

**Item 18 a) – b)****The Board of Directors' of Skandinaviska Enskilda Banken AB (publ) proposal for decision at the Annual General Meeting on 22 March 2016 on Long-term Equity Programmes for 2016**

---

**Background**

SEB aims to attract and retain committed and competent employees who contribute to the Bank's long-term success. Employee remuneration should encourage high performance, sound and responsible behaviour and risk-taking that is aligned with SEB's values and the level of risk tolerance set by the Board of Directors. It should promote the employees' long-term commitment to creating sustainable value for customers and shareholders. The total remuneration reflects the complexity, responsibility and leadership skills required in each position as well as the performance of the individual employee. Performance is evaluated on the basis of financial and non-financial goals, with SEB's values as a starting point.

Equity-based remuneration 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, which builds and strengthens 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 2015.

**Long-term Equity Programmes 2016**

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

Based on the evaluation and discussions with major shareholders in SEB, it is proposed that the Annual General Meeting resolves on two long-term equity programmes for 2016 with the same structure as previous year;

- a) An SEB All Employee Programme (AEP) for all employees in most of the countries where SEB operates, and
- b) An SEB Share Deferral Programme (SDP) for the Group Executive Committee (GEC), certain other senior managers and a number of other key employees.

The proposed programmes allow for risk adjustment for current as well as future risks. The final outcome may therefore be cancelled partly or entirely in accordance with regulations, among other things 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 RemCo. The Board's and RemCo's view is that the proposal strikes an appropriate balance between motivating the employees and achieving a long-term, well-balanced and competitive remuneration.

### **SEB All Employee Programme (AEP) 2016 (18 a)**

SEB All Employee Programme 2016 is a programme for all employees in most of the countries where SEB operates. 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 the SEB A-share's Total Shareholder Return (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 proposed to be capped, in Sweden at SEK 75,000 (SEK 55,000 for the 2015 programme), and the outcome is based on the fulfilment of pre-determined Group targets, the financial targets (i) return on equity and (ii) cost development and the non-financial target (iii) customer satisfaction. Outcome is subject to a proposal at the Annual General Meeting 2017 on dividend distribution to the shareholders for 2016. 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 5.7 million shares. The expected outcome for the programme is approximately 2.4 million shares.

### **SEB Share Deferral Programme (SDP) 2016 (18 b)**

The GEC and certain other senior managers and a number of other key employees, approximately 2000 participants in total, are granted an individual number of conditional share rights based on the fulfilment of pre-determined Group, business unit and individual targets outlined in SEB's business plan. The targets are set on an annual basis as a mix of the financial target Return on Equity/Return on Business Equity, cost development as well as on e.g. customer satisfaction and parameters such as compliance, employee commitment, SEB's corporate sustainability and risk. For GEC the initial allotment may not exceed 100 per cent of the base pay.

For GEC and other senior managers, ownership of 50 per cent of the share rights are transferred to the participant after a qualification period of three years, 50 per cent after a qualification period of five years. For other participants ownership of the share rights are transferred after three years. After each respective qualification 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.

For participants outside of Sweden the outcome is deferred and paid in cash adjusted for the SEB A-share's total shareholder return. 50 per cent of the final outcome is paid out after four years and 50 per cent after six years for senior managers. For other participants outside of Sweden the deferred amount is paid out after four years.

There is a requirement for vesting that the participant remains with SEB during the first three years. A further requirement 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 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/the deferred amount will be recalculated, after the Annual General Meeting each year, taking the dividend into account.

The programme is proposed to comprise an obligation for the Bank to deliver a maximum of approximately 8.4 million shares.

### **Allotment under the programmes**

The maximum number of shares that can be transferred under the programmes is 14.1 million. The calculated expected outcome is approximately 9.5 million shares. The maximum number of shares under the programmes equals approximately 0.64 per cent including and 0.38 per cent excluding the SEB All Employee Programme (expected outcome equals approximately 0.44 per cent including and 0.32 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 2017 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 issues of bonus shares 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 final outcome is determined, the Board, or if the Board so decides RemCo, 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 RemCo, 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 RemCo. The Board or RemCo 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 deferred part, i.e. shares and cash adjusted for TSR, of the AEP that may affect the profit and loss account is SEK 155m, out of which SEK 34m 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 66m, out of which SEK 14m is related to social charges. The expected aggregated charges during the total programme period in the profit and loss account are SEK 264m.

The *maximum* annual charge for the SDP that may affect the profit and loss account is SEK 230m, out of which SEK 53m 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

195m, out of which SEK 45m is related to social charges. The expected aggregated charge during the total programme period in the profit and loss account is SEK 785m.

The maximum calculated annual charge is based on the assumptions that the price of the SEB Class A-share is SEK 85 and that no participant is leaving SEB during the employment requirement period.

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 part of the programmes that will be settled in cash will create a higher volatility in the Income statement since the change in the share price is reported when it occurs.

The expected annual charge in the profit and loss account for the two programmes is equivalent to approximately 1.8 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 5m.

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 2016 (item 18 a – b on the agenda)**

The Board proposes that the Annual General Meeting decides on long-term equity programmes for 2016 based on the scope and main guidelines referred to above in the form of:

- a) SEB All Employee Programme (AEP) 2016 for all employees in most of the countries where SEB operates, and
- b) SEB Share Deferral Programme (SDP) 2016 for the Group Executive Committee, certain other senior managers and a number of other key employees.

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 2016

**Skandinaviska Enskilda Banken AB (publ)**

THE BOARD OF DIRECTORS