

# Corporate Governance within SEB

## Swedish Code of Corporate Governance

SEB applies the Swedish Code of Corporate Governance (Bolagsstyrningskoden). No deviations have been made from the provisions of the Code.

The Corporate Governance Report has not been reviewed by the auditors.

## Clear distribution of responsibilities

The ability to maintain confidence among customers, shareholders and other stakeholders is of vital importance for SEB. An essential factor in this context is a clear and effective structure for responsibility distribution and governance, thus avoiding e.g. conflicts of interest. SEB attaches great importance to the creation of clearly defined roles for officers and decision-making bodies within credit-granting, corporate finance activities, asset management and insurance operations, for example.

The structure of responsibility distribution and governance comprises:

- Annual General Meeting (AGM)
- Board of Directors
- President/Chief Executive Officer
- Divisions, business areas and business units
- Staff and Support functions
- Internal Audit, Compliance and Risk Control.

The Board of Directors and the President perform their governing and controlling roles through several policies and instructions, the purpose of which is to clearly define the distribution of responsibility. The Group's credit instruction, instruction for the

handling of conflicts of interest, ethics policy, risk policy, instruction on measures to prevent money laundering, Code of Business Conduct and the Corporate Social Responsibility policy are of special importance.

## Annual General Meeting

Shareholders' influence is exercised at the Annual General Meeting (AGM), which is the highest decision-making body of the Bank. All shareholders, registered in the Shareholders' Register and having notified their attendance properly, have the right to participate in the Meeting and to vote for the full number of their respective shares. A shareholder who cannot participate in the Meeting can be represented by proxy.

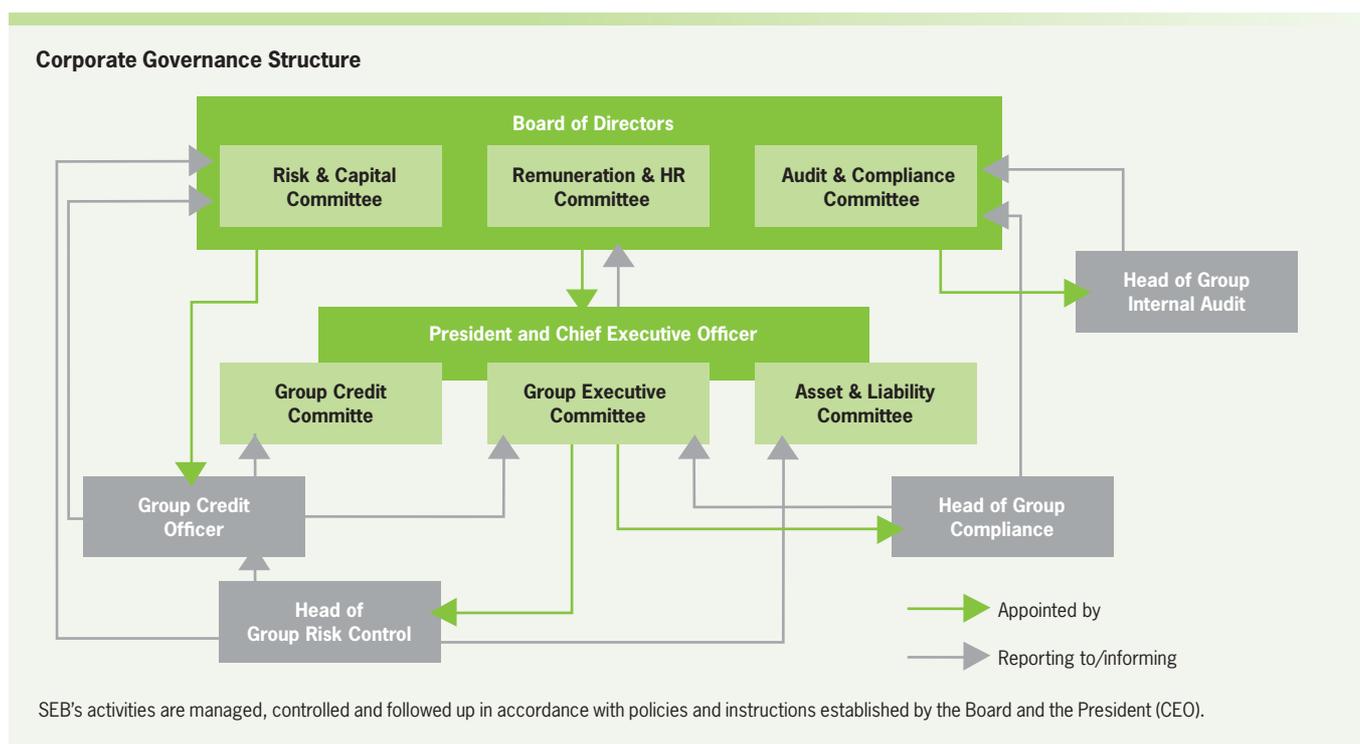
Amongst other things the AGM decides on changes in the Articles of Association and on the allocation of the Bank's profit, appoints Board members, decides on the discharge from liability for the Board members and the President, decides on remuneration for the Board and approves the principles for remuneration to the President and Group Executive Committee.

The 2007 AGM was held in Swedish and simultaneously interpreted into English. The minutes from the Meeting can be found on the Bank's website.

SEB's major shareholders and shareholder structure as per 31 December, 2007, appear from the tables on page 43.

## Nomination Committee

According to a decision of the 2007 AGM, the members of the Nomination Committee for the 2008 AGM were appointed during the autumn of 2007. Four of the Bank's major shareholders have



**Shareholder structure**

Percentage holdings of equity on 31 December 2007

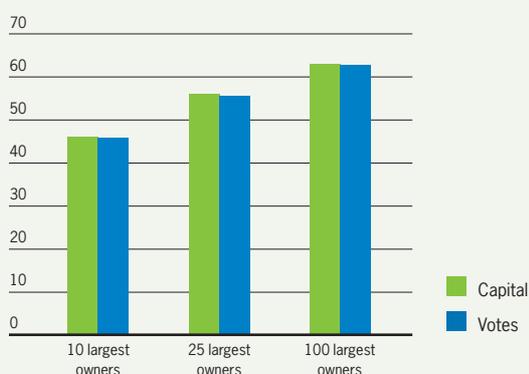


The majority of the Bank's approximately 300,000 shareholders are private individuals with small holdings.

