

Monitoring and evaluation of the programmes for equity-based compensation and the application of guidelines on remuneration for the President and members of the Group Executive Committee as well as the current remuneration structure and levels of remuneration in the Bank

General

The Board of Directors of SEB has a Remuneration and Human Resources Committee (RemCo) that continuously monitors and evaluates, *inter alia*, the current remuneration structure and levels of remuneration in the Bank. RemCo also monitors and evaluates on-going, and during the year completed, programmes concerning equity-based compensation as well as the application of the guidelines approved at the Annual General Meeting for salary and other remuneration to the President and members of the Group Executive Committee.

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

Remuneration shall be competitive in the markets and segments where SEB operates in order to motivate high performing employees. SEB's competitors consist of both local and regional financial institutions as well as global firms in the markets on which SEB operates.

SEB's remuneration structure is based on three main components; base pay, equity-based compensation and collective profit sharing programmes and pension and other benefits. The total remuneration reflects the complexity, responsibility and leadership skills required in each position as well as the performance of the individual employee. A minor share of employees in SEB is eligible for individual cash-based variable compensation where it is common market practice. The payout horizon for variable pay is aligned with the risk horizon.

The remuneration structure for the Group Executive Committee is based upon three main components; base pay, equity-based compensation and pension and other benefits. These three components shall form a competitive total remuneration within the market where the Executive is active.

SEB complies with the Swedish Financial Supervisory Authority regulations on remuneration in financial companies that took effect on 1 March 2011 as well as with the Swedish Corporate Governance Code.

According to the Financial Supervisory Authority regulations the Bank shall identify employees whose actions can have a material impact on the Bank's risk exposure, Specially regulated staff. SEB has defined Specially regulated staff, apart from the members of the Group Executive Committee, according to four categories given in the regulations:

- Managers in leading strategic positions,
- Employees responsible for control functions,

- Risk takers, and
- Employees whose total remuneration is in line with or above any of the members' in the Group Executive Committee.

For the employees identified, at least 40 to 60 per cent of the variable compensation shall be deferred for at least three to five years if the annual variable compensation is SEK 100,000 or more. Before pay-out the deferred amount will be subject to risk adjustment.

Equity-based compensation

Equity-based compensation is a means to attract and retain staff with key competences in SEB. Furthermore it is an incentive for the employees to become shareholders of SEB and it builds long-term commitment in the interests of the shareholders. The final outcome is subject to risk adjustment.

Currently, four different long-term equity programmes are on-going; Share Savings Programmes for all employees in selected countries and Performance Share Programmes, Share Matching Programmes and a Share Deferral Programme for selected senior managers and key employees. Participation in the Share Savings Programmes, Share Matching Programmes and Share Deferral Programme requires own investment. All programmes except for the Share Savings Programmes are performance based with pre-determined quantitative performance criteria. The 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.

Further information on the long-term equity programmes such as outcome, participation ratio, and number of issued and outstanding instruments etc. are found in the Annual Report 2012.

Evaluation of programmes for equity-based compensation

The development of the equity-based programmes is evaluated on a continuous basis throughout the year and the expected outcome is reported and discussed. RemCo also monitors the employees' participation in the programmes.

The Board of Director's view is that the equity-based programmes fulfil the function to attract and in the long run retain the most qualified and suitable employees. Furthermore, the programmes build long-term commitment in the interests of the shareholders.

The Board has assessed the outcome of the targets for the Share Deferral Programme 2012 and found that the targets in all material respects have been reached.

Based on the evaluation and discussions with major shareholders in SEB, the aim is to maintain principally the same base structure for the proposed long-term equity programmes for 2013 as for 2012; a Share Matching Programme and a Share Deferral Programme. The participants in the programmes have been re-allocated so that employees without individual cash-based compensation take part in the Share Deferral Programme instead of the Share Matching Programme. Based on the decision to not renew the Share Savings Programme after five years in



order to simplify SEB's current all employee offering, it is proposed that the present collective cash-based profit sharing programme, SEB Resultatandel is adjusted to an all employee programme 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.

The complete proposal for long-term equity based programmes for 2013 can be found on www.sebgroup.com.

Evaluation of guidelines

The guidelines for salary and other remuneration to the President and members of the Group Executive Committee are evaluated continuously throughout the year. In order to carry out the evaluation, RemCo collects information from the Head of Group Human Resources and the external auditors, and regarding remuneration to the Group Executive Committee also from the President. The internal and external information facilitates to ensure that the remuneration in SEB is in line with market conditions and competitive. Further, comparative benchmarks of relevant industries and markets are carried out annually in order to determine what constitutes a total level of remuneration in line with market conditions and in order to evaluate current remuneration levels. The results of such benchmarks form an important component when determining the total remuneration for the Group Executive Committee and other employees.

The external auditors have given a statement to the Board of Directors on that SEB has applied the guidelines for salary and other remuneration for the President and members of the Group Executive Committee adopted by the Annual General Meeting 2012.

Remuneration structure and levels of remuneration

The Board of Director's view is that the compensation for the President and other members of the Group Executive Committee strikes an appropriate balance between motivating the Executives and achieving a long-term, well-balanced and competitive compensation.

Stockholm in February 2013

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THE BOARD OF DIRECTORS