ANNUAL REPORT 2019

CARNEGIE HOLDING AB

Contents

This is Carnegie's annual report for the 2019 financial year. The formal annual report comprises pages 44–89. The annual report also comprises Carnegie's sustainability report for 2019 as required under the Swedish Annual Accounts Act, ch 6 s 10, (19954:154).

Investment Banking
Carnegie strengthened its position as the leading financial advisor in Nordic corporate transactions in 2019.

Securities
A strong stock market year brought high activity in the primary and secondary markets and Carnegie advanced its positions in equity research and brokerage.

Private Banking
Carnegie further enhanced its attractiveness in Private Banking during the year, and is reporting higher new client inflow and assets under management.

OUR MISSION

We enable companies, capital and communities to grow.

LEADING MARKET POSITION

Carnegie solidified its market position in 2019 with the highest trust among all client groups.

- Number one Nordic research house
- First in brokerage and corporate access in the Nordics
- Top-ranked Nordic advisor
- Premier private bank in Sweden
- Best back office in the Nordics

CARNEGIE IN 5 MINUTES

Carnegie is the most foremost Nordic financial advisor. We bring investors, entrepreneurs and companies together to enable clients, owners and communities to grow. Simply put, Carnegie is where knowledge and capital meet.

Our clients

Institutions

Companies

Individuals

Our business

Securities
Carnegie Securities offers institutional clients several services within research, brokerage and equity capital market transactions (ECM). In addition, the Fixed Income unit offers bond research and sales. Carnegie's top-ranked equity research and brokerage enjoy a globally leading position in Nordic equities.

Operations in Denmark, Finland, Norway, Sweden, the UK and the US.

Investment Banking
Carnegie Investment Banking offers professional advisory in mergers and acquisitions (M&A) and equity capital market (ECM) transactions. The Debt Capital Markets (DCM) unit also provides advisory in capital acquisition via corporate bonds and fixed income instruments. With strong local presence, profound experience and unique understanding of sectors and capital markets in the Nordic region, Carnegie is one of the leading Nordic advisors in corporate finance.

Operations in Denmark, Finland, Norway and Sweden.

Private Banking
Carnegie Private Banking provides comprehensive financial advisory to high net worth individuals, small businesses, institutions and foundations. The staff includes experts in areas including asset allocation, asset management, law, tax management, pensions and trading in securities and fixed-income bonds.

Operations in Denmark and Sweden.

CARNEGIE BRINGS ENERGY TO PROVENTUS.

In March 2019, credit fund Proventus Capital Partners IV agreed to provide leading Danish solar energy company Better Energy with an EUR 80 million credit facility that will enable Better Energy to execute on its large portfolio of solar power plant projects over the coming years, helping the transition towards green energy in Northern Europe. Carnegie was the sole financial advisor in the transaction.

Better Energy develops, finances, constructs and operates solar farms, and its primary sources of income are divestments of solar projects and the sale of electrical power from owned operational solar farms.

Founded in 2012, Better Energy has successfully established more than 50 sites in Europe. Better Energy is fully integrated across the value chain and delivers a full solution from land to energy, including land acquisition, development, construction and operation of solar power plants.

Better Energy is owned by the founders and the management team. The company is headquartered in Copenhagen and has around 70 employees.

KEY DATA

The year in brief

Carnegie delivered strong financial performance in 2019 with record-high income and profit. Client satisfaction further increased and Carnegie strengthened its market positions in all main business areas

Operating income 2019
Total operating income SEK 2,613m (2,273), +15 %

2,613

Profit before tax 2019
Profit/loss before tax SEK 501m (378),+ 32 %

501

Responsible advisory
Proportion of listed companies for which the ESG perspective is included in equity analysis.

100%

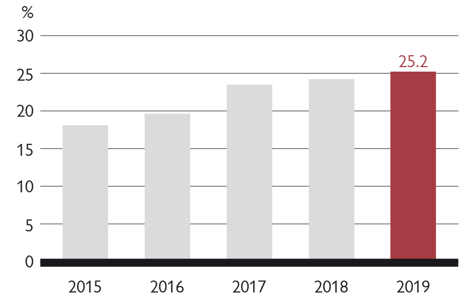
Responsible advisory
Proportion of discretionary management covered by ESG screening.

100%

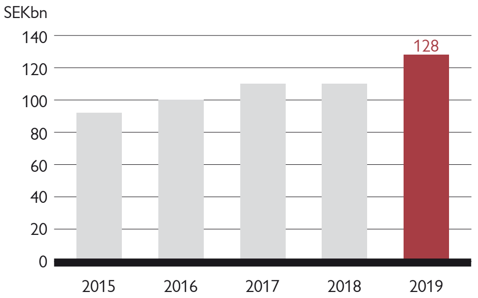
Responsible employer
Proportion of employees who expressed high engagement with their jobs.

93%

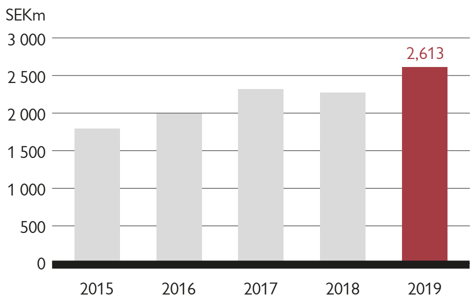
Common equity Tier 1 capital ratio



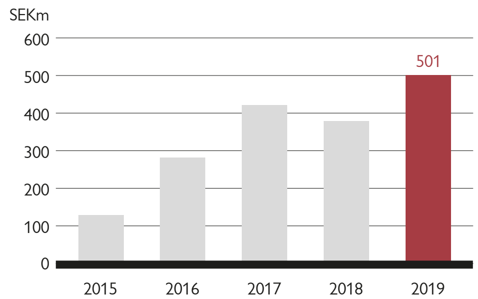
Assets under management



Operating income



Operating profit before tax



We are pleased with the strong income and profit growth, but prize the upward trajectory of client satisfaction above all.

Björn Jansson, President and CEO

Gender distribution

Of around 600 employees in six countries, 27 percent are women and 73 percent are men.

Number of companies covered

The number of listed companies covered by Carnegie and their combined share of total market capitalisation in the Nordic countries.

350 (91%)

Assets under management

Carnegie's total assets under management and growth during 2019, SEKbn.

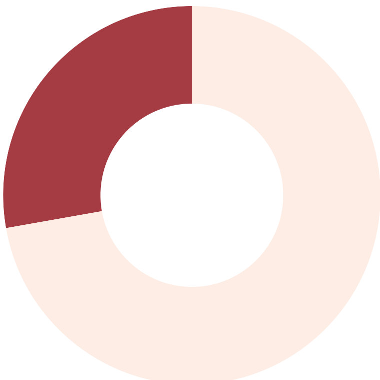
128bn (+33%)

Number of ECM transations

Number of executed equity capital market transactions and market share.

50 (32%)

Income by business area



- Investment Banking & Securities 77%
- Private Banking 23%

Geographical distribution of income

- Sweden 54%
- Norway 13%
- Denmark 12%
- Other 21%

Employees per unit

- Investment Banking 20%
- Securities 26%
- Private Banking 19%
- Support & Group 35%

CEO'S MESSAGE

Sharper client focus in a volatile world

High employee engagement and sharp client focus strengthened Carnegie's trust capital, financial performance and income growth in 2019. The bumpy beginning to 2020 reminds us, however, that market and external conditions are beyond our control.

We are maintaining our focus on what we can affect: client trust and employee commitment.

The dramatic beginning of 2020 is overshadowing the strong market climate in 2019, when the Nordic stock exchanges had their best year in almost a decade, as evident in activity among our client groups. Our income rose by 15 percent to a record-setting SEK 2.6 billion and operating profit grew by 32 percent to top SEK 500 million.

Much of this success is due to the client trust Carnegie has built up over many years. Client satisfaction has become the external hallmark of Carnegie and our internal landmark. Once again, we defended the highest client trust in the market in essentially all target groups and categories in 2019. Carnegie was recognised for its knowledge, advisory and service in equity research, brokerage, corporate advisory, corporate bonds, wealth management, corporate access and back office in most client and market surveys during the year.

We also had a stable inflow of new clients in all business units, particularly in Private Banking.

The positive performance is also based on a favourable earnings mix, with more geographies contributing to income growth. In parallel, growth in corporate transactions, Private Banking and brokerage offset a moderate downturn in the number of IPOs.

Strong corporate transactions market

The Nordic corporate transactions market remained vibrant in 2019 and Carnegie solidified its leading position. We were involved in more equity capital market transactions than any other firm in the Nordic market and nearly twice as many as our closest competitor.

Growth was strongest in mergers and acquisitions. Unlisted transactions are an aspect of our ambition to widen our income base. The cyclicality of transactions based on generational succession, for example, is often different from that for IPOs. We increased the share of repeat income in Private Banking, which is further increasing the stability of earnings capacity.

The strength of our capital allocation ecosystem is most apparent when all parts of the bank and all skills are coordinated. This was particularly clear in 2019 within unlisted investments and issues.

Private Banking has executed several unique transactions as an aspect of this, where our high net worth and committed clients have been given the opportunity to make investments usually available only to large institutions.

Increased market shares

New client inflow to Private Banking was very good and assets under management rose by 33 percent during the year. The new office in Linköping, opened in late 2018, contributed to the success during its first year in operation.

Our strong equity research and execution capacity are instrumental forces in Carnegie's high activity in corporate transactions. Our broad coverage of listed companies on the Nordic stock exchanges is persistently ranked highest in the market, our trading volumes are rising and interest in our equity research is growing among institutional investors outside the Nordics.

Sustainability in every aspect of the business

Sustainability factors have been an integrated component of equity research at Carnegie for a long time, but are now playing an even more prominent role and are often a critical element in the valuation of equities and companies. This is putting new demands on research and Carnegie now includes sustainability metrics for all Nordic listed companies we cover.

The sustainability perspective permeates every aspect of our business and we are continuing to deliver responsible advisory, where we endeavour to use our market role and position to encourage and stimulate the most responsible investments possible.

Bumpy beginning to a new decade

The early days of 2020 remind us that market conditions are beyond our control. The spread of the coronavirus is increasing volatility in the financial markets and nervousness is growing in the markets where Carnegie operates.

Against this background, the Board of Directors has decided to withdraw the previously proposed dividend for 2019.

Carnegie is maintaining its focus on what we can affect, concentrating on fostering client trust and employee commitment. The sharpest advisory in the market must arise from a workplace that encourages collaboration and career development to get the best out of every employee. That is our primary competitive advantage.

BJÖRN JANSSON
President and CEO

Years with the Group
Employed since 2009

Previous experience
Head of Investment Banking & Securities. Global head of research at SEB Enskilda Securities and global head of research at Alfred Berg.

We measure our success by the trajectory of client satisfaction.

OUR MISSION:

We enable companies, capital and communities to grow.

CARNEGIE'S CORE VALUES AND BUSINESS PRINCIPLES

Our business principles permeate our corporate culture and promote the development of a sustainable financial market and economic growth. The interaction between our guiding business principles is therefore the foundation of our business in all markets.

Client focus

- We do our utmost to ensure products and services of the highest quality.
- Every meeting with Carnegie shall add value to our clients.
- We guide our clients towards responsible investments.

Competence

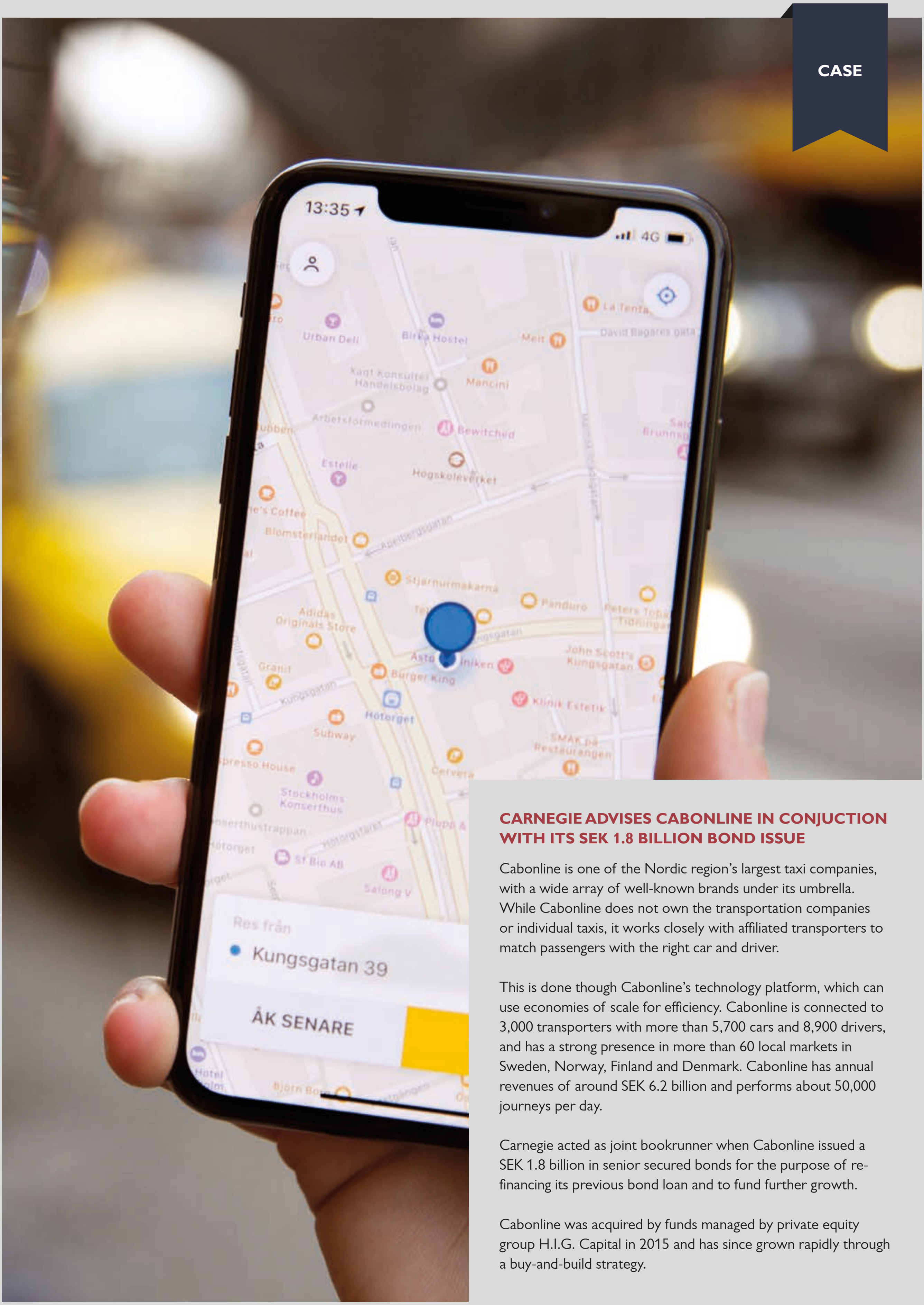
- We employ, develop and retain the best employees.
- We think outside the box to find the best solutions for our clients.
- We work together and utilise all resources of the firm to find the best solutions.

Commitment

- Earning our stakeholders' trust is a joint effort.
- Our professionalism goes all the way down to the last detail.
- We foster a culture of integrity, high moral standards and respect.

OUR VISION:

"To be the most competent and respected Nordic financial advisor"



CASE

CARNEGIE ADVISES CABONLINE IN CONJUCTION WITH ITS SEK 1.8 BILLION BOND ISSUE

Cabonline is one of the Nordic region's largest taxi companies, with a wide array of well-known brands under its umbrella. While Cabonline does not own the transportation companies or individual taxis, it works closely with affiliated transporters to match passengers with the right car and driver.

This is done though Cabonline's technology platform, which can use economies of scale for efficiency. Cabonline is connected to 3,000 transporters with more than 5,700 cars and 8,900 drivers, and has a strong presence in more than 60 local markets in Sweden, Norway, Finland and Denmark. Cabonline has annual revenues of around SEK 6.2 billion and performs about 50,000 journeys per day.

Carnegie acted as joint bookrunner when Cabonline issued a SEK 1.8 billion in senior secured bonds for the purpose of re-financing its previous bond loan and to fund further growth.

Cabonline was acquired by funds managed by private equity group H.I.G. Capital in 2015 and has since grown rapidly through a buy-and-build strategy.

BUSINESS OBJECTIVES

Long-term governance secures our position

Carnegie has clear long-term and short-term business objectives, both financial and non-financial. They are intended to secure Carnegie's leading position in the financial market by maintaining and strengthening the trust of clients, employees, the market and society.

Carnegie's long-term strategy to secure competitiveness and further develop the strong trust we enjoy among clients, employees, the market, owners and society is based on several long-term business objectives.

Carnegie's core skill, assisting clients with sustainable financial advisory, and being responsible stewards of Carnegie's role in the wider financial system are central.

Through being an effective meeting place for capital and companies, Carnegie can contribute to the sustainable development of business and infrastructure, driven by innovation and focus on sustainable investments.

Through advisory related to investments and corporate transactions, we can be an active and positive force in corporate efforts to implement sustainable methods and integrate sustainability disclosures in their reporting. That also applies to how companies can help fight climate change and improve their resilience against and adaptability to climate-related risks.

Our focus on small and medium-sized companies and active role in supplying capital to growing, unlisted companies are promoting economic growth, diversified and innovative business and industry, new technology and new business models.

A prerequisite for this is that we are on a solid financial footing ourselves, with sound and sustainable growth and profitability. The entire business must be run responsibly, with a healthy and prudent risk culture.

We must create the optimal conditions for enhancing employee engagement and work to achieve greater diversity and equal opportunity.

The objectives are in harmony with the UN global Sustainable Development Goals (SDGs) with focus on sustainable economic development and Agenda 2030. Carnegie has identified six of the 17 SDGs as particularly relevant to our business.

Long-term business objectives

Responsible advisory

Description	Target	Outcome 2018	Outcome 2019	Remarks
Proportion of listed companies for which the ESG perspective is included in equity analysis	100%	100%	100%	Carnegie covered 350 listed Nordic companies during the year, all analysed with sustainability metrics taken into account.
Proportion of discretionary management covered by ESG screening.	100%	100%	100%	Clear investment policies ensure that environment-related, ethical and social aspects are carefully considered.
Top-ranked advisory in core markets	1-3	✓	✓	Carnegie defended its leading positions in core operations during the year.
Next Generation Academy training sessions	Qualitative	✓	✓	Carnegie is continuing to educate the children and other relatives of its clients in areas pertaining to responsibility and management of the family's long-term wealth and ownership.

Responsible business

Description	Target	Outcome 2018	Outcome 2019	Remarks
CET 1 capital ratio	>18%	24.2%	25.2%	Carnegie has secured a good financial position and a liquidity position of about three times the legal requirement.
Profit margin	20%	16%	19%	The improved profit margin is a result of a faster rate of income growth compared to cost increases.
KPI for internal risk culture measurement	>70	81	82	Carnegie performs an annual risk culture measurement among employees that shows persistently high risk awareness.
Support entrepreneurship through Junior Achievement Sweden, Entrepreneurs of Tomorrow, Social Initiatives	Qualitative	✓	✓	Carnegie is continuing to broaden its social engagement to stimulate the growth of new businesses.

Responsible employer

Description	Target	Outcome 2018	Outcome 2019	Remarks
Employee engagement	>85	93%	93%	Engagement among Carnegie employees remains very strong according to the annual employee survey.
Employee turnover	<15%	14%	13%	Carnegie's long-term target should reflect prudent employee turnover over time. Turnover decreased in 2019 compared to the preceding year.
Gender distribution, women/men	50/50	27/73	27/73	The long-term target of a gender-balanced workplace characterises our activities within Employer Branding.
Perception of equal opportunity among women/men	>70	72/92	65/90	After the outcome gap widened in 2019, Carnegie carried out supplementary surveys during the year focused on gender equality and equal opportunity. The results provided insights that will be key input for future efforts.

In harmony with global Sustainable Development Goals

As a responsible company and part of the financial industry and business community, contributing to sustainable development and the transition to a climate-neutral economy is a priority for Carnegie. Supported by the company's collective expertise in analysis, management and entrepreneurship, Carnegie's employees are working with Agenda 2030 and the 17 UN SDGs.

We consider six of these goals particularly important and relevant to our business. We are contributing in various ways to attaining the selected goals that harmonise with our own business objectives. The main contribution is made through assisting clients with sustainable advisory, as well as collaborating with others in the industry and in society at large.

SDG 5: Gender Equality

Target 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, econommic and public life.

Carnegie:
Carnegie is acting to ensure an inclusive work environment with equal conditions for all. Carnegie supplemented its annual employee survey in 2019 with additional focus on gender equality and equal opportunity to create a clearer basis for driving improvements.

SDG 12: Responsible Consumption and Production

Target 12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

Carnegie:
All companies covered are analysed from a sustainability perspective within the framework of equity research at Carnegie. This is key decision input for retail and institutional investors. Carnegie established a sustainability award in 2019 aimed at putting the spotlight on sustainability metrics that create shareholder value and presenting good examples to inspire companies and investors.

SDG 8: Decent Work and Economic Growth

Target 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation and encourage the formalisation and growth of micro- small- and medium-sized enterprises, including through access to financial services.

Carnegie:
Carnegie has been working actively for several years to highlight and stimulate the growth of new companies in the market. This is being accomplished by Carnegie's own initiatives aimed at entrepreneurs in early phases as well as ongoing commitment and financial support to Junior Achievement Sweden and social entrepreneurship around the world.

SDG 13: Climate Action

Target 13.2 Integrate climate change measures into national policies, strategies and planning

Carnegie:
Carnegie integrates ESG perspectives, including consideration of environmental impact, into its investment process within asset management, as we believe it contributes to attaining the objective of generating good risk-adjusted returns. This applies to all discretionary management.

SDG 9: Industry, Innovation and Infrastructure

Target 9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.

Carnegie:
The Entrepreneurs of Tomorrow initiative was carried out in 2019 for the sixth consecutive year, in partnership with Svenska Dagbladet. The initiative is aimed at facilitating the development of companies in early phases that need capital. More than 80 percent of participating companies have attracted external capital since the first Entrepreneurs of Tomorrow in 2014.

SDG 17: Partnerships for the Goals

Target 17.3 Mobilise additional financial resources for developing countries from multiple sources.

Carnegie:
Carnegie and its employees have been donating to social entrepreneurs around the world for the past fifteen years. The support is given to social entrepreneurs in India and Uganda aiming to make positive change in the community by improving living conditions for children and young people.

BUSINESS MODEL

With knowledge as a value creator

Carnegie's business model is based on the capacity to translate our expertise into relevant advisory and economic growth for our clients. Bringing together people, companies, ideas and capital through advisory that creates value.

KNOWLEDGE

Knowledge of Nordic enterprise, markets and business environment.

ADVISORY

Advisory in connection with corporate transactions, investments and wealth management.

Institutions
Investments, analysis.

Corporates
IPO, M&A, financing.

Individuals
Wealth management, investments.

VALUE CREATION AND SUSTAINABLE GROWTH

For clients
Advisory and products of the highest quality to generate optimal returns and outcomes for clients.

For shareholders
Sustainable and long-term returns at low risk.

For employees
An engaging, secure and rewarding workplace. Attractive employment conditions and substantial opportunities for career development.

For society
Companies and capital that grow unleash purchasing power, increase prosperity and drive the economy.

We expect long-term and underlying growth going forward and further potential for efficiency improvements. This will lay the foundation for a sustainable and profitable future.

With its unique platform where capital and investors can meet companies and markets, Carnegie is the leading financial advisor in the Nordics. Our knowledge, experience and professional advisory, along with high operational capacity, ensures that capital ends up where it can do the most good and generate the best returns. Efficiently, transparently and sustainably.

Carnegie's business rests on three pillars: Investment Banking, Securities and Private Banking. Professional advisory, unique expertise and networks are the main common denominators among them. We are the market leader in all areas and are proud of having the most satisfied clients.

Carnegie's various business areas cross-pollinate each other and hold considerable potential for synergies and joint value creation for all stakeholders. Our large base of private and institutional investors is valuable to both small, unlisted companies in need of financing and larger companies seeking a market listing.

We bring private banking clients together with unlisted companies seeking capital to grow, while private clients are looking for attractive investment opportunities outside the public markets.

Likewise, we help companies that want to issue bonds or carry out an IPO, for example, find the right investors and approach. Our international network of investors and leading research capacity are crucial in this context.

Business synergies

In the group of companies and owners, we act as advisors for corporate deals, successions and major transactions in the public market, where in-depth knowledge of the market is critical.

Likewise, we work with the group of institutional investors and private banking clients, where our leading analysis ensures that investment decisions can be made on the best possible basis.

Carnegie's analysis of Nordic companies is the broadest in the market and ranked the highest by professional investors and institutions. The analysis is an invaluable tool for investors all over the world that are looking for Nordic equities and is a critical competitive factor for Carnegie when it comes to evaluating and executing corporate transactions with the optimal outcome.

In other words, Carnegie works in the intersection between investors and companies or owners. We consider our activities a vital part of a company's life cycle and growth journey, where Carnegie can assist with advisory, capital and expertise at several stages along the way.

Effective and transparent capital allocation is also crucial to competitive and successful business and enterprise while ensuring persistent and attractive returns to investors, regardless of size.

Balanced revenues

Carnegie has operations and presence in all four Nordic markets, which assures local networks and local expertise. At the same time, there is considerable international interest in Carnegie's offering and the offices in New York and London play a key role in identifying, channelling and addressing this demand.

Carnegie's business model has generated steady growth and good profits over the years, while being streamlined in the process. Revenues from Carnegie's three business areas are well-balanced, which reduces the risk of impact from negative external factors. Carnegie has a strong financial position and sound risk culture with good control, underpinned by active corporate governance.

We expect long-term and underlying growth going forward and further potential for efficiency improvements. This will lay the foundation for a sustainable and profitable future – for Carnegie and our clients and other stakeholders.

MARKET AND BUSINESS ENVIRONMENT

The global economy is put to the test

New technology is stimulating new business models, creating long-term investment opportunities and an underlying driver of corporate transactions. In parallel, the pandemic that broke out in early 2020 is lowering global economic activity and heightening uncertainty.

The outbreak of Covid-19 in early 2020 developed into a pandemic in the first quarter and is lowering global economic activity in 2020. This is weighing down the financial markets and heightening uncertainty.

Drastic quarantine measures and partial border closures are disrupting global production chains in the world economy. Lower demand is having major direct impact on certain sectors. The extent to which economic activity and the financial markets in which Carnegie operates will be affected was still unclear at the end of March 2020.

Beyond short-term disruptions to supply chains, pressure may also arise over time for partial repatriation of multinational production chains for national security reasons.

However, a robust global market climate with strong upturns on the Nordic stock exchanges combined with persistent record-low interest rates still characterised the market in 2019. Growth in the world economy and in the Nordic countries was good, although a moderate cooldown accelerated during the year. Political turbulence and uncertainty also intermittently disrupted the financial markets.

Strong equity markets along with higher profits and large cash reserves drove activity in equity sales and trading and supported business acquisitions and financing via share issues and bonds.

Carnegie advanced or held its positions in the corporate transactions market, which remained strong, although a moderate downturn from 2018 was recorded.

The transformation of the Nordic economies with growing technology and biotech sectors continued and the inflow of companies seeking financing or an IPO remained good, which reflects the dynamics of a business sector increasingly dominated by new entrepreneurs, business models and technologies.

The two areas that showed growth in M&A at the European level were tech and biotech. Stock market buyouts also increased sharply in Europe, according to figures from Mergermarket.

Cleantech is growing

The number of Nordic IPOs fell slightly from 2019 but nevertheless remains at historically high levels and there is a great deal to indicate this will continue. Access to risk-willing capital also remained very good during 2019, buoyed by low interest rates. This was particularly apparent in the demand among Private Banking clients for alternative investments in unlisted companies.

While digitalisation and automation continue to recast the business sector with unflagging vigour, climate concerns and new technology that addresses climate transition climbed even higher on the agenda as these matters quickly took on greater urgency.

For example, there is a large and growing need for capital in the cleantech sector. Carnegie is dedicating increasing resources to the industry to help sustain its growth.

Threat to globalisation

Globalisation has been a dominant driver combined with digitalisation in economies and financial markets the world over for decades, and especially since China and the former Eastern Europe began to be integrated into the world economy in the late 1980s.

However, the changing winds of public opinion and subsequent political tendencies towards protectionism have restrained the trend. This is most obvious in the British withdrawal from the EU, Brexit, and US ambitions under the Trump administration to move towards more bilateral trade agreements rather than multilateral international agreements. The trade war between the US and China in particular could lead to some regionalisation of the world economy, with the US and China as the central points in two blocs, even if agreements are reached on many points. Global geopolitical tensions related to control over technological advances also increased in 2019.

"We are seeing signs of a technological cold war - a 'decoupling' - in which the world is technologically divided into two spheres, the American and the Chinese.

> We are seeing signs of a technological cold war, in which the world is increasingly being technologically divided into two spheres.

Stockholm
Performance of OMX 30 in Stockholm during 2019.

+26%

Copenhagen
Performance of OMXC20CAP in Copenhagen during 2019.