Source: SIS Ågarservice

**Ownership concentration**

Largest owners' share of capital and votes, per cent



Source: SIS Ågarservice

appointed one representative each who, together with the Chairman of the Board, forms the Nomination Committee. These four representatives are: Petra Hedengran, Investor, Chairman of the Nomination Committee, Hans Mertzig, Trygg Foundation, Staffan Greffbäck, Alecta and Torgny Wännström, AFA Försäkring. The composition of the Nomination Committee was announced on 27 September 2007.

The task of the committee is to prepare proposals for Chairman of the AGM, for the number of Board members, for remuneration to the Board of Directors and the auditors, for Board members and Chairman of the Board, for the distribution of the remuneration between the Board members, as well as for committee work, for auditor for the period up to and including the AGM 2012 and for rules for the Nomination Committee for the AGM 2009, to be presented at the AGM for decision.

The size and composition of the Board of Directors should be such as to serve the Bank in the best possible way. This means that the Directors' broad experience from, and knowledge about, the financial and other sectors, their international experience and strong network of contacts should meet the demands that the Bank's position and future orientation call for. The result of the internal evaluation of the Board of Directors and its members forms part of the material used by the Nomination Committee. If necessary, the Nomination Committee will use external advisors.

Since the 2007 AGM the Nomination Committee has held six meetings and been in contact between the meetings. An account for the way in which the Nomination Committee has performed

**The largest shareholders<sup>1)</sup>**

December 31, 2007	No. of shares	Of which Series C shares	Per cent of number of all shares	Per cent of all votes
Investor AB	137,527,895	2,725,000	20.0	20.4
Trygg-Foundation	65,677,962	0	9.6	9.9
Alecta	24,478,611	733,611	3.6	3.6
Swedbank Robur Funds	18,189,030	0	2.6	2.7
AFA Försäkring	17,193,326	875,560	2.5	2.5
SHB/SPP Funds	13,336,048	0	1.9	2.0
SEB Funds	10,463,138	0	1.5	1.6
Wallenberg foundations	10,330,389	5,871,173	1.5	0.8
Nordea Funds	9,319,136	0	1.4	1.4
Skandia Liv	7,980,752	3,456,167	1.2	0.7
SHB	7,591,938	1,271,836	1.1	1.0
Andra AP-fonden	6,815,335	0	1.0	1.0
Fjärde AP-fonden	6,730,077	0	1.0	1.0
SEB-Foundation	6,715,993	105,000	1.0	1.0
Första AP-fonden	5,719,046	0	0.8	0.9
Foreign shareholders	160,057,954	1,797,727	23.6	24.2

1) Excluding SEB as shareholder through repurchased shares to hedge employee stock option programme and for capital management.

Source: SIS Ågarservice

its work is found on the website of the Bank and will be presented at the 2008 AGM. No special compensation has been paid to the members of the Nomination Committee.

**Board of Directors**

The Board members are appointed by the shareholders at the AGM for a term of office of one year, until the next AGM. In accordance with the Corporate Governance Code, the Chairman of the Board was also appointed by the 2007 AGM for a term of office until the end of the next AGM.

During 2007, the Board of Directors has consisted of ten members, without any deputies, elected by the AGM and of two members and two deputies appointed by the employees. In order for the Board to form a quorum, at least half of the members must be present. The President is the only Board member elected by the AGM who is equally an SEB employee. All other Board members elected by the AGM are considered to be independent in relation to the Bank and its Management. With the exception of Marcus Wallenberg and Jacob Wallenberg, who are not considered to be independent in relation to the shareholder Investor AB, all Board members are considered to be independent in relation to major owners. Independent Board members are defined as those who have no essential connections with the Bank, its Management or major shareholders (holding 10 per cent or more of the shares or votes) besides being Board members. The composition of the Board of Directors as from the 2007 AGM appears from the table on page 44 and information on the members is found on pages 126–127.

The Board of Directors has adopted Rules of Procedure that regulate the role and working forms of the Board as well as special instructions for the committees of the Board. The Board has the overall responsibility for the activities carried out within the Bank and the Group and thus decides on the nature, direction, strategy and framework of the activities and sets the objectives for the activities. The Board regularly follows up and evaluates the operations in relation to the objectives and guidelines established by the Board. Furthermore, the Board has the responsibility to ensure that the activities are organised in such a way that the

**Board of Directors as from the 2007 Annual General Meeting**

Name	Elected	Position	Risk and Capital Committee	Audit and Compliance Committee	Remuneration and HR Committee	Total remuneration, SEK	Presence Board Meetings	Presence Committee Meetings
Marcus Wallenberg	2002	Chairman	●	●	●	2,600,000	100%	100%
Tuve Johannesson	1997	Deputy Chairman			●	705,000	92%	100%
Jacob Wallenberg	1997	Deputy Chairman				530,000	92%	
Penny Hughes	2000	Director			●	785,000	92%	100%
Urban Jansson	1996	Director	●			895,000	92%	100%
Steven Kaempfer	2007	Director		●		610,000	100%	100%
Hans-Joachim Körber	2000	Director				435,000	83%	
Jesper Ovesen	2004	Director	●			725,000	100%	100%
Carl Wilhelm Ros	1999	Director		●		785,000	100%	86%
Annika Falkengren	2006	Director, President and CEO	●			–	100%	100%
Ulf Jensen	1997	Director appointed by the employees				–	92%	
Göran Lilja	2006	Director appointed by the employees				–	100%	
Göran Arrius	2002	Deputy Director appointed by the employees				–	92%	
Magdalena Olofsson	2003	Deputy Director appointed by the employees				–	92%	
						<b>8,070,000</b>		

● Chairman   ● Deputy Chairman   ● Director

accounts, management of funds and financial conditions in all other respects are controlled in a satisfactory manner and that the risks inherent in the activities are identified, defined, measured, monitored and controlled in accordance with external and internal rules, including the Articles of Association of the Bank.

The Board appoints and dismisses the President and his/her Deputy as well as the Executive Vice Presidents, the Group Credit Officer, the members of the Group Executive Committee and the Head of Group Internal Audit.

The Chairman of the Board organises and manages the work of the Board by convening Board meetings, deciding on the agenda and preparing the matters to be discussed at the meetings, after consulting the President, among other things.

The Board members receive regular information about and, if necessary, training in changes in rules concerning the activities of the Bank and listed company directors' responsibilities, among other things. They are regularly offered the opportunity of discussing with the Chairman of the Board, the President and the Secretary to the Board of Directors.

