Chairman of the Board's address at SEB's Annual General Meeting

Dear shareholders

The Board's work continues to be intense.

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

During the past year the Board's work was characterised by the macroeconomic situation, with global stagnation and deflation risks and increased geopolitical concerns.

We have discussed the implications for the Bank and the way forward as SEB continues it path towards achieving its strategic goals.

Also this year, the Board discussed the Bank's adjustment to the many and far-reaching new regulations internationally and nationally.

SEB must have financial resilience and flexibility, and we have. Today we fulfil all regulatory requirements by a wide margin.

During the past year the Bank's financial strength was manifested in the European Banking Authority and the European Central Bank's review of asset quality in the banking sector.

The stress tests conducted confirmed that SEB – just as the Swedish banking system – has a strong capital position and good credit quality even in a severely stressed financial scenario.

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What does the external conditions look like today?

Since the financial crisis erupted, monetary policy especially in the US but gradually also in Europe has been very expansionary.

This support from central banks has been crucial for the development of the real economy in the right direction. Last year sharply falling energy prices also supported.

The global financial crisis brought major disruption in economies and markets around the world.

That is why politicians and authorities, central banks and the banks themselves have agreed that the efficiency and stability of the global financial system must be ensured.

Today the global banking system has more capital, more long-term funding and greater liquidity buffers.

Slide 1

As you can see in the slide, we have a complex and large amount of regulations that are now being introduced.

It is not just about capital and liquidity, but also involves infrastructure and establishment of effective interfaces between supervision at macro- and micro-level, market conduct and consumer protection.

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

Several clarifications of the framework were made during the past year, .but further changes are being discussed.

One example is the ongoing discussion about promoting the standardisation of how much capital a bank must set aside when the bank lends to different customers and thus take on risk, i.e. risk weights.

If these discussions become reality, the risk-based system that worked well for many years need to be reconsidered. The entire Swedish banking model is based on the fact that we know our customers well manifested by Swedish banks having among the lowest credit losses in the world.

Customers with documented lower risk in their business also consume less capital and resources from the bank and can thus enjoy lower borrowing credits.

Discussions are on-going to replace this with a system that is volume based and do not differentiate between customers with high or low risk in the same way.

This means that banks must allocate more capital also for customers that have good credit ratings.

Standardisation may sound simple and good, but the consequence of this would be that Swedish banks must ultimately raise customers' cost of borrowing.

It might imply that some financing through the banking system are at risk of moving to an unregulated market.

An important prerequisite for SEB to be there for our customers in the best way is that we take the right risks and can price the risks correctly.

Therefore, we want Sweden to jointly promote that standardised risk weights are not implemented.

In 2014 we also saw clarifications of the Swedish implementation of the Capital Requirements Directive, known as CRD4.

CRD4 applies not only to capital but also regulates the requirements for directors on the Board, ratios between fixed and variable remuneration, and more.

Last year we took a decision here at the Annual General Meeting to enable variable compensation to employees of at most 24 months of base salary in accordance with the framework for CRD4.

We have not made a similar proposal this year as the government – unlike in many other countries in Europe – has so far chosen not introduce the possibility for Swedish banks.

We regret this. The Bank is facing competitors who do not operate under the same regulatory requirements, and therefore can attract our people – mainly outside Sweden – with a different remuneration structure.

Further clarifications made during the year mean that we now know definitions of the stricter capital requirements for the major Swedish banks, expressed as buffers or capital surcharges that may vary over the business cycle.

As a result, we have refined SEB's financial targets to keep a buffer of about one and a half percentage points above the Financial Supervisory Authority's requirement.

We already today fulfil the FSA's requirements.

With today's balance sheet the bank will need to have a Common Equity Tier I capital ratio of 17 per cent in order to reach the margin that we seek.

Given this capital target we want to achieve a competitive and sustainable return. For us this means that we will continue to strive to reach a return on equity of 15 per cent.

We retain the dividend policy to pay at least 40 percent of the profits as dividends each year, and our ambition is to achieve long-term dividend growth.

On the Board, we believe that the proposed dividend an increase by SEK 0.75 to SEK 4.75 is well balanced considering the requirements that the nature, scope and risk of the business are putting on the size of equity capital as well as the bank's consolidation needs, liquidity and financial position.

This represents a dividend pay-out ratio equivalent to 54 per cent.

Slide 2

The dividend has increased at a steady rate after 2009. During the same period, the total return of the SEB share was 150 per cent and market capitalisation has increased by SEK 121bn to SEK 218bn at the end of 2014. Market capitalisation currently stands at SEK 240bn.

The Board follows a Board rules of procedures that governs our role and as well as specific instructions for the Board committees - Risk & Capital Committee, Audit & Compliance Committee, and Remuneration & HR Committee.

In the past year the Board has worked intensively and many issues have been of great importance for the Bank's future.

We have had 12 board meetings where we among other things have had deep-dives into the different business and market segments, discussed sustainability, talent development, IT security as well as the bank's risk exposure and credit quality.

The Committees, which prepare some items for the Board, met on 29 occasions in total.

One item prepared by the Remuneration & HR Committee was the Board's proposal to the AGM on guidelines for remuneration to Group Executive Committee.

And as you have seen in the documentation, the proposal is in line with the guidelines decided on a year ago at the AGM.

On remuneration, the Board emphasises principles including a long-term perspective, share ownership and measurable performance.

We consider it desirable to promote a culture encouraging behaviours that long-term are for the benefit of customers and thereby the Bank.

Today, less than 10 per cent of the bank's employees receive cash-based individual variable compensation.

As stated in the AGM documentation, we have suggested that more employees be covered by a long-term incentive program and that we are now taking further steps to simplify the structure by going from two to one long-term equity-based program in addition to a profit sharing program for all employees except the Bank's management.

From the Board's side, we see that the long-term equity program encourages the Bank's management and other participants have the same long-term interests that we as shareholders have.

If the Bank is doing well over the long-term, outcome for the participants will also be good.

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

As Chairman, I can report to you as shareholders that the Board has functioned well.

I would therefore like to conclude by thanking my colleagues on the Board for the past year.

I would also, on behalf of the entire Board, extend warmest thanks to the Bank's management and employees.

SEB will continue to grow from a position of strength with good earnings and a strong balance sheet.

Thank you!