+28%

Oslo
Performance of OBX in Oslo during 2019.

+14%

Helsinki
Performance of OMXH2530 in Helsinki during 2019.

+23%

With this development, Chinese tech companies are becoming a growing risk factor for European industry, and political factors and national domicile are playing an increasingly important role for a growing number of companies," says Henrik von Sydow, Global Affairs Strategist at Carnegie.

"When economic instruments are used to pursue geopolitical ends, globalisation is challenged as a megatrend and dominant force in the world economy. Instead, signs of deglobalisation ensue, which is the development in which global economic integration is, at least partially, reversed and moves backwards and forwards and loses steam overall," von Sydow continues.

The re-evaluation of trade relationships, not only between the US and China but by extension also between other regions, is slowing international trade and dampening economic growth.

Political uncertainty in 2020

The American presidential election in 2020 combined with Brexit is creating some political uncertainty in 2020. The UK left the EU on 31 January 2020, but how relationships with the EU will take shape will be hammered out during the year, which is another significant uncertainty, not least for individual companies.

"Brexit will be a factor in the financial markets during the second half of 2020, says von Sydow. "The answer to investors' questions about what rules of the game will apply between the EU and the UK will not come until late in the year, and several issues will most likely be postponed."

The Nordic equity markets have substantial exposure to the global trends and risks, but the Nordic economies are stable, with robust public finances.

Nordic integration

The Nordic economies and business sectors are also generally good at managing structural changes, new technology and new business models, which creates investment opportunities in the region and contributes to a vibrant corporate transactions market.

Von Sydow continues, "Greater clarity about global trade relationships will create the conditions for new deals and what had been political risks will become opportunities for investors."

Climate risks, sustainability and ESG are also rapidly and steadily climbing on the priority list for companies and investors alike. Effective strategy and implementation in these matters among companies often lead to a premium valuation, as shown by Carnegie's own analysts. Nordic companies and stock exchanges are relatively far ahead of the pack here and assessment of the risks to a company from climate change is the latest.

"The EU Commission's new Green Deal with sharper focus on reducing emissions of greenhouse gases," says von Sydow, "is creating major opportunities for Nordic companies that are well-positioned with new technology and comprehensive sustainability programmes."

OUR OFFERING

Focus on advisory

Advisory is what unites Carnegie's various business areas. Our knowledge about Nordic companies, their markets and business environments guides private individuals, companies and institutions in the Nordic market. All have different needs and challenges and all are seeking growth.

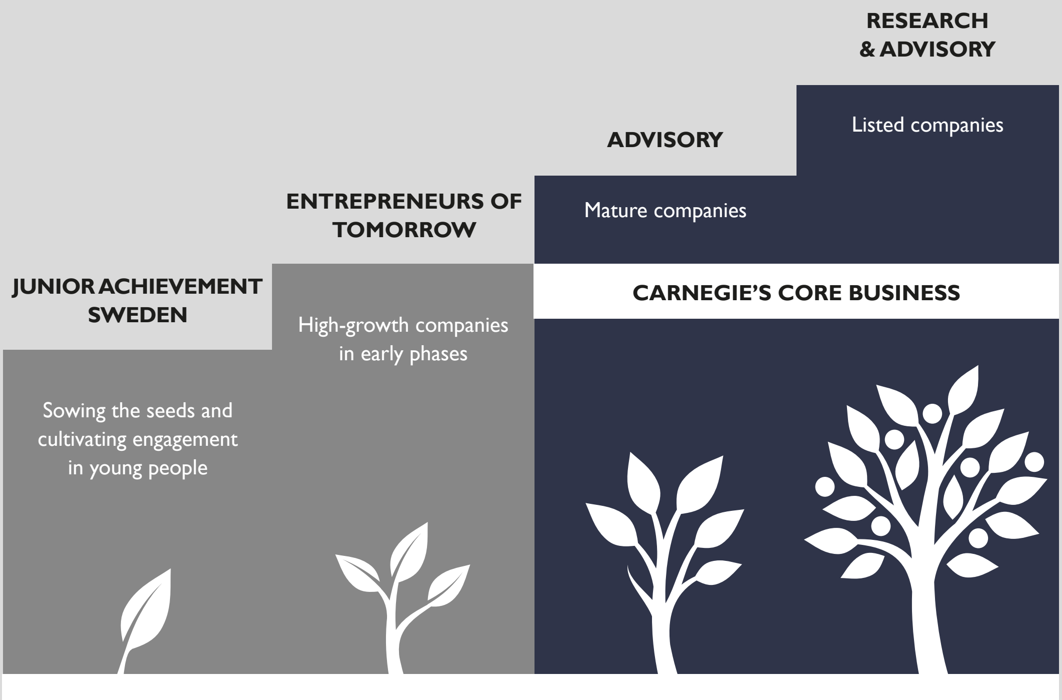
Carnegie's business is based on professional advisory to companies, institutions and private individuals linked to the Nordic market. Deep knowledge of companies and enterprise in the Nordic countries is the foundation of our advisory.

Our offering revolves around three main areas, Investment Banking, Securities and Private Banking, which together offer corporate advisory, brokerage, research capacity and wealth management. All operations are currently the market leaders in their respective areas.

The common denominator of all three is that advisory is aimed at bringing investors and investment opportunities together. Connecting companies, entrepreneurs and business ideas with capital that comes from both institutions and private individuals. We work in both the listed and unlisted markets, and advisory spans a broad spectrum from stock market investments by private individuals to initial public offerings of companies or complex business acquisitions.

We have unique knowledge about Nordic companies and entrepreneurs, are the leader in corporate transactions and offer the most comprehensive and outstanding analysis of listed Nordic companies.

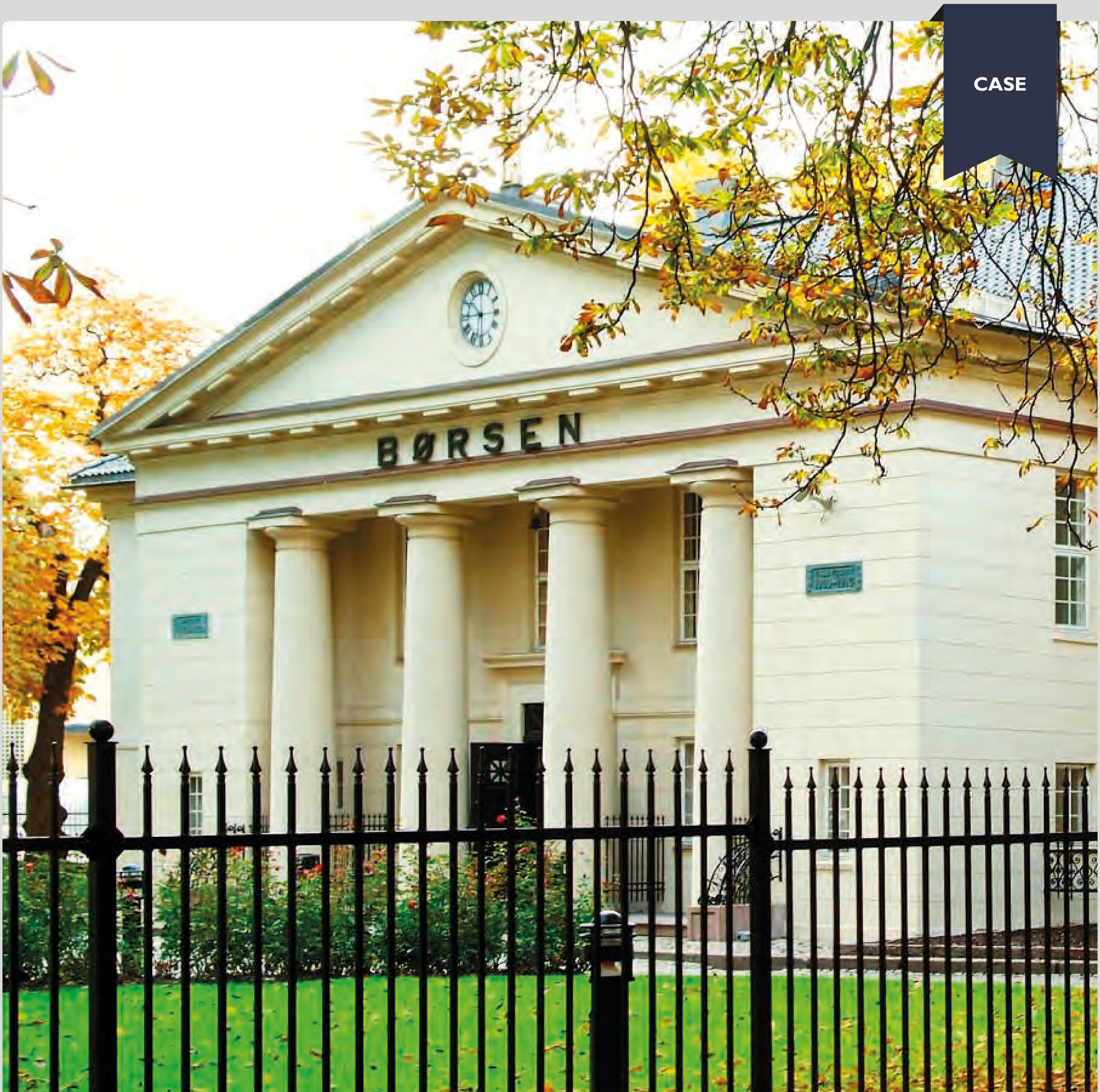
This puts us in a unique position to deploy advisory to guide capital where it will do the most good and thus also achieve the best returns. This often involves high-growth companies oriented towards new technologies or sustainable products. Companies are currently confronting complex challenges related to the transition to a sustainable economy, climate change, restructuring in the labour market and demographic trends. Entrepreneurs with novel ideas and innovations are also answers to many of the social challenges of today. Through advisory, Carnegie brings investors and sustainable investment opportunities together and promotes the growth and development of new businesses. In so doing, we enable companies, capital and communities to grow.



Commitment to companies and enterprise

Beyond Carnegie's client offering, the business is characterised by wider social engagement to stimulate the growth of new businesses.

CASE



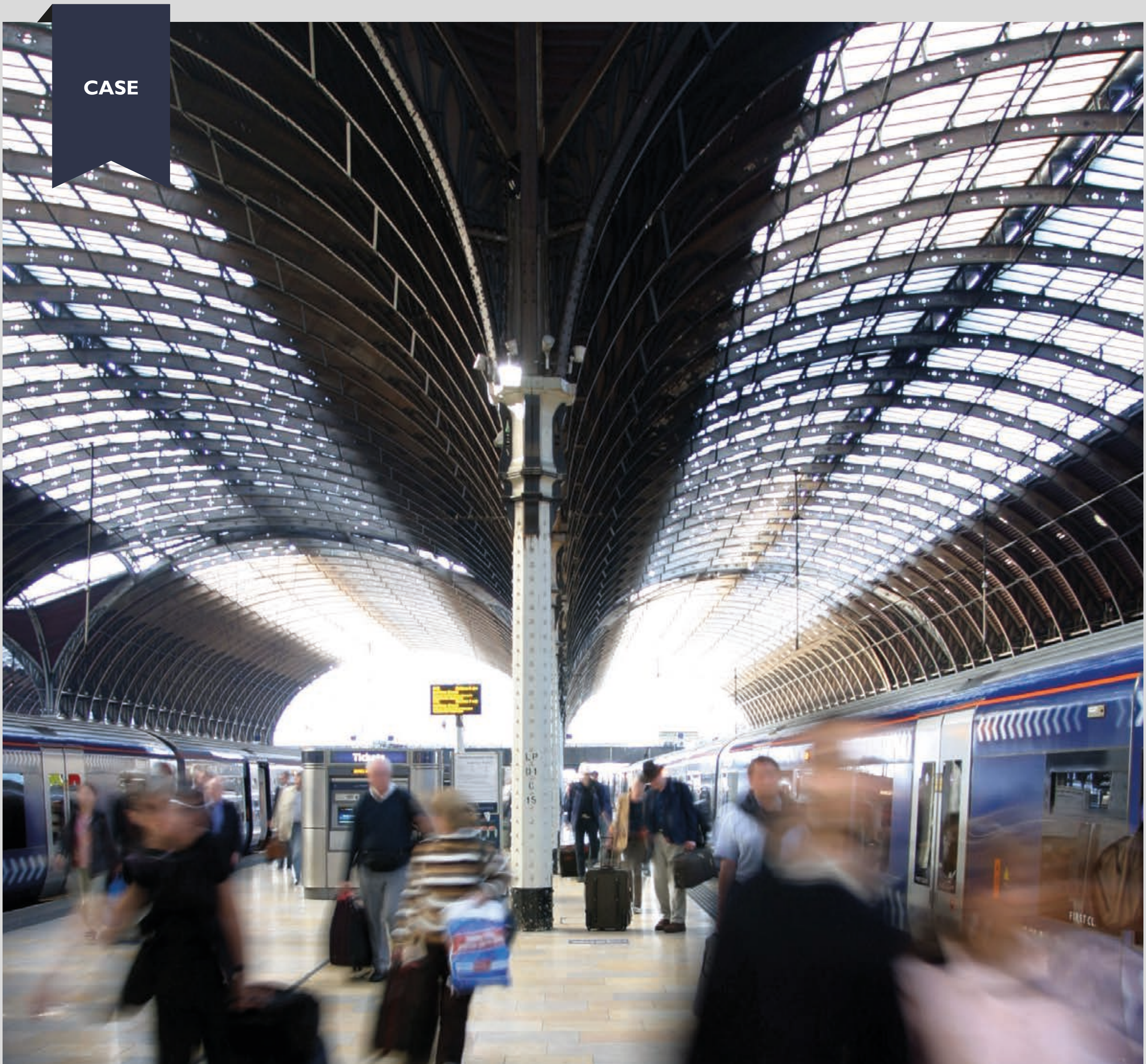
CARNEGIE FINDS NEW OWNERS FOR THE OSLO STOCK EXCHANGE

Starting in late 2018, Carnegie undertook to explore interest in Oslo Børs VPS Holding ASA on behalf of a large group of share-holders.

After a structured auction process managed by Carnegie, European stock exchange operator Euronext secured more than 50 percent of the votes in the company through a combination of irrevocable pre-commitments and share purchases at a price of NOK 145 per share.

After a takeover battle with Nasdaq, Euronext eventually clinched a deal for the entire company at a price of NOK 158 per share, which constituted a 44 % premium to the undisturbed share price prior to the commencement of Carnegie's process.

CASE



CARNEGIE HELPS DELLNER COUPLERS FIND THE RIGHT TRACK

Dellner Couplers was founded in 1941 in Sweden, and is a global market leader of niche safety-critical components for passenger rail rolling stock.

Dellner Couplers has grown substantially in recent years, and today offers full train connection systems including couplers, gangways, hatches, dampers, and crash management systems, complemented by after-sales services and support. Dellner Couplers employs approximately 950 people globally and had sales in 2018 of approximately SEK 1.9 billion.

The company has been in the Dellner family's care since its foundation in 1941 but when it was time for a sale, Carnegie was appointed as advisor in connection with the transaction. The sales process generated substantial interest from investors across the globe. In the end, funds managed by EQT Partners won the structured auction process.

APPROACH TO SUSTAINABILITY

Stimulate responsible investment

We are convinced that companies that are living up to external expectations and demands for sustainability are also in a better position to become good investments. This is where our advisory begins, as we strive to promote a sustainable economy and generate attractive returns on investments.

Issues related to sustainability and responsibility are found in all aspects of our advisory, from allocation of capital to how we invest in discretionary management, as well as within equity research.

We are convinced that this is necessary not only for sustainable development but also to achieve good performance and returns.

Economic growth is essential to sustainable development. This implies demands for access to capital for companies and other stakeholders so that they can grow, develop new technologies and innovations and compete in an international market.

Carnegie has unique knowledge about Nordic companies and entrepreneurs and guides capital to where it will do the most good and thus can generate the best returns. In this way, Carnegie is enabling sustainable financial growth for private individuals, companies, institutions, the capital market and society in general.

We work in a responsible and carefully structured manner, both in our own operations and from our clients' perspective. Our advisory looks at both the risks and the business opportunities through clear investor's glasses. The point of it all? Our clients should be able to create value in society.

This is also accomplished in harmony with wider global perspectives. Carnegie has signed the UN Global Compact and also supports the UN Principles for Responsible Investment (UNPRI) initiative. Within our asset management, the implications are that we avoid exposure to companies that produce or distribute weapons that are banned under international conventions, such as chemical and biological weapons, cluster bombs, nuclear weapons and landmines. We also avoid investments in companies that repeatedly fail to respect human rights or commit serious environmental crimes.

In portfolios where we invest directly in individual securities - mainly in the Nordic markets - we exclude investments in alcohol, tobacco, pornography and weapons and are restrictive concerning commercial gambling operations. Beyond this, we can provide tailored solutions for larger clients that have specific requirements for exclusions.

A large share of Carnegie's investments are managed by external fund managers. In this area, we ensure that the fund managers we engage understand the value of considering both the risks and the opportunities that can be related to sustainability. In addition to these discussions, we examine fund exposure from a sustainability perspective in partnership with the external advisor ISS-Ethix.

Carnegie offers the best and most comprehensive analysis of Nordic listed companies. We include quantitative and qualitative sustainability metrics in the analysis of all companies we cover. Our equity research gives preference to companies that integrate sustainability in their strategy to drive growth and that actively avoid risks related to sustainability and climate change. Our basic premise is that such companies often deliver better returns.

As part of this ambition, Carnegie presented a sustainability award in three categories among all companies we cover. The award is intended to put the spotlight on sustainability metrics that create shareholder value and present good examples to inspire companies and investors. When capital is reallocated, the pressure on corporate transition efforts is increased.

MARKET POSITION

Trusting relationships

The factors that underpin client trust in financial advisors vary over time and needs can only be discerned and met through close and long-term client relationships. Time and again, Carnegie tops the rankings in annual client and market surveys in the Nordic market.

Carnegie's large share of business mandates in the market and a steady inflow of new clients are measures of even stronger trust in 2019.

Independent annual client surveys are another key tool for us, where firms such as Kantar Sifo Prospera show, year after year, that private individuals, institutions and companies rank Carnegie the highest among all market providers.

In 2019, Carnegie once again defended its overall top ranking among all client groups and thus solidified its market position.

The surveys are comprehensive and measure several sub-components that are weighed together to arrive at an overall score. This provides indications of how we can even further improve our offering and service. It also tells us which factors our clients value most highly and how we can assimilate changes and trends in client behaviour and preferences.

Carnegie is ranked highest in Private Banking for the quality of its advisory, services, financial outcomes and client service. Carnegie is also the private bank that the highest percentage of clients say they would recommend to others. Our extensive communication via newsletters, client meetings and the client magazine was also recognised in the survey with a top ranking.

Carnegie is, however, in the lower segment for market share and the middle segment for brand recognition. Combined with the popularity of the offering among existing clients, this indicates potential for increasing market shares by continuously addressing the market.

The survey also clearly shows that clients are demanding and expecting increasingly sophisticated digital solutions and platforms, although the personal encounter remains central. Carnegie's digital infrastructure is under constant development and is slated for major investments and improvements in the next few years to meet client needs.

Nordic companies that have engaged advisory services in connection with equity capital market transactions, mergers, acquisitions or sales expressed the highest trust in Carnegie in 2019 within corporate advisory.

This is the fourth consecutive year that Carnegie has taken the top ranking overall among financial advisors. In addition, Carnegie is ranked number one in equity capital market transactions and is a clear leader in mergers and acquisitions.

Carnegie has the strongest position in the market as regards brand and recognition and the most highly ranked advisory, as well as top position in areas including execution and expert teams. In a new category for 2019, creativity and problem-solving ability, Carnegie was ranked number one among all firms in the market.

The same strong trend is repeated among institutional investors, where surveys also show that Carnegie has the best reputation in the market, for the fourth straight year. We topped the total ranking as well as all evaluated categories: research & advisory, execution and corporate access. In equity sales and trading, Carnegie was ranked first by far for both large transactions and day-to-day trading and we were at the top in nearly all sub-sectors and industries in equity research.

Ranking among market providers

Carnegie enjoys the highest trust in the market among its three main client groups.

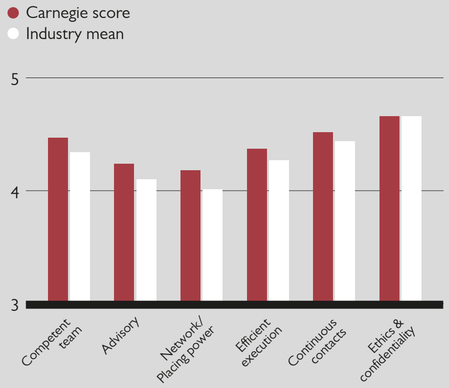
#1

Carnegie solidified its market position in 2019

The highest trust in all client groups.

Trust factors among companies

The chart below illustrates corporate rankings of Carnegie's capacity in relation to the six factors they value most highly in advisors.



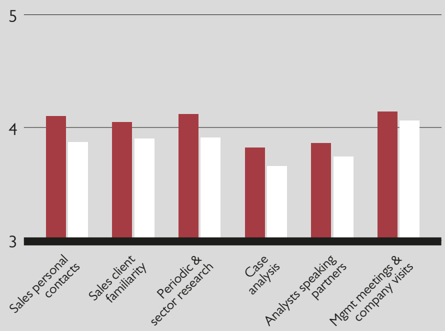
Nordic companies that have engaged advisory services in connection with equity capital market transactions, mergers, acquisitions or sales expressed the highest trust in Carnegie among all market providers according to the 2019 Kantar Sifo Prospera client survey.

Key sub-factors

Companies rank the following six factors as the most central to their choice of financial advisor: expert teams, ethics & confidentiality, networks & execution, advisory, regular contact and efficient execution.

Trust factors among institutions

The chart below illustrates institutional investors' rankings of Carnegie's capacity in relation to the six factors they value most highly in advisors.



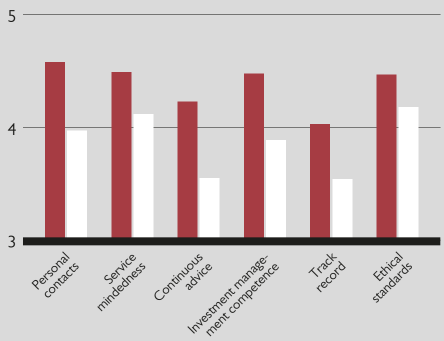
Carnegie has the highest reputation in equity research and brokerage in the Nordic market according to Kantar Sifo Prospera's annual client survey in which institutional investors evaluate Nordic market providers.

Key sub-factors

Institutional investors rank the following six factors as the most central to their choice of financial advisor: access to analysts, sector analysis, customer due diligence, personal contacts, visits to companies and meetings with management and individual analysts.

Trust factors among private individuals

The chart below illustrates private banking clients' rankings of Carnegie's capacity in relation to the six factors they value most highly in advisors.



Carnegie has the highest client satisfaction in Sweden within private wealth management advisory. This is evident in Kantar Sifo Prospera's annual survey of Swedish private banking clients.

Key sub-factors

Private individuals rank the following six factors as the most central to their choice of financial advisor: expert investment advisory, ethical principles, service, personal contact, ongoing advice and overall offering.

INVESTMENT BANKING - CORPORATE ADVISORY

High intensity in corporate transactions

Carnegie advanced in all markets within corporate finance in 2019 and solidified its position as the leading Nordic provider. Higher activity in acquisitions offset a lower number of IPOs.

Carnegie is the leading financial advisor in the Nordic market for IPOs, corporate transactions and several other types of transactions. On the foundation of extensive experience, long-term client relationships and an unsurpassed network among institutions, family offices and high net worth individuals, Carnegie solidified its market position in 2019. Carnegie executed the most equity capital market transactions and was the most frequently engaged financial advisor in corporate transactions, M&A.

Corporate Finance clients are found primarily among companies, entrepreneurs, owners, government agencies and private equity firms. For the fourth straight year, they gave Carnegie the top ranking overall according to Prospera.

Carnegie strengthened its position as the leading Nordic financial advisor in corporate transactions in 2019.

Carnegie has the strongest position in the market as regards brand and recognition and the most highly ranked advisory. In a new category for Prospera in 2019, creativity and problem-solving ability, Carnegie was also ranked number one.

The Nordic markets were robust in 2019 with a good inflow of business, including in the larger segment. Activity in the IPO market was somewhat lower than in previous years, but was more than offset by livelier activity in corporate transactions. In total, Carnegie's income from Investment Banking rose by 26 percent in 2019 and all markets demonstrated positive growth.

Carnegie acted as the advisor in several of the larger and more high-profile transactions in the Nordics, including the buyout of the Oslo Stock Exchange by Euronext, the purchase of Ving by Altor and Strawberry Group and the buyout of Ahlsell and Cherry from Nasdaq Stockholm.

Rapid growth in the unlisted market

Sustained growth in private equity and other types of professional ownership continued to characterise the market, which is creating a greater dynamic with a growing number of transactions between the stock exchange and the unlisted market, in which Carnegie has a clear leading role.

Carnegie's emphasis is on the industry segments of TMT, healthcare, financial institutions (FIG) and the rapidly growing cleantech, which comprises companies in segments including energy storage, renewable energy and energy efficiency improvement.

There is a growing market for advisory in transaction-linked credits, as it is becoming increasingly common for companies to seek loan financing outside the traditional banking sector. This is accompanied through corporate bonds as well as loans directly from institutions such as pension funds or funds with institutional capital.

The success continued in 2019 within private placement, the sale of unlisted equities, often in younger, growing companies to a wider shareholder base. The companies are often aiming for an IPO within a few years.

Carnegie is in a unique position here through its private banking business, whose clients have both unsurpassed capacity and desire to participate in private placements. Several successful private placements were executed during the year.

ULF VUCETIC, HEAD OF INVESTMENT BANKING

...on market position
We successfully took about half of all corporate transactions in private equity and in buy-outs from the stock exchange, where we can fill various roles, either as advisor to the board of directors or to the buyer.

...on the new credit landscape
Banks are cutting back on lending just as more alternative lenders are emerging. In Europe, for example, it is estimated that about half of all financing to private equity-owned companies is provided outside the traditional banking sector. There is less of this in Sweden, but growth is strong and we believe this may develop in a similar way to corporate bonds. Carnegie is involved as an advisor in relation to both brokering loans from funds and directly from institutions.

...on collaboration with Private Banking
This applies mainly to companies in a growth phase, where we step in as a partner ahead of a future IPO. As a result of the trend to put off IPOs, this market is growing and we are the only institution with a client base that is large enough to accommodate these types of transactions. It is also very beneficial to our Private Banking clients.

Nordic corporate advisory
Advisory in relation to corporate transactions is offered primarily in the Nordic countries.

1

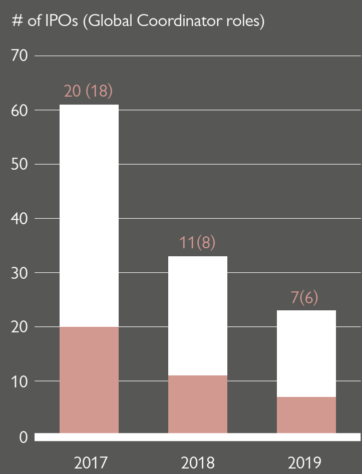
Ranking
Carnegie was ranked highest among all corporate advisory providers in the Nordics.

Number of M&A transactions
Carnegie was a frequently engaged advisor in connection with Nordic mergers and acquisitions.

37

Percentage of Nordic ECM transactions
Carnegie executed one third of all Nordic ECM transactions in 2019. More than any other provider.

33%



38 out of 74 IPOs
Carnegie has participated in more than half of all major Nordic IPOs in the past three years, each valued at more than USD 40 million.

SECURITIES – EQUITY RESEARCH AND BROKERAGE

Increased market share in a strong stock market

The stock market offered a substantial upturn in 2019, resulting in high activity in Securities, which advanced its positions during the year.

Carnegie is the Nordic leader in equity sales and trading for institutions and offers the widest research capacity. Its strength and expertise in small and mid-cap companies is particularly notable.

The sharp upturn on the Nordic stock exchanges in 2019 resulted in high activity in the secondary market for equities as well as in corporate transactions and, to a certain extent, IPOs. Operations within Securities play an important role in the analysis and valuation of companies and distribution of equities via Carnegie's extensive network of institutional clients.

Securities offers equity sales and trading and related advisory, as well as wide-ranging analysis of Nordic equities ranked the best in the Nordic countries. In total, Carnegie covers about 350 companies with emphasis on the small and mid-cap segments. The research is an important cornerstone for both institutional clients and Private Banking.

The EU MiFid II directive has partially reshaped equity sales and trading in Europe, but Carnegie has increased its share of the market, largely due to the execution quality and capacity offered.

Clients ought to carry out their equity transactions where they get the best execution - which is why they come to us so often.

As a consequence of the directive, institutions are currently working with fewer brokers than in the past, but the bank is in a strong position thanks to Carnegie's high ranking among clients in both equity sales and trading and research.

Carnegie is the market leader in Nordic equities and addresses institutional clients in the Nordic countries, Europe and North America. Carnegie began to address new markets such as Spain and Asia in 2019.