The President takes part in all Board meetings, except in matters where the President has an interest that may conflict with the interest of the Bank such as those during which the work of the President is evaluated. Other members of the /for purposes of informing the Board or upon request by the Board or the President. During 2007, the Board has held discussions without the President or any other member of the Executive Management of the Bank being present. The General Legal Counsel of the Bank and the Group is the Secretary to the Board of Directors.

During 2007, 12 Board meetings were held. External audit representatives were present at two of these meetings. The decisions of the Board are made after open and constructive discussions. Essential matters dealt with during the year included the following:

- Strategic direction of Group activities (nature and scope).
- Overall long-term goals for the activities.

- Policies and instructions, including an annual review and revision.
- Business plans, financial plans and forecasts.
- Thorough penetration of business and market segments including the Baltic countries, Eastern Europe and Russia.
- Major investments and business acquisitions/divestments.
- Group risk position, including development of credit portfolio and liquidity situation.
- Capital and financing issues, including risk limits.
- Short and long-term incentives, succession planning and top management review process.
- Interim reports and annual report.
- Internal operational and cost-efficiency processes.
- IT structure and strategy.
- Evaluation of the Compliance function and organisation and decision on a new independent Group-wide Compliance function.
- Evaluation of the Bank's internal control functioning.
- Follow-up of external and internal audit activities and Group compliance activities.
- Evaluation of the work of the Board of Directors, the President and the Group Executive Committee.
- Evaluation of the work of the external auditors.

The overall responsibility of the Board cannot be delegated. However, the Board has established committees, pursuant to the Board's instructions, to handle certain defined issues and to prepare such issues for decision by the Board of Directors. At present, there are three committees within the Board of Directors: the Risk and Capital Committee, the Audit and Compliance Committee and the Remuneration and Human Resources Committee. Minutes are kept of each committee meeting and communicated to the other Board members promptly after the meetings. The committees report regularly to the Board of Directors. Committee members are appointed for a period of one year at a time. It is an

important principle that as many Board members as possible shall participate in the committee work, also as committee chairmen. Although the Chairman of the Board is a member of all three committees, he is not chairing any of them. Neither the President nor any other officer of the Bank is a member of the Audit and Compliance Committee or the Remuneration and Human Resources Committee. The President is a member of the Risk and Capital Committee. The work of the Board committees is regulated through instructions adopted by the Board. Apart from the committee work, no work distribution is applied by the Board.

### Risk and Capital Committee

The *Risk and Capital Committee* of the Board shall support the Board in establishing and reviewing the Bank's organisation so that it is managed in such a way that all risks inherent in the Group's activities are identified, defined, measured, monitored and controlled in accordance with external and internal rules. The Committee decides the principles and parameters for measuring and allocating risk and capital within the Group. The Committee reviews and makes proposals for Group policies and strategies, such as risk policy and risk strategy, credit policy, capital policy, liquidity and pledge policy as well as trading and investment policy, for decision by the Board, and monitors that these policies are implemented and follows up the development of the risks of the Group. The Committee prepares the Board decisions concerning limits for market and liquidity risks.

As far as credit matters are concerned, the Committee adopts credit policies and instructions that supplement the credit policy and credit instruction of the Group and makes decisions on individual credit matters (matters of major importance or of importance as to principles). In addition, the Committee reviews on a regular basis both significant developments in the credit portfolio and the credit process within the Bank and the Group. It furthermore examines matters relating to operational risk, market and liquidity risk and insurance risk.

As far as capital matters are concerned, the Committee regularly reviews essential changes in the overall capital and liquidity situation and the capital adequacy situation of the Group, including the implementation of Basel II. The Committee prepares changes in the Group's capital goals and asset management matters, for decision by the Board, such as dividend level and the set-up and utilisation of repurchase programmes of own shares. The Committee consists of four members, including the President, and forms a quorum whenever a minimum of three members are present, including the Chairman or Deputy Chairman of the Committee. During 2007 the Committee had the following members: Urban Jansson, Chairman, Marcus Wallenberg, Deputy Chairman, Jesper Ovesen and Annika Falkengren. The Group's Chief Financial Officer has the overall responsibility for presentations of capital matters to the Committee, the Group Credit Officer for credit matters and the Head of Group Risk Control for risk control matters. The Committee has held 23 meetings during the year.

### Audit and Compliance Committee

The *Audit and Compliance Committee* of the Board supports the work of the Board in terms of quality control of the Bank's financial reports. It prepares an annual report on internal control and, if necessary, a proposal for the appointment or dismissal of the Head of Group Internal Audit, for decision by the Board. The Committee maintains regular contact with the external and internal auditors of the Bank and discusses the co-ordination of the

external and internal audit. During 2007, the Committee has met with representatives of the external auditors on several occasions, without the President or any other member of the Executive Management of the Bank being present. The Committee deals with the accounts and interim reports as well as with audit reports, including any changes in the accounting rules. It ensures that any remarks and observations from the auditors are attended to. The Committee furthermore decides on guidelines for which services other than auditing services that may be procured by the Bank and the Group from the external auditors. It assesses the external auditors' work and independence and prepares proposals for new auditors prior to the AGM's election of auditor. The Committee establishes an annual audit plan for the internal audit function co-ordinated with the external audit plan.

The Committee furthermore approves the President's proposal for the appointment and dismissal of the Head of Group Compliance and the compliance plan. The internal audit and compliance activities are monitored on a continuous basis.

The Committee consists of three members, none of whom is in the employ of the Group, and forms a quorum whenever a minimum of two members are present, including the Chairman or Deputy Chairman of the Committee. During 2007, the Audit and Compliance Committee had the following members: Carl Wilhelm Ros, Chairman, Marcus Wallenberg, Deputy Chairman and Steven Kaempfer. The Head of Group Internal Audit and the Head of Group Compliance are the presenters of reports in the Committee. The Audit and Compliance Committee has held seven meetings during the year. The external auditors attended all of these meetings.

### Remuneration and Human Resources Committee

The *Remuneration and Human Resources Committee* of the Board prepares, for decision by the AGM and the Board, respectively, a proposal for remuneration principles applicable to the President and the members of the Group Executive Committee as well as a proposal for remuneration to the President and the Head of Group Internal Audit. The Committee decides on issues concerning remuneration to the members of the Group Executive Committee according to the principles established by the AGM. The Committee furthermore prepares matters regarding incentive programmes and pension plans, monitors the pension commitments of the Group and monitors, together with the Risk and Capital Committee of the Board, all measures taken to secure the pension commitments of the Group including the development of the Bank's pension foundations. It furthermore discusses personnel matters of strategic importance, such as succession planning for strategically important positions and other management supply issues.

