

MEMO

2016-03-07

Complementary information to the ANNUAL GENERAL MEETING 2016 of Swedbank AB

1. The dismissal of Swedbank's CEO

1.1 Background

On 9 February, 2016 it was announced that the Board of Directors of Swedbank (the "Board" and the "Bank", as the case may be) and its CEO Michael Wolf had reached an agreement for Mr Wolf to step down as CEO with immediate effect. The change was made on the Board's initiative. Simultaneously, it was announced that the Board had appointed Birgitte Bonnesen as Acting CEO and that a recruitment process had been initiated to find a permanent CEO. An executive management recruitment firm has been hired to manage this process.

1.2 The Board of Directors' process leading to the decision to dismiss the CEO

During the second half of 2015 the Board had started to discuss whether to change the CEO of the Bank. Mr Michael Wolf had been at the helm of the Bank for around seven years and had successfully led the Bank out of the financial crisis, taking it to a position amongst the financially strongest banks in Europe. The Board discussed, however, if Mr Wolf was the right person to lead the Bank in the implementation of the current strategy, amidst the ongoing digital transformation of the banking industry.

Towards the end of 2015 the Chairman and the Vice-Chairman contacted a well reputable executive management recruitment firm for a first high level discussion. The plan was that Michael Wolf was going to remain in his position in transition until a new CEO was found.

On 8 February, 2016 the Board convened to discuss the potential change of CEO. The Board unanimously resolved to remove the CEO from his position after about an hour's discussion. The Board was not pleased with the progress of the implementation of the strategy and the lack of improvement of customer- and employee satisfaction. More specifically, the Board deemed that the Bank, in its current phase, was in need of a CEO with leadership qualities stronger tilted towards involvement in the daily operations, also connecting and integrating the brand more clearly with the business. A deeper involvement in important business development issues, including investments in IT developments and actively setting priorities among the businesses' various needs was thus considered key. The strategy, to which no changes are made, is based on the changed customer behaviour to primarily utilize digital channels when interacting with Bank and focuses on increasing the customer value while maintaining the market leading cost efficiency position.

1.3 The circumstances leading to the decision to dismiss the CEO with immediate effect

1.3.1 Background

An individual employee of the Bank used the Bank's internal whistle blower function at the end of January 2016. The Chair was informed about potential transactions executed by a customer of the Bank to which a reporting obligation might exist under the Swedish Market Abuse Act (the Act). The customer in question was Mr Wolf, at that time the CEO of the Bank.

Reporting obligations under the Act are normally handled by the compliance function, which is subordinated to the CEO. In this case, the Chair deemed it appropriate that internal audit should handle the matter, since it could not be managed by anyone who directly or indirectly reported to the CEO. The internal audit unit reports directly to the Board. The matter was investigated and handled over several days by the Chief Audit Executive who was assisted by external counsel specialized in criminal law, market abuse and corporate law.

The level of suspicion, triggering a reporting obligation to the SFSA, is relatively low and is mandatory. On 5 February, 2016 the Chair and the Chief Audit Executive concluded that there was a reporting obligation under the Act. The same day, the Bank's Chief Audit Executive submitted a report to the SFSA which, in turn, as is required, immediately turned the matter over to the Swedish National Economic Crime Authority ("SNECA"). The SNECA is the authority that decides whether to initiate an investigation and whether to bring charges under the Act.

The fact that the SNECA opened an investigation confirms that there is sufficient suspicion concerning a potential violation of the Act. This supports the Bank's action to report the matter to the SFSA. However, the report of the Bank to the SFSA does not mean that the former CEO is guilty of any criminal wrongdoings. That is a matter for a court to decide and, before that, a prosecutor must decide whether there is at all reason to bring charges.

The Act includes a specific non-disclosure rule. The rule states that a company, which has reported matters under the Act, may not disclose to the customer or any third party that reporting has been made nor disclose any other information related to the reporting. This also applies to the members of a company's Board of Directors and the company's employees. Non-compliance with this prohibition rule is a criminal offence under the Act. The reason for the non-disclosure rule is to give the SNECA room to investigate a reported matter without risking that the individual subject to the reporting or any third parties jeopardizes the investigation in any way.