Focus on ESG and sustainability is an accelerating trend in both equity sales and trading and equity research. ESG and sustainability are now an integrated and essential component of all analyses and institutional investors are increasingly screening out particular industries or businesses from their portfolios.

Carnegie tracks the sustainability work of listed Nordic companies, which is an important tool in helping clients design more sustainable portfolios.

To underline the importance of the impact of sustainability work on companies' development and valuation, Carnegie has established an annual sustainability award, which was presented for the first time in 2019.

HENRIC FALKENBERG, HEAD OF SECURITIES

...on the stock market in 2019
The equity market performed better than most had expected during 2019, leading to higher activity and income. A moderate economic slowdown was counteracted by lower interest rates, as well as less nervousness about matters such as trade wars.

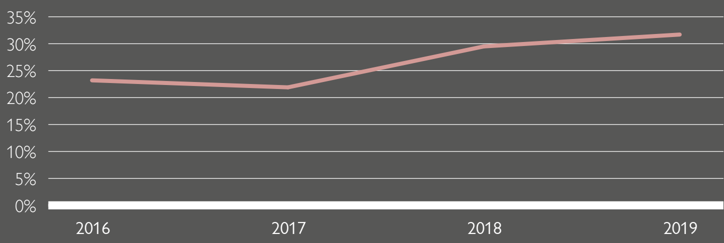
...on the client base
We are the investment bank with the most institutional clients interested in the Nordic equity markets.

...on the leading position in manual trading
Clients ought to carry out their equity transactions where they get the best execution - which is why they come to us so often. We have numerous brokers and analysts with a strong grasp of what various clients want. That makes us good at more complex transactions, such as placing larger equity lots in somewhat smaller companies.

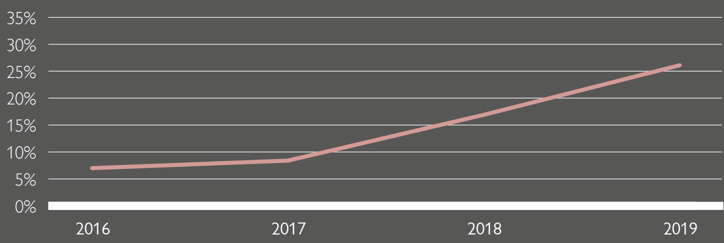
Largest in manual trading

Carnegie strengthened its position in brokered market volume for block trades and demonstrated outstanding capacity to broker transactions between buyers and sellers of shares with limited liquidity, i.e., in manual trading. In this segment, Carnegie accounted for 26 percent of brokered small-cap volume and 32 percent of brokered mid-cap volume in the Nordics in 2019, excluding trading on the Oslo Stock Exchange (Nasdaq).

Midcap Nordic



Small Nordic



Global reach

Securities operations are run from offices in the Nordic countries, the UK and the US.

Number of companies covered

On the Nordic stock exchanges.

350

Percentage of companies covered

The percentage of companies covered in relation to total Nordic market capitalisation.

91%

Number of analysts

Carnegie has the most analysts in the Nordics.

43

RESPONSIBLE ADVISORY

Carnegie prizes valuable sustainability

Sustainability is a natural component of Carnegie's analysis of a company. We established an award in 2019 to shed light on how sustainability metrics create shareholder value.

Lena Österberg, Head of Swedish Equity Research at Carnegie and Anna Lothsson, Sustainability Manager at NCAB.

Investors can make a difference through active engagement.

Sustainability is now a natural and integrated part of most companies' work and reporting. Investors are increasingly aware that thorough and effective sustainability work can create shareholder value by reducing ESG-related risks or paving the way to new opportunities.

Corporate sustainability programmes thus constitute a component of decision input for many institutional and private investors in the Swedish market. Carnegie is working actively with responsible investment. As one aspect of that work and to further encourage and stimulate sustainable investment, Carnegie established a sustainability award in three different categories in 2019.

The award is based on the more than 170 companies in the Swedish market that Carnegie's top-ranked equity research continuously covers and is based on the criteria of environmental impact, social engagement and corporate governance.

Carnegie's equity research gives preference to companies that have integrated sustainability in their strategy to drive growth and that actively avoid risks related to sustainability. Focus is not on recognising individual sectors over others, but rather on each specific company's own active sustainability work. This creates opportunities that produce competitive advantages in the respective industry, which also affects long-term shareholder value. Companies are increasingly regarding sustainability as a business opportunity and are driving it as part of business operations.

"Investors can make a difference through active engagement. When capital is reallocated, both between and within sectors, based on sustainability metrics, this increases the pressure on corporate transition efforts. This is a powerful dynamic that affects all social development," says Lena Österberg.

Three companies were given the "Sustainability Company of the Year" award in three categories at a well-received sustainability seminar arranged by Carnegie. The award will be presented annually.

Nibe in the Large Cap category

Nibe provides products and services in the areas of heating solutions and energy efficiency and is in prime position in the ongoing shift towards fossil-free heating. The company is innovative and is running an active development and environmental programme aimed at regularly designing more energy-efficient products that both lower the customer's operating costs and reduce climate impact. This is giving Nibe clear competitive advantages and good growth opportunities.

Thule in the Small Cap category

Thule is engaged in a focused sustainability effort and is reporting a strong trend with regard to both environmental and social aspects. The company has sharply reduced its environmental footprint by developing attractive products with long life cycles made of recycled materials. Thule develops and manufactures products for the sports and recreation industry.

NCAB in the Best Newcomer category, listed within the past three years

With this category, Carnegie hopes to inspire companies aspiring to go public to include sustainability in their long-term strategies from an early stage. NCAB puts strong emphasis on quality, ethics and working conditions with regard to their suppliers and in their factories. The company takes full responsibility for the entire supply chain, performs regular audits and uses only environmentally certified suppliers. The NCAB Group produces printed circuit boards (PCBs). PCBs are used for circuit boards and in electronic equipment.

NORDIC CAPITAL BUYS INTO GROWING ELECTRONIC ACCESS MANAGEMENT MARKET

Global access management market is strongly changing from mechanical locking into electronic locking. At the forefront of this transition is iLOQ from Finland, which has developed and patented a self-powered digital locking and mobile access management system, enabling electronic locking without batteries or cables.

Carnegie assisted the owners of iLOQ to review all strategic alternatives and ultimately in finding an [attractive] exit to Nordic Capital, which can strongly support Company's development and growth with their sector knowledge and extensive experience of international expansions.

PRIVATE BANKING

New and satisfied clients

Carnegie solidified its position as Sweden's leading and most preferred private bank in 2019. Client inflow and assets under management rose and an even more exciting palette of opportunities could be offered.

Supported by unique offerings and a more efficient organisation, Carnegie substantially increased its share of the Swedish and Danish private banking markets in 2019. Total assets under management grew by SEK 34 billion, with both the Swedish and Danish operations contributing. The number of clients increased by 10 percent.

Carnegie offers professional financial advisory and wealth management to high net worth individuals, small companies, institutions and foundations with more than SEK 5 million in assets. Advisory is offered to the Swedish and Danish markets.

Carnegie estimates the total private banking market in Sweden at around 100,000 clients and believes it has substantial potential to increase market shares based on strong momentum and attractiveness in the market.

Client satisfaction is the main mission of Private Banking and Carnegie was named Best Private Bank in Sweden in 2019 by market research company Kantar Sifo Prospera for the fourth year running.

The achievement is based on Carnegie's ability to deliver results for its clients in the form of financial returns, professional advisory, access to the widest and most preferred research capacity in Nordic equities and unique investment opportunities.

Professional clients gained their own department in 2019, which makes Carnegie's offering even better and more finely tailored.

Being able to invest in unlisted companies is one of these unique opportunities. Those presented to Carnegie's clients during the year included the opportunity to invest in EQT's venture capital funds and the investment company Storskogen. This was the third time Storskogen raised new capital from Carnegie's private banking clients.

A separate department was established within Private Banking aimed at professional clients with particular needs and circumstances in order to even more clearly structure and adjust similar offerings.

Active and engaged clients

Carnegie's Private Banking clients are active, engaged, interested and knowledgeable. This is clearly evident in the keen interest generated by Carnegie's various client activities, information initiatives and the newsletter.

Carnegie arranged about twenty knowledge events during the year located in four different cities, all of which were very well-attended. Entrepreneurs, professional investors and business executives shared their insights and expertise. Presenters included Swedish Minister of Finance Magdalena Andersson, who visited Carnegie for the third consecutive year to distribute texts related to the Autumn Budget.

Carnegie strengthened its potential to attract new clients during the year by opening an office in Linköping and further developing communications channels. Both initiatives contributed to higher new client inflow during the year. The Carnegie Private Banking newsletter has increased its subscribers to more than 16,500 from the previous 2,500 in three years and the Carnegie podcast has a faithful and growing audience. The number of client queries made online has grown sharply to about a hundred every month.

The EU MiFid II Directive has entailed a transition for Carnegie and the industry as a whole. In order to offer the most competitive and transparent solutions possible, Private Banking works with five types of its own fund-of-funds solutions for various asset classes, in addition to discretionary management.

JONAS PREDIKAKA, GLOBAL HEAD OF PRIVATE BANKING

...on the new office

The opening of the new office in Linköping was a major event in 2019, as we now cover all parts of Sweden where there is a sufficient client base. The office was off to a flying start with a strong inflow of new clients from all directions.

...on well-attended client events

It is usually standing room only with more than 100 participants at our regular After Market meetings, as well as when we present various investment strategies. One thing all of our activities have in common is that they are client-driven – and very popular.

...on investments

We seek the best of the best available on the market for every type of fund or asset class, regardless of provider.

4

Best Private Bank

Carnegie was named the Best Private Bank in Sweden in 2019, for the fourth year running.

Assets under management (SEKbn)

Total assets under management rose by 33 percent in 2019.

128

New client queries

Increase in the number of new client queries per month compared to the preceding year.

67%

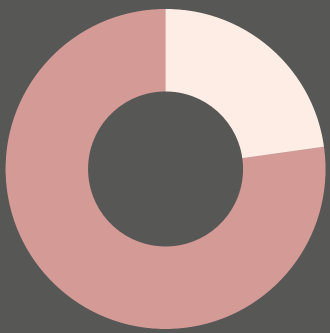
Subscribers to the newsletter

Increase in the number of weekly subscribers, which totalled 16,500 during the year.

80%

Client events

Carnegie arranged about 50 knowledge seminars and network meetings for its clients during the year.



Share of total income

Private Banking generates 23 percent of Carnegie's total income.

New office

The new office in Linköping progressed according to plan during the year, with a high new client inflow. The other offices are located in Stockholm, Gothenburg, Malmö and Copenhagen.

RESPONSIBLE EMPLOYER

Committed employees

Skilled and committed employees are the foundation of Carnegie's success and position as the most respected Nordic financial advisor. Transparent and engaged management, short decision paths and clear values provide the right conditions for high commitment.

Carnegie's business is built on knowledge, and relationships with our employees are our most important assets. It is therefore essential that Carnegie can recruit, retain and develop the most skilled, driven and committed individuals in a world where the competition for talent and ability is becoming ever fiercer.

Carnegie performs annual employee surveys to assure employee engagement and satisfaction. The signals from the 2019 survey remained positive. Response frequency was high, 90 percent, and 82 percent of employees gave positive answers to all questions. For example, they expressed a high level of trust in management and the work environment.

More women a priority

Increasing the percentage of women in the company is a priority for Carnegie, both generally, in management and in various parts of the business. Carnegie carried out a targeted employee survey among women employees in 2019 to deepen knowledge of what characterises the perception of Carnegie as an employer. The result provided valuable insights in the effort towards an inclusive workplace where opportunity and treatment must be equal for all.

We are working continuously and proactively to facilitate the combination of a successful professional role and commitment to parenthood and family life in ways including encouraging more gender-equal sharing of parental leave.

We are also working actively to promote Carnegie as an employer to women university students and arranged several meetings during 2019 at which senior women managers at Carnegie shared their experiences with students in cities including Copenhagen and London.

It is essential that Carnegie has full access to the entire talent pool.

Training and leadership

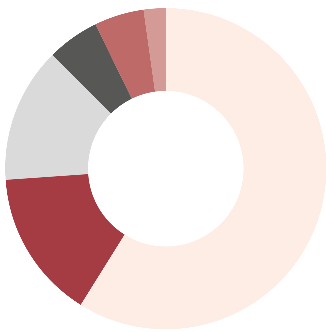
As an employer, Carnegie is also focusing on training and leadership. Actions include offering training to employees in areas that are not directly connected to their usual tasks within the framework of Carnegie Professional Development. The opportunity to broaden their perspectives is much appreciated by employees and supports continuous development within Carnegie. More than 200 employees signed up for one of the more than 300 courses offered in 2019.

An important course on the psychosocial work environment was carried out for Carnegie managers during the year. The course dealt with the organisational and social work environment, with particular focus on issues related to stress, recovery and discrimination. This type of training for managers is important, partly from the perspective of strict compliance, but also to clarify managerial accountability for the psychosocial work environment and how insight and knowledge in the area will help employees perform and feel as well as possible in the workplace.

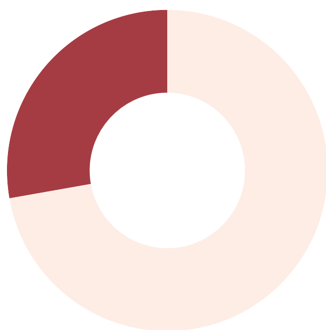
New corporate HR system

Carnegie also introduced a new global HR system in 2019 that is increasing transparency for employees, streamlining managerial reporting and lowering administrative costs. Carnegie's initiative to promote wellness and employee health has continued with generous fitness and wellness allowances, health check-ups and health insurance. The rate of absenteeism due to illness is still falling. A new collaboration within fitness and wellness was also initiated in 2019 and will be rolled out in 2020.

Average number of employees
by country 2019



Gender distribution
Carnegie Group



A unique company culture with core values like Client Focus, Competence and Commitment determines how we develop as an employer. Our success is based on enthusiastic and skilled employees and the highest client satisfaction in the market.

Employee commitment
Share of employees who expressed high commitment to their jobs.

93%

Trust in management
Share of employees who expressed high trust in management.

85%

Recommendation:
Share of employees who would recommend Carnegie as an employer.

89%

Courses
Number of courses offered within the framework of Carnegie Professional Development in 2019.

>300

RESPONSIBLE BUSINESS

The Entrepreneurs of Tomorrow are creating the growth of the future

Companies that grow create jobs, purchasing power and innovations. This is the point of departure for Carnegie and Svenska Dagbladet's joint initiative, Entrepreneurs of Tomorrow, which is showing good results after five years.

Entrepreneurs of Tomorrow is aimed at promoting new enterprise in Sweden and offers companies in early phases of development access to knowledge, capital, pitch training, exposure and investor meetings. The aim is to facilitate company development and accelerate the growth rate by means including capital raising.

Each year, about a hundred small high-growth companies apply to Entrepreneurs of Tomorrow, but only ten progress to pitch training and are given the opportunity to present their ideas to a jury of prominent individuals. The competitors also receive valuable editorial and commercial exposure in Svenska Dagbladet and Carnegie's communications channels, which can be make-or-break for growing companies with limited resources.

In the second round, the jury selects four finalists. The fifth finalist is selected in a vote by Svenska Dagbladet's readers. All parameters are permeated by the investor perspective when the finalists are selected.

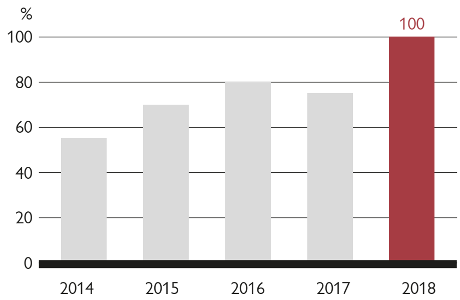
The finalists are then given the opportunity to try and convince a packed audience of investors gathered at Carnegie during the finale evening in Stockholm, when professional investors vote to decide the winner. The winning company receives a knowledge package from Carnegie including several advisory sessions with relevant experts at their service.

Eighty-eight percent of all companies that have participated in Entrepreneurs of Tomorrow over the years are still active and in business today. This is clearly higher than the average for Swedish small businesses, where one out of four companies does not survive the first three years in business according to statistics from the Swedish Agency for Growth Policy Analysis.

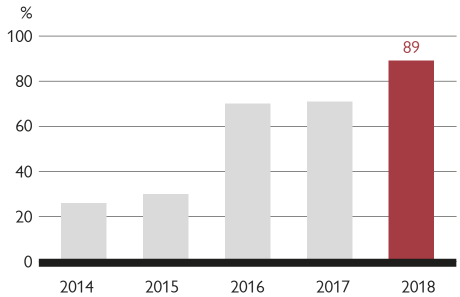
More than 500 companies have applied to Entrepreneurs of Tomorrow from the start in 2014 through 2018, of which 58 qualified for the full competition process. Among these, over 74 percent more than doubled their revenues in the first year after participating and together they have created more than 260 new jobs in the past five years. In addition, 81 percent of the companies have successfully attracted external capital.

Several of the companies that have gone far in the competition have continued to grow rapidly. The 2017 winner, Stockfiller, for example, now has half the Swedish market for connecting grocery stores and suppliers on its platform. Karma, the 2016 winner, has experienced similar growth. Their app for reducing food waste from restaurants is now found on one fifth of all Swedish mobile phones.

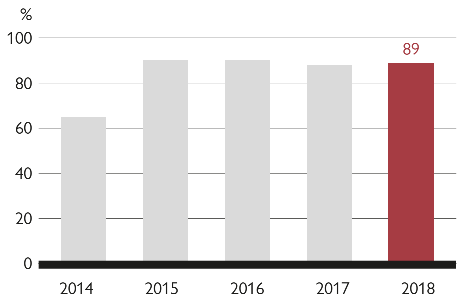
Share of companies whose revenues increased the year after participation



Increase in the workforce the year after participation



Share of companies that raised external capital the year after participation



Mobile deposit app wins in 2019

Carnegie has a far-reaching commitment to supporting entrepreneurship. It is part of the company's DNA. The Entrepreneurs of Tomorrow initiative is a competition born of that spirit. The winners for 2019 are combining sustainability with digitalisation in their business model.

Investors and entrepreneurs gathered for the sixth year running at Carnegie's head office on Regeringsgatan in central Stockholm to celebrate the Entrepreneurs of Tomorrow, a co-arrangement by Carnegie and the Svenska Dagbladet business section that offers a meeting place for capital and companies with growth ambitions. About a hundred investors listened to the five finalists. About eighty companies entered the competition when it began in September.

Pantapå received 37 percent of audience votes to take first place.

The investor audience might have been persuaded by Berfin Mert's 23-second power pitch - a taster that explains the company concept in no more than 15 words and then answers the question: Why should anybody invest in my company?

"Pantapå is a solution for collecting deposits on packaging using a mobile phone at recycling stations that is unique in the world. We were the first on the market with global clients like Procter & Gamble and Unilever paying on a subscription basis. We have a revolutionary and scalable business model, two patents pending and are on the top charts for App Store and Google Play," said Berfin Mert.

Only a small fraction of the packaging used on the planet is currently recycled. The majority ends up either in landfills or littering the landscape. Globally, only 9 percent of plastic is recycled, but that rises to 80 percent when package deposits are required. Pantapå's central idea is to assign a value to all packaging and ensure that as much as possible is recycled.

Pantapå localises sat-nav coordinates for existing recycling centres. When a consumer is near such a coordinate or recycling centre, the scanner is activated and makes it possible for the consumer to scan the bar code on the package they want to recycle.

"We charge an annual fee to affiliated companies and an amount per package recycled to receive the deposit back. The companies can post whatever special offers they like on the app - perhaps a discount on the next purchase or a campaign for a new or close-out product. Consumers pay the same price as always in the stores. When you turn in the package for the deposit at the recycling centre, you collect points in the app that you can use for the discount voucher of your choice. You show the voucher at check-out and the discount is applied immediately," explains Mert.

Sustainability and digitalisation were the common themes that characterised the business models of all five finalists.

INNOVATIVE FINALISTS

Beescanning
An AI-based app that detects parasites and other disorders in bees. Björn Lagerman.

Stardots
A digital health platform for diagnosis and treatment of Parkinson's disease. Daniel Petrini and Håkan Andersson.

Uniquesec
A technology for testing vehicle-based radar devices through simulations in a lab environment.

TrusTrace
A digital platform that creates ESG transparency and traceability across the entire supply chain.

RESPONSIBLE BUSINESS

Social entrepreneurs are changing communities through education

Carnegie and its employees have been contributing to social entrepreneurship around the world since 2002 through the non-profit Carnegie Social Initiative.

Carnegie and its people have been supporting social entrepreneurs who are contributing to positive changes in their communities for almost 20 years through the non-profit Carnegie Social Initiative. The work is aimed at improving conditions for vulnerable children and young people around the world. It arises from Carnegie's commitment to companies and entrepreneurship.

Carnegie employees are personally committed to the cause and about half of all employees donate annually through regular monthly donations or regular fundraising campaigns. Employee donations make up about half of Carnegie's annual donations to the social enterprises. Carnegie Social Initiative arranges several activities and campaigns to inform people about the projects and maintain engagement among employees.

Carnegie currently supports two organisations via Social Initiative, both in the education segment: the Door Step School in Mumbai, India and the Uganda Rural Development Training Programme (URDT). Door Step School was started by social entrepreneur Bina Lashkari to provide educational opportunities to children in the slums of Mumbai. The organisation is accomplishing this by operating preschools, computer centres, science labs and mobile libraries. Donations from Carnegie have been used for purposes including establishing the first computer centre in the Colaba slum. The literacy rate among pupils at the Door Step School has risen on average from 35 percent to 85 percent. The successes were admired by the King and Queen of Sweden, who visited Door Step School during their state visit to India in December 2019.

Carnegie Social Initiative is contributing to improving outcome measurement and scaling up the organisation to cover additional slums in Mumbai.

In Uganda, the support is directed at social entrepreneur Mwalimu Musheshe and his organisation Uganda Rural Development and Training Centre (URDT). URDT educates girls, who then inspire and teach their families and other villagers to change their own lives. This has significantly improved conditions for poor families in rural western Uganda. URDT's activities include a school for girls, a university for women, a vocational college with an entrepreneurial spirit and a radio station. The latest initiative is to build up a computer centre where girls can develop their IT skills. All pupils of the URDT Girls School go on to secondary school, compared to 60 percent nationally.

URDT, Uganda

1,500

family members gained knowledge to help rise from poverty thanks to their 255 daughters who attended the URDT school for girls in 2019.

74

young women participated in URDT university education in 2019.

138

young women and men gained new knowledge and skills at the URDT vocational school in 2019.

I am incredibly proud of our employees' commitment to Carnegie Social Initiative. Half of all employees donate annually through regular monthly donations or recurring fundraising campaigns.

Björn Jansson, CEO

Door Step School, India

99,850

children are educated every year.

360

children attended preschool in 2019 thanks to Carnegie Social Initiative.

700

children learned IT skills at the computer centre made possible by Carnegie Social Initiative.

THE DOOR STEP SCHOOL HELPED KISHOR SUCCEED

Kishor Chauhan grew up in the Colaba slum of Mumbai. Like most people in the area, the family were poor and his parents cleaned fish in the nearby port district. As a teenager, Kishor began attending the Door Step School computer centre, which was made possible by support from Carnegie and was the first of its kind in the slums of Mumbai.

Kishor's father died suddenly in 2013 when Kishor was in his last year at the school. He was forced to begin working as a day labourer to support the family. But he also went back to the Door Step School computer centre to keep his skills updated. The staff realised that Kishor was a good resource for the school and took him on as a part-time IT instructor for six months. That made it possible for Kishor to study in the afternoons and graduate from the school.

Kishor was later hired by Tikona Infinite PVT Ltd in Mumbai, one of the biggest internet operators in India. He started as a salesperson in 2015 and was promoted to group manager in 2018, responsible for ten field sales representatives.

CASE

SUCCESSFUL IPO OF KARNOV GROUP

Karnov Group, a leading provider of legal, tax and accounting, environmental, and health and safety information services and products in Denmark and Sweden, started trading on Nasdaq Stockholm in April 2019 after a successful IPO. Carnegie acted as sole Global Coordinator and Joint Bookrunner.

The share was priced at SEK 43, valuing the transaction at just under SEK 3 billion. The IPO was heavily oversubscribed and, from April to the end of 2019, the share gained 23 percent to close the year at SEK 53.

As part of the IPO, Carnegie also managed to bring Fjärde AP-fonden, Lazard Asset Management and Vind AS on board as cornerstone investors, and together these acquired 14.7 percent of the shares in the company.

Karnov's ambition is to be an indispensable partner for all legal, tax and accounting professionals in Denmark and Sweden, and enable its users to make better decisions – faster. Karnov provides mission-critical information to more than 60,000 users across law and accounting firms, corporates and public sector entities, including courts, public authorities, municipalities and universities.

Contents

Corporate governance

Corporate governance

Corporate governance refers to the system of rules, practices and procedures through which a company is directed and controlled. Governance, management and control are distributed among the shareholders, the Board of Directors, board committees and the CEO. The overall objective of corporate governance at Carnegie is to ensure efficient processes that uphold high ethical standards as well as strong risk management and internal control procedures.

Carnegie is subject to a wide range of regulations. The external regulatory framework for corporate governance includes the Companies Act, the Annual Accounts Act, the Banking and Finance Business Act and regulations and guidelines issued by Finansinspektionen (the Swedish Financial Supervisory Authority) and other authorities. The Group also applies a broad set of internal policies and instructions which clarify the division of responsibility, authority and accountability of various functions and provide guidance on Carnegie's core values. The internal rules adopted by the annual general meeting are the articles of association, the diversity policy and an assessment of the suitability of directors.

The Group's governance proceduresare also regulated by internal policy documents adopted by the Board of Directors and the CEO, respectively. Policy documents adopted by the Board of Directors include the board charter, instructions to the CEO, the group governance policy, risk and compliance policies, the credit policy, the policy for management of conflicts of interest, the policy for measures against money laundering and terrorist financing and the remuneration policy.

Annual General Meeting

The shareholders exercise their influence at general meetings, for example, by appointing the bank's directors and auditors.

Board of Directors

Directors are elected by the shareholders at the annual general meeting for a term of one year. The Board has been composed of five directors since the annual general meeting of 2019. The CEO is not a director. The CEO participates in all board meetings, except on matters that may be in confict with the interests of the bank, , such as when the CEO's work is evaluated. Other members of executive management participate as required. The Board of Directors is presented on page 41.

The Board of Directors has the ultimate responsibility for the business conducted in the Group. The Board establishes the general objectives and strategy for business operations, regularly monitors and evaluates operations based on the objectives and guidelines it has adopted, appoints the CEO, and continuously evaluates management. The Board is also responsible for ensuring that the organisation is organized in such was so that accounting, asset management and other financial conditions are adequately controlled and that risks involved in the business are identified, measured, monitored and controlled in compliance with external and internal regulations, including the Articles of Association. The Board also decides on significant acquisitions, divestments and other major investments and ensures that the provision of external information is objective and transparent. The Board also has the final say on the appointment/dismissal of the Chief Risk Officer (CRO) and the Head of Internal Audit.

The Board has adopted a charter that governs its role and working procedures as well as specific instructions to board committees.

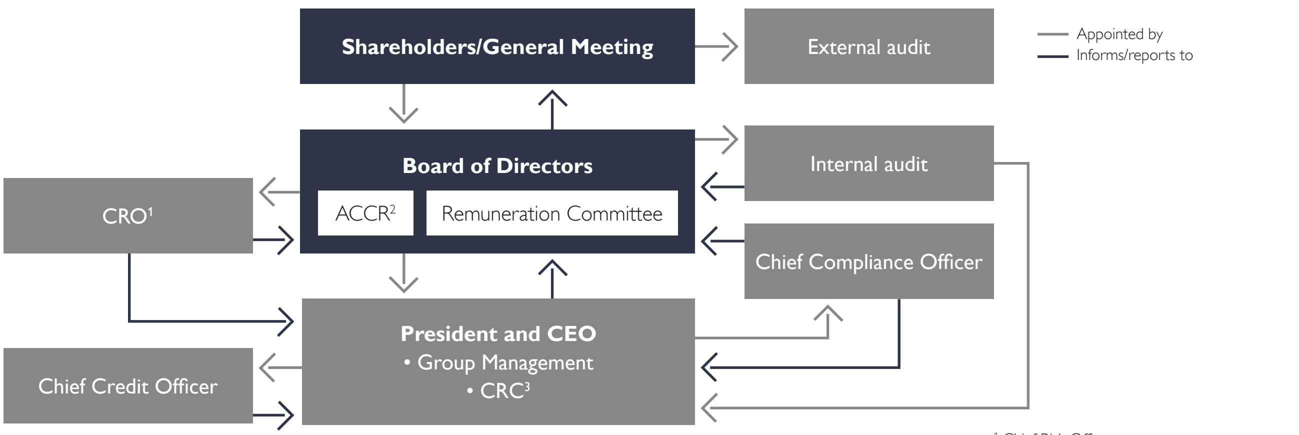
The Board of Directors' work

The Board carries out its work according to an annual plan, by which the Board regularly follows up and evaluates operations based on the objectives and guidelines adopted by the Board. This includes monitoring risk, capital and liquidity on an ongoing basis as well as the Internal Capital Adequacy Assessment Process (ICAAP) and other stress tests. The Board also maintains procedures to ensure that it continuously deepens its knowledge on all areas of the Group's business and processes, including developments in the business environment, , major projects and new regulations. The Board of Directors held 17 meetings in 2019.