The Committee consists of three members, none of whom is in the employ of the Group. The Committee forms a quorum whenever minimum two members are present, including the Chairman or Deputy Chairman of the Committee. During 2007, the Committee had the following members: Penny Hughes, Chairman, Marcus Wallenberg, Deputy Chairman and Tuve Johannesson. The President presents proposals, reports and information to the Committee, together with the Head of Group Human Resources & Organisational Development, with respect to matters where the President does not have an interest that may conflict with the interests of the Bank. The Remuneration and Human Resources Committee has held eight meetings during 2007.

### Evaluation of the Board of Directors, the President and the Group Executive Committee

SEB applies an annual self-assessment method, which among other things includes a questionnaire, followed by discussions within the Board. Through this process the activities and working methods of the Board, the Chairman of the Board and each respective committee are evaluated. Among the things examined are the following: how to improve the work of the Board further, whether or not each individual Board member takes an active part in the discussions of the Board and the committees; whether they contribute independent opinions and whether the meeting atmosphere facilitates open discussions. The outcome of the evaluation has been presented to, and discussed by, the Board and the Nomination Committee.

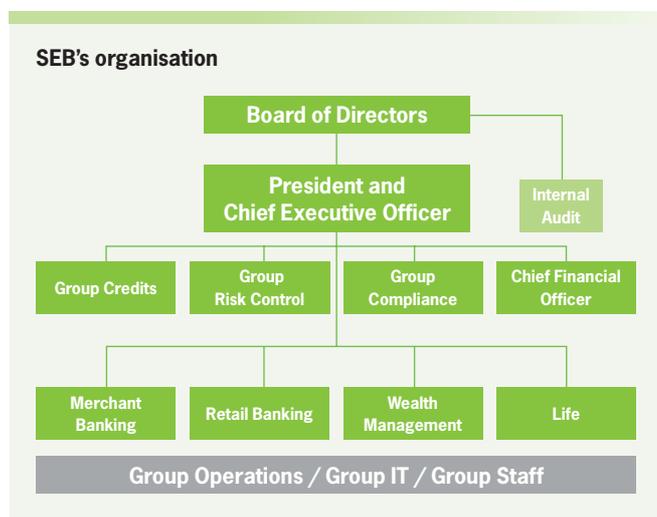
The Chairman of the Board evaluates each individual member's work, formally once a year. Marcus Wallenberg did not participate in the evaluation of the Chairman's work, which evaluation was conducted by Tuve Johansson.

The Board evaluates the work of the President and the Group Executive Committee on a continuous basis, without attendance by the President or any other member of the Group Executive Committee.

### The President/Chief Executive Officer

The Board of Directors has adopted an instruction for the President's and Chief Executive Officer's work and role. The President is responsible for the day-to-day management of the Group's activities in accordance with the guidelines and established policies and instructions of the Board. The President reports to the Board of Directors and submits a separate CEO report on among other things the development of the business in relation to resolutions taken by the Board at each Board meeting.

The President appoints the Chief Financial Officer of the Group, Heads of divisions, the Group Head of Staff, the Group Head of HR & Organisational Development, the Head of Group Compliance, the Head of Group Risk Control, the Head of Group IT, Heads of branches, Heads of the individual staff and support functions and the members of the Management Advisory Group. The Chief Financial Officer of the Group is appointed in consultation with the Chairman of the Board and the Head of Group Compliance in consultation with the Audit and Compliance Committee of the Board.



President and Chief Executive Officer is Annika Falkengren. More information about the President is found on page 128.

The President has three different committees at her disposal for the purpose of managing the operations: the Group Executive Committee, the Group Credit Committee (page 47) and the Asset and Liability Committee (page 47).

In order to protect the interests of the whole Group, the President consults with the *Group Executive Committee (GEC)* and its IT-Committee on matters of major importance or of importance as to principles. The GEC deals with, among other things, matters of common concern to several divisions, strategic issues, business plans, financial forecasts and reports. The GEC has held 28 meetings during 2007. During 2007, the following persons were members of the Group Executive Committee and its IT Committee:

Annika Falkengren, Per-Arne Blomquist, Fredrik Boheman, Magnus Carlsson, Ingrid Engström (as from 26 March 2007), Hans Larsson, Bo Magnusson, Anders Mossberg and David Smith (from 9 February up to 27 September 2007).

There is a special forum for information exchange at Group level, the Management Advisory Group (MAG), which consists of senior officers representing the whole Group. The members of MAG are appointed by the President in consultation with the GEC.

### Divisions, business areas and business units

The Board of Directors has regulated the activities of the Group in an instruction concerning the Group's operations and established how the divisions of the Group, including the international activities through branches and subsidiaries, shall be managed and organised.

As from 1 January 2007, SEB's activities are organised in four divisions:

- *Merchant Banking*, with Magnus Carlsson as Head, for SEB's relations with large and medium-sized companies, financial institutions and real estate companies,
- *Retail Banking*, with Bo Magnusson as Head, for SEB's retail operations and card activities,
- *Wealth Management*, with Fredrik Boheman as Head, for SEB's mutual fund and asset management activities and private banking and
- *Life*, with Anders Mossberg as Head, for SEB's life insurance activities.

All Heads of division are members of the Group Executive Committee.

Each division's operations are divided into business areas which, in turn, are divided into business units. The Head of division has the overall responsibility for the activities of the division and appoints, after consultations with the President, heads of business areas within the division and of those subsidiaries for which the division is responsible. Within each division there is a management group, which includes the Head of division and a number of heads of business areas and subsidiaries pertaining to the division. There are management groups within the business areas and business units, too.

A Country Manager has been appointed for the co-ordination of activities within some of those countries outside Sweden in which several divisions carry out activities, such as Denmark, Norway and Finland. The Country Manager reports to a member of the Group Executive Committee, specially appointed for the purpose.

### Staff and support functions

SEB's *staff and support functions* are as from 1 January 2007 divided into three cross-divisional support functions in order to streamline operations and front office support: Group Operations, Group IT and Group Staff. SEB has a number of staff and support functions such as CEO Office, Finance, Treasury, Human Resources & Organisational Development, Marketing & Communication, Legal, Security and Procurement & Real Estate. In SEB the staff functions have a global functional accountability and own and manage the SEB Group's common instructions and policies, processes and procedures for the purpose of proactively supporting the President, the Group Executive Committee, managers and staff as well as all business units of the Group.

