

2017-03-28

MW AGM

Chairman speech on the board's work

As is customary, I would like to give you a brief recap of the board's work in 2016.

The past year has been described as one of unexpected events, in which political events had unexpected outcomes.

During the year, geopolitical risks increased.

We also saw that the tendency toward increased protectionism became clear.

Many European countries had to experience not only negative interest rates, but at the beginning of the year even negative bond rates.

Because of this, the period of unconventional monetary policy with massive liquidity programmes came to be even more protracted.

2016 was also yet another year when new regulation for the financial sector was discussed.

Meanwhile, we are in the midst of a major technological transformation with digitisation and thereby changing customer behaviour and customer needs.

In other words:

We operate in a time of great upheaval. This has also characterised the work of the board, which continued to be intense.

The board has analysed the opportunities and challenges of digital development ...

... as well as what continued regulatory changes mean for SEB.

Other issues that the board has highlighted have been IT security as well as the code of conduct, sustainability and succession planning.

We have discussed the implications of these for the bank and decided on SEB's strategic and financial goals.

From the board's side, we can state that SEB is standing strong and can support its customers.

Our long-term strategy with a clear business plan for the coming years remains firm.

The business plan focuses on continued growth in the bank's areas of strengths as well as continuing to grow as a corporate bank in Sweden, other Nordic countries and Germany, and in the savings area.

It is also based on a powerful transformation agenda which aims to provide world-class service to our clients and where we make use of the opportunities that digitisation offers.

As you can hear, we have high ambitions.

Our goal is to create long-term value for our customers. This is how we generate sustainable and competitive return to you ... our shareholders ... who of course invest your capital in SEB.

... We take our role very seriously and want to therefore always ensure that we have the resilience required regardless of the economic situation.

We want to at all times be there for our customers, and also grow with them.

This has always characterised us.

SEB was founded at a time like ours, marked by major technological and societal changes.

This bank rests on a belief that it is entrepreneurial thinking and innovative companies that contribute to job creation, prosperity and welfare in a society.

At the same time there is much - obviously - that is different today.

Capital can - just like ideas and people - move to the places that are viewed as most attractive.

And that happens. Often lightning-quick.

Therefore, I would like to highlight the following:

It requires numerous and sustained joint efforts by the business community, education system, administration and politics to really build competitiveness and attractiveness amid fierce international competition.

Especially if you live in a small country far up north.

Of course all countries are striving for job creation and investment in order to improve their well-being.

But ... you can quickly demolish a good climate. Just a few wrong decisions are enough for capital to begin to flee, and people and human capital follow.

I admit ... I am worried.

Recently, the tendencies towards a worsening climate for entrepreneurship have been clear.

I think of the lack of stable ground rules for entrepreneurs and enterprises.

I think of how quickly political decisions that should be long-term can be reversed for partisan motives.

I think of convoluted regulation for entrepreneurs. Regulations that delay, impair and raise costs for society-benefiting operations.

I think of the conditions for small and large companies to collaborate on new innovation and with universities and colleges. Conditions that should be able to be better.

And how vital it is that there is fertile ground for venture capital. Ground that is constantly questioned in today's political climate.

I think of how political unpredictability and lack of understanding of what it is that creates a good business threatens to weaken Sweden's competitiveness.

It is worrisome. It is really worrisome.

Are we really doing everything we should be doing to promote Sweden's development?

In 1970, we ranked fourth in the prosperity league ... in other words measured as GDP per capita ... During the 1990s crisis, we dropped down to 13th place and it took us all of 15 years to get back up to seventh place ... but we have since then dropped and are now no better than number 11.

In other words ... it is moving fast now ...

I do not think anyone wants to see a return to the 1970s and 1980s exodus of entrepreneurs and innovation.

I do not think anyone wants to see Sweden drained of skills. We must learn from those times.

I would instead like to see us hook arms and act together so that we create the right soil so that the country's entrepreneurs and companies will want to stay and grow in Sweden.

That benefits Sweden. That fosters jobs. That improves our welfare.

That fosters the economic growth that is so vital to meeting the great challenges before us.

← There may be reason to recall this now when banks' role and contribution to society and the economy is hotly debated.

A strong banking system contributes to a strong economy.

A sustainable and competitive financial sector based on profitability cannot be regulated or commanded forward.

Without stable and effective banking, a business finds it difficult to borrow money for investments.

Without banks, households cannot borrow for their first home.

Many economies, not least in Europe, still suffer from weak and unprofitable banks unable to fulfil their key function as the bloodstream of society.

This is not so Sweden. On the contrary! The Swedish banks have over the years proven to be among the most stable in the world.

We Swedish banks are well capitalised, cost-efficient and profitable. This means that we not only have the capacity to finance business investment, but also to invest in financial infrastructure that is among the best in the world.

We create customer value.

We create economic strength.

We want to continue ...

but...

... this presupposes stable and competitive ground rules. And there I see clear threats outlined.

Swedish banks currently have to adhere to

...among Europe's strictest capital requirements,

... as well as to the toughest demands on impaired debts ...