Board committees

While the Board cannot delegate its overall responsibility, it has established committees to support the Board in specific areas by preparing decisions by the Board. The Board currently has two committees: the Audit, Compliance, Capital and Risk Committee (ACCR), and the Remuneration Committee. The committees report regularly to the Board.

GOVERNANCE MODEL



[1] Chief Risk Officer
[2] Audit, Compliance, Capital and Risk Committee
[3] Capital, Risk and Credit Committee

Committee members are appointed by the Board for a term of one year. The ACCR's duties include supporting the Board in its efforts to assure the quality of the Group's financial reporting and internal control over financial reporting. ACCR also supports the Board in its work to review and ensure that the Group is organised and managed in such manner that the business is operated in compliance with laws and regulations, that all risks in Group operations are identified and defined and that such risks are measured, monitored and controlled in accordance with the Board's risk appetite . The ACCR also continuously monitors the Group's risk and capital situation. The committee communicates regularly with the Group's internal and external auditors, oversees the coordination of their activities and ensures that any problems noted or objected to by the auditors are rectified.

The Remuneration Committee monitors, evaluates and prepares remuneration matters prior to decision by the Board. The committee's remit includes proposing principles and generalpolicies for salaries (including variable remuneration), benefits and pensions and overseeing the implementation of these principles.

CEO and Group management

The President and CEO is responsible for the day-to-day management of the Group's business in line with the guidelines, policies and instructions adopted by the Board. The CEO reports to the Board and presents a CEO report at every board meeting which covers matters such as business developmentbased on the decisions taken by the Board. The Board has adopted an instruction that sets out the duties and role of the President/CEO. The CEO may delegate tasks. However, this does not release him of his responsibility. To support his work, the CEO has appointed a group management team for consultation on important matters.

Risk management and compliance functions

The risk management function is independent of business operations and is responsible for ensuring that all risks are identifyied, assessed, measured, monitored, managed and properly reported. The bank's Chief Risk Officer (CRO), who is appointed by the Board and reports to the CEO, regularly informs the Board, the ACCR, the CEO and group management concerning risk issues. The risk management function has a global functional responsibility and the CRO's activities are governed by a policy adopted by the Board.

Risk management at Carnegie is based on the principle of three lines of defence. The model distinguishes between functions that own risk and compliance (first line), functions that control risk and compliance (second line) and functions for independent audit (third line). The Group Compliance function is also independent of operations. Compliance monitors and verifies compliance with laws, regulations and internal rules, provides information, advice and support to business operations , identifies compliance risks and monitors the management of such risks. The Group Compliance Officer (GCO) is appointed by the CEO and reports regularly to the CEO, group management, the ACCR and the Board. The GCO has a global functional responsibility and the GCO's activities are governed by a policy adopted by the Board.

Internal audit

The primary duty of the internal audit functionis to evaluate the adequacy and effectiveness of internal controls and risk management. Internal Audit is independent of the business operations and reports directly to the Board. The principles that govern the work of the internal audit function are reviewed and approved annually by the ACCR and adopted by the Board.

Remuneration principles

Skilled and dedicated employees are the key to creating value for Carnegie's clients and thus contributing to the company's long-term development and success. Carnegie's remuneration model is intended to support successful and long-term development of the Group. The model is also intended to reward individual performance and encourage long-term value creation combined with balanced risk-taking.

REMUNERATION POLICY

The Board has adopted a remuneration policy that covers all employees. The policy is based on a risk analysis performed annually by the risk management function under the direction of the CRO. The policy is revised annually. Further information concerning Carnegie's remuneration policy is available on www.carnegie.se.

Fixed remuneration

Fixed remuneration is the base of the remuneration model. Base salary depends on several factors, such as the employee's competence, responsibilities and long-term performance.

Variable remuneration for the Group and each unit

Total allocations for variable remuneration for the Group as a whole are based mainly on risk-adjusted earnings. The allocation of variable remuneration to the business areas and units is based on the extent to which operational targets have been achieved, taking into account market conditions and industry standards and risk-taking and risk management. The proposedprovision and allocation to the business areas and units is prepared by the Remuneration Committee. Particular consideration is given to any risks that may be associated with the proposal. The committee also assesses the impact on Carnegie's present and future financial position. This assessment is based on the forecasts used in the ICAAP. Special attention is paid to ensuring that capital targets set by the Board will not be missed. Finally, the committee assesses whether there is any risk of conflicts of interest and, if so, how the conflicts will be managed. The Remuneration Committee's recommendation forms the basis of the Board's final decision on variable remuneration.

Individual performance assessment

Carnegie applies a group-wide annual process to assess individual employee performance. The assessment is made against predefined objectives and covers both financial and non-financial criteria. Any allocation of variable remuneration and potential increases in fixed salary are determined in relation to the achievementof individual objectives, unit performance and Group performance.

Identified staff

In compliance with external regulations, Carnegie has identified so-called 'identified staff,' who are employees whose professional activities have a material impact on an institution's risk profile . Identified staff includes executive management, employees in leading strategic positions, employees responsible for control functions and material risk-takers, as defined byregulations. For such staff, 40-60 percent of variable remuneration is deferred for three to five years. The deferred portion may be withheld if certain pre-defined criteria are not met. In addition, variable remuneration to such staff may not exceed fixed remuneration.

Employees in control functions

The criteria governing variable remuneration to employees who are responsible for control functions are designed to ensure their integrity and independence, which includes ensuring that remuneration is independent of the units subject to control.

Allocations to variable remuneration for 2019

Allocations of variable remuneration to staff in 2019 amounted to SEK 336 million (264) excluding social insurance fees. For the individuals defined as identified staff 40-60 percent of variable remuneration is deferred for three to five years. For more information about remuneration in 2019, see Note 6 Personnel expenses.

Monitoring and control

Internal Audit performs an annual, independent review to ensure that the Group's remuneration complies with the remuneration policy and regulatory requirements and reports its findings to the Board no later than in conjunction with approval of the annual accounts.

Partnership

Carnegie employeesowned about 30 percent of the equity in the parent company as of 31 December 2019. Employee ownership is an important aspect of creating commitment to the company's development and ensuring that employees have the same incentives as other owners to create long-term value.

Board of Directors



	Anders Johnsson	Ingrid Bojner	Anna-Karin Celsing
Position	Chairman since 2019	Director since 2015	Director (effective 1 April 2020)
Committee	ACCR, RemCom		ACCR
Born:	1959	1973	1962
Education	St Mikaelskolan, Mora.	MSc, Stockholm School of Economics. Studies at Georgia State University and UCLA Anderson School of Management.	MBA, Stockholm School of Economics.
Other significant assignments	Director of Carnegie since 2016. Chairman of the board of Hemma Bolån AB.	Chairman of the board of New Republic PR AB, director of DHS Venture Partners and SWEMA AB and CCO of Storytel AB.	Director of Landshypotek Bank AB, Lannebo Fonder AB, Volati AB, Peas Industries and OX2 Vind AB.
Previous experience	Many years with SEB, most recently as head of the Life and Wealth Management Division and member of executive management.	CEO and Head of Marketing at Stockholm School of Economics IFL Executive Education. Senior positions with TeliaSonera and McKinsey & Company.	Chairman of the board of SVT AB, director of Finansinspektionen and senior positions with companies including Ratos and Föreningssparbanken.



	Klas Johansson	Harald Mix	Andreas Rosenlew
Position	Director since 2016	Director since 2009	Director since 2015
Committee	ACCR	RemCom	
Born:	1976	1960	1962
Education	MSc, Stockholm School of Economics.	MBA, Harvard Business School, Bachelor of Science, Applied Mathematics and Economics, Brown University.	MSc in Economics & Business Administration, Hanken School of Economics, Helsinki.
Other significant assignments	Partner of Altor Equity Partners AB. . Director of Transcom World Wide, IYUNO Group, Ludvig o Co, Gelato Group and Advinans.	Founding partner of Altor Equity Partners. Chairman of the board of Altor Holding AB and director of Carneo AB, .	Chairman of the boards of Digitalist Group Oy Plc and Grow AB. Director of Cabonline Group Holding AB (Fågelviksgruppen/HIG Capital).
Previous experience	Employed by McKinsey & Company.	CEO of Industri Kapital, First Boston Corporation and Booz Allen & Hamilton.	Senior partner at Lowe & Partners Worldwide and executive chairman of Lowe Bindfors. Director of Acne Holding and Avanza Bank.

Group management

Björn Jansson
President and Chief Executive Officer since 2015
Born: 1963
Previous experience: Head of Investment Banking & Securities. Co-head of the Securities business area at Carnegie. Global head of research and co-head of SEB Enskilda Securities and global head of research at Alfred Berg.

Anders Antas
Chief Financial Officer (CFO) since 2018
Born: 1975
Previous experience: A number of positions with Carnegie, including head of Treasury and most recently as COO. Formerly an analyst with SEB Enskilda Securities.

Jacob Bastholm
Head of Carnegie Denmark since 2017
Born: 1970
Previous experience: Head of Corporate Finance, Handelsbanken Capital Markets. Formerly, executive positions within ABN AMRO.

Christian Begby
Head of Carnegie Norway since 2012
Born: 1963
Previous experience: Leading positions in analysis and Corporate Finance. Former head of Corporate Finance at SEB Enskilda, Norway. Head of Equity Research at SEB Enskilda, 1996-2000.

Elisabeth Erikson
Chief Information Officer (CIO) since 2017
Born: 1974
Previous experience: Head of Business Development, Skandiabanken. Formerly Business Area Manager, Banking Services and Mortgages, Skandiabanken.

Henric Falkenberg
Global Head of Securities since 2009
Born: 1960
Previous experience: Head of Securities at SEB Enskilda and Alfred Berg. Prior to that, broker at Öhman and Consensus.

Fredrik Leetmaa
Chief Risk Officer (CRO) since 2010
Born: 1971
Previous experience: Group credit manager at Carnegie, credit manager at SEB Luxembourg, BOS Bank of Poland and senior positions within the SEB Group.

Helena Nelson
Chief Legal Counsel since 2013
Born: 1965
Previous experience: Compliance manager and head of operational risk for Swedbank Group. Chief legal counsel and corporate counsel at Skandia.

Jonas Predikaka
Global Head of Private Banking since June 2016
Born: 1971
Previous experience: Head of Wealth Management and Private Banking at Danske Bank. Prior to that, global head of sales for SEB Private Banking.

Ulf Vucetic
Head of Carnegie Investment Banking since 2015
Born: 1971
Previous experience: Executive responsibility within Carnegie Investment Banking in Sweden. Prior to that, a Carnegie advisor in M&A and ECM, primarily in Sweden.

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Board of Directors' report

The Board of Directors and CEO of Carnegie Holding AB (reg. no. 556780-4983) hereby present the annual report of operations in the parent company and the Group for the financial year 2019.

OPERATIONS

Carnegie Holding is the parent company in the Carnegie Group, which in turn comprises the wholly-owned subsidiary Carnegie Investment Bank AB (publ) and subsidiaries. All business operations within the Carnegie Group take place within the entities Carnegie Investment Bank AB and subsidiaries.

OWNERSHIP

Carnegie Holding AB was owned by Altor Fund III (70.7 percent) and employees of Carnegie (29.3 percent), as of 31 December 2019.

MARKET & POSITION

Corporate transactions market

Equity capital market transactions (ECM)

The positive stock exchange and investment climate in 2019 led to persistent high activity in ECM transactions in the Nordics, including new issues, equity investments and IPOs. Total transaction volume in the Nordic market was somewhat lower than in the preceding year, but measured in number of transactions, business activity was nevertheless high. Carnegie was involved in more deals than any other Nordic financial services provider and nearly twice as many as its closest competitor (Source: Refinitiv).

For the fourth year running, Carnegie defended its top ranking among ECM transaction advisors in both the Nordic and Swedish markets. (Source: Kantar Sifo Prospera)

Mergers, acquisitions & sales (M&A)

Carnegie prospered in an active M&A market and was the most frequently engaged Nordic financial advisor in 2019 (Source: Refinitiv). Carnegie increased transaction volumes in almost all Nordic markets.

Carnegie has an outstanding reputation among advisors in the Nordic M&A market, including a leading position in the Swedish market. (Sources: Kantar Sifo Prospera, Euromoney).

Nordic equity market (equity research & trading)

Carnegie strengthened its position in brokered market volume for block trades and demonstrated outstanding capacity to broker transactions between buyers and sellers of shares with limited liquidity, i.e., in manual trading. In this segment, Carnegie accounted for 26 percent of brokered small-cap volume and 32 percent of brokered mid-cap volume in the Nordics in 2019, excluding trading on the Oslo Stock Exchange (Source: Nasdaq).

In parallel, Carnegie further strengthened its reputation in equity research during the year. According to most clients surveys, Carnegie was ranked at the top for equity research, brokerage and execution (Sources: Extel, Institutional Investors, Financial Hearings, Kantar Sifo Prospera).

Corporate bonds and fixed income instruments (DCM/Fixed Income)

The Nordic corporate bond market was characterised by relatively good market conditions in 2019. Carnegie acted as advisor in about ten transactions, evenly distributed over the year.

Capital and wealth management market

In line with strong stock market performance during the year, Carnegie Private Banking gradually increased the equity weight within the framework of its recommended portfolio allocation. A progressively brighter investment climate for retail investors also contributed to higher client activity in both listed and unlisted securities, where Carnegie was able to offer many unique investment opportunities during the year.

In conjunction, Carnegie defended its position as a market leader in Private Banking in 2019, as confirmed by Euromoney's annual market survey. Carnegie also has maintained the highest client satisfaction among Swedish private banking clients, according to Kantar Sifo Prospera's annual evaluation.

The new office in Linköping has developed well since it opened in January and is contributing to net growth in new clients for overall operations. Total assets under management (AuM) with Carnegie increased by 33 percent to SEK 128 billion (96) at the end of the year.[1]

[1] Excluding Banque Carnegie Luxembourg.

GROUP FINANCIAL PERFORMANCE

Group operating income amounted to SEK 2,613 million (2,273) for the full year of 2019, an increase of 15 percent compared to income in the preceding year and the highest level achieved in ten years.

Operating income statement

January – December, SEKm	2019	2018
Continuing operations		
Investment Banking & Securities	2,018	1,759
Private Banking	595	514
Operating income	**2,613**	**2,273**
Personnel expenses before variable remuneration	-1,114	-1,091
Other expenses	-592	-507
Operating expenses	**-1,706**	**-1,599**
Operating profit	907	674
Financing expenses, variable remuneration, etc.	-407	-296
Profit before tax	**501**	**378**
Tax	-78	-92
Profit for the year from continuing operations	**422**	**286**
Profit from assets held for sale[1]	171	13
Net profit for the year	**593**	**300**
Employees		
Average number of employees	569	559
Number of employees at the end of the year	585	573

[1] Refers to Banque Carnegie Luxembourg (BCL).
The comparative figures in the operating income statement have been adjusted for items attributable to BCL.
See page 93 for definitions.

Income

Investment Banking & Securities

Income within Investment Banking & Securities is generated primarily via the following types of income: advisory fees related to equity capital market transactions and mergers & acquisitions, bond-related advisory income and commissions related to brokerage services and equity capital market transactions and charges related to equity research.

Investment Banking & Securities is reporting income of SEK 2,018 million (1,759) for the full year of 2019, corresponding to an increase of 15 percent over last year, driven mainly by a strong market for corporate transactions, particularly M&A. As regards individual markets, the highest growth in terms of percentage was in Norway and Denmark, but all operations are making positive contributions to income growth.

Overall, Carnegie's market-leading position in equity research and stronger trading volumes in the equity sales business are contributing to persistently stable earnings.

Private Banking

Income in Private Banking is generated mainly from discretionary management, advisory, net interest income and charges related to securities transactions.

Income in Private Banking amounted to SEK 595 million (514) in 2019, an increase of 16 percent compared to 2018. The Swedish and Danish operations both contributed to the income growth, driven primarily by increased assets under management and higher transaction income.

The office in Linköping is demonstrating strong development during its first year in operation, in line with the high estimate for inflow of new clients and new assets under management.

Costs

Operating expenses amounted to SEK 1,706 million (1,599), an increase of 7 percent in relation to the corresponding period last year. The increase was driven mainly by higher personnel costs in business operations, IT-related investments and currency effects.

Profit

Operating profit before tax was SEK 501 million (378), an increase of 32 percent compared with the same period last year.

Including profit from the sale of the subsidiary Banque Carnegie Luxembourg, profit before tax for the year was SEK 672 million (390) and profit after tax was SEK 593 million (300).

INVESTMENTS

Consolidated investments in fixed assets amounted to SEK 10 million (8) during the period.

FINANCIAL POSITION

The Group's financial position remains strong, owing to persistently good profitability and low exposure to financial risks. Two thirds of consolidated risk-weighted assets are comprised of operational risk and structural risk arising from ownership of foreign subsidiaries. Risk in the trading book makes up only five percent of consolidated risk-weighted assets.

The Group's liquidity investments continue to have a low risk profile, including low duration, institutional exposure and instruments with low credit risk. The Common Equity Tier 1 capital ratio (CET1) and the capital adequacy ratio were both 25.2 percent (24.2). Further information and comparative figures are presented in Note 27. A more detailed description of Carnegie's capital adequacy and liquidity is available online at www.carnegie.se.

The Group's financing comprises equity and deposits from the public. Equity accounts for 15 percent (16), deposits from the public account for 71 percent (61) and other debt accounts for 14 percent (23) of the balance sheet total.

DISPOSITION OF PROFIT

At the disposal of the annual general meeting, SEK	
Share premium reserve	683,165,000
Retained earnings	213,228,108
Net profit for the year	677,462,536
Total	1,573,855,645

The Board of Directors proposes the following disposition of profit:	
To be carried forward	1,573,855,645
Total	1,573,855,645

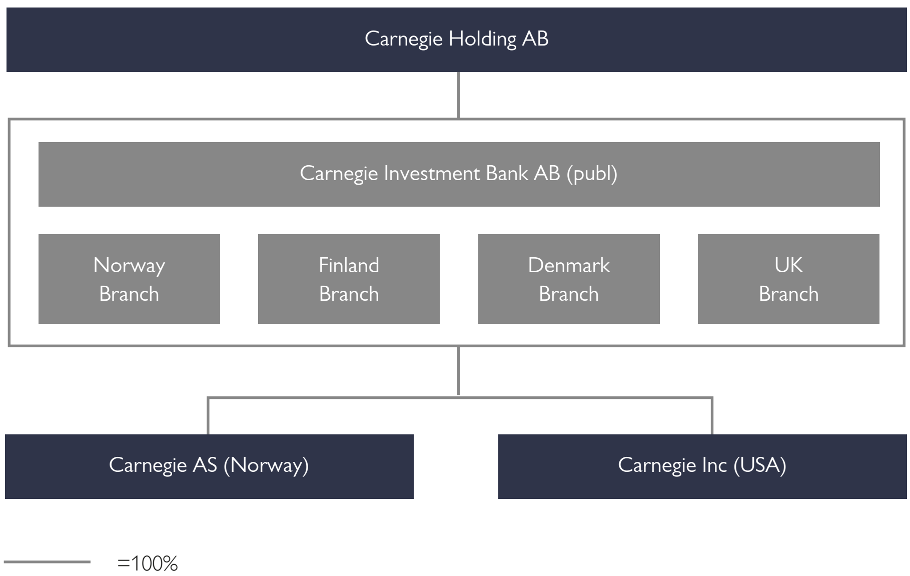
GENERAL INFORMATION ABOUT RISKS AND UNCERTAINTIES

By nature of its business activities, the Carnegie Group is exposed to market, credit, liquidity and operational risks. Market risk is defined as the risk of loss due to, among else, the impact of movements in equity prices, interest rates or exchange rates. Credit risk is defined as the risk of loss due to failure of counterparties to fulfil contractual obligations. Credit risk originates mainly from lending to clients with shares as underlying collateral. Liquidity risks are linked to the need for, and access to, liquidity in operations. Operational risk refers to the risk of loss resulting from inadequate and/or failed processes or systems, the human factor, or external events. Risks within Carnegie are described in the section Risk, liquidity and capital management, pages 48-52 and Note 27 Risk, liquidity and capital management

EMPLOYEES

The Carnegie Group had a total of 585 (606) employees in six countries at year-end 2019. Carnegie's unwavering ambition is to recruit and retain the best employees by means of active leadership, clear objectives and competitive remuneration systems and by creating a working environment that provides optimal opportunities for personal and professional development. Further disclosures concerning salaries and other remuneration for the parent company and the Group are provided in Note 6 Personnel expenses.

Legal structure as of 31 Dec 2019



SUSTAINABILITY

Carnegie plays a key role in the economy as a meeting place for capital and investment opportunities. By bringing these together, Carnegie creates value and growth to the benefit of clients, an efficient capital market and a sustainable society. Carnegie's social responsibility proceeds from our core business and our capacity to have impact through our advisory services. We consider financial, environmental and social aspects from both the risk and value-generating perspectives.

Carnegie has a long tradition of social engagement on behalf of business and entrepreneurship and has been contributing to social enterprise for several years. Sustainability work is focused on the areas surrounding Carnegie's roles as a responsible advisor, a responsible business and a responsible employer.

As provided under the Swedish Annual Accounts Act (ch 6, s 11), Carnegie has elected to prepare its sustainability report for 2019 as a separate report, not incorporated in the Board of Directors' report. The sustainability report, which is found on pages 93-103 of Carnegie's Annual Report 2019, has been approved by the Board of Directors and was submitted to the auditor for review at the same time as the rest of the Annual Report.

The sustainability report describes Carnegie's approach to social conditions and employees, anti-corruption and respect for human rights and the environment and reports the sustainability initiatives taken during the year.

Unless otherwise specified, the disclosures refer to the Carnegie Group, which comprises the wholly owned subsidiary Carnegie Investment Bank AB (publ) and subsidiaries, in which all business is conducted.

SIGNIFICANT EVENTS IN 2019

Sale of Banque Carnegie Luxembourg closed

The sale of the banking operations in Luxembourg closed in January 2019.

New Chairman of the Board

Anders Johnsson, who has served as a director since 2016, took over the chairmanship of the Carnegie Group in June.

AWARDS IN 2019

Carnegie can sum up 2019 with a leading position in all areas of operations.

Investment Banking & Securities

For the fourth year running, Carnegie defended its top ranking among ECM transaction advisors in both the Nordic and Swedish markets, according to Kantar Sifo Prospera. Carnegie also has an outstanding reputation among advisors in the Nordic M&A market, including a leading position in the Swedish market. In parallel, Carnegie strengthened its reputation within equity research, brokerage and execution in 2019 according to most client surveys (Extel, Institutional Investors, Financial Hearings, Kantar Sifo Prospera). In addition, institutional clients in the Nordic market assessed Carnegie's back office capacity as the highest among all firms in the market, according to Kantar Sifo Prospera.

Private Banking

Carnegie defended its position as a market leader in Private Banking in 2019, as confirmed by Euromoney's annual market survey. Carnegie also has maintained the highest client satisfaction among Swedish private banking clients, according to Kantar Sifo Prospera's annual evaluation.

SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

External awards

Carnegie was once again ranked first among Swedish Private Banking institutions in February 2020 according to the British magazine Euromoney.

Global pandemic

A Covid-19 pandemic broke out during the first quarter of 2020, which lead to a sharp downturn in most financial markets around the world and a rapid deceleration in economic activity. As of the end of March 2020, it is still highly uncertain how prolonged the pandemic and the downturn in economic activity will be, but nervousness in the markets where Carnegie operates has markedly increased. Carnegie's financial position remains strong and exposure to financial risks remains low.

OVERVIEW OF THE PARENT COMPANY

Net sales in the parent company amounted to SEK 0 million (0). Net financial income amounted to SEK 650 million (255) and the net profit for the year was SEK 677 million (252).

There were no investments in fixed assets during the period (-). Liquidity, defined as cash and bank balances, was SEK 1 million (2) as of 31 December 2019. Equity amounted to SEK 1,813 million (2,035) as of 31 December 2019.

Risk, liquidity and capital management

Carnegie attach great importance to meeting society's expectations for social responsible business practices. This includes maintaining a sound risk culture characterised by high risk awareness, ongoing dialogue about the risks to which the bank is exposed and robust methods for systematic risk management. As reflected in our risk profile, Carnegie has a low risk appetite. Our general risk strategy is to take conscious and controlled financial risks that support our advisory business. Carnegie's business model primarily drives non-financial risks, such as operational risk, compliance risk and reputational risk. Financial risks, such as market and credit risks, are generally low and the Group sustained no material losses in 2019.

RISK MANAGEMENT

Risk management at Carnegie is based on the principle of three lines of defence. The model distinguishes between functions that own risk and compliance (first line), functions that control risk and compliance (second line) and functions for independent audit (third line). The model rests on the fundamental principle that responsibility for risk management and control always resides where the risk arises. This means that every employee is responsible for managing risks in their own area of responsibility. As such, risk management encompasses all employees, from the CEO and other senior executives to employees in front and back office as well as support functions.

Beyond the control and monitoring performed by the business units, Carnegie has three control functions that are independent from business operations: Risk Management, Compliance and Internal Audit. Risk Management and Compliance supervise risk management and regulatory compliance within the business areas. The third arm, Internal Audit, is responsible for verifying that the business areas and the other control functions perform their tasks as required.

Risk management in the business areas

The first line of defence comprises the business areas and support functions under the guidance of operational managers. As the first line of defence, each operational unit bears full responsibility for the risks associated with their operations. Members of operational staff know their clients best and it is they who take ongoing business decisions. They are thus in the best position to assess risks and react swiftly if a problem should arise. In order to maintain sound risk control, the business areas, assisted by the support functions within the first line of defence, perform active risk management and ongoing control activities. These activities include credit risk decisions, payment authorisation rules, verification, reconciliation and effective division of responsibilities and tasks in processes and procedures.

Risk management and compliance

The control functions in the second line of defence are responsible for establishing group-wide processes and procedures to ensure that risks are managed in a systematic way. Risk management rules and procedures as well as regulatory compliance are described in policies and instructions that are adopted by management and the Board. The risk management function is responsible for monitoring risk management by the business areas and ensuring that the level of risk is in line with the risk appetite and tolerance as determined by the Boar.

The risk management function is headed by the Chief Risk Officer (CRO) who reports directly to the CEO and the Board. The risk management function develops processes and methods for risk management and monitors their application. The risk management function is also responsible for independently identifying, measuring and monitoring the development of the Group's risks over time and reporting risk on an aggregate level to the Board and Group Management. This includes the scenario analysis and stress tests performed within the framework of the annual internal capital and liquidity adequacy assessment (ICLAAP) process.

The compliance function's responsibility includes verifying operational compliance with laws, regulations and internal rules. Regulatory areas that are particularly time-consuming include the Markets in Financial Instruments Directive (MiFID) and regulations intended to prevent market abuse, money laundering and terrorist financing. The tasks of the compliance function include interpreting applicable rules, informing relevant functions about regulatory changes, assisting the business operations with drafting internal rules and supporting business operations and management with advice and support related to compliance.

Carnegie's compliance function is headed by the Group Compliance Officer (GCO), who reports directly to the CEO and the Board. The compliance function also comprises compliance officers at each subsidiary and branch. The local functions report to the GCO as well as local management and boards.

Internal audit

Internal Audit represents the third line of defence. Its responsibility is to systematically assess and verify the adequacy and effectiveness of internal control and risk management from a regulatory perspective and risk-based approach. Their responsibility includes verifying that both the operations in the first line of defence and independent control functions within the second line of defence are functioning satisfactorily. Internal Audit is independent of the business operations and reports directly to the Board. The principles governingthe work of the Internal Audit function are reviewed and approved annually by the Board's Audit Committee and adopted by the Board.

RISK AREAS

Risk represents uncertainty that couldadversely impact Carnegie, for example in the form of financial loss or damaged reputation. Carnegie's operations primarily entail exposure to the following risk categories: market risk, credit risk, liquidity risk, operational risk, compliance risk, sustainability risk, reputational risk, business risk and strategic risk. As shown on the chart below, a small fraction, 9 percent, of the bank's risk-weighted assets arise from active risk-taking, that is, risks that the bank chooses to take in the course of business. This includes, for example, lending to the public and the bank's client-driven trading. Risk-weighted assets arising from the bank's liquidity management account for 11 percent, of which the majority is comprised of risks against credit institutions. Other risk-weighted assets, corresponding to 80 percent, are risks that arise in banking operations, such as operational risks and structural currency risks in the equity of the bank's subsidiaries.