SEB's organisation as from 1 January 2007 appears from the chart on page 46.

### Risk organisation and responsibility

The Board of Directors has the ultimate responsibility for the risk organisation of the Group and for the maintenance of satisfactory internal control. The Risk and Capital Committee of the Board shall support the Board in this work, e.g. by reviewing the Group's risk, capital and liquidity policies for yearly updates. The Board receives a report on the development of the Group's exposure with respect to risks at least once per quarter.

Subordinated to the Board of Directors and the President are committees with mandates to make decisions depending upon the type of risk. The *Group Asset and Liability Committee (ALCO)*, chaired by the President, deals with issues relating to the overall risk level of the Group and the various divisions, decides on risk limits and risk-measuring methods, capital allocation etc. Within the framework of the Group Capital Policy and the Group Risk Policy of the Board, ALCO has established policy documents for the responsibility and management of the risk types of the Group and for the relationship between risk and capital. ALCO has held 13 meetings during 2007.

The *Treasury Committee* monitors the development of market and liquidity risks.

The *Group Credit Committee (GCC)* is the highest credit-granting body within the Bank, with the exception of a few matters that are reserved for the Risk and Capital Committee of the Board of Directors. GCC is furthermore responsible for reviewing the credit-granting rules on a regular basis and for presenting proposals for changes to the Risk and Capital Committee of the Board, if necessary. The President is the Chairman of the Committee and the Group Credit Officer is its Vice Chairman. GCC has held 58 meetings during 2007.

The credit organisation is independent from the business activities. *Group Credits* is responsible for the administration and management of the credit approval process and for important individual credit decisions and furthermore for analysis and follow-up of the composition of the credit portfolio as well as for the adherence to policies established by the Risk and Capital Committee and the Board of Directors. Its activities are regulated in the Group's Credit Instruction, adopted by the Board of Directors. The Group Credit Officer is appointed by the Board and reports to the President. The Group Credit Officer presents credit matters to the Risk and Capital Committee of the Board. The Board receives information on the composition of the credit portfolio, including large exposures and credit losses, at least once a quarter. The Chairman of each credit committee has the right to veto credit decisions. The credit organisation is kept separate from the business units and handles credit matters exclusively.

Significant exceptions to the credit policy of the Group must be referred to a higher level in the decision-making hierarchy.

Responsibility for day-to-day risk management in the Group rests with the divisions (and similarly with Group Treasury). Thus, each division and Head of division is responsible for ensuring that the risks are managed and controlled in a satisfactory way on a daily basis, within established Group guidelines. It is a fundamental principle that all control functions shall be independent of the business operations.

### Internal audit, compliance and risk control

The Group has three control functions, which are independent from the business operations: Internal Audit, Compliance and Risk control.

*Group Internal Audit* is an independent group-wide function, directly subordinated to the Board of Directors. The main responsibility of Group Internal Audit is to evaluate risk management, control and governance processes within the Bank and to ensure that the activities of the Group are conducted in accordance with the intentions of the Board and the President. The Head of Group Internal Audit reports regularly to the Audit and Compliance Committee of the Board and keeps the President and the Group Executive Committee regularly informed. The Audit and Compliance Committee adopts an annual plan for the work of Internal Audit.

In 2006, a project was initiated to evaluate and further strengthen the *compliance function* and organisation of the Group. The work continued during 2007 and led to the launching of a new compliance organisation in January 2008, with considerably more resources. The Compliance function is now fully independent from the business operations, although it serves as a support function for the business operations. It is also separated from the legal functions of the Group. Compliance shall act proactively for Compliance quality in the Group by advising and following-up within the Compliance areas, thereby supporting business and management. Areas of responsibility are Customer Protection, Market Conduct, prevention of money laundering and financing of terrorism and Regulatory systems and control. Duties of the Compliance function are risk-management, monitoring, reporting, development of internal rules, training and relationship with regulators. The task of the Head of Group Compliance is to assist the Board and the President on compliance matters and to co-ordinate the handling of such matters within the Group. The Head of Group Compliance reports regularly to the President and the Group Executive Committee and informs the Audit and Compliance Committee of the Board about compliance issues. Following a Group-wide Compliance Risk Assessment and approval from the Audit and Compliance Committee, the President adopts an annual Compliance Plan.

The *Group's risk control function (Group Risk Control)* carries out the Group risk control and monitors the risks of the Group, primarily credit risk, market risk, operational risk and liquidity risk (see further on pp 34–41). The Head of Group Risk Control is appointed by the President and reports to the Group Credit Officer. The Group's ALCO is regularly informed. The Head of Group Risk Control is the presenter of reports on risk control matters in the Risk and Capital Committee of the Board.

The Board of Directors has adopted instructions for the internal audit and compliance activities of the Group. The President has adopted an instruction for the Group Risk Control activities.

### Financial reporting

The quality of the financial reporting is ensured by governing documents in the form of policies and instructions for responsibility distribution and governance adopted by the Board, such as the Instruction for the President and Chief Executive Officer on among other things financial reporting. The President adopts, in turn, policies and instructions such as the Instruction for the Chief Financial Officer, Group Treasury, Group Finance and SEB's Accounting Standard Committee (ASC). The decision hierarchy is firmly established; Head of Group Finance reports to the Chief Financial Officer, who in turn reports to the President. ASC, with the Head of Group Finance as Chairman, adopts detailed instructions for the Bank and the Group on the financial reporting and the accounting standards as well as guidelines on the interpretation of internal rules regarding the financial reporting and makes sure that these rules are observed within the Group. The Group's Internal Audit, Group Risk Control and Compliance functions control and follow the reporting, compliance with internal and external rules and the risks inherent. The Board and its Audit and Compliance Committee (ACC) regularly follow up and evaluate the quality control as the annual accounts and interim reports as well as audit reports and changes in the accounting rules are regularly handled at the Board and ACC meetings. The Board's report on the internal control of the financial reporting for 2007 is found on page 52.

### Information about the auditor

According to its Articles of Association, the Bank shall have at least one and not more than two auditors with at the most an equal number of deputies. A registered accounting firm may be appointed auditor. The auditors are, under Swedish law, appointed for a period of four years.

PricewaterhouseCoopers AB has been the Bank's auditor since 2000 and was re-elected in 2004 for the period up to and including the 2008 AGM. Chief responsible has been Peter Clemedtson, Authorised Public Accountant, as from the 2006 AGM. Peter Clemedtson has auditing assignments also in the following major companies: Electrolux and Ericsson.

