performance is measured based on the average share price 1 January – 31 March 2014 compared to the average share price 1 January – 31 March 2017.

Participants in the SEB Share Matching Programme 2014 are not eligible to participate in the SEB Share Deferral Programme 2014 (item 18a).

Cap for the SEB Share Matching Programme
The value of the SMP is capped at full vesting under the two performance criteria and a doubled share price based on the pre-determined initial share price.

If the share price at the time of vesting has more than doubled, the number of share rights and performance based share rights that are transferred to a participant will be reduced proportionately so that the value corresponds to the doubled share price capped value.

The programme is proposed to comprise an obligation for the Bank to deliver a maximum of approximately 3 million shares. The expected outcome for the programme is approximately 50 per cent.

SEB All Employee Programme (AEP) 2014 (18 c)

SEB All Employee Programme 2014 is a programme for all employees in most of the countries where SEB operates, where 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 cash adjusted for TSR outside of Sweden. The shares/cash deferral will normally be lost if the employee leaves SEB before the end of the three year period. The individual maximum allotment is capped and the outcome is based on the fulfilment of pre-determined Group targets outlined in SEB's business plan, both financial (Return on Equity and cost development) and non-financial (customer satisfaction). Outcome is subject to a proposal at the Annual General Meeting 2015 on dividend to the shareholders for 2014. Should the total outcome under the programme 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 2.6 million shares in Sweden. The expected outcome for the programme is approximately 1.2 million shares.

Allotment under the programmes

The maximum number of shares that can be transferred under the programmes (excluding shares invested by the employees) is 10.1 million. The calculated expected outcome is approximately 6.9 million shares. The maximum number of shares under the programmes equals approximately 0.46 per cent including and 0.34 per cent excluding the SEB All Employee Programme (expected outcome equals approximately 0.32 per cent including and 0.26 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 2015 Annual General Meeting.

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 bonus issues 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 the final number of share rights and vested performance based share rights is finally determined, the Board, or if the Board so decides its Remuneration and Human Resources Committee, 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 its Remuneration and Human Resources Committee, is authorised to decide on the detailed terms and conditions for the 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 the Committee. The Board or the Committee is also authorised to make changes to the 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 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 SDP and SMP, calculated according to below, that may affect the profit and loss account is SEK 205m, out of which SEK 55m is related to social charges. With the exception of social charges paid out when the programmes are utilised, the maximum calculated annual charge does not affect equity. The annual charge to the profit and loss account for the *expected* calculated outcome under the programmes is estimated to SEK 177m, out of which SEK 41m is related to social charges. The expected aggregated charge during the total programme periods in the profit and loss account is SEK 625m.

The maximum calculated annual charge is based on the assumptions that the price of the SEB Class A-share is SEK 85, that no participant in any of the proposed programmes is leaving SEB during the vesting periods and that the programmes are fully vested.

Furthermore, it should be noted that should the SEB share price increase from the assumed SEK 85 the increase in maximum calculated annual charge will be approximately SEK 3m for every SEK in increase.

The *maximum* annual charge for the deferred part, i.e. shares and cash adjusted for TSR, of the AEP, calculated according to above, that may affect the profit and loss account is SEK 112m, out of which SEK 24m 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 51m, out of which SEK 11m is related to social charges. The expected aggregated charges during the total programme period in the profit and loss account are SEK 204m.

The expected annual charge in the profit and loss account for the three programmes is equivalent to approximately 1.6 per cent of the total annual staff costs in the SEB Group.

Hedging and transfer of shares

The 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 19 b on the agenda for the Annual General Meeting) 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 will amount to approximately SEK 11m.

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 of Directors considers delivery of own shares as the most cost efficient and flexible method. Therefore this is the main alternative (item 19 c on the agenda for the Annual General Meeting).

Proposed decision concerning Long-term equity Programmes for 2014 (item 18 a – c on the agenda)

The Board proposes that the Annual General Meeting decides on long-term equity programmes for 2014 based on the scope and main guidelines referred to above in the form of:

a) SEB Share Deferral Programme (SDP) 2014 for the Group Executive Committee and certain other senior managers and other key employees with critical competences ,
b) SEB Share Matching Programme (SMP) 2014 for selected key business employees with critical competences, and
c) SEB All Employee Programme (AEP) 2014 for all employees in most of the countries where SEB operates.

There is a requirement for resolutions to be passed in accordance with the Board's proposals that the resolutions of the Annual General Meeting are supported by shareholders representing more than half of the votes cast.

Stockholm in February 2014

Skandinaviska Enskilda Banken AB (publ)

THE BOARD OF DIRECTORS