Market risk

Market risk is the risk of loss due to movements in prices and volatility in the financial markets. Carnegie offers its clients a range of sophisticated financial services and products in several markets. The offering includes making prices for financial instruments directly to clients (client facilitation) or in the market (market making). When transactions are executed according to either of these activities, positions in Carnegie's own trading book may arise. The risk in the positions is managed according to applicable policies and instructions. The risk that has arisen and its management are monitored by the financial risk department. 2019 was quieter than 2018 in the markets where the bank has exposure. The trading income volatility ofwas also lowduring the year. The bank is exposed to four main types of market risk: equity risk, volatility risk, currency risk and interest rate risk. In order to gain an overall picture, Carnegie applies several complementary risk measures and limits. Market risk is also measured through stress tests that estimate potential losses in various extreme scenarios. Risk exposures and limit usages are reported on a regular basis to the CEO and the Board.

Equity risk

Equity risk is the risk of loss due to adverse changes in equity prices. Equity risk arises when Carnegie acts as market maker, provides prices on equities and equity-related instruments to its clients (client facilitation) or acts as the guarantor in primary market transactions.

Volatility risk

Volatility risk is the risk that the value of a financial instrument may vary due to changes in the underlying instrument's volatility. Volatility risk arisesin positions in held and issued options from client facilitation or market making activities.

Currency risk

Carnegie's currency risk can be divided into operational risk and structural risk. Operational currency risk is defined as the currency risk arising inbusiness operations through currency or securities transactions with the bank's clients. Structural currency risk is defined as the currency exposure arising in the balance sheet from the Group's presence in countries with different currencies. The largest structural currency risk is associated with the Group's foreign subsidiaries and branches.

Interest rate risk

Interest risk arises both in the trading book and in other operations. Interest risk in the trading book is defined as the risk of losses due tochanges in interest rates. Interest risk in the trading book primarily arises from positions in bonds and, to a certain extent, derivatives. As necessary, these risks are hedged with interest-bearing instruments. Interest rate risk in other operations is the risk that net interest income and interest-bearing instruments in the banking book will be adversely affected by changes in market rates. The risks generally arise when the fixed-interest terms of assets and liabilities do not match. Carnegie's lending and deposits are mainly at variable rates.

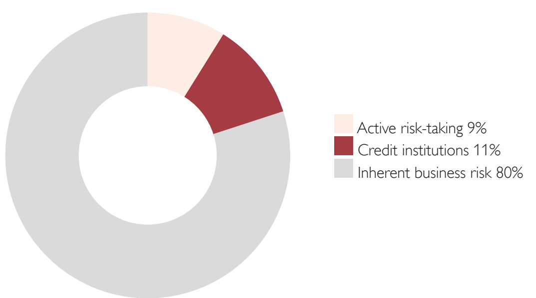
Credit risk

Credit risk is the risk of loss due to failure of counterparties to fulfil contractual obligations. This risk category includes concentration risk that arises from concentrations in the credit portfolio against a single counterparty, industrial sector or geographical region or from concentrations in pledged collateral. Carnegie's exposure to credit risk originates mainly from margin lending, securities lending and exposure to central banks and major banks, primarily Nordic institutions, via the bank's Treasury and Cash Management Department. The majority of exposures towards non-financial counterparties is secured by collateral in liquid securities. In order to manage adverse movements in the securities market, collateral values are based on the risk nature of the collateral. Collateral value is monitored daily.

Exposures to central banks and Nordic institutions arise primarily when Carnegie places its surplus liquidity and through collateral pledged for client-driven securities trading. Credit-related services are offered within the business area Investment Banking & Securities as part of its normal operations and business strategy. The assurance of a secondary market for structured instruments provided by Carnegie gives rise to credit risk in relation to the issuing counterparty. The majority of the Group's credit risk exposure is against strong financial counterparties arising from liquidity management.

Margin lending accounts for the majority of other exposure. In most cases, margin lending is part of an investment strategy. The counterparties in this portfolio are mainlyprivate individuals with a strong financial position and repayment capacity . Accordingly, the credit risk in this portfolio is low, which is further mitigated by the high-quality collateral portfolio. The quality of the collateral portofliореflectsthe Group's policies and instructions, which cover matters such asloan-to-value and liquidity requirements. The percentage of unsecured margin loans is low and the credit agreements areprimarily valid until further notice. Stress tests are regularly performed for market volatility and, as needed, in connection with major price movements in the securities markets. In some cases, credit risk may also arise in connection with transactions in Investment Banking. These are characterised by short maturities and collateralised exposures. Carnegie's exposure to credit risk for 2019 was largely on par with 2018. Credit risk in the bank's treasury operations is still characterised by a diversified placement strategy vis-à-vis strong financial counterparties, primarily Nordic major banks and municipal certificates. The collateral portfolio for margin lending is well-diversified and no credit losses arose during the year.

Risk profile



Credit policy
Carnegie's credit policy defines the frameworks for managing credit risk, concentration risk and settlement risk and reflects the risk appetite established by the Board . The policy establishes that credit operations shall be based on:

- Counterparty assessment: Credit decisions are based on careful assessment of the credit risk. This includes assessment of the counterparty's financial position, repayment capacity and the quality of pledged collateral.
- Collateral: Collateral for exposures consists mainly of cash deposits, liquid financial instruments, residential property or bank guarantees. When collateral value is determined, Carnegie must always have first priority on pledge and thereby not be subordinated to other creditors.
- Diversification: The credit portfolio must be diversified with regard to individual counterparties, industrial sectors, regions and with regard to pledged collateral. This applies at the individual counterparty level, the aggregate limit level and up to the level for the various legal entities within the Group.
- Sound principles: Credit approvals are based on sound banking principles and high ethical standards. Legal principles and generally accepted methods must not be jeopardised in any way.

Settlement risk

Settlement risk is the risk that the bank will fulfil its obligations in a contractual exchange of financial assets but fail to receive the corresponding settlement in return. Settlement risk is driven primarily by trading in securities on behalf of clients. Settlement risk within the Group is managed primarily via central clearing partners, where transactions are settled according to the delivery versus payment system. In certaincases, deals are settled outside the system of central clearing partners after the counterparty risk has been assessed by a competent authority. Settlement risk is therefore limited to the potential cost of replacing counterparties in the transaction and is affected by movements in the market price of the underlying instrument.

Operational risk

Operational risk is the risk of loss resulting from an inappropriate organisation, the human factor, inadequate or failed internal processes/ systems or external events. The definition includes legal risk. Operational risk includes cyber risk. Developments in this area are swift and cyber attacks are becoming increasingly common. Managing cyber risks is therefore an important focus area for Carnegie. In addition to technical protective measures, clear rules and guidelines, clear communication to maintain risk awareness among employees and monitoring compliance with rules and procedures are key components of cyber risk management at Carnegie.

Operational risk may arise from many different factors. These encompass a wide range of circumstances related to everything from transaction processes, internal or external fraud and system errors to natural disasters. These types of risks can be difficult to identify and assess. If left unmanaged, operational risk can, in the worst case, lead to consequences of sufficient magnitude to cause grave problems and significant losses. It is therefore imperative that potential operational risks are understood and assessed.

To manage operational risks, Carnegie has stablished a group-wide framework that encompasses policies and standardised procedures for identifying, assessing and reporting operational risk.

The framework is based on a variety of components including the following key processes:

- Self-assessment: Each unit within Carnegie regularly conducts a self-assessment exercise in which operational risks in all significant processes are identified, assessed and analysed. The purpose of this analysis is to raise awareness of operational risks and to address significant risks.
- Incident reporting: To assist in the identification, management and assessment of operational risk, Carnegie has developed a system for reporting of operational risk events, referred to as incidents. All employees have a responsibility to report incidents and managers are responsible for addressing unacceptable risks within their area of responsibility. The risk management function follows up on and analyses incidents.
- Approval of new products and services: Carnegie has a standardised process for assessing and approving new products and services and major changes to existing products and services. The procedure involves a review of risks and controls related to new products in which all the concerned functions are involved and give their approval before the product is introduced. The purpose of the process is to ensure that potential operational risks are identified and addressed prior to product launch.

Sustainability risk

Sustainability risk is the risk of impact in areas such as human rights, the environment, climate, corruption and money laundering. Sustainability risk could arise in any area of the bank's operations in its capacity as an asset manager, service provider, lender, employer and buyer. Managing sustainability risks is important from a financial and legal perspective, but from a reputational perspective. As with other operational risks, responsibility for managing sustainability risks lies where the risk arises. This means that each employee is responsible for identifying and managing sustainability risks within their area of responsibility with the support of the risk management function. Carnegie has a whistle-blowing procedure through which employees can make an anonymous report if they discover any non-compliance with internal or external regulations. Reports made in the whistle-blower system are treated with confidentially by the Head of Internal Audit. Further information about Carnegie's sustainability work is provided in the Sustainability Report, which is published on pages 93-100.

Compliance risk

Compliance risk is the risk of regulatory sanctions, financial losses or damaged reputation due to non-compliance with rules and regulations. Carnegie's business is subject to extensive legislation and regulations intended to provide strong consumer protection and secure the stability of the financial system. Carnegie works on an ongoing basis to monitor these in order to ensure compliance.

Examples of such regulations of particular importance to Carnegie are:

- IFRS 9 and BCBS d350: Accounting standard and guidance on credit risk practices.
- AML/KYC: Rules on measures against money laundering and terrorist financing, including maintaining good customer knowledge and effective transaction monitoring.
- CRD/CRR/Basel III: Capital and liquidity requirements on the business.
- MiFID II/MiFIR: EU harmonised rules for the securities business.
- EMIR: Includes mandatory settlement and reporting of OTC derivative contracts.
- MAD II/MAR: Regulations aimed at prevention of various forms of market abuse.
- CRS: OECD standard concerning exchange of tax information.
- GDPR: Common data protection regulations within the EU.

Maintaining the trust of our clients and supervisory authorities is a prerequisite for Carnegie's operations. Inadequate regulatory compliance may have far-reaching consequences in the form of both legal sanctions and damaged reputation. Management of compliance risk is thus a key component of overall risk management at the bank. Within Carnegie, this work involves, among else, the following:

- Acompliance unction, which has particular responsibility for ensuring regulatory compliance.
- Regular monitoring of regulatory changes, in particular through membership in various industry organisations, such as the Swedish Securities Dealers Association and SwedSec.
- Carnegie works proactively to prevent market abuse, money laundering and terrorist financing.
- Carnegie regularly identifies its conflicts of interests and makes every effort to ensure that action is taken to manage these in a way that is not detrimental to the interests of clients.
- Carnegie drafts and adopts policies, instructions and procedures that are applied throughout the Group.

Reputational risk

Reputational risk is the risk of loss of income from the Group's potential and existing clients if they lose trust in Carnegie due to negative publicity or rumours about the Group or about the financial services industry in general. Reputational risk is primarily a consequential risk triggered by internal or external events that have negative impact on confidence in the bank among clients, regulators and counterparties. Reputational risk is one of the most difficult risks to assess and guard against. At the same time, the consequences can potentially be substantial if the confidence in a bank is damaged. At Carnegie, reputational risk is managed primarily through open and frequent dialogue with our stakeholders. Carnegie has a wide range of communications channels towards clients and other counterparties in the market that enables usto pick up any negative signals. In addition, Carnegie strives to maintain frequent and transparent public disclosure of information.

Business risk and strategic risk

Business risk is the current or prospective risk to earnings arising from changes in the business environment. Strategic risk is the current or prospective risk to earnings and capital arising from adverse business decisions, improper implementation of decisions, lack of responsiveness to changes in the business environment or inadequate strategic planning. Business risk and strategic risk are closely related. Business risk involves external changes, such as trends in global stock markets and the general business climate. Strategic risk is related to the ability to adapt to these changes.

Carnegie continuously reviews its strategic position and engages in business intelligence to be prepared for changes in market conditions and the competitive landscape. For example, Carnegie performs regular scenario analyses to assess the impact of changed market conditions. The purpose of these analyses is to create the best possible basis for strategic decisions.

LIQUIDITY AND FINANCING

At year-end, 15 (16) percent of Carnegie's financing was comprised of equity, while deposits from the public accounted for 71 (61) percent and other debt accounts for 14 (23) percent of the balance sheet total. Financing in the form of equity and deposits and borrowing from the public was considerably greater at year-end than Carnegie's total lending. The loan-to-deposit ratio for the Group was 34 (30) percent.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations or be able to do so only at substantially higher cost. Carnegie maintains a liquidity reserve to ensure that it can meet its payment obligations in a stress scenario. The reserve exceeds the expected maximum net cash flow over a 30-day period of severe stress. Stress tests are designed to evaluate the potential effects of a series of extreme but possible events. Liquidity is monitored daily by Carnegie's treasury department and forecasts are prepared regularly.

CAPITAL MANAGEMENT

Carnegie's profitability and financial stability are directly dependent upon the ability to manage risks in the business. In order to maintain financial stability even in the face of unexpected losses, Carnegie has setan internal capital target. The target is set by the board based on regulatory requirements and the internal assessment of capital needs. In addition to the capital target, Carnegie has a recovery plan that outlines the possible measures that can be taken in the event of a strained financial situation. The group's financial position remains strong with a common equity Tier 1 capital ratio of 25.2 percent (24.7) and capital adequacy of 25.2 percent (24.7).

Pillar 1 - Minimum capital requirements

Carnegie must at all times maintain a capital base that, at minimum, is equal to the total of the capital requirements for credit risk, market risk and operational risk. Capital adequacy regulations provide different methods when calculating the capital required. Carnegie applies the standard method for calculating credit risk, standardised methods for market risk and the basic indicator approach for operational risk.

Pillar 2 - Risk assessment

Carnegie has processes and methods that enable continuous assessment and mainteningcapital that is adequate in terms of amount, type and allocation to cover the nature and level of the Group's current and prospective risk exposures. As part of the ICLAAP, an extensive risk analysis is performed, encompassing risks that may arise within Carnegie. The Board and senior management participate throughout the process by providing input to the identification and assessment of risks, defining scenarios and stress test methods and approving the final capital requirement.

Pillar 3 - Public disclosure

In accordance with capital adequacy regulations, Carnegie is required to disclose information about its capital adequacy and risk management. Additional disclosures concerning Carnegie's capital adequacy in 2019 are provided in the Capital Adequacy and Liquidity Report, available at www.carnegie.se.

Five-year review

Group

Income statement, SEKm	2019	2018	2017	2016	2015
Continuing operations					
Total income	2,830	2,448	2,472	2,153	1,908
Personnel expenses	-1,541	-1,480	-1,473	-1,396	-1,278
Expenses	-612	-582	-538	-441	-441
Expenses before credit losses	-2,153	-2,062	-2,011	-1,837	-1,719
Profit before credit losses	**677**	**386**	**461**	**316**	**190**
Credit losses, net	-5	4	2	26	4
Profit before tax	**672**	**390**	**463**	**342**	**194**
Tax	-78	-90	-124	-76	-88
Profit for the year from continuing operations	**593**	**300**	**339**	**266**	**106**
Discontinued operations					
Profit for the year from discontinued operations	–	–	7	120	108
Net profit for the year	**593**	**300**	**346**	**386**	**214**

Financial key data, continuing operations	2019	2018	2017	2016	2015
C/I ratio, %	76	84	81	85	90
Income per employee, SEKm	5.0	4.1	4.2	3.5	3.2
Expenses per employee, SEKm	3.8	3.4	3.4	3.0	2.9
Profit margin, %	24	16	19	16	10
Assets under management , SEKbn	128	110	110	100	92
Return on equity, %	32	16	22	21	5
Total assets, SEKm	11,285	**12,611**	**12,254**	**11,195**	**10,896**

Capital base, SEKm	2019	2018	2017	2016	2015
Common Equity Tier 1 capital ratio, %	25.2	24.2	23.0	19.6	18.1
Equity, SEKm	1,725	2,024	1,917	1,677	2,088

Employees, continuing operations	2019	2018	2017	2016	2015
Average number of employees	569	600	590	609	591
Number of employees at the end of the year	585	606	598	610	607

Carnegie Fonder AB was sold in April 2016 and Structured Products (operations in third-party distribution of structured products) was sold in 2017. Structured Products and Carnegie Fonder AB are presented as discontinued operations in the five-year review for the years 2015 -2017 and 2015-2016.

Consolidated statements of comprehensive income

SEK 000s	Note	Jan–Dec 2019	Jan–Dec 2018
Commission income	1	2,592,848	2,417,172
Commission expenses		-9,860	-25,062
Net commission income	2	**2,582,988**	**2,392,110**
Interest income	1	71,536	80,343
Interest expenses		-42,916	-48,247
Net interest income	3	**28,620**	**32,096**
Net profit from financial transactions	1, 5	32,520	23,727
Other operating income		186,080	–
Total operating income		**2,830,207**	**2,447,933**
Personnel expenses	6	-1,541,472	-1,479,840
Other administrative expenses	7	-539,649	-558,389
Depreciation and amortisation of tangible and intangible assets	8	-72,239	-23,283
Total operating expenses		**-2,153,360**	**-2,061,512**
Profit before credit losses		**676,847**	**386,421**
Credit losses, net	9	-4,965	3,501
Profit before tax		**671,882**	**389,922**
Tax	10	-78,427	-90,040
Net profit for the year		**593,455**	**299,882**
Other comprehensive income from continuing operations			
Items that may subsequently be reclassified to the income statement:			
Translation of foreign operations		8,356	16,533
Total comprehensive income for the year		**601,811**	**316,415**

The profit is attributable in its entirety to the owners of the parent company.

Reg no. 556780-4983

Consolidated statements of financial position

SEK 000s	Note	31 Dec 2019	31 Dec 2018
Assets			
Cash and bank deposits with central banks	12	83,135	67,980
Negotiable government securities	11, 12	2,289,621	2,034,067
Loans to credit institutions[1]	11, 12	2,225,721	2,424,408
Loans to the general public	11	2,662,894	2,088,295
Bonds and other interest-bearing securities	11, 12, 13	2,481,510	2,736,907
Shares and participations	12, 13	595,147	287,424
Derivative instruments	12	11,446	34,201
Intangible assets	15	0	2,645
Tangible fixed assets	16	272,391	40,635
Current tax assets		34,951	32,913
Deferred tax assets	17	165,252	213,453
Other assets	18	349,782	668,594
Prepaid expenses and accrued income	19	112,663	201,868
Assets held for sale	31	–	1,777,888
Total assets	23	**11,284,513**	**12,611,278**
Liabilities and equity			
Liabilities			
Liabilities to credit institutions	11, 12	49,362	29,808
Deposits and borrowing from the general public[1]	11, 12	8,007,440	7,729,043
Short positions, shares	12	69,695	7,449
Derivative instruments	12	89,562	9,144
Current tax liabilities		32,364	5,137
Deferred tax liabilities	17	3,650	3,040
Other liabilities	20	542,511	580,138
Accrued expenses and prepaid income	21	731,817	602,672
Other provisions	22	32,724	64,115
Liabilities held for sale	31	–	1,557,156
Total liabilities	23	**9,559,125**	**10,587,702**
Equity			
Share capital	33	238,811	238,811
Other capital contributions		683,165	683,165
Provisions		-90,708	-99,064
Retained earnings		894,119	1,200,664
Total equity		**1,725,388**	**2,023,576**
Total liabilities and equity		**11,284,513**	**12,611,278**
Pledged assets and contingent liabilities	24		
Assets pledged for own debt		463,412	681,980
Other pledged assets		603,560	541,629
Contingent liabilities and guarantees		454,134	672,739

[1] Whereof client funds 193,897 (507,281)

Consolidated statement of changes in equity

	ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS				
SEK 000s	Share capital	Other capital contributions	Translation reserve	Retained earnings	Total
Equity - opening balance 2018	**238,811**	**683,165**	**-115,597**	**1,111,093**	**1,917,472**
Net profit for the year				299,882	299,882
Other comprehensive income:					
Translation differences relating to foreign operations			16,533		16,533
Total comprehensive income (net after tax)			**16,533**	**299,882**	**316,415**
Initial effect of transition to IFRS 9				-10,311	-10,311
Dividends paid				-200,000	-200,000
Equity - closing balance 2018	**238,811**	**683,165**	**-99,064**	**1,200,664**	**2,023,576**
Net profit for the year				593,455	593,455
Other comprehensive income:					
Translation differences relating to foreign operations			8,356		8,356
Total comprehensive income (net after tax)			**8,356**	**593,455**	**601,811**
Dividends paid				-900,000	-900,000
Equity - closing balance 2019	**238,811**	**683,165**	**-90,707**	**894,119**	**1,725,388**

Parent company income statement

SEK 000s	Notes	Jan-Dec 2019	Jan-Dec 2018
Net sales	1	–	44
Other external costs	7	-1,205	-834
Personnel costs	6	-713	-930
Operating profit		**-1,918**	**-1,719**
Interest expenses and similar expenses	3	28	-81
Profit/loss from participations in subsidiaries	4	650,000	255,000
Profit/loss from financial items		**650,028**	**254,919**
Profit before tax		**648,110**	**253,200**
Tax	10	29,352	-712
Profit for the year		**677,463**	**252,488**

Parent company statement of other comprehensive income

SEK 000s	Jan–Dec 2019	Jan–Dec 2018
Net profit for the year	677,463	252,488
Other comprehensive income	–	–
Total comprehensive income for the year	**677,463**	**252,488**

The profit is attributable in its entirety to the owners of the parent company.

Parent company balance sheet

SEK 000s	Note	Jan-Dec 2019	Jan-Dec 2018
Assets			
Shares and participations in group companies	14	1,780,084	1,780,084
Deferred tax asset	17	30,379	1,026
Total non-current financial assets		**1,810,463**	**1,781,110**
Receivables from group companies	25	28	255,000
Current tax assets		1,397	1,397
Other current receivables		498	4,966
Cash and bank balances		1,423	1,526
Total current assets		**3,346**	**262,889**
Total assets		**1,813,809**	**2,043,999**
Equity and liabilities			
Restricted equity			
Share capital	33	238,811	238,811
Share premium reserve		683,165	683,165
Total restricted equity		**921,976**	**921,976**
Non-restricted equity			
Retained earnings		213,228	860,740
Net profit for the year		677,463	252,488
Total non-restricted equity		**890,691**	**1,113,228**
Total equity		**1,812,667**	**2,035,204**
Pension provisions		0	4,796
Total provisions		**0**	**4,796**
Liabilities to Group companies		–	3,415
Other current liabilities	20	366	18
Accrued expenses and prepaid income	21	776	566
Total current liabilities		**1,142**	**3,999**
Total liabilities		**1,142**	**8,795**
Total equity and liabilities		**1,813,,809**	**2,043,999**
Pledged assets and contingent liabilities	24		
Assets pledged for own debt		–	–
Other pledged assets		–	–
Contingent liabilities and guarantees		112,509	112,509

Parent company statement of changes in equity

SEK 000s	Share capital	Share premium reserve	Retained earnings	Total
Equity - opening balance 2018	238,811	683,165	1,060,740	1,982,716
Net profit for the year			252,488	252,488
Total income and expenses for the year			252,488	252,488
Dividends paid			-200,000	-200,000
Equity - closing balance 2018	238,811	683,165	1,113,228	2,035,204
Net profit for the year			677,463	677,463
Total income and expenses for the year			677,463	677,463
Dividends paid			-900,000	-900,000
Equity - closing balance 2019	238,811	683,165	890,691	1,812,667

Cash flow statements

	GROUP[1]		PARENT COMPANY	
SEK 000s	2019	2018	2019	2018
Operating activities				
Profit before tax	671,882	389,922	648,110	253,200
Adjustments for items not affecting cash flow	-40,948	-10,133	-	-255,000
Paid income tax	-2,795	-20,904	1	7
Cash flow from operating activities before changes in working capital	**628,139**	**358,885**	**648,111**	**-1,793**
Changes in working capital	-61,295	416,285	251,786	201, 714
Cash flow from operating activities	**566,844**	**775,170**	**899,897**	**199,921**
Investing activities				
Acquisition and sales of fixed assets	-10,291	-8,730	–	–
Cash flow from investing activities	**-10,291**	**-8,730**	**–**	**–**
Financing activities				
Dividends paid	-900,000	-200,000	–900,000	–200,000
Amortisation of lease liabilities	-66,298	–	–	–
Cash flow from financing activities	**-966,298**	**-200,000**	**–900,000**	**–200,000**
Cash flow for the year	**-409,745**	**566,440**	**-103**	**-79**
Cash and cash equivalents at beginning of year [2]	4,467,916	3,797,842	1,526	1,605
Translation differences in cash and cash equivalents	58,694	103,634	–	–
Cash and cash equivalents at end of year [2]	**4,116,866**	**4,467,916**	**1,422**	**1,526**

[1] The consolidated cash flow statements include assets held for sale.
[2] Excluding cash and cash equivalents pledged as collateral and client funds.

For further disclosures concerning cash flow statements, see Note 29.

Accounting policies

General information

Carnegie Holding AB, corporate registration number 556780-4983, has its registered office in Stockholm, at Regeringsgatan 56. The company's business is to directly or indirectly own, manage, pledge collateral to and provide loans to the banking operations and other Group companies related to financial activities and to conduct related business. All business in Carnegie Holding takes place in Carnegie Investment Bank AB and its subsidiaries. The Group also included Carnegie Fonder AB up to the end of April 2016, after which the company was sold.

Carnegie is a Nordic investment and private bank with operations in three business areas: Securities, Investment Banking and Private Banking. Carnegie offers financial products and services to Nordic and international clients from offices in six countries: Sweden, Denmark, Norway, Finland, the UK and the US.

Carnegie Holding AB is owned by the fund Altor Fund III and employees of Carnegie. Carnegie Holding AB is not included in any consolidated financial statements through the above and there are thus no references to such consolidated financial statements.

Basis for preparing financial statements

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU, with the exception of *IFRS 8 Operating Segments and IAS 33 Earnings Per Share*, for which application is not mandatory for entities whose shares are not publicly traded. Also applied were applicable interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU; *The Swedish Act on Annual Reports of Credit Institutes and Securities Companies* (ÅRKL 1995:1559); recommendation RFR 1 *Supplementary Accounting Regulations for Corporate Groups* issued by the Swedish Financial Accounting Standards Council; and the *Regulations and general recommendations regarding annual reporting of credit institutions and securities companies* issued by the Finansinspektionen (FFFS 2008:25). The consolidated financial statements were prepared in accordance with the purchase method with the exception of certain financial instruments measured at fair value.

The decision to divest Banque Carnegie Luxembourg S.A. (Luxembourg) was announced in May 2018. The transaction closed in January 2019. Assets and liabilities attributable to Luxembourg are presented separately in the Consolidated statements of financial position as a disposal group for 2018. Supplementary disclosures concerning Luxembourg are presented in Note 31.

The financial statements for the group and the parent company are presented in thousands of Swedish kronor (SEK 000s) rounded to the nearest thousand. As a result, amounts in thousands of SEK may not agree in all cases when summed.

The parent company's functional currency is the Swedish krona (SEK). Accounting policies for the parent company are presented below under "Parent company accounting policies."

New and amended accounting standards and interpretations

IFRS16

Under the application of IFRS 16 Leases, all leases that meet the definition of a lease contract must be recognised as a right-of-use (ROU) asset and as a corresponding liability on the lessee's balance sheet. The standard permits exceptions for the recognition of leases with a term of twelve months or less (short-term leases) and leases of low-value assets. Short-term and low-value leases are recognised as an expense directly in the income statement. The ROU asset and the liability are initially measured at the present value of future lease payments. The standard must be applied either retroactively for each period in the financial reports (full retrospective approach) or retroactively without restating comparative figures for earlier periods (the modified retrospective approach). The accounting requirements for lessors are largely unchanged.

The application of the new standard entails increased assets and interest-bearing liabilities on the balance sheet. It also entails a need for new estimates and assumptions that affect the measurement of lease liabilities. A discount rate must be assumed to calculate the present value and the lease liability may be remeasured depending on, e.g., assessment of the probability that an option will be exercised. This will increase the volatility in financial reporting.

A cost for depreciation of the leased asset and an interest expense for the financial liability are recognised on the income statement. In the statement of cash flow, lease payments are divided between interest paid in cash flow from operating activities and repayments of lease liabilities within financing activities. This has a positive effect on cash flow from operating activities.

See the table below concerning the bridge between operating leases reported under IAS 17 as of 31 December 2018 and lease liabilities reported under IFRS 16 as of 1 January 2019.

SEKm	
Operating lease obligations at 31 Dec 2018	321
Differences in assumptions regarding lease durations	65
Short-term/low value leases	-4
Effects of reclassification[1]	-67
Discount effect	-41
Recognised lease liabilities, opening balance at 1 January 2019	275

[1] Refers primarily to the effect of VAT and property tax.

In the measurement of future lease payments, Carnegie has reviewed all of the Group's lease contracts to ensure completeness as regards agreements. For Carnegie, this includes leases for premises and leases for cars. Carnegie does not consider other contracts material.

Carnegie applies IFRS 16 Leases in the consolidated accounts. In accordance with the Swedish accounting standard RFR 2, IFRS 16 is not applied in the parent company. Carnegie has opted to apply the modified retrospective approach, which means that the asset was equal to the liability as of the transition period; accordingly, no effect of the transition has been presented in equity. Comparative figures have not been restated.

Leases with terms of 12 months or less have been excepted. All lease contracts specify the term of the lease and the terms and conditions applicable to extension of the lease. Leases for cars run for a period of three years.

Carnegie has elected to use an estimated financing cost as the basis for determining the interest rate for leases for premises. A variable interest rate is specified in the lease conracts for cars.