← ... as well as the highest fees for a settlement reserve. Fees not even going towards building up a reserve, but which go directly into the state budget.

Why call it a reserve?

This fee is now proposed to be increased further while at the same time a bank tax is being investigated.

It is important to remember that the financial sector employs 85,000 people in Sweden, and that our customers are both in and outside Sweden.

At for example SEB, our customers generate over 40 percent of earnings outside Sweden.

We will both within and outside Sweden compete with banks operating under other regulatory requirements.

But that is not possible if we do not operate under the same conditions ... even if we continue to be stronger ... more efficient...and more stable than our competitors.

Swedish banks are doing well, but are not as profitable as other companies or industries.

Using bank profits in absolute terms – profits in crowns and cents - as an argument for greater tax burden without putting profit in relation to how much capital banks tie down is strange.

We tie down a lot capital just to be able to lend to businesses and individuals.

In SEB's case, our Common Equity Tier I capital totals 114 billion kronor. This should be seen against the backdrop that our balance sheet is over 2,600 billion kronor and our credit portfolio over 2,100 billion kronor.

It is in this perspective our operating profit for 2016 of 20 billion kronor should be seen. Our profits are thus equivalent to one percentage point of our balance sheet.

Swedish banks play, and want to continue to play, a major role in the countries in which we operate ... not least in Sweden.

← We want to continue to invest in new digital financial infrastructure that benefits everyone.

We want to continue to invest in new services for our customers.

We do not know what it will mean in the future to be banking in an environment where ...

...customer behaviour...technology ...competitors ...and regulation look completely different than today.

But we know that we want to continue to contribute to good socio-economic development.

Hopefully, the time is ripe for more dialogue and more consensus on entrepreneurship as well as on banks' role and what ultimately benefits the economy.

That is my great hope.

And here I think I speak for a large part of the Swedish business community.

These issues are important to reflect upon on a day like this, when we as shareholders look back on the past year and also make decisions that affect the way forward as well as the previous calendar year's financial statements and dividend.

So let me briefly comment on the board's dividend proposal.

In line with our financial objectives, which are the same as last year, we feel from the board's side that the dividend proposal...

...an increase of 25 öre to 5 kronor och 50 öre...

... is well-balanced with consideration of the requirements that the operation's nature, scope and risks place on the amount of own equity

... as well as on the bank's consolidation requirements, liquidity and position in general.

The proposal is also consistent with the board's goal of long-term dividend growth.

Today we also make a number of other decisions ...

← ... such as the election of board directors, remuneration principles and the related share programme.

Just like last year, we will also address the issue of the mandate of the board to decide on issuance of subordinated convertible bonds.

These convertibles entail a mandatory conversion into shares under certain predetermined conditions for a possible, financially difficult future situation for the bank.

At a conversion, however, the shareholders of the bank have an option to purchase the newly issued shares.

A couple of weeks ago, the bank issued – in accordance with the mandate that the meeting gave here a year ago – just such a subordinated convertible loan.

The aim is to give the bank flexibility to adapt the capital structure to new regulatory capital requirements.

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The board work follows one of the board-approved work plans that govern our role and working methods as well as specific instructions for the board committees...

... the Risk and Capital Committee ... The Audit and Compliance Committee... and the Remuneration Committee.

We have had 10 board meetings, and committees that prepare some questions for the board ... have met a total of 35 times.

One such issue that has been prepared by the Remuneration Committee is that the board has the responsibility to propose to the AGM guidelines for remuneration to executive management as well as the long-term share programme.

And as you have seen in meeting documentation, the proposal conforms to guidelines the AGM decided on a year ago.

← On the board's side, we emphasise sustainability..., own share ownership ... and clear performance.

We want to support a culture and behaviour among employees which in the long term is for the benefit of customers and thereby the bank and owners' long-term success.

The board of directors proposes to the AGM the share programme as last year, i.e.:

- a long-term performance-based share programme that includes 2,000 senior executives and key employees, as well as
- a profit-sharing programme for all employees with the exception of bank management.

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The board has also had a busy start to 2017.

One of the board's most important tasks is to ensure the good order of succession and that the company has the right CEO.

A CEO who makes the right decisions and runs the company so it develops successfully in the long term.

For almost 12 years, Annika Falkengren has been the person we on the board have had the pleasure of having as the bank's CEO.

She has meant a lot to SEB being as strong a bank as we are today.

She has now chosen to leave the bank, and we shall soon hear her last speech on the past year.

We also then have the opportunity to thank her for her more than 30-year run at SEB.

We will also have the opportunity to hear Johan Torgeby - who the board has appointed as SEB's new Chief Executive Office - to introduce himself.

In conclusion... as Chairman, I can state that the board work at SEB is working well.

The issues covered are many, and require solid experience in several areas.

I want to thank my colleagues on the board for their great commitment and efforts for SEB.

I also want, on the entire board's behalf, to extend a warm thank you to the bank's management and all employees.

Thank you!