

Monitoring and evaluation of (i) the programmes for equity-based variable compensation to the President and other members of the Group Executive Committee, (ii) the application of guidelines on remuneration for the President and other members of the Group Executive Committee and (iii) 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 annually 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 variable compensation as well as the application of the guidelines approved at the Annual General Meeting concerning salary and other remuneration to the President and other members of the Group Executive Committee.

SEB's remuneration strategy promotes a sound and dynamic performance culture that encourages appropriate behaviour and balanced risk taking among employees for the benefit of the customers. The remuneration system also reflects sound risk management by taking into account the cost of capital employed and liquidity required.

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, variable compensation and pension and other benefits. These are used to achieve an overall remuneration structure with a sound balance between fixed and variable pay and between short- and long-term compensation. The total remuneration reflects the complexity, responsibility and leadership skills required in each position as well as the performance of the individual employee. The payout horizon for variable pay is aligned with the risk horizon.

The remuneration structure for the President and other members of the Group Executive Committee is based upon three main components; base pay, equity-based variable compensation and pension and other benefits. These three components shall form a competitive total remuneration within the market where the Executive is active. The remuneration structure for the President and other members of the Group Executive Committee does not include cash-based variable compensation.

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 and define 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. Furthermore, for the members of the Group Executive Committee, as from 1 July 2011, at least 50 per cent of the variable compensation shall be equity-based and a further holding period is required. The same requirement is also applied on management boards in a number of SEB Group subsidiaries.

Variable compensation

Variable compensation is a means to drive and reward performance and behaviours to create long-term shareholder value.

SEB is gradually reducing the number of employees eligible for cash-based variable compensation based on individual performance in favour of collective programmes and equity-based compensation. Cash-based variable compensation is primarily used where it is common market practice, e.g. in investment banking. Cash-based variable compensation in SEB is based on the risk-adjusted annual performance and behaviours of the individual as well as the relevant team/business unit and SEB Group as a whole.

The equity-based variable compensation is a means to attract and retain staff with the required competence and to build long-term commitment to SEB. The long-term equity programmes offer an opportunity to take part in SEB's long-term success and value creation and create an incentive for the employees to become shareholders of SEB.

Currently, three different long-term equity programmes are on-going; Share Savings Programmes for all employees in selected countries and Performance Share Programmes and Share Matching Programmes for selected senior managers and key employees. Participation in the Share Savings Programmes and Share Matching Programmes require own investment. The Performance Share Programmes and Share Matching 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.

All Performance Share Programmes have a maximum term of seven years; a performance period of three years and an exercise period of four years. The number of allotted performance shares that can be exercised depends on the development of two pre-determined performance criteria of equal importance. The Performance Share Programmes 2006, 2009 and 2010 are on-going. The 2007 and 2008 programmes have vested with a final outcome of 0 per cent. In the 2010 programme the performance criteria are SEB's TSR compared to SEB's competitors and TSR compared to the LTIR.

The Share Matching Programmes 2009 – 2011 are on-going. The programmes require own investment and are performance based. The performance criteria used in the Share Matching

Programme 2011 is TSR compared to SEB's competitors (1/3 of the total maximum outcome) and TSR compared to the LTIR (2/3 of the total maximum outcome). The investment amount as well as the maximum outcome of the programme is capped.

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 2011.

Evaluation of programmes for variable compensation

The development of the programmes concerning variable compensation is evaluated on a continuous basis throughout the year and the expected outcome is reported and discussed quarterly. RemCo also monitors the employees' participation in the programmes.

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 2012 as for 2011; a Share Savings Programme and a Share Matching Programme. However, to align the remuneration structure to new regulations, a separate Share Deferral Programme is proposed for the President, the Group Executive Committee and some other executive managers.

Evaluation of guidelines

The guidelines for salary and other remuneration to the President and other 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 on salary and other remuneration for the President and other members of the Group Executive Committee adopted by the Annual General Meeting 2011.

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.

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THE BOARD OF DIRECTORS