Upon the transition to IFRS 16 on 1 January 2019, assets increased by SEK 275million[1] in ROU assets, which are recognised on the balance sheet as tangible fixed assets and allocated as follows: right-of-use to premises and buildings SEK 273 million, and right-of-use to cars SEK 2 million. Interest-bearing lease liabilities are recognised on the consolidated statement of financial position under Other liabilities. The costs for these leases are recognised on the consolidated statement of comprehensive income as depreciation and interest expenses. The standard has had no material impact on consolidated cash flows. There is negative impact on key data pertaining to capital efficiency and debt due to the increase in recognised assets and interest-bearing liabilities.

Carnegie is also a lessor through the sub-letting of parts of office premises. The sub-letting has no material impact on the financial statements.

Consolidated financial statements

Consolidation principles

Subsidiaries

The consolidated financial statements include the parent company and all companies over which the parent company directly or indirectly exercises a controlling influence. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Controlling influence is assumed to exist when the ownership share amounts to at least 50 percent of the voting rights in the subsidiary but may also be achieved if a controlling influence is exercised in some other manner than share ownership. Subsidiaries are included in the consolidated financial statements as of the date on which the controlling influence is attained and are eliminated as of the date on which the controlling influence ceases.

All internal transactions between subsidiaries, as well as intra-group unsettled balances, are eliminated in the consolidated financial statements. When necessary, the accounting policies of subsidiaries are modified in order to achieve greater agreement with Group accounting policies. The equity portion of untaxed reserves is recognised in equity as retained earnings. The tax portion of untaxed reserves is recognised as a deferred tax liability based on the current tax rate in each country.

Subsidiaries are recognised according to the acquisition method. This means that identifiable acquired assets, liabilities and contingent liabilities are measured at fair value on the acquisition date. The surplus, comprising the difference between the cost of the acquired shares and the sum of the fair value of the identifiable acquired net assets, is recognised as goodwill. If the cost is less than the fair value of the acquired subsidiary's net assets, the difference is recognised directly in profit and loss. The cost of a subsidiary corresponds to the sum of the fair value of purchased assets, accrued or assumed liabilities and the equity instruments that the purchaser has issued in exchange for the controlling influence in the subsidiaries. Non-controlling interests in the acquired company are initially calculated as the minority share of the net fair value of the recognised assets, liabilities and contingent liabilities.

Foreign currency

The accounts of subsidiaries and branches are stated in their functional currencies, which in Carnegie's case is the same as local currency, meaning the currency used in the primary economic environment in which the subsidiary or branch operates.

Transactions in foreign currency are translated at average rates. Monetary assets and liabilities in foreign currency (such as accounts receivable and accounts payable) are translated at the closing date rate, and the exchange rate differences thus arising are recognised in profit and loss. Exchange rate differences recognised in profit and loss are included in the item "Net profit/loss from financial transactions at fair value."

In preparing the consolidated accounts, the balance sheets of foreign subsidiaries and branches are translated to SEK at the closing date rate, while the income statements are translated based on the average rate for the period. The translation differences thus arising are recognised in "Other comprehensive income" and become a component of equity.

Income recognition

Income refers primarily to various types of commission income from services provided to clients. The type of income governs how income is recognised. Income classified as commission income refers to Revenue from Contracts with Customers as per IFRS 15. Income is recognised at a specific point in time or as the performance obligation is fulfilled, which is normally when control of the good or service is passed to the customer. The income reflects the consideration expected in exchange for these goods or services.

Commission income mainly includes brokerage fees and advisory income within Private Banking and Investment Banking. Ongoing charges are recognised in income in the period when the obligations are fulfilled. Brokerage fees are usually recognised in income on the transaction date. Other commission income and fees, such as for advisory and research, are recognised in income as the performance obligations are fulfilled.

Commission expenses are transaction-based and directly attributable to commission income. These costs are recognised in the period in which the services were received.

Interest income and interest expenses are recognised as income or expenses in the period to which they refer.

The net profit or loss from financial transactions consists of realised and unrealised changes in the value of financial instruments based on the fair value of shares, participations, bonds, derivatives and other securities. The net amount also includes interest, share dividends and exchange rate changes. The principles for income recognition for financial instruments are also described below under the heading "Financial assets and liabilities."

[1] According to the 2018 annual report, the closing balance of the lease asset/lease liability was estimated at SEK 280 million.

Dividend income is recognised when the right to receive payment is established.

Expense recognition
Operating and administrative expenses, employee benefits, other personnel expenses and borrowing costs are recognised in the period to which they relate.

Remuneration to employees
Remuneration to employees in the form of salaries, paid holidays, paid absence due to illness, other current remuneration and similar items, as well as pensions, are recognised at the rate they are earned. Any other post-employment remuneration is classified and recognised in the same manner as pension commitments.

Variable remuneration
The Group reports any expense for variable remuneration as personnel expenses, which are recognised as an accrued expense until remuneration is paid. The expense is recognised at the rate it is accrued, meaning when it is linked to a contract or when there is an established practice that creates a constructive obligation.

Guaranteed variable remuneration is recognised as an expense over the period of service, i.e., as it is earned. In accordance with the Swedish Financial Supervisory Authority´s regulation on remuneration systems in credit institution and secutities companies, guaranteed variable remuneration (sign-on-bonus) is paid only in connection with new recruiting and the service period is limited to one year.

The Group remuneration policy is described in the Corporate governance section, pages 40-42.

Severance pay
Severance pay is paid when employment is involuntarily terminated prior to reaching retirement age or when an employee voluntarily resigns in exchange for severance pay. The Group reports a cost for a severance payment when the company is demonstrably committed, without realistic possibility of withdrawal, by a formal detailed plan to terminate employment before the normal time. When compensation is offered to encourage voluntary termination, a cost is recognised if it is likely that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated. Benefits falling due for payment more than 12 months after the closing date are discounted to the present value if they are significant. Pay during the notice period is recognised as an expense during that period if the employee continues working through the notice period, but is immediately expensed if the employee is relieved of duty during the notice period.

Pension commitments
A defined contribution plan is a pension plan according to which a company pays fixed fees to a separate legal entity. Thereafter, the company has no legal or constructive obligations to pay additional fees related to the employee's pension entitlement.

A defined benefit plan is a pension plan that guarantees the employee a certain amount as a pension upon retirement, usually based on several different factors, including final salary and term of service. The Group only has defined contribution pension plans. Costs for defined contribution pension plans are recognised in profit and loss at the rate benefits are earned, which normally coincides with the date on which pension premiums are paid. Costs for special employer's contribution (in Sweden) are recognised as an expense at the rate at which retirement benefit expenses arise.

Recognition of endowment insurance
Certain individual pension commitments are guaranteed through what is called company-owned endowment insurance. Because Carnegie does not have any additional commitments to cover any declines in endowment insurance or to pay any amount above the paid premium, Carnegie considers these pension plans as defined contribution plans. Accordingly, the premium payments correspond to final settlement of the commitment to the employee. In accordance with IAS 19 and the rules for defined contribution pension plans, Carnegie therefore recognises neither assets nor liabilities with the exception of the special employer's contribution related to these endowment insurance policies.

Current and deferred income tax
Tax expense/income for the period is the sum of current and deferred tax. Taxes are recognised in profit and loss except when the tax refers to items reported in Other comprehensive income or is charged directly against equity. In such cases, the tax is also reported in Other comprehensive income or, respectively, equity. Current tax is the tax that is calculated on taxable profit for a reporting period. Taxable profit for the year differs in comparison with recognised profit before tax, since taxable profit is adjusted for non-deductible expenses and non-taxable income and other adjustments, such as a result of double-taxation agreements with other countries. The Group's current tax liability is calculated according to the tax rates established or substantively approved (announced) in each country on the closing date.

Deferred tax is reported according to the balance sheet method, by which deferred tax liabilities are recognised in the balance sheet for all taxable timing differences based on differences between carrying amounts and values for taxation of all assets and liabilities. Deferred tax assets are included on the balance sheet for tax-deductible loss carryforwards and tax-deductible timing differences to the extent that it is probable that these amounts may be used against future taxable surplus amounts. The carrying amount of deferred tax assets is assessed at each closing date and reduced to the extent that it is not probable that there will be sufficient taxable surpluses available in the future which can be used against tax-deductible loss carryforwards and/or tax-deductible timing differences. Deferred tax is recognised based on the tax rates expected to apply for the period in which the debt is settled or the asset recovered.

Tax assets and tax liabilities are accounted in net amounts in the balance sheet where there is a legal right to offset them and when the intention is either to receive or pay a net amount or to receive payment for the claim and pay the liability at the same time.

Non-current assets (or disposal groups) held for sale and discontinued operations
Assets and liabilities attributable to operations that are committed for sale are recognised in the balance sheet separately from other assets and liabilities. Non-current assets (or disposal groups) are classified as held for sale as of the date a decision is taken that its carrying amount will be recovered principally through a sale transaction and a sale is considered highly probable. They are measured at the lower of their carrying amounts and their fair value less costs to sell, except for deferred tax assets, assets arising from employee benefits and financial assets that are exempt from this measurement requirement.

Non-current assets, including such included in a disposal group, are not depreciated as long as they are classified as held for sale.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate line of business or geographical area of operations. Gains or losses from discontinued operations are presented separately in the income statements for the current financial year and the comparison year.

Financial assets and liabilities

Financial assets reported on the balance sheet include cash and cash equivalents, accounts receivable, shares and other equity instruments, loan and bond receivables and derivatives. Liabilities include accounts payable, issued debt instruments, loan obligations, derivative instruments and short positions in various forms of spot instruments.

Financial assets and financial liabilities are recognised in the balance sheet when the company becomes a party to the instrument's contractual terms. A liability is included when the counterparty has performed a service and there is a contractual payment obligation, even if an invoice has not yet been received. A financial asset is eliminated from the balance sheet when the contractual rights have been realised or have expired or when the company loses control over them. The same applies for a portion of a financial asset. A financial liability is eliminated from the balance sheet when the contractual obligation is fulfilled or otherwise expires. The same applies to a portion of a financial liability.

Transaction date accounting is applied to derivative instruments, as well as the sale and purchase of money and capital market instruments on the spot market.

The classification of a financial instrument is determined based on the company's business model and whether or not the cash flows constitute solely payment of principal or interest.

Financial assets are classified as belonging to one of the following categories:

- Amortised cost
- Financial assets at fair value through profit or loss
- Financial assets for which measurement at fair value through profit or loss is required
- Financial liabilities measured at fair value through profit or loss from initial recognition

Financial assets at fair value through other comprehensive income
Financial liabilities are classified as belonging to one of the following categories:

- Amortised cost
- Financial liabilities measured at fair value through profit or loss
- Financial assets for which measurement at fair value through profit or loss is required
- Financial liabilities measured at fair value through profit or loss from initial recognition

Financial assets with cash flows that are not solely payments of principal and interest are classified at fair value through profit or loss. All other assets are classified according to the business model. If the objective of holding the financial instrument is to collect contractual cash flows, classification and measurement are at amortised cost. If the objective of the holding is instead achieved by collecting contractual cash flows and selling the asset, classification and measurement are at fair value through other comprehensive income. If the objective of the holding is neither of these two alternatives but rather according to another business model, classification and measurement are at fair value through profit or loss.

All financial assets and liabilities are recognised at fair value at initial recognition. Thereafter, this classification is the basis for how the instrument is subsequently measured in the balance sheet and the recognition of changes in the fair value of the instrument. The categories applied by Carnegie are amortised cost and fair value through profit or loss.

Fair value

If market prices in an established marketplace are available, they are used for measurement. When there is no active market or when quoted prices are temporarily unavailable, Carnegie determines the fair value using various measurement techniques. These methods include Black-Scholes-based models. A number of parameters are included in these models, such as assumptions about volatility, interest rates and dividends, which are obtained from observable market data to the greatest extent possible. Changing the assumptions with regard to these parameters may affect the recognised value of the financial instrument. The assumptions used are in accordance with the instructions defined by the Capital, Risk and Credit Committee (CRC). The measurement methods are primarily used to measure derivative instruments. Measurements of derivative instruments are regularly validated by the internal risk control function and quarterly by an external independent party.

The above models are applied consistently from one period to the next to ensure comparability and continuity in measurements over time. Each new measurement model is approved by Group Risk Management and all models are reviewed regularly. For financial instruments for which the fair value deviates from the carrying amount, information regarding the fair value is provided in a note.

Expected and actual credit losses

Impairments due to credit risk are applied to financial instruments classified in either the "Amortised cost" or "Fair value through other comprehensive income" category. For assets measured at amortised cost, the loss allowance is accounted for as a debit item together with the asset. For exposures that are not recognised in the balance sheet, the loss allowance is accounted for as a provision on the liability side. Changes in the loss allowance are recognised in profit or loss as "Credit losses, net". Refer to Note 28 for calculation and recognition of allowances for expected credit losses. The principle for what is classed as an actual credit loss is that they are losses established through bankruptcy procedures or composition agreements.

Cash and bank deposits with central banks

Cash and balances with central banks are categorised as financial assets measured at amortised costs and are measured at amortised cost.

Loans to credit institutions

Lending to credit institutions consists of loan receivables that are payable on demand and which are not listed on an active market, as well the Group's invested surplus liquidity. These are categorised as loan receivables and accounts receivable and are measured, after the date of acquisition, at amortised cost using the effective rate method.

Loans to the general public

Lending to the general public consists of loan receivables that are payable on demand and which are not listed on an active market. These are categorised as loan receivables and accounts receivable and are measured, after the date of acquisition, at amortised cost using the effective rate method. Loans extended by Carnegie are virtually exclusively linked to securities financing.

The bank does not extend consumer loans. Carnegie's client base is well-diversified and consists largely of private individuals and small/medium-sized enterprises, and the risk of credit losses is linked to each client's collateral, which normally consists of market-listed securities.

Bonds and other interest-bearing securities
Bonds and other interest-bearing securities consist of chargeable government bonds, municipal bonds, housing bonds and other interest-bearing instruments. The categorisation is at amortised cost and they are measured, subsequent to acquisition date, at amortised cost using the effective rate method.

Shares and participations
Shares and participations consist mainly of shareholdings intended for trade and are measured at fair value. Changes in fair value for shares and participations are recognised in profit and loss under "Net profit/loss from financial items at fair value."

Derivative instruments
All derivative instruments are measured at fair value through profit or loss. Changes in fair value are recognised as "Net profit/loss from financial transactions." In cases where the fair value is positive, it is recognised as an asset. In cases where the fair value is negative, the derivative instrument is recognised as a liability.

Liabilities to credit institutions
Liabilities to credit institutions consist mainly of short-term borrowing. They are categorised and measured at amortised cost using the effective rate method.

Deposits and borrowing from the general public
Deposits and borrowing from the general public consist primarily of short-term borrowing from the general public. These liabilities are categorised and measured at amortised cost using the effective rate method.

Lending of securities and short equity positions
The securities that Carnegie lends remain on the balance sheet. Borrowed securities are not included as assets in the balance sheet. In connection with short selling, a liability is recognised corresponding to the fair value of the sold security. Received collateral in the form of cash is recognised under "Liabilities to credit institutions." Pledged collateral in the form of cash is recognised on the balance sheet under "Loans to credit institutions."

Intangible assets
Intangible assets consist of capitalised development costs related to in-house development of IT systems.

An internally developed intangible asset, meaning development expenses, is recognised as an asset only if the following conditions are satisfied:

- The asset is identifiable
- It is probable that the asset will provide economic benefits
- The company has adequate resources and intends to complete the asset
- It is technically feasible to complete the asset
- The company has the ability to use the asset
- The cost of the asset can be measured reliably

Internally developed intangible assets are initially recognised as the sum of expenses that arise as of the first date on which the intangible asset satisfies the above criteria up until the date on which the asset can be used. Internally developed intangible assets are amortised straight-line over their estimated useful life, which is three to five years, and are tested for impairment need when an indication of impairment exists.

Tangible fixed assets
Tangible fixed assets are recognised at cost less accumulated depreciation and any impairment losses. Tangible fixed assets consist of capitalised refurbishment costs, computer equipment and other equipment.

Depreciation according to plan is based on the cost and estimated useful life of the asset. Capitalised refurbishment costs are depreciated according to plan over ten to twenty years. Computer equipment and other equipment is depreciated according to plan over three to five years. The gain or loss that arises from divestment or scrapping of tangible fixed assets is recognised in profit and loss.

Impairment of intangible assets and tangible fixed assets with determinable useful lives
An impairment loss is recognised when the carrying amount of an intangible asset or a tangible fixed asset exceeds its recoverable amount. The carrying amounts for fixed assets are established on each closing date to determine whether impairment is required. If there is such an indication, the asset's recoverable amount is estimated. The recoverable amount is the higher of the value in use and fair value less costs to sell.

In calculating the value in use, future cash flows are discounted at an interest rate before tax that is intended to take into account the market's expectations for a risk-free interest rate associated with the asset in question. For an asset that does not generate cash flows independently of other assets, the recoverable amount is calculated for the cash-generating unit to which the asset belongs. This means that impairment testing takes place at the smallest identifiable group of assets that generate cash inflows that are largely independent of cash inflows from other assets or groups of assets.

Provisions
Provisions for restructuring costs, legal claims or similar are recognised when there is a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation has been estimated in a reliable manner. The amounts recognised as provisions are the best estimates of the outflows that will be required to settle the existing obligation on the closing date. When the effect of the time value of money is material, the net present value is calculated for future outflows expected to be required to settle the obligation.

A provision for restructuring costs is recognised only when a constructive obligation exists to restructure. A constructive obligation arises only when a detailed, formal restructuring plan exists and an entity has raised a valid expectation that it will be carried out in a time frame that makes changes to the plan unlikely, and the implementation of the plan has commenced or the main features of the plan have been announced.

Critical assessment parameters

In connection with application of Group accounting policies, estimates and assumptions about the future are required that affect the amounts presented in the financial statements. The estimations, which are based on judgements and assumptions that management has deemed fair, are regularly re-examined. Estimations and judgements related to leases are describe on page 61 and estimations and judgements related to loss allowances are stated in Note 27.
Significant assumptions and judgements concern the following areas.

Measurement of financial assets and liabilities

Financial assets and liabilities in the trading portfolio are measured at fair value in the balance sheet, while changes in fair value are recognised in profit and loss. Critical assessment parameters relate to how fair value is determined for of these assets and liabilities.

If market prices are available on an established marketplace, they are used for the measurement. When there is no active market or when quoted prices are temporarily unavailable, fair value is determined using various measurement techniques. These methods include Black-Scholes-based models. A number of parameters are included in these models, such as assumptions about volatility, interest rates and dividends. Changing the assumptions with regard to these parameters may affect the recognised value of the financial instrument. The assumptions used when observable parameters are lacking in the market are in accordance with the instructions defined by Carnegie's Capital, Credit and Risk Committee (CRC).

The measurement methods are primarily used to measure derivative instruments. The determined theoretical prices are reconciled regularly against quoted market prices. In addition, all derivative instruments are verified quarterly by an independent party. The above models are applied consistently from one period to the next to ensure comparability and continuity in measurements over time.

For more detailed information, refer to the section on Risk, liquidity and capital management and Note 27.

Provisions

Judgements are required to determine whether any legal or constructive obligations exist and to estimate the probability, timing and amount of outflows of resources. Demands originating from civil legal proceedings or government agencies typically involve a greater degree of judgement than other types of provisions.

Recognition of deferred tax assets

Carnegie recognises deferred tax assets attributable to timing differences and tax-deductible deficits. The largest tax deficits are in Sweden and have an unlimited useful life (meaning that there is no expiration date). The ability to utilise deferred tax assets depends on Carnegie's capacity to report taxable profits in the future. Management believes that Carnegie will be able to report taxable profits within the foreseeable future that can be utilised against loss carryforwards in previous years, which justifies recognition of the deferred tax assets. See Note 17 Deferred tax assets/liabilities.

PARENT COMPANY ACCOUNTING POLICIES

The parent company has prepared the annual accounts in accordance with the *Swedish Annual Accounts Act* (ARL 1995:1554) and recommendation *RFR 2 Accounting of Legal Entities* issued by the Swedish Financial Accounting Standards Council and applicable statements. RFR 2 requires the parent to apply all IFRS and interpretations approved by the EU to its annual accounts for the legal entity to the extent possible within the framework of the Annual Accounts Act and with the consideration taken to the relationship between accounting and taxation. Accordingly, the parent applies the same accounting policies as the Group except as specified below.

Financial assets

The parent company's holdings of shares in subsidiaries are recognised according to the historical cost method, by which acquisition costs are included in the recognised value and the assets are subject to impairment testing.

Anticipated dividends

Anticipated dividends from subsidiaries are recognised when the formal decision has been taken in the subsidiary or the parent otherwise has full control over the decision process before the parent company publishes its financial statements.

Group contributions and shareholder contributions

Group contributions received are recognised according to the same principles as an ordinary dividend, that is, as financial income. As a main rule, Group contributions paid are recognised, like shareholder contributions, as an increase in the parent company's investment.

Deferred tax in relation to untaxed reserves

Due to the relationship between accounting and taxation, the parent does not separately report deferred tax liabilities attributable to untaxed reserves. These liabilities are thus recognised as gross amounts in the balance sheet, which also applies to appropriations in the income statement. Any amounts allocated to untaxed reserves consist of timing differences.

Notes

Notes related to the Consolidated statements of financial position exclude Carnegie Banque Luxembourg S.A. for 2018.
Information on assets held for sale is presented in Note 31.

Note 1 Geographical distribution of income

GROUP	COMMISSION INCOME		INTEREST INCOME		NET PROFIT FROM FINANCIAL TRANSACTIONS		OTHER OPERATING INCOME		TOTAL INCOME	
SEK 000s	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Denmark	340,437	293,495	2,867	1,864	586	-1,252	–	–	343,890	294,107
Norway	374,169	255,443	15,769	14,329	-107	842	–	–	389,830	270,614
Sweden	1,588,545	1,608,485	57,467	51,619	33,495	-3,632	186,080	–	1,865,587	1,656,472
Other	455,496	426,911	31	18,088	-1,648	29,409	–	–	453,879	474,408
Eliminations	-165,799	-167,162	-4,598	-5,557	194	-1,640	–	–	-170,202	-174,359
Total	**2,592,848**	**2,417,172**	**71,536**	**80,343**	**32,520**	**23,727**	**186,080**	**–**	**2,882,984**	**2,521,242**

Income in the parent company refers to Sweden.

Note 2 Net commission income

	GROUP	
SEK 000s	2019	2018
Commission income	625,870	619,277
Advisory services income	1,986,652	1,805,251
Other income	20,974	30,000
Marketplace fees	-40,648	-37,356
Total commission income	**2,592,848**	**2,417,172**
Total commission expenses	**-9,860**	**-25,062**
Net commission income	**2,582,988**	**2,392,110**

Note 3 Net interest income

	GROUP		PARENT COMPANY	
SEK 000s	2019	2018	2019	2018
Interest income				
Interest income from loans to credit institutions	3,877	4,545	–	–
Interest income from loans to the general public	64,726	74,294	–	–
Interest income from interest-bearing securities	460	376	–	–
Other interest income	2,473	1,128	–	–
Total interest income[1)]	**71,536**	**80,343**	**–**	**–**
Interest expenses				
Interest expenses related to liabilities to credit institutions	-16,310	-24,997	28	-81
Interest expenses related to deposits/borrowing from the general public	-1,793	-7,876	–	–
Interest expenses related to interest-bearing securities	-9,962	-15,374	–	–
Interest expenses, finance leases (IFRS 16)	-14,851			
Total interest expenses	**-42,916**	**-48,247**	**28**	**-81**
Net interest income	**28,620**	**32,096**	**28**	**-81**
Whereof amounts for balance sheet items not measured at fair value:				
Interest income	71,356	80,343	–	–
Interest expenses	-42,916	-48,247	28	-81
Total	**28,620**	**32,096**	**28**	**-81**

Note 4 Profit/loss from investments in subsidiaries

	PARENT COMPANY	
SEK 000s	2019	2018
Dividends from subsidiaries	650,000	–
Anticipated dividends from subsidiaries	–	255,000
Total profit from investments in subsidiaries	650,000	255,000

Note 5 Net profit/loss from financial transactions

2019

		UNREALISED CHANGES IN VALUE[1]				
Group, SEK 000s	Realised changes in value	Market price:	Observable market data	Non-observable market data	Effect of exchange rate changes	Total
Bonds and other interest-bearing securities and attributable derivatives	6,178	–	694	–		6,872
Shares and participations and attributable derivatives	23,835	80,961	-83,026	–		21,770
Other financial instruments and attributable derivatives	1,150	–	-37	–		1,113
Exchange-rate changes					2,765	2,765
Net profit/loss from financial transactions	31,163	80,961	-82,369	–	2,765	32,520

2018

		UNREALISED CHANGES IN VALUE[1]				
Group, SEK 000s	Realised changes in value	Market price:	Observable market data	Non-observable market data	Effect of exchange rate changes	Total
Bonds and other interest-bearing securities and attributable derivatives	7,825	–	456	–		8,281
Shares and participations and attributable derivatives	-876	-19,569	5,589	–		-14,856
Other financial instruments and attributable derivatives	29,944	–	–	–		29,944
Exchange-rate changes					358	358
Net profit/loss from financial transactions	36,893	-19,569	6,045	–	358	23,727

[1] Unrealised profits/losses are attributable to financial items measured at fair value.

Fair value is based on the following measurement methods:
- Market price: The value is based on a price listed on an exchange or other marketplace.
- Observable market data: The value is based on a price that was calculated with a measurement technique using assumptions consisting of observable market data.
- Non-observable market data: The value is based on a price that was calculated with a measurement technique using assumptions that could not be based on observable market data.

Note 6 Personnel expenses

	GROUP		PARENT COMPANY	
SEK 000s	2019	2018	2019	2018
Salaries and fees	-771,860	-808,974	-517	-765
Social insurance fees	-171,906	-165,176	-146	-153
Allocation to variable remuneration, including social insurance fees	-427,662	-325,247	–	–
Pension expenses for Board of Directors and CEO	-2,334	-2,319	–	–
Pension expenses for other employees	-122,028	-120,489	–	–
Other personnel expenses	-45,682	-57,639	-51	-12
Total personnel expenses	-1,541,472	-1,479,840	-713	-930

Salaries and fees specified by category

SEK 000s	2019	2018	2019	2018
Salaries and fees to directors, CEO and members of Group management	-49,693	-49,813	-517	-765
Salary and remuneration to other employees not included in the Board of Directors or Group management	-722,167	-759,161	–	–
Total salaries and fees	-771,860	-808,974	-517	-765

Average number of employees (of whom women)

	2019	2018	2019	2018
Denmark	79 (18)	81 (19)	–	–
Finland	28 (8)	24 (7)	–	–
Luxembourg	- (-)	40 (9)	–	–
Norway	85 (15)	88 (13)	–	–
UK	30 (12)	31 (13)	–	–
Sweden	337 (100)	326 (98)	–	– (–)
USA	12 (4)	10 (2)	–	–
Total	569 (155)	600 (160)	–	– (–)

Remuneration to the Board of Directors

	GROUP		PARENT COMPANY	
SEK 000s	2019	2018	2019	2018
Bo Magnusson, chairman until 30 June 2019[1]	337	800	84	200
Ingrid Bojner[2]	350	350	100	100
Klas Johansson[3]	250	250	63	63
Anders Johnsson, chairman from 30 June 2019[4]	673	500	179	150
Harald Mix[5]	250	250	63	63
Andreas Rosenlew[6]	350	350	100	100
Total	2,210	2,500	589	676

1) Whereof SEK 253 thousand (600) in fees for assignments for Carnegie Investment Bank AB during the period of 1 January – 2 June.
2) Whereof SEK 250 thousand (250) in fees for assignments for Carnegie Investment Bank AB.
3) Whereof SEK 188 thousand (188) in fees for assignments for Carnegie Investment Bank AB.
4) Whereof SEK 494 thousand (350) in fees for assignments for Carnegie Investment Bank AB.
5) Whereof SEK 188 thousand (188) in fees for assignments for Carnegie Investment Bank AB.
6) Whereof SEK 250 thousand (250) in fees for assignments for Carnegie Investment Bank AB.

Remuneration to the CEO and other senior executives[1]

2019 SEK 000s	Gross salary and benefits	Variable pay	Pensions and comparable benefits
CEO Björn Jansson	8,068	6,772	2,334
Other senior executives [2]	39,380	14,971	3,737

1 No fees were paid in the parent company, Carnegie Holding AB
2 Other senior executives have received salary and benefits from Carnegie Investment Bank AB or its subsidiaries. Amounts relate to the period they held positions as other senior executives. The group includes nine individuals: Anders Antas, Jacob Bastholm, Christian Begby, Elisabeth Erikson, Henric Falkenberg, Fredrik Leetmaa, Helena Nelson, Jonas Predikaka and Ulf Vucetic. All senior executives were part of executive management for the entire year.

Note 6 Personnel expenses, cont.