The fees charged by the auditors, including those expected for the auditing of the Bank's 2007 annual accounts and for other assignments invoiced up to and including 31 December 2007, are as follows:

Fees to the auditors		
SEKm	2007	2006
Audit assignments	48	49
Other assignments	19	10
<b>Total</b>	<b>67</b>	<b>59</b>

### Remuneration to the Board of Directors, the President and other members of the Group Executive Committee

#### The Board of Directors

SEB's 2007 AGM fixed a total remuneration amount of SEK 8,070,000 for the members of the Board to be distributed as follows: SEK 2,600,000 to the Chairman of the Board, SEK 3,670,000 to the other Directors elected by the AGM who are not employed in the Bank to be distributed as follows: SEK 530,000 each to the Vice Chairmen and SEK 435,000 to the other Directors, and SEK 1,800,000 for committee work to be distributed as follows:

Risk and Capital Committee: Chairman SEK 460,000, other member SEK 290,000, Audit and Compliance Committee: Chairman SEK 350,000, other member SEK 175,000 and Remuneration and Human Resources Committee: Chairman SEK 350,000, other member SEK 175,000. No fee for Committee work is distributed either to the Chairman of the Board or the employees of the Bank. The distribution of the directors' remuneration for 2007 appears from the table on page 44. The remuneration is paid out on a running basis during the mandate period.

Following a recommendation by SEB's Nomination Committee, the Board of Directors has adopted a Share Ownership Policy for the Board. The policy recommendation is that each Board member shall use 25 per cent net after tax of the annual remuneration (excluding remuneration for committee work) distributed to said Board member to acquire shares in SEB.

#### The President and the Group Executive Committee

SEB's Board of Directors has prepared proposals as to principles for the salary and other remuneration to the President and the Group Executive Committee, which were approved by the 2007 AGM. According to these principles, the Board has decided on the actual remuneration to the President following a proposal from the Remuneration and Human Resources Committee. The remuneration of the President has been benchmarked against the Swedish and international market. The Committee has also approved the remuneration of the other members of the Group Executive Committee according to the principles established by the AGM.

The Board will propose that the 2008 AGM approve the above-mentioned principles for the time up until the AGM 2009 with some changes for the long-term incentive compensation to reflect the broader scope proposed for 2008.

The general principle for the remuneration structure is the same as for the Bank as a whole, i.e. based upon four main components: base salary, short-term incentive compensation, long-term incentive compensation and pension as well as other benefits such as a company car.

The short-term incentive compensation is based on the achievement of certain predetermined goals, individual and general, qualitative and quantitative, agreed in writing with the individual. The short-term incentive compensation is set for one year at a time. Operating result, costs and customer satisfaction are examples of objectives used. Short-term incentive compensation is maximized to a certain percentage of the base salary. The maximum cost for SEB's short-term incentive compensation to the President and the Group Executive Committee for 2008 is calculated to SEK 25m, excluding social charges.

For 2007, the principles stated that long-term incentive programmes should be share-based and performance-based. For 2008 it is proposed that long-term incentive programmes shall be share-based and, except for all-employee programmes, performance-based. The purpose of a mix of long-term incentive compensation programmes is to create a commitment to SEB, strengthen the overall perspective on SEB, offer the participants an opportunity to take part in SEB's long-term success and value creation and to create an incentive for the employees to become shareholders of SEB as well as to create possibilities to attract and retain senior officers and other key employees. Information on the cost of the proposed long-term incentive programmes for 2008 is found in the Board proposal for the programmes.

The pension plan is defined as benefit-based or contribution-based and shall be inviolable. SEB aims at increasing the defined contribution-based element. The size of the pensionable salary is

capped. At termination of employment by the Bank, severance pay of between 12 and 24 months' salary will be paid. The Bank has the right to make deductions from such severance pay of any cash payments that the executive may receive from another employer or through his/her own business.

The base salaries, the incentive compensation and other benefits of the President and the members of the Group Executive Committee are specified in Note 9.

**Long-term incentive programmes**

SEB's first long-term incentive programme was introduced in 1999, after which additional programmes have been launched for the years 2000–2007. From 1999 to 2004, the long-term incentive programmes were launched in the form of employee stock option programmes. For the years 2005–2007, performance shares were used. Information about these programmes has been provided in the annual reports for these years and at the AGMs since 2002. The scope of SEB's long-term incentive programmes appears from Note 9.

*Value development and hedging arrangements*

The value development of the programmes, including the exercised employee stock options, reflects the development of SEB's share price. Since the introduction of long-term incentive programmes in 1999, total shareholder return, i.e. market capitalisation and paid-out dividends, has increased by SEK 92bn, as of 31 December 2007 (see further on pp 18–19). At year-end the total value of all granted long-term programmes, i.e. both exercised and still outstanding, amounted to SEK 2,376m.

The value of non-exercised programmes was SEK 623m. The change in value for SEB's long-term incentive programmes has been fully offset by the hedging of the value development and related social security contributions through the acquisition of own shares and equity swap contracts. The hedging arrangement offset the value of the long-term incentive programmes in equity. The value split between the different programmes reflects the fact that the sensitivity to the share price of the performance share programmes is lower than that of the previous employee stock options.

*Cap on the 2004 long-term incentive programme*

According to the terms and conditions for the year 2004 programme, the value for the optionholders of each option was limited to SEK 100. The Bank should, under the terms and conditions of the programme, prematurely terminate the programme if the market price (based on the listed closing price on the exchange) for the Class A shares in the Bank during the exercise period (2 April 2007–1 April 2011) was equal to or above the limit of SEK 220. Such premature termination was made in April 2007.

**Value development for performance shares**

SEB three-year relative performance

		Embedded gain after 3 years for a participant receiving 20,000 Performance Shares (SEKm)		
		Lower Quartile	Median	Superior
SEB share price	+50	0	0.9	4.3
development, %	+30	0	0.7	3.7
(starting price	0	0	0.6	2.8
SEK 150)	-30	0	0.4	1.9
	Relative TSR	<Index	Index	Index +8%pa or above
	Real EPS growth	<2%pa	2%pa	10%pa or above

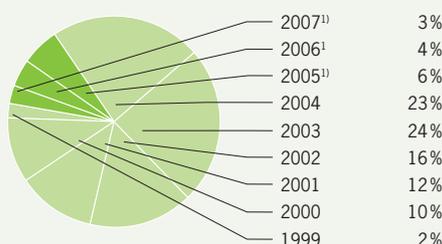
The allotment equals SEK 1.2m in fair value.