1.3.2 Dismissal of the CEO with immediate effect and the information to the market

The information provided to the market by the Bank on 9 February 2016 with regards to the dismissal of the CEO was based on the underlying strategic

reasons. As set above, due to the disclosure prohibition rule in the Act, no information could be given with regards to the report filed to the SFSA which influenced the selection of timing and abrupt removal of the CEO. Violation of this rule is a criminal offence. When information regarding the filed report leaked to the market on 12 February 2016 the Bank received confirmation from the prosecutor, via its external counsels, that it could verify it had filed a report to the SFSA under the Act concerning Mr Wolf. As a consequence, the Bank held a press conference that same day and confirmed the submission of the report.

The Bank has subsequently conducted numerous investor meetings, both in Sweden and abroad, to provide clarifying information concerning the circumstances leading to the abrupt removal of the CEO.

The Bank has throughout the process consulted external legal counsel specialized in criminal law, market abuse and corporate law, as well as obtained a second legal opinion. The bank has received confirmation that the Bank and the Chair of the Board have acted in accordance with the law.

The disclosure prohibition remains in effect and the Bank, nor any of its employees, can therefore disclose more information relating to this matter.

1.3.3 The investigation initiated by the Swedish National Economic Crime Authority

The transactions assumed to constitute, or have a connection with, insider crimes or market manipulation under the Act, were executed by the former CEO in his capacity as client of the Bank and not in his role as CEO. The investigation initiated by the SNECA is not directed towards the Bank or any customers of the Bank. It is the actions of Mr Wolf in his capacity as a client to the Bank that are being investigated. The customers of the Bank and the Bank itself are not affected and have not been subject to damage.

It is the Bank's and its external legal attorneys' view and assessment that the ongoing investigation related to the Act has, because of the nature of the rules, not lead to any legal offences against the Bank and its customers.

The Bank does not have any information with regards to how long the investigation will take and fully cooperates with the authorities.

1.4 The severance package

According to the terms of the employment contract, the former CEO, Mr Wolf, will during his 12-month notice period receive 75 per cent of his previous base salary. The annual base salary was SEK 13m. During the notice period Mr Wolf is considered to be employed by the Bank. He is thus compelled to comply with all contractual obligations. He is however, relieved of all his working duties.

After the 12-month notice period, a severance payment of 75 per cent of Mr Wolf's base salary is due during 12 months. During the severance payment period, Mr Wolf is not

considered to be employed by the Bank, but is nevertheless bound to comply with key aspects of the contractual obligations, such as not taking up competing business and confidentiality.

A deduction against the salary paid during the notice period and severance payment is made for income earned from new employment during such periods. Deductions are made either full or in part depending on the income received. A full deduction can thus reduce the payment obligations of the Bank to zero.

Mr Wolf is not entitled to any variable remuneration, as variable pay has not been part of his employment contract.

Mr Wolf's employment contract includes specific clauses that allow the Bank, under material breaches of the terms of the contract to cancel payments during the notice period and/or severance period.

2. Individual election of the proposed Board of Directors' members

As set out in the Notice to the Annual General Shareholders Meeting ("AGM") item 13 a)-i), published on 25 February, 2016 it is proposed that nominated members to the Board are elected individually, with a counting of votes.

Individual election positively responds to the request put forward by some Swedish and international shareholders, allowing for a higher number of international shareholders to participate in the voting process and increases transparency.

3. Discharge the members of the Board of Directors and the CEO from liability

As set out in the Notice to the AGM 2016, item 10 of proposed agenda concerns discharge of liability to the AGM 2016. According to the Swedish Companies Act, Chapter 7 § 11 shareholders are to resolve whether to grant discharge from liability to the Board members and the CEO at the AGM. It should be noted that a discharge resolution at an Annual General Meeting is granted with respect to the management by the Board of Directors and the CEO during the financial year covered by the annual report and the auditor's report presented at the AGM. Thus, this means that a discharge resolution adopted by Swedbank's AGM on 5 April 2016 will refer to decisions and actions by the Board and the CEO during the financial year 2015, and not to any decisions or actions made or taken in 2016. Decisions or actions made or taken during 2016 will be subject to

the discharge resolution at the AGM in 2017. For additional information [Discharge from liability in the Swedish listed company.pdf](#).