Remuneration to the CEO and other senior executives[1]

2018 SEK 000s	Gross salary and benefits	Variable remuneration	Pensions and comparable benefits	Severance pay
CEO Björn Jansson	8,053	4,832	2,319	–
Other senior executives [2]	39,742	8,465	3,994	–

[1] No fees were paid in the parent company, Carnegie Holding AB
[2] Other senior executives have received salary and benefits from Carnegie Investment Bank AB or its subsidiaries. Amounts relate to the period they held positions as other senior executives. The group includes nine individuals: Anders Antas, Jacob Bastholm, Christian Begby, Elisabeth Erikson, Henric Falkenberg, Fredrik Leetmaa, Helena Nelson, Jonas Predikaka and Ulf Vucetic. All senior executives were part of executive management for the entire year. The figures also include Henrik Rättzen for the period of 1 Jan-15 Aug.

Gender distribution
The current Board of Directors consists of 17% (17) women and 83% (83) men. The current management group consists of 20% (20) women and 80% (80) men.

Remuneration
Principles for remuneration to the CEO are prepared by the Remuneration Committee and decided by the Board of Directors. The Remuneration Committee also establishes principles and general policy for salaries, benefits and pensions for senior executives in the Group prior to decision by the Board.

Notice period and severance pay
There are no agreements on severance pay for non-executive directors. The notice period for the CEO is twelve months, whether the CEO resigns or is terminated by Carnegie. In the event of immediate termination by Carnegie, the CEO receives severance pay equal to six months' pay in addition to his salary during the period of notice. Other senior executives at Carnegie have mutual notice periods that vary between three and twelve months.

Pensions
Carnegie makes salary-based provisions for pension insurance (payments are based on total salary excluding any allocation of profit sharing) in accordance with customary rules in each country. These provisions amounted to 13 percent (12) in relation to total salary costs in the Group. All of Carnegie's pension commitments consist of defined contribution pension plans with external insurance companies. Carnegie has no outstanding pension commitments and makes no pension provisions for non-executive directors. The CEO is entitled to retire at 65, and the company also has the right to require retirement. Other senior executives are covered by the terms prevailing in each country and may retire at the age of 65-67. Reaching retirement age does not entail any further costs for Carnegie.

Endowment insurance
Individual pension commitments that are fully guaranteed through company-owned endowment insurance and for which Carnegie has no further obligations in addition to the premiums already paid are treated according to the rules for defined contribution plans. However, Carnegie has an obligation, recognised in the balance sheet, concerning future payroll tax on these pension commitments, which varies with changes in thee market value of the endowment insurance policies. The total market value amounts to SEK 447,423 thousand (434,682) in the Group and SEK 7,826 thousand (4,797) in the parent company. Premiums paid during the year amounted to SEK 2,722 thousand (2,833) in the Group, whereof SEK - thousand (-) in the parent company.

Report on remuneration expensed by the Carnegie Holding Group in 2019 pursuant to the Capital Requirements Regulation for Credit Institutions and Investments Firms and the Swedish Financial Supervisory Authority's Regulation FFFS 2014:12.

Remuneration expensed in 2019

	TOTAL REMUNERATION TO EMPLOYEES IN THE GROUP			
SEK 000s	Total remuneration excluding variable component[1]	Total number of employees	Variable remuneration[1]	Number of recipients of variable remuneration
Total remuneration to employees in the Group	814,776	607	335,950	509

	SPECIFICATION OF REMUNERATION BY CATEGORIES			
	Particularly regulated employees[2]			
SEK 000S	Executive management	Other employees identified to the category	Other employees	Total
Fixed remuneration[1]	86,363	165,267	563,145	814,776
Number of employees	19	69	519	607
Variable remuneration[1]	36,361	67,519	232,070	335,950
Number of employees	18	70	421	509
Whereof:				
Cash-based variable remuneration	36,361	67,519	232,070	335,950
Share-based variable remuneration	N/A	N/A	N/A	N/A
Deferred remuneration[3]	18,700	21,073	–	39,773
Committed and paid remuneration [4]	104,024	211,713	795,215	1,110,953
Severance pay (paid out)	–	1,520	9,532	11,052
Number of employees	–	1	16	17
Committed severance pay (not yet paid)			1,303	1,303
Number of employees			5	5
Highest individual severance pay (not yet paid)			450	450

[1] Variable remuneration is defined as remuneration whose amount or size is not predetermined. All other remuneration is reported as fixed remuneration and comprises salary, pension provisions, severance pay and benefits such as car benefits in accordance with FFFS 2011:1 and FFFS 2014:22. Reported amounts do not include social insurance fees.
[2] Employees whose tasks have material impact on the Group's risk profile.
[3] The portion subject to deferral ranges between 40-60% and the period of deferral ranges from three to five years depending on the amount of variable remuneration awarded and the responsibilities and risk mandates of the particularly regulated employees in question.
[4] Committed variable remuneration arising from 2019 that was paid during 2020 has been included.

Severance pay is agreed upon and paid out when employment is involuntarily terminated prior to reaching retirement age or when an employee voluntarily resigns in exchange for severance pay.

Note 7 Other administrative expenses

	GROUP		PARENT COMPANY	
SEK 000s	2019	2018	2019	2018
Other administrative expenses include the following amounts paid to elected auditors:				
Statutory auditing				
EY	-3,691	–	–	–
PwC	-607	-5,075	–	–
Regen, Benz & MacKenzie	-520	-435	–	–
Total statutory auditing	**-4,818**	**-5,510**	**–**	**–**
Other auditing				
EY	-253	–	-160	–
PwC	-53	-6,801	–	-354
Total other auditing	**-306**	**-6,801**	**-160**	**-354**
Tax advice				
EY	-701	–	–	–
PwC	–	–	–	–
Regen, Benz & MacKenzie	-235	–	–	–
Total tax advice	**-936**	**–**	**–**	**–**
Other consultancy assignments				
EY	-7	–	–	–
PwC	-397	-609	–	–
Regen, Benz & MacKenzie	–	–	–	–
Total other consultancy assignments	**-404**	**-609**	**–**	**–**

The statutory audit is an audit of annual financial statements and accounting, the management of the company by the Board of Directors and CEO, other tasks required of the company's auditors and providing advice or other assistance as a result of observations during the audit or the implementation of such other tasks. Other auditing includes reviews of interim reports, government reporting and services related to the provision of certifications and opinions.

Other auditing for 2018 includes auditing related to the sale of Banque Carnegie Luxembourg S.A. Tax advice includes general services for foreign residents and other taxation issues. Other consultancy assignments include for example advice on accounting issues, services in connection with corporate acquisitions/business transformation, operational efficiency and assessment of internal controls.

Note 8 Depreciation and amortisation of tangible fixed assets and intangible assets

	GROUP	
SEK 000s	2019	2018
Computer equipment and other equipment	-5,962	-7,300
Renovations	-6,475	-9,818
Right-of-use assets	-57,157	–
Other intangible assets	-2,645	-6,165
Total depreciation and amortisation of tangible fixed assets and intangible assets	**-72,239**	**-23,283**

Note 9 Credit losses, net

	GROUP	
SEK 000s	2019	2018
Loss allowances on the opening date	-210,430	-198,512
Adjustment of opening balance of loss allowance attributable to Banque Carnegie Luxembourg S.A.	3,204	–
Initial effect of loss allowances per IFRS 9	–	-13,428
Effect on income of individually evaluated credits recognised in profit and loss	-262	–
Reversals of previous provisions	–	–
Total net credit losses	**-262**	**–**
Changes for the year in the loss allowance per IFRS 9	-4,705	3,521
Translation differences	2	-20
Total items affecting income	**-4,965**	**3,501**
Actual credit loss	7,491	–
Translation differences	-3,403	-1,991
Loss allowances on the closing date	**-208,103**	**-210,430**

Note 10 Taxes

SEK 000s	GROUP 2019	GROUP 2018	PARENT COMPANY 2019	PARENT COMPANY 2018
Current tax expense				
Tax expense for the year	-29,690	-5,151	–	–
Adjustment of tax attributable to previous years	1,568	-1,185	–	–
Total current tax expense	**-28,122**	**-6,336**	**–**	**–**
Deferred tax expense (-) tax income (+)				
Deferred tax related to timing differences	3,626	1,870	-1,027	-843
Tax effect of changed tax rate	3,579	-1,942	–	131
Deferred tax in the tax value of loss carryforwards capitalised during the year	30,379	5,976	30,379	–
Deferred tax expense in the tax value of loss carryforwards capitalised during the year	-87,889	-89,610	0	–
Total deferred tax expense/income	**-50,305**	**-83,704**	**29,352**	**-712**
Total recognised tax expense/income	**-78,427**	**-90,040**	**29,352**	**-712**

Reconciliation of effective tax

Group, SEK 000s	2019 Tax rate, %	2019 Amount	2018 Tax rate, %	2018 Amount
Profit before tax		671,882		389,922
Tax according to prevailing tax rate for the parent company	21.4	-143,783	22.0	-85,783
Tax effects in respect of:				
Other tax rates for foreign companies	0.5	-3,430	-0.6	2,212
Non-deductible expenses	1.6	-10,538	2.8	-10,921
Non-taxable income	-6.4	43,060	-1.8	7,205
Increase in loss carryforwards without corresponding capitalisation of deferred tax	0.1	-412	2.8	-11,003
Utilisation of non-capitalised loss carryforwards	-1.4	9,582	–	–
Capitalisation of loss carryforwards in previous years	-4.5	30,379	–	–
Remeasurement of deferred tax	0.8	-5,130	2.2	-8,594
Tax attributable to previous years	-0.2	1,568	0.8	-3,042
Adjustment of taxable profit	0.0	277	-5.1	19,886
Recognised effective tax[1]	**11.8**	**-78,427**	**23.1**	**-90,040**

Reconciliation of effective tax

Parent company, SEK 000s	2019 Tax rate, %	2019 Amount	2018 Tax rate, %	2018 Amount
Profit before tax		648,110		253,200
Tax according to prevailing tax rate for the parent company	21.4	-138,696	22.0	-55,704
Tax effects in respect of:				
Non-deductible expenses	0.0	-1	0.0	-17
Non-taxable income	-21.5	139,108	-22.2	56,100
Increase in loss carryforwards without corresponding capitalisation of deferred tax	0.0	-411	0.2	-379
Capitalisation of loss carryforwards in previous years	-3.2	30,379		
Remeasurement of deferred tax	0.1	-1,027	0.3	-712
Recognised effective tax	**-4.5**	**29,352**	**0.3**	**-712**

[1] The weighted average tax rate for the Group is 21.8 percent (21.4).

Note 11 Maturity information

Group, 31 Dec 2019, SEK 000s	Upon demand	<3 months	>3 months but <1 year	>1 but < 2 years	>2 but <5 years	> 5 years	Interest effect	N/A	Total
Negotiable government securities	289,306	1,900,280	100,034	–	–	–	–	–	2,289,621
Loans to credit institutions	2,225,721	–	–	–	–	–	–	–	2,225,721
Loans to the general public	2,165,717	24,144	99,717	–	–	373,317	–	–	2,662,894
Bonds and other interest-bearing securities	21,965	701,923	1,750,918	3,148	4,223	1,279	-1,944	–	2,481,510
Total financial assets	**4,702,709**	**2,626,347**	**1,950,668**	**3,148**	**4,223**	**374,595**	**-1,944**	**–**	**9,659,746**
Liabilities to credit institutions	49,362								49,362
Deposits and borrowing from the general public	8,007,440	–	–	–	–	–	–	–	8,007,440
Total financial liabilities	**8,056,802**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8,056,802**

Group, 31 Dec 2018, SEK 000s	Upon demand	<3 months	>3 months but <1 year	>1 but < 2 years	>2 but less than <5 years	> 5 years	Interest effect	N/A	Total
Negotiable government securities	23,111	1,810,552	200,404	–	–	–	–	–	2,034,067
Loans to credit institutions	2,424,408	–	–	–	–	–	–	–	2,424,408
Loans to the general public	1,762,740	13,408	137,972	687	–	173,488	–	–	2,088,295
Bonds and other interest-bearing securities	49,311	911,964	1,758,555	8,176	13,435	2,060	-6,594	–	2,736,907
Total financial assets	**4,259,570**	**2,735,924**	**2,096,932**	**8,863**	**13,435**	**175,548**	**-6,594**	**–**	**9,283,677**
Liabilities to credit institutions	29,808								29,808
Deposits and borrowing from the general public	7,639,180	88,317	1,546	–	–	–	–	–	7,729,043
Total financial liabilities	**7,668,988**	**88,317**	**1,546**	**–**	**–**	**–**	**–**	**–**	**7,758,851**

Note 12 Financial assets and liabilities – valuation methods and disclosures on offsetting

Valuation method 2019[1]

	FAIR VALUE THROUGH PROFIT AND LOSS			AMORTISED COST	
Group, 31 Dec 2019, SEK 000s	Quoted fair value	Valuation technique using observable inputs	Valuation technique using non-observable inputs		Total
Cash and bank deposits with central banks	–	–	–	83,135	83,135
Negotiable government securities	–	–	–	2,289,621	2,289,621
Loans to credit institutions	–	–	–	2,225,721	2,225,721
Bonds and other interest-bearing securities	–	–	–	2,481,510	2,481,510
Shares and participations	589,392	5,755	–	–	595,147
Derivative instruments	–	11,446	–	–	11,446
Total financial assets	**589,392**	**41,107**	**–**	**4,747,225**	**5,377,724**
Liabilities to credit institutions	–	–	–	49,362	49,362
Deposits and borrowing from the general public	–	–	–	8,007,440	8,007,440
Short positions, shares	69,695	–	–	–	69,695
Derivative instruments	–	89,562	–	–	89,562
Total financial liabilities	**69,695**	**89,562**	**–**	**8,056,802**	**8,216,059**

[1] For information on measurement methods, see Note 5 Net profit/loss from financial transactions.

Financial assets and liabilities subject to offsetting

Group, 31 Dec 2019, SEK 000s	Gross amounts	Offset	Net amounts in balance sheet
Assets			
Trade and client receivables	1,425,582	-1,360,901	64,681
Liabilities			
Trade and client payables	1,397,852	-1,357,373	40,480

The above table presents the financial assets and liabilities that are recognised net in the balance sheet. At the closing date, these financial instruments comprised trade and client receivables and trade and client payables. As the scope of financial assets and liabilities for which gross accounting is applied, but which are subject to legally binding master netting agreements or the like, is marginal, these disclosures have been omitted.

Note 12 Financial assets and liabilities – valuation methods and disclosures on offsetting, cont.

Valuation method 2018[1]

GROUP, 31 DEC 2018, SEK 000S	FAIR VALUE THROUGH PROFIT AND LOSS: Quoted fair value	FAIR VALUE THROUGH PROFIT AND LOSS: Valuation technique using observable inputs	FAIR VALUE THROUGH PROFIT AND LOSS: Valuation technique using non-observable inputs	AMORTISED COST	Total
Cash and bank deposits with central banks	–	–	–	67,980	67,980
Negotiable government securities	–	–	–	2,034,067	2,034,067
Loans to credit institutions	–	–	–	2,424,408	2,424,408
Bonds and other interest-bearing securities	–	34,495	–	2,702,412	2,736,907
Shares and participations	282,231	5,193	–	–	287,424
Derivative instruments	–	34,201	–	–	34,201
Total financial assets	**282,231**	**73,889**	**–**	**4,804,459**	**5,160,580**
Liabilities to credit institutions	–	–	–	29,808	29,808
Deposits and borrowing from the general public	–	–	–	7,729,043	7,729,043
Short positions, shares	7,449	–	–	–	7,449
Derivative instruments	–	9,144	–	–	9,144
Total financial liabilities	**7,449**	**9,144**	**–**	**7,758,851**	**7,775,444**

[1] For information on measurement methods, see Note 5 Net profit/loss from financial transactions.

Financial assets and liabilities subject to offsetting

Group, 31 Dec 2018, SEK 000s	Gross amounts	Offset	Net amounts in balance sheet
Assets			
Trade and client receivables	2,399,820	-2,297,597	102,223
Liabilities			
Trade and client payables	2,636,339	-2,309,815	326,524

The above table presents the financial assets and liabilities that are recognised net in the balance sheet. At the closing date, these financial instruments comprised trade and client receivables and trade and client payables. As the scope of financial assets and liabilities for which gross accounting is applied, but which are subject to legally binding master netting agreements or the like, is marginal, these disclosures have been omitted.

Note 13 Other information on financial assets

SEK 000s	GROUP: 31 Dec 2019	GROUP: 31 Dec 2018
Bonds and other interest-bearing securities		
Listed	2,481,510	2,736,907
Unlisted	–	–
	2,481,510	**2,736,907**
Swedish government bodies	–	–
Other Swedish issuers	2,454,331	2,175,138
Foreign government bodies	21,965	49,311
Other foreign issuers	5,214	512,458
	2,481,510	**2,736,907**
Shares and participations		
Listed	589,392	282,231
Unlisted	5,755	5,193
	595,147	**287,424**

Note 14 Shares and participations in Group companies

SEK 000s	PARENT COMPANY 31 Dec 2019	31 Dec 2018
Cost of shares and participations in Group companies, 1 January	1,780,084	1,780,084
Cost of shares and participations in Group companies, 31 December	**1,780,084**	**1,780,084**

2019	Corporate Reg. No.	Reg. office	No. of shares	Carrying amount 2019	Equity 2019[1]
Carnegie Investment Bank AB (publ)[2]	516406-0138	Stockholm	400,000	1,780,084	1,748,362
Branches of Carnegie Investment Bank AB					
Carnegie Investment Bank AB, Norway branch	976928989	Oslo			
Carnegie Investment Bank, filial af Carnegie					
Investment Bank AB (publ), Sweden	35521267	Copenhagen			
Carnegie Investment Bank AB, Finland Branch	1439605-0	Helsinki			
Carnegie Investment Bank AB, UK Branch	3022 (FC 018658)	London			
Subsidiaries of Carnegie Investment Bank AB					
Carnegie, Inc.	13-3392829	Delaware	100		
Carnegie AS[2]	936310974	Oslo	20,000		
Carnegie Ltd	2941368	London	1		
Familjeföretagens Pensionsredovisning i Värmland AB	556636-7776	Karlstad	1,000		
Carnegie Properties AB	556680-5288	Stockholm	1,000		
Carnegie AB	556946-9355	Stockholm	50		
Carnegie Fastigheter AB	556946-9371	Stockholm	50		
Carnegie Fund Services S.A.	B 158409	Luxembourg	500		
Total				**1,780,084**	**1,748,362**

[1] Equity in subsidiaries is recognised less anticipated dividends to the parent company. All of the above shares are unlisted and owned 100%.

[2] Entities classified as credit institutions.

Note 15 Intangible assets

SEK 000s	GROUP 31 Dec 2019	GROUP 31 Dec 2018
Other intangible assets [1]		
Cost on the opening date	39,542	49,930
Translation differences	262	674
Acquisitions during the year	–	728
Attributable to divested subsidiaries	–	-2,268
Sale/scrapping	–	-9,522
Cost on the closing date	**39,804**	**39,542**
Amortisation on the opening date	-36,897	-41,854
Translation differences	-262	-668
Sale/scrapping	–	2,268
Attributable to divested subsidiaries	–	9,522
Amortisation for the year	-2,645	-6,165
Amortisation on the closing date	**-39,804**	**-36,897**
Total other intangible assets	**0**	**2,645**

[1] Consists of systems developed in-house

Note 16 Tangible fixed assets

SEK 000s	GROUP 31 Dec 2019	GROUP 31 Dec 2018
Computer equipment and other equipment		
Cost on the opening date	197,913	207,256
Translation differences	4,816	3,961
Acquisitions during the year	11,333	5,614
Sale/scrapping	-10,531	-18,918
Cost on the closing date	**203,531**	**197,913**
Depreciation on the opening date	-171,703	-177,741
Translation differences	-4,409	-4,122
Sale/scrapping	7,572	17,460
Depreciation for the year	-5,962	-7,300
Depreciation on the closing date	**-174,502**	**-171,703**
Total computer equipment and other equipment	**29,029**	**26,210**
Renovation of leased premises		
Cost on the opening date	100,044	94,127
Translation differences	2,718	2,071
Acquisitions during the year	2,703	3,846
Sale/scrapping	-3,638	–
Cost on the closing date	**101,827**	**100,044**
Depreciation on the opening date	-82,781	-71,538
Translation differences	-1,741	-1,425
Sale/scrapping	3,638	–
Depreciation for the year	-6,475	-9,818
Depreciation on the closing date	**-87,359**	**-82,781**
Total renovation of leased premises	**14,468**	**17,263**
Right-of-use assets		
Effect of application of IFRS 16 effective 1 January 2019	274,910	–
Translation differences	4,533	–
Acquisitions during the year	6,519	–
Sale/scrapping	–	–
Cost on the closing date	**285,962**	**–**
Depreciation on the opening date	–	–
Translation differences	89	–
Sale/scrapping	–	–
Depreciation for the year	-57,157	–
Depreciation on the closing date	**-57,068**	**–**
Total right-of-use assets	**228,894**	**–**
Total tangible fixed assets	**272,391**	**43,474**
Attributable to Banque Carnegie Luxembourg S.A.	–	2,838
Total carrying amount of tangible fixed assets	**272,391**	**40,635**

At transition to IFRS 16 on 1 January 2019, right-of-use assets increased by SEK 275 million, allocated as follows: premises and buildings, SEK 273 million and cars SEK 2 million. The closing balance for the items amounted to SEK 226 million and SEK 3 million, respectively.

Note 17 Deferred tax assets/liabilities

SEK 000s	GROUP 2019	GROUP 2018	PARENT COMPANY 2019	PARENT COMPANY 2018
Deferred tax asset				
Pensions	92,169	93,022	–	1,026
Capitalised loss carryforwards[1]	46,439	94,233	30,379	–
Other	26,644	26,198	–	–
Total deferred tax assets	**165,252**	**213,453**	**30,379**	**1,026**
Deferred tax liabilities				
Intangible assets	2,934	2,839	–	–
Other	716	5,810	–	–
Total deferred tax liabilities	**3,650**	**8,650**	**–**	**–**
Attributable to Banque Carnegie Luxembourg S.A.	–	5,609		
Carrying amount, deferred tax liabilities	**3,650**	**3,040**		

Changes for the year – deferred tax assets	Opening balance	Deferred tax in income statement	Recognised directly against equity, exchange-rate differences, acquisitions and eliminations	Closing balance
Group, 2019, SEK 000s				
Pensions	93,022	-853	–	92,169
Capitalised loss carryforwards[1]	94,233	-48,838	1,045	46,439
Other	26,198	-100	546	26,644
Total	**213,453**	**-49,791**	**1,590**	**165,252**
Changes for the year – deferred tax liabilities				
Group, 2019, SEK 000s				
Intangible assets	2,839	0	95	2,934
Other	5,810	514	-5,608	716
Total	**8,650**	**514**	**-5,513**	**3,650**
Attributable to Banque Carnegie Luxembourg S.A.	-5,609	–	5,609	-
Carrying amount, deferred tax liabilities	**3,040**	**514**	**96**	**3,650**
Changes for the year – deferred tax assets				
Parent company, 2019, SEK 000s				
Pensions	1,027	-1,027	–	-
Capitalised loss carryforwards[1]	–	30,379	–	30,379
Total	**1,027**	**29,352**	–	**30,379**

1 Capitalised loss carryforwards of the Group: The majority of the opening balance of capitalised loss carryforwards is attributable to Carnegie Investment Bank AB, Sweden, which utilised the loss carryforward during the year. The loss carryforward in the parent company was capitalised during the year and amounted to SEK 30,379 thousand (-) at the end of the year, corresponding to a loss carryforward of SEK 141,928 thousand (140,008).

The basis for capitalised loss carryforwards is the budget for coming years, which shows that Carnegie will post positive earnings.

Note 18 Other assets

SEK 000s	GROUP 31 Dec 2019	GROUP 31 Dec 2018
Trade and client receivables	64,681	94,173
Accounts receivable, trade	181,547	155,778
Issue proceeds	44,624	338,948
Other	58,930	79,695
Total other assets	**349,782**	**668,594**

Other assets have a remaining maturity of less than one year.

Note 19 Prepaid expenses and accrued income

SEK 000s	GROUP 31 Dec 2019	GROUP 31 Dec 2018
Accrued interest	411	326
Rent	14,875	16,283
Personnel-related	2,440	1,835
Pensions	722	2,533
Accrued income	40,585	120,470
Prepaid expenses	53,630	60,421
Total prepaid expenses and accrued income	**112,663**	**201,868**

Prepaid expenses and accrued income have a remaining maturity of less than one year.

Note 20 Other liabilities

SEK 000s	GROUP 31 Dec 2019	GROUP 31 Dec 2018	PARENT COMPANY 31 Dec 2019	PARENT COMPANY 31 Dec 2018
Trade and client payables	40,480	300,624	–	–
Accounts payable, trade	143,212	74,404	366	–
Issue proceeds	65,443	156,419	–	–
Lease liability	219,666	–	–	–
Other	73,710	48,691	–	18
Total other liabilities	**542,511**	**580,138**	**366**	**18**

Other liabilities have a remaining maturity of less than one year, except for the lease liability.

Note 21 Accrued expenses and deferred income

SEK 000s	GROUP 31 Dec 2019	GROUP 31 Dec 2018	PARENT COMPANY 31 Dec 2019	PARENT COMPANY 31 Dec 2018
Accrued interest	1,590	2,197	–	37
Personnel-related	664,338	563,276	–	–
Pensions	32,103	26,273	–	–
Accrued expenses	33,421	10,395	776	529
Other	365	531	–	–
Total accrued expenses and prepaid income	**731,817**	**602,672**	**776**	**566**

Accrued expenses and prepaid income have a remaining maturity of less than one year.

Note 22 Other provisions

SEK 000s	GROUP 31 Dec 2019	GROUP 31 Dec 2018
Restructuring provisions		
Opening balance	43,420	60,727
Translation differences	0	0
Utilised amounts	-6,829	-23,577
Reversal, unutilised amounts	-25,271	-559
Provisions for the year	0	6,829
Closing balance, restructuring reserve	**11,320**	**43,420**
Other provisions		
Opening balance	20,695	49,383
Translation differences	137	29
Utilised amounts	106	-28,717
Reversal, unutilised amounts	–	–
Provisions for the year	466	–
Closing balance, provisions	**21,404**	**20,695**
Total other provisions	**32,724**	**64,115**

Most of the provisions are expected to be utilised during 2020.

Note 23 Classification of financial assets and liabilities

Group, 31 Dec 2019, SEK 000s	Fair value through profit and loss	Amortised cost	Non-financial assets/ liabilities	Total
Cash and bank deposits with central banks		83,135		83,135
Negotiable government securities		2,289,621		2,289,621
Loans to credit institutions		2,225,721		2,225,721
Loans to the general public		2,662,894		2,662,894
Bonds and other interest-bearing securities	23,906	2,457,604		2,481,510
Shares and participations	595,147			595,147
Derivative instruments	11,446			11,446
Intangible assets			0	0
Tangible fixed assets			272,391	272,391
Current tax assets			34,951	34,951
Deferred tax assets			165,252	165,252
Other assets		349,782		349,782
Prepaid expenses and accrued income		112,663	–	112,663
Total assets	**606,593**	**10,205,326**	**472,594**	**11,284,513**
Liabilities to credit institutions		49,362		49,362
Deposits and borrowing from the general public		8,007,440		8,007,440
Short positions, shares	69,695			69,695
Derivative instruments	89,562			89,562
Current tax liabilities			32,364	32,364
Deferred tax liabilities			3,650	3,650
Other liabilities		468,801	73,710	542,511
Accrued expenses and prepaid income		731,817	–	731,817
Other provisions			32,724	32,724
Total liabilities	**159,257**	**9,257,420**	**142,449**	**9,559,125**
Equity			**1,725,387**	**1,725,387**
Total liabilities and equity	**159,257**	**9,257,420**	**1,867,836**	**11,284,513**

Group, 31 Dec 2018, SEK 000s	Fair value through profit and loss	Amortised cost	Non-financial assets/ liabilities	Total
Cash and bank deposits with central banks		67,980		67,980
Negotiable government securities		2,034,067		2,034,067
Loans to credit institutions		2,424,408		2,424,408
Loans to the general public		2,088,295		2,088,295
Bonds and other interest-bearing securities	34,495	2,702,412		2,736,907
Shares and participations	287,424			287,424
Derivative instruments	34,201			34,201
Intangible assets			2,645	2,645
Tangible fixed assets			40,635	40,635
Current tax assets			32,912	32,912
Deferred tax assets			213,453	213,453
Other assets		668,594		668,594
Prepaid expenses and accrued income		201,868	–	201,868
Assets held for sale	30,756	1,737,773	9,359	1,777,888
Total assets	**352,381**	**11,959,892**	**299,006**	**12,611,278**
Liabilities to credit institutions		29,808		29,808
Deposits and borrowing from the general public		7,729,043		7,729,043
Short positions, shares	7,449			7,449
Derivative instruments	9,144			9,144
Current tax liabilities			5,137	5,137
Deferred tax liabilities			3,040	3,040
Other liabilities		531,447	48,691	580,138
Accrued expenses and prepaid income		602,672	–	602,672
Other provisions			64,115	64,115
Liabilities held for sale	36,760	1,448,339	72,056	1,557,156
Total liabilities	**53,353**	**10,341,310**	**193,039**	**10,587,702**
Equity			**2,023,576**	**2,023,576**
Total liabilities and equity	**53,353**	**10,341,310**	**2,216,615**	**12,611,278**

Note 24 Pledged assets and contingent liabilities

	GROUP		PARENT COMPANY	
SEK 000s	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Assets pledged for own debt				
Pledged assets for:				
Deposited securities	410,780	314,366	–	–
whereof pledged cash	410,780	314,366	–	–
Derivative instruments	41,678	344,178	–	–
whereof own pledged securities	41,678	156,932	–	–
whereof pledged cash	–	187,246	–	–
Other liabilities	10,954	23,436	–	–
whereof pledged cash	10,954	23,436	–	–
Total pledged assets for own liabilities	**463,412**	**681,980**	**–**	**–**
Other pledged assets				
Pledged assets for:				
Deposited securities on clients' account	289,628	276,124	–	–
whereof own pledged securities	156,564	276,124	–	–
whereof pledged cash	133,065	–	–	–
Derivative instruments on clients' account	244,754	173,605	–	–
whereof own pledged securities	166,712	113,457	–	–
whereof pledged cash	78,042	60,148	–	–
Trade in securities on clients' and own account	69,178	91,900	–	–
whereof own pledged securities	–	–	–	–
whereof pledged client securities	19,099	–	–	–
whereof pledged cash	50,079	91,900	–	–
Total other pledged assets	**603,560**	**541,629**	**–**	**–**
Contingent liabilities and guarantees				
Contingent liabilities[1]	112,509	124,324	112,509	112,509
Guarantees	341,625	548,415	–	–
Total contingent liabilities and guarantees	**454,134**	**672,739**	**112,509**	**112,509**

[1] The parent company has certain obligations to the Swedish National Debt Office that may be paid in special cases.