*Long-term incentive programmes from 2005 – Performance shares*

For the years 2005–2007 the AGM has decided to launch long-term incentive programmes with a performance-based structure compared with the programmes of previous years. The proposals were prepared by the Board and the Remuneration and Human Resources Committee of the Board, with the support of independent international expertise and in consultation with a significant number of SEB's major shareholders. The programmes are designed in line with internationally established, so-called Performance Share-programmes, used by several leading international banks.

**Value split of SEB's LTI programme**

December 31, 2007, share of contribution to total value of SEK 2,376m, 1999–2007 programmes



- Performance shares, 13%
- Employee stock options, 87%

1) 2005 programme at final vesting of 62 per cent; 2006 and 2007 performance share programmes at 40 per cent vesting.

**SEB's three-year Total Shareholder Return in relationship to the peer group <sup>1)</sup>**



1) Based 60% on the Dow Jones Nordic Banks Index and 40% on the FTSE Eurofirst300 Banks

The purpose of performance shares is that senior SEB officers shall act as, and over time become, shareholders in the Bank. The programme is performance-based, focused on equities and transparent. One performance share under the programme represents the right to purchase one Class A share at a future point in time for the price of SEK 10. A price significantly below the prevailing market price will still motivate the holder to perform, if the share price falls below its present level, thereby aligning the interests of the participants with those of the shareholders.

The outcome of the programmes, that is the number of allotted performance shares that can be exercised, will depend upon fulfilment of the two predetermined performance criteria: the real increase in earnings per share and the total shareholders' return compared to SEB's competitors. The performance criteria will be measured during an initial three-year qualification period. A further requirement is that the participant remains in SEB. The programmes are running for seven-year periods, including the qualification period. To reach full outcome of performance shares under the programmes, the profit of the Bank must increase substantially during the performance period and the total return must develop significantly better than that of SEB's Nordic and European competitors. The measures have been chosen in order to balance absolute and relative performance. Both performance criteria must be met before the programmes can be utilised in full.

The challenge to over time outperform both performance

criteria has been evident during 2007. Until mid-2007, the strong rolling three-year outperformance of SEB's total shareholder return in relation to the peer group in combination with the continued growth of earnings per share would have rendered a very high calculated total vesting of the three performance share programmes. Following the sharp drop in the SEB share price during the second half of 2007, the calculated outcome of the programmes fell back towards year-end, which is displayed in the table on the next page. As a further illustration of the need to continuously perform, the 2005 performance share programme, which displayed a calculated full vesting at the end of 2006, a year later at the end of the three-year performance period finally vested at 62 per cent.

The status of the performance criteria is reported each quarter to the Board and to the participants of the long-term incentive programmes, supporting a link between pay and performance.

*The 2007 programme*

The 2007 Programme covers a maximum of 1,275,000 performance shares allotted to approximately 500 senior officers. The President and the Group Executive Committee were allotted approximately 15 per cent.

In order to motivate the holders to keep their performance shares after the first day on which they can be exercised, the holders are compensated for dividends to the shareholders after the performance period by recalculating the number of Class A shares

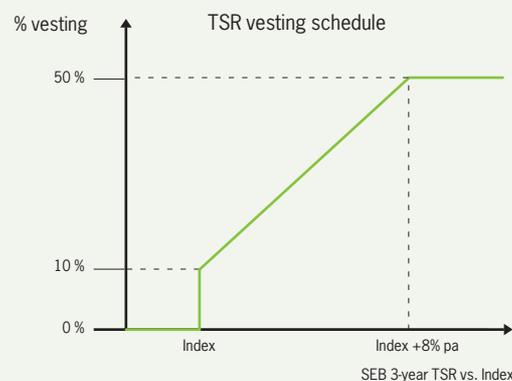
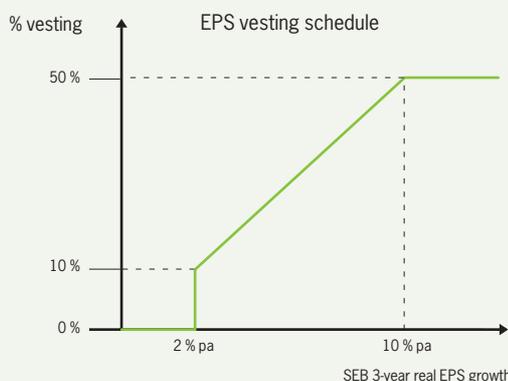
## Performance criteria for the 2007 programme

In order to calculate the **real increase in earnings per share** the comparative number, i.e. SEB's earnings per share, is reduced by yearly actual inflation during the three year performance period. The measure implies a final outcome of performance shares if the real increase of earnings per share reaches 2 per cent per year. The outcome is then set at 10 per cent of the maximum allotment. There is also a ceiling for the number of shares that can be utilised. Maximum outcome (i.e. 50 per cent of total maximum allotment) is achieved if the average yearly real increase in earnings per share is 10 per cent.

The *total shareholder return measure* is determined as the difference between the starting-point for the share price, the

average price over the last three months in 2006 and the closing rate of the average share price over the last three months in 2009 including dividends paid out. If the total shareholder return equals the development in a weighted Banking Index (60 per cent Dow Jones Nordic Banks index and 40 per cent FTSE Eurotop300 Banks), the outcome is 10 per cent of the maximum allotment. Above that level, the number of performance shares that can be utilised increases until a ceiling of 8 percentage points average per annum above the Banking Index is reached. At that level the maximum outcome according to the total shareholder return measure is reached (i.e. 50 per cent of total maximum allotment).

### Performance shares vest 50 per cent on relative TSR and 50 per cent on real EPS growth over three years



The Comparator Index is based 60 per cent on the Dow Jones Nordic Banks Index and 40 per cent on the FTSE Eurofirst300 Banks.

**Calculated Performance Criteria Outcome December 31, 2007**

TSR = Total Shareholder Return – SEB vs. Comparator Index (Annualised)						
EPS growth = Inflation adjusted growth in Earnings Per Share						
Outperformance vs target/index	TSR (annualised)	% of TSR condition	EPS growth	% of EPS condition	Total vesting	Dilution
<i>Criteria for full allocation</i>	<i>Index +8% p.a.</i>		<i>Real EPS growth 10% p.a.</i>			
2005 programme	Index +0.3%	23%	21%	100%	<b>62%</b>	<b>0.14%</b>
2006 programme	Index +1.3%	33%	23%	100%	<b>67%</b>	<b>0.13%</b>
2007 programme	Index – 8.4%	0%	2%	22%	<b>11%</b>	<b>0.02%</b>

to which each performance share entitles on an annual basis during the exercise period after the AGM has been held each year.

Performance shares cannot be sold, pledged or transferred to another party. However, an estimated value per performance share may be calculated, based upon the expected outcome of the performance criteria, the price to acquire one Class A share and upon the fact that compensation for dividends is not payable during the performance period. The Board has consulted independent expertise for these calculations. The estimated value of one performance share under the 2007 Programme amounts to SEK 86.

The cost of the 2007 Programme in the profit and loss accounts is slightly less than SEK 110m (1,275,000 shares x SEK 86), to be distributed over the first three years. If earnings per share deviate from the expected outcome during the vesting period the cost will change accordingly. This cost does not imply any disbursement from the Bank, which means that shareholders' equity is not affected. In the profit and loss accounts social security contributions will accrue, the size of which will depend upon the difference between exercise price and share price at the time of exercise. This difference will be accounted for in shareholders' equity.

If and when performance shares are exercised, the Bank will deliver shares already issued, which means that no new shares will be issued as a result of the programmes.

The scope of SEB's long-term incentive programmes and the number of employee stock options/performance shares allotted to the President and the Group Executive Committee appear from

Note 9. Except for the President, no Board members have received any allotment under any of the programmes.

*Evaluation of SEB's long-term incentive programmes*

Already at the implementation of the first performance share programme in 2005, the intention was to evaluate the programmes after a three-year period. The evaluation has shown that the merits of the performance share programmes are the well balanced performance criteria with both an absolute profit growth element and a relative total shareholder return element in relation to SEB's Nordic and European peer group. Furthermore, the programmes are well understood by the participants and have had retention effects for some key employees; however insufficient within areas exposed to strong competition.

Furthermore, the number of performance shares to be allocated has been reduced for the last years' programmes since the share price then increased. This has created partly undesirable signals to the participants as the potential award opportunity in the current structure would decrease with a higher share price and increase with a falling share price, i.e. contrary to the alignment with shareholders. As a result of the evaluation and discussion with shareholders representing a significant share of the holdings in SEB, the Board has put forward the recommendation to the Annual General Meeting to revise the long-term incentive programme structure for 2008. The proposal will be presented in connection with the notice of the Annual General Meeting 2008.

## Board report on the internal control of the financial reporting for 2007

This report on the internal control of the financial reporting for the year 2007 has been prepared in accordance with the Swedish Code of Corporate Governance. This report is part of the Corporate Governance Report. It has not been reviewed by the auditors of the Bank.

### Organisation of the internal control of the financial reporting

Within SEB, internal control of the financial reporting is defined as the process, effected by the Board, management and other personnel, designed to provide reasonable assurance regarding reliability of financial reporting. The work within internal control is based upon the framework issued by the Committee of Sponsoring Organizations (COSO) and organised around following areas, further described below, control environment, risk management, control systems, information and communication channels and follow-up routines.

### Control environment

Internal control of the financial reporting is based upon the control environment, which shape the culture and values that guide how SEB operates. More specifically it refers to the organisation, decision channels, authorities and responsibilities, policies and other governing documents communicated to all employees within SEB.

Examples of such governing documents that set the basis for the organisational structure, decision channels, authorities and responsibilities are; instructions regarding the distribution of work between the Board and the President and between the various bodies set up by the Board and the President and also the instructions regarding authority and responsibility. Accounting policies and other guidelines for financial reporting are annually updated and documented in the SEB Group Accounting Principles.

### Risk management

Risk management within the SEB Group has for long been an area of priority, which has been developed continuously, not least due to the implementation of Basel II, which emphasis the focus on a detailed risk assessment of the balance sheet.

Cornerstones of the Board's risk and capital management are: Board support, a clear decision order with a high degree of risk consciousness among the employees, common definitions and principles, a controlled risk-taking within decided limits and a high degree of transparency in the external financial statements.

At board level, it is the Audit and Compliance Committee who is responsible for quality assurance of the financial reporting. To ensure that all risks for material financial reporting misstatements are identified and managed properly, the Committee maintains regular contact with responsible managers within SEB and also with the internal and external auditors.

A formal assessment of the risks related to each financial process is done yearly. The purpose is to identify the processes with high risk. The assessment is focused on; business and process complexity, the related transaction values and level of system support. The assessment is documented and forms the basis for measures to improve the internal control as well as direct follow-up routines.

### Control systems

Identified risks relating to the financial reporting are handled through specified and documented control activities, which are regularly updated. The control activities include general controls and specific transaction level controls linked against a specific risk or item in the income statement or the balance sheet. SEB has routines and controls for the purpose of ensuring that satisfactory internal controls are found within relevant areas and at various levels.

The purpose of the control activities is to prevent and detect weaknesses and deviations, examples are; account reconciliations, analytic review of actual numbers, automatic checking using IT-based systems. Specific focus areas this year have been the valuation of the bond portfolios and impairment of financial assets, specifically loan loss provisions. One example of a general control is that SEB Accounting Standards Committee follows the development within International Financial Reporting Standards and other relevant accounting frameworks and oversees the implementation within SEB.

### Information and communication channels

The purpose of SEB's information and communication channels is to ensure that the financial reporting is complete and accurate. In order to achieve this, there are governing documents in the form of internal policies, guidelines and manuals for the financial reporting that are updated yearly and communicated to all staff concerned.

### Follow-up routines

The Board of Directors receives monthly financial reports and the financial situation of the Group is presented and discussed at each Board meeting. SEB follows up compliance with policies, guidelines and manuals on a continuous basis as well as the effectiveness of the control structure and the accuracy of the financial reporting.

In addition, Group Risk Control, the Compliance function and the Internal Audit function are continuously engaged in follow-up routines. This follow-up work furthermore aims to ensure that the information and communication channels of the Bank are well adapted to the financial reporting.

The Internal Audit function of the Group reviews the internal control of the financial reporting according to a plan established by the Audit and Compliance Committee. The result of Internal Audit's reviews, measures taken and the current status are regularly reported to the Audit and Compliance Committee. The Board committees; Risk and Capital Committee and Remuneration and Human Resources Committee, also play an important part in the follow-up work. The work of these committees is described on page 45 of the Corporate Governance Report.