The assets in endowment insurance plans held for individual pension commitments to employees (see Note 6 for amounts) have been pledged to the benefit of the employees.

Note 25 Related-party transactions

The following disclosures are presented from Carnegie Holding's perspective, that is, how Carnegie Holding's figures were affected by transactions with related parties. Lending has taken place on market terms. Information on remuneration to key persons in executive positions is presented in Note 6.

	GROUP		PARENT COMPANY	
SEK 000s	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Related-party transactions with the CEO, board of directors and group management				
Deposits/liability	4,573	5,306	–	–
Interest expenses	8	8	–	–
Lending/assets	–	–	–	–
Interest income	–	–	–	–
Pledged assets and guarantees	–	–	–	–
Related-party transactions with Group companies				
Deposits/liability			–	3,415
Interest expenses			7	75
Lending/assets			28	255,000
Interest income			–	–
Sales			–	–
Related-party transactions with the owners				
Deposits/liability	84,450	9,834	–	–
Interest expenses	–	–	–	–
Purchases	56	14	–	–
Sales	–	–	–	–

For other transactions with owners, see "Consolidated statements of changes in equity" (page 58) and "Parent company statements of changes in equity" (page 61).

	GROUP		PARENT COMPANY	
Related-party transactions with others	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Deposits/liability	4,749	7,770	–	–
Interest expenses	–	–	–	–
Lending/assets	4,701	6,009	–	–
Interest income	–	–	–	–
Purchases	1,212	944	–	–
Sales	39,663	41,925	–	–

Other related parties are Carnegie Fonder AB, Carnegie Holding Danmark A/S, CAM Fondmeglerselskap A/S, Carnegie Personal AB and Stiftelsen D. Carnegie & Co.

Not 26 Significant events after 31 December 2019

Global pandemic
A Covid-19 pandemic broke out during the first quarter of 2020, which led to a sharp turndown in most financial markets around the world and a rapid deceleration of economic activity. As of the end of March 2020, it was still uncertain how prolonged the pandemic and the downturn in economic activity will be, but nervousness in the markets where Carnegie operates has increased markedly. Carnegie remains in a strong financial position and exposure to financial risks remains low.

The annual report was approved for publication by the Board of Directors on 24 March 2020.

Note 27 Risk, liquidity and capital management

Credit risks
Reported amounts refer to the Group. Ratings from recognised rating institutes are used to report the credit quality of assets not yet due for payment and whose value has not been impaired.

Carnegie's total credit risk exposure per exposure class

Group, 31 Dec 2019, SEK 000s	AAA, AA–	A+, A–	BBB+, BBB–	No external rating available	Past due but not reserved	Provisions
Governments and central banks	2,301,752	0	0	0	–	1
Institutional exposures	3,572,265	941,094	1,029	6,360	–	685
Corporate exposures	18,160	326	20,241	3,736,228	–	199,638
Retail exposures	0	0	0	738,147	–	7,779
Total	**5,892,176**	**941,420**	**21,270**	**4,480,735**	–	**208,103**

Group, 31 Dec 2018, SEK 000s	AAA, AA–	A+, A–	BBB+, BBB–	No external rating available	Past due but not reserved	Provisions
Governments and central banks	2,844,993	81	–	–	–	115
Institutional exposures	4,186,581	1,280,590	16,689	13,597	–	641
Corporate exposures	1,587	14,340	26,781	3,397,007	–	201,926
Retail exposures	–	–	–	625,820	–	7,747
Total	**7,033,161**	**1,295,011**	**43,470**	**4,036,423**	–	**210,430**

Pledged assets
Carnegie's corporate and retail exposures are primarily collateralised with pledged liquid financial securities (known as custodian account loans). Only a minor fraction of these exposures are unsecured (in blanco). Exposures are usually secured by a diversified portfolio of financial collateral.

The majority of clients have assets whose worth far exceeds the utilised credit amount. However, there are large differences in loan-to-value amongst individual clients. Equities are the most common form of collateral used in margin lending. No individual security accounts for more than 2 percent of utilised collateral.

Exposure refers to the size of outstanding credit secured by the individual instrument. "Other collateral" refers to funds, structured products, guarantees and pledged custodian accounts with underlying financial collateral.

Loss provisions
Impairments are based on individual assessments for each counterparty (specific reserves). Carnegie has identified this method as the most appropriate because the portfolio contains few homogeneous groups.

Carnegie considers various parameters in assessing whether an impairment need is indicated. These parameters are described in Carnegie's internal control documents. An impairment need may arise as a result of various events, such as increased risk due to changes in the client's financial statements and/or changes in the composition of pledged collateral. Carnegie performs regular reviews of specific impairment requirements in accordance with internal policies and instructions and the IFRS 9 accounting standard. The opening balance for 2019 includes an allowance for expected credit losses of SEK 12 million, in accordance with the IFRS 9 standard.

As of 31 December 2019, the value of collateral the Group is holding for loans where the value has been impaired was SEK – million (-).

No receivables have been renegotiated due to repayment difficulties.

Financial assets past due for payment for which no provisions have been made are handled according to Carnegie's procedures for doubtful receivables and are assessed regularly in operations. Individual decisions are taken in every case and may include the realisation of collateral through the sale of pledged listed securities.

The value of assumed financial assets was SEK – million (-) at the end of the period.

Liquidity risk
The table below provides a maturity analysis of the contracted maturity of financial assets and liabilities. Deposits and borrowing from the general public are reported as payable on demand. However, this borrowing has a longer behavioural maturity in that a significant portion of deposits are covered by the Swedish government's deposit insurance scheme. Carnegie calculates and stress tests the liquidity reserve from an operational perspective and an LCR perspective daily to ensure that liquidity targets are met and that liquid assets are available to meet contractual and modelled cash flows.

Contracted maturities of financial assets and liabilities, 31 Dec 2019

Group, 31 Dec 2019, SEK 000s	Upon demand	<3 months	>3 months but <1 year	>1 but < 2 years	>2 but <5 years	> 5 years	Interest effect	N/A	Total
Negotiable government securities	289,306	1,900,280	100,034	–	–	–	–	–	2,289,621
Bonds and other interest-bearing securities	21,965	701,923	1,750,918	3,148	4,223	1,279	-1,944	–	2,481,510
Shares and participations	–	–	–	–	–	–	–	595,147	595,147
Total financial assets	**311,271**	**2,602,203**	**1,850,952**	**3,148**	**4,223**	**1,279**	**-1,944**	**595,147**	**5,366,278**
Deposits and borrowing from the general public	8,007,440	–	–	–	–	–	–	–	8,007,440
Short positions, shares	–	–	–	–	–	–	–	69,695	69,695
Lease liability		16,309	48,926	59,482	105,036	22,120	-32,206	–	219,666
Other liabilities	–	322,845	–	–	–	–	–	–	322,845
Accrued interest expenses	–	1,590	–	–	–	–	–	–	1,590
Total financial liabilities	**8,007,440**	**340,743**	**48,926**	**59,482**	**105,036**	**22,120**	**-32,206**	**69,695**	**8,621,235**
Derivatives									
Assets at market value	–	7,754	3,692	–	–	–	–	–	11,446
Liabilities at market value	–	3,597	85,965	–	–	–	–	–	89,562

Note 27 Risk, liquidity and capital management, cont.

Contracted maturities of financial assets and liabilities, 31 Dec 2018

Group, 31 Dec 2018, SEK 000s	Upon demand	<3 months	>3 months but <1 year	>1 but < 2 years	>2 but <5 years	> 5 years	Interest effect	N/A	Total
Negotiable government securities	23,111	1,810,552	200,404	–	–	–	–	–	2,034,067
Bonds and other interest-bearing securities	49,311	911,964	1,758,555	8,176	13,435	2,060	-6,594	–	236,907
Shares and participations	–	–	–	–	–	–	–	287,424	287,424
Total financial assets	**72,422**	**2,722,516**	**1,958,959**	**8,176**	**13,435**	**2,060**	**-6,594**	**287,424**	**5,058,398**
Deposits and borrowing from the general public	7,639,180	88,317	1,546	–	–	–	–	–	7,729,043
Short positions, shares	–	–	–	–	–	–	–	7,449	7,449
Other liabilities	–	580,138	–	–	–	–	–	–	580,138
Accrued interest expenses	–	2,196	–	–	–	–	–	–	2,196
Total financial liabilities	**7,639,180**	**670,651**	**1,546**	**–**	**–**	**–**	**–**	**7,449**	**8,318,826**
Derivatives									
Assets at market value	–	23,593	10,285	323	–	–	–	–	34,201
Liabilities at market value	–	6,518	2,626	–	–	–	–	–	9,144

Market risks
Reported amounts refer to the Group. Amounts for the preceding year are stated in brackets.

Equity price risk
Carnegie's own exposure to equity and equity-related instruments consists of both assets and liabilities among balance sheet items. At year-end, the total value of these assets and liabilities amounted to SEK 766 million (241). Of that amount, SEK 665 million (197) related to shares and SEK 101 million (44) to derivative instruments. The net value at year-end was SEK 447 million (208).

Assets and liabilities are measured at fair value, which corresponds to the carrying amount. Equity positions consist of both long and short positions in shares and share-based derivative instruments, primarily listed in Sweden and other Nordic marketplaces. A simultaneous price change of -3% of all equity holdings in the Group's trading book would have had an effect on earnings of SEK -0.6 million (-0.4) at year-end. A +3% price change at the same date would have had an effect on earnings of SEK 0.6 million (0.5) in the Group. Derivative positions consist of held or issued forward contracts, swaps, call options and put options.

Volatility risk
Exposure to volatility risk is measured in Vega, which describes the change in value of the position if the volatility in the position increases by one percentage point. At year-end, Carnegie had volatility risk of Vega SEK 0.1 million (0.3). The exposure in the Group represents the net of positions with negative or positive Vega exposure.

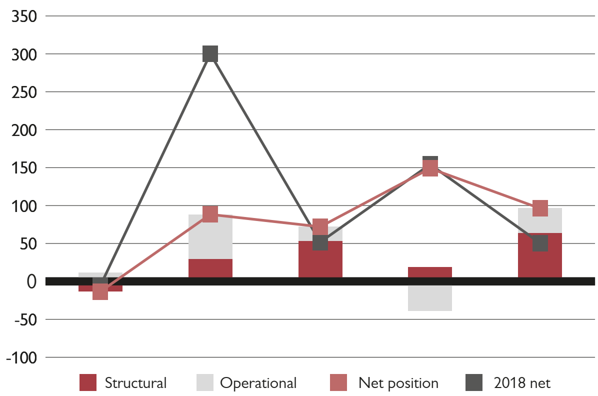
Scenario analysis
The risks in operations where risk-taking is an element of the business consist mainly of equity price risk and volatility risk. These risks are measured by simulating the effect on earnings of a combined change of share prices and volatility. Carnegie focuses on and has limits for the maximum potential loss for two specific scenarios: a medium scenario and a stress scenario. The medium scenario means that prices in the entire equity market change by ±3% simultaneously with a change in market volatility of ±10 percent.

The greatest potential loss in such a scenario is called the Medium Max Loss and was at year-end SEK 0.8 million (0.8). The stress scenario means that prices in the entire equity market change by ±10% and that market volatility changes by ±40 percent. The greatest potential loss in such a scenario is called Stress Max Loss and amounted to SEK 3.0 million (5.0) at year-end.

The market risk for structured products is based on parameters that are relevant to the instruments in the portfolio. These are stress-tested at the level that applies to equity-related products, but consist of risk factors other than share price and volatility. At year-end, the aggregate portfolio risk within structured products was SEK 0.3 million (0.7) for MML and SEK 1.0 million (2.3) for SML.

Currency risk
Currency risk is divided into structural and operational currency risk. Structural currency risk arises in financing of foreign subsidiaries and branches with equity or subordinated loans in another currency. Operational currency risk arises in ongoing business operations. Carnegie has limited operational currency exposure and includes only liquid currencies.

Currency exposure for the Group at 31 December 2019 (SEKm)



Interest risk in the trading book
Carnegie's own trading book is affected by interest-rate changes through holdings of bonds and derivative instruments. At year-end, the effect on earnings of the trading book in connection with an interest rate increase of 200 basis points was SEK -0.3 million (0.8). The interest risk in the trading book is limited and is calculated and reported daily to risk management and senior management.

Interest risk in other operations
The bank places portions of its liquidity in bonds with varying tenors. Average duration is kept short, in line with risk appetite. The holdings entail exposure to interest rate risk in the bank book.

Carnegie regularly performs sensitivity analyses that calculate the effects on the balance sheet of interest rate changes. In the analysis, an interest-rate shock is simulated that corresponds to a sudden and sustained parallel shift of 200 basis points applied on the yield curves to which the positions are linked. At year-end, the outcome from such an upward shift of 200 basis points was SEK 28.4 million (31.5).

Note 27 Risk, liquidity and capital management, cont.

SEK 000s	31 Dec 2019	31 Dec 2018
Capital adequacy		
Capital base	1,678,159	1,676,258
Risk exposure amount	6,659,001	6,912,827
Capital requirements	532,720	553,026
Surplus capital	1,145,439	1,123,232
Common Equity Tier 1 capital ratio (CET1), %	25.2%	24.2%
Tier 1 capital ratio, %	25.2%	24.2%
Capital adequacy ratio, %	25.2%	24.2%
Capital buffer requirement		
Institution-specific CET 1 requirement including buffer requirement.	9.3%	8.6%
Whereof: Capital conservation buffer, %	2.5%	2.5%
Whereof: Countercyclical capital buffer, %	2.3%	1.6%
CET1 available as buffer, %	17.2%	16.2%
Other capital base requirements (Pillar 2)	2.0%	2.0%
Total capital base requirement	14.8%	14.1%
Capital buffer requirement		
Institution-specific CET 1 requirement including buffer requirement.	619,095	597,948
Whereof capital conservation buffer	166,475	172,821
Whereof countercyclical capital buffer	152,965	114,050
CET1 available as buffer	1,145,439	1,123,232
Other capital base requirements (Pillar 2)	133,180	138,257
Total capital base requirement	985,341	978,153
Capital base		
Equity instruments and associated premium reserve	921,976	921,976
Retained earnings and reserves	904,432	1,210,977
Planned dividend	–	-250,000
Goodwill and intangible assets	0	-2,645
Deferred tax asset	-46,439	-94,233
Further value adjustments	-790	-440
Other comprehensive income	-101,020	-109,376
Total common equity Tier 1 capital	**1,678,159**	**1,676,258**
Additional Tier 1 capital		
Preference shares	–	–
Total Tier 1 capital	**1,678,159**	**1,676,258**
Tier 2 capital		
Perpetual convertible debentures	–	–
Total capital base	**1,678,159**	**1,676,258**

Capital requirement for credit risks

Carnegie applies the standard method for calculating credit risks.

The table below shows the capital requirements for all risk categories at Carnegie. The corresponding risk exposure amount is calculated as the capital requirement divided by 8 percent.

SEK 000s	31 Dec 2019	31 Dec 2018
Capital requirements from exposures to:		
Central counterparties	80	89
Governments and central banks	–	–
Municipalities and comparable public bodies and authorities	–	–
Institutional exposures	29,588	45,778
Corporate exposures	23,766	21,200
Retail exposures	10,444	13,068
Exposures secured by real estate property	10,453	4,858
High-risk items	–	–
Exposures to funds	–	–
Exposures in the form of covered bonds	19,598	21,552
Equity exposures	0	0
Other items	62,039	53,989
Total capital requirement for credit risks	**155,967**	**160,535**
Capital requirement for market risks		
Settlement risk	30	–
Total capital requirement for settlement risks	**30**	**–**
Equity price risk		
Specific risk	11,188	4,415
General risk	2,753	1,147
Non-delta risk	–	–
Total capital requirement for equity risks	**13,942**	**5,562**
Interest rate risk		
Specific risk	976	261
General risk	274	395
Total capital requirement for interest risks	**1,250**	**656**
Currency risk	32,539	45,971
Total capital requirements for currency risks	**32,539**	**45,971**
Capital requirement from credit valuation adjustment risk		
Credit valuation adjustment risk	851	2,059
Total capital requirement for credit valuation adjustment risk	**851**	**2,059**

Carnegie applies the basic indicator approach for calculating operational risks. The capital requirement is calculated as 15% of the income indicator, which represents the average operating income of the three most recent financial years.

Income indicator	2,187,080	2,254,366
Capital requirement for operational risks	**328,062**	**338,155**

Note 28 Expected credit losses per IFRS 9

IFRS 9 contains rules for recognition, classification and measurement, write-offs, impairments and hedge accounting. Expected credit losses and underlying principles are reported below.

Total Loss allowance SEK 000s	2019	2018
Loans at amortised cost		
Allowance – Stage 1	-4,974	-5,379
Allowance – Stage 2	-3,533	-1,854
Allowance – Stage 3	-2,896	-1,847
Allowance – acquired or issued bad debt	–	–
Total	**-11,403**	**-9,080**
Write-offs	–	–
Recoveries	–	–
Total loans at amortised cost	**-11,403**	**-9,080**
Financial guarantees		
Allowance – Stage 1	-108	-268
Allowance – Stage 2	–	–
Allowance – Stage 3	–	–
Total	**-108**	**-268**
Write-offs	–	–
Total financial guarantees	-108	-268
Total ECL	**-11,512**	**-9,348**

The loss allowances are based on statistical quantitative models based on Group data, assumptions and methods manifested in policies and instructions, as well as frequent assessments by management. Due to the Group's composition of credit portfolios, the following factors have material impact on the allowances:

- Equity market volatility
- Individual credit decisions
- General default rate and recovery rate
- Forward-looking macro economic scenarios
- The measurement of 12-month expected credit losses (ECL) as well as lifetime ECL

Assessment of expected credit losses

Separate models have been prepared for margin loans, mortgages and the portion of loans unsecured by collateral. Margin loans are handled using the general approach. The others are handled using the simplified approach. All models are based on the same logic, where the probability of default (PD) is multiplied by the loss given default (LGD) and the outstanding exposure at default (EAD). The models were developed internally but with external support to generate assurance that they are consistent with industry practice and applicable regulations.

The Group bases its analysis of PD on a scale of 1 to 10. On this scale, 1 represents the lowest risk and 10 represents bankruptcy. This analysis is based on a quantitative risk classification model, which can be adjusted based on a qualitative and quantitative credit analysis. The qualitative parameters include account management statistics and risk appetite, while the quantitative parameters are focused on financial indicators used to analyse and forecast financial stability and repayment capacity.

The PD and LGD models are forward looking and take macroeconomic changes into account.

There are PD curves in this structure that make estimation in accordance with the IFRS 9 standard possible for the full spectrum of a PD from day 1 to a lifetime perspective. Macrostatistics including GDP, consumption and unemployment are used for these models. These factors were selected following single-factor analysis and multi-factor analysis of various parameters such as GDP, unemployment, consumer price index, exports, imports, consumption and house price index. Usage of these models as based mainly on data and forecasts from public sources. The forecast subsequently used in calculating the shape of the PD curves is projected through the use of a weighting of three scenarios: a base scenario, a growth scenario and a recession scenario. Given the composition of the credit portfolio, where a very high share of lending to private individuals is secured with strong collateral (average loan to value of 34 percent) and that the exposure to financial institutions is classified within ECAI 1 and ECAI 2, according to the Capital Requirements Regulation, this forward-looking model is permitted to have only marginal effect on the expected credit losses.

The Group also uses forward-looking models to estimate LGD. These models are based on financial indices and their implicit volatility to estimate LGD for each financial instrument pledged in clients' margin lending portfolios. These indices were selected based on portfolio composition in order to arrive at the highest correlation with historical outcomes. The volatility from the historical periods in which different weights are given between the indices is used to control the forward-looking volatility, along with the choice of various durations of perspectives in order to capture changes in volatility. The Group's internal market analysis is used to guide the weighting among the three different scenarios within this model.

Significant increase in credit risk

The definition of significant increase in credit risk is based on factors included in the composition of the models. These are based on both qualitative and quantitative factors. They are used to assess a significant increase in credit risk. As an example, a migration down to risk class 9 occurs or a period of 90 days in which the client/counterparty fails to meet obligations is reached, this will result in a transfer to Stage 3 of the model for estimating expected credit losses. A transfer to Stage 2 requires a corresponding transfer to risk class 8 or a negative risk transfer by 270 percent in the probability of default.

As regards margin loans, there are additional parameters included in the assessment of significant increase in credit risk. These take into consideration the explicit and forecast market volatility of the pledged financial instruments included in the margin loan basis.

PD (Probability of Default)

The model for PD addresses the probability of default expected to occur within the next 12 months and for the full remaining term to maturity. PD is based on statistical models for assessing credit risk that are forward-looking and based on information as of the reporting date. The models are differentiated based on counterparty category. If there is a deterioration in the macro-forecasts and statistics included, the PD curves used by the models will change shape, increase the loss allowances and change the composition of the number of counterparties in Stage 1 and Stage 2.

LGD (Loss Given Default)

The estimated expected loss given default, taking into account the expected value of disposal of collateral, future recoveries, when in time the recoveries are expected to occur and the time value of money. The estimation of LGD is based on type of counterpart and type of collateral, which is based on underlying loan agreements. The estimation models applied to collateral are based on historical information and statistical models pertaining to the volatility of relevant financial instruments and applicable recovery processes. Forward-looking factors are reflected in the LGD estimations through their effect on the market volatility of the financial instruments included in the margin loan. Various scenarios are used, which is affected by the macro-forecast in effect at the close of books. Deterioration in macro outlooks generate higher LGD, which affects the loss allowances.

EAD (Exposure at Default)

Exposure at default is estimated based on expected maturity and the exposure trend for all exposure categories. This is controlled based on the underlying terms of loan agreements and the observed behaviour of counterparties. This also includes off-balance sheet commitments. The final EAD estimation shows the forecast credit exposure for a future date of potential default.

The expected maturity is different for different exposure categories. For the Group's margin lending product, which has a mix of fixed maturities and revolving maturity clauses, the expected maturity is thus controlled by observed behaviour, the term of the contract and whether or not early termination is possible. The Group applies a behavioural maturity model to its mortgage loan exposure. The Group applies a general model to other products, where the expected maturity is limited by the contractual maturity.

Individual assessment of significant bad debts

The Group has further developed its management of bad debt to correlate with the definitions provided in IFRS 9 regarding treatment of significant increases in credit risk. The current loss allowance is assessed individually for significant bad debts within Stage 3.

This assessment is based on various factors for the relevant exposure category. An estimation is made for the margin loan product based on EAD and possible recovery based on the most probable scenario. The cash flows derived are discounted to estimate the current loss allowance at the reporting date. Factors that affect this estimation include counterparty-specific factors that affect repayment capacity as well as collateral-specific aspects, which may include e.g. portfolio volatility, liquidity in underlying instruments and forecasts regarding the future development of these parameters. In addition to these exposure-specific parameters, the Group considers potential recovery costs that may be affected by factors such as contract structure, jurisdiction and counterparty structure. As the recovery process may vary based on the unique circumstances of each case, new assessments are made as the recovery process progresses.

Custodian account loans

The Group's exposure to margin loans is reported according to the general approach and is presented below. The estimations are based on the logic presented above. Transfers between the stages are based mainly on the performance of client margin lending portfolios.

Note 28 Expected credit losses per IFRS 9, cont.

MARGIN LOANS – Exposure, SEK 000s	Step 1	Step 2	Step 3
Opening balance, 1 Jan 2019	2,177,916	145,439	223,122
Transfers:			
From Stage 1 to Stage 2	-6,818	6,818	0
From Stage 1 to Stage 3	-98,463	0	98,463
From Stage 2 to Stage 3	0	-3,717	3,717
From Stage 3 to Stage 2	0	145	-145
From Stage 2 to Stage 1	31,285	-31,285	0
From Stage 3 to Stage 1	1,777	0	-1,777
Write-offs/Amortisation	-470,228	-2,245	-3,034
New assets	248,180	4,230	18,422
Renegotiations	0	0	0
Change in accrued interest	0	0	0
Impairments	0	0	-1,270
FX and other changes	301,763	-19,179	-119,889
Closing balance, 31 Dec 2019	2,185,412	100,206	217,610

MARGIN LOANS – Loss allowance, SEK 000s	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL
Opening balance, 1 Jan 2019	4,515	1,854	202,370
Transfers:			
From Stage 1 to Stage 2	-155	155	0
From Stage 1 to Stage 3	-1,656	0	1,656
From Stage 2 to Stage 3	0	0	0
From Stage 3 to Stage 2	0	8	-8
From Stage 2 to Stage 1	1,038	-1,038	0
From Stage 3 to Stage 1	1	0	-1
Write-offs/Amortisation	-1,332	-26	-3,584
New assets	179	85	1,217
Renegotiations	0	0	0
Change in accrued interest	0	0	0
Impairments	0	0	-1,270
FX and other changes	1,145	3,370	-2,539
Closing balance, 31 Dec 2019	3,735	4,408	197,841

Accounts receivable
Total accounts receivable amounted to SEK 182 million (156). Based on the counterparty risk and loss recovery percentage applied by the Group, the loss allowance for accounts receivable is very low. At the end of 2019, accounts receivable past due by more than 30 days amounted to less than SEK 0 million.

ACCOUNTS RECEIVABLE – Loss allowance, SEK 000s	2019	2018
Opening balance, 1 Jan 2019	561	938
Change of loss allowance recognised in profit and loss	93	-377
Receivables written off during the year		0
Reversal unutilised amounts		0
Closing balance, 31 Dec 2019	654	561

Guarantees
A very large proportion of these guarantees are covered by collateral with large surplus values, which affects the calculation of the size of the loss allowance. Changes in the loss allowance based on the size of the underlying guarantee volume and its counterparty risk and loss recovery percentage are presented below.

GUARANTEES – Loss allowance, SEK 000s	2019	2018
Opening balance, 1 Jan 2019	268	455
Change of loss allowance recognised in profit and loss	-160	-186
Receivables written off during the year		0
Reversal unutilised amounts		0
Closing balance, 31 Dec 2019	108	268

Central governments and financial institutions
The Group's exposure to central governments and financial institutions is within the absolute majority of exposures to counterparties that have external credit assessments within ECAI 1 and ECAI 1 as defined in the Capital Requirements Regulation (No 575/2013). Total exposure amounted to SEK 6,723 million (7,961m). Due to the low credit risk attached to the counterparties, the Group's loss allowance for this exposure category is low compared to the exposure volume. Exposure arises as a result of the Group's liquidity management. As expected credit losses are low, ECL is reported according to the simplified approach.

CENTRAL GOVERNMENTS & FINANCIAL INSTITUTIONS – Loss allowance, SEK 000s	2019	2018
Opening balance, 1 Jan 2019	756	759
Change of loss allowance recognised in profit and loss	-70	-3
Receivables written off during the year		0
Reversal unutilised amounts		0
Closing balance, 31 Dec 2019	686	756

Mortgages
The Group's exposure to mortgages consists of financing of homes in Sweden. The customer base is made up of private individuals with extremely strong repayment capacity and the loan to value ratio is below 50 percent for the absolute majority of the exposure. This results in a very low loss allowance, which is consequently reported according to the simplified approach. Total exposure to loans secured by liens against residential property amounted to SEK 373 million (173).

MORTGAGES – Loss allowance, SEK 000s	2019	2018
Opening balance, 1 Jan 2019	108	27
Change of loss allowance recognised in profit and loss	562	81
Receivables written off during the year		0
Reversal unutilised amounts		0
Closing balance, 31 Dec 2019	670	108

Note 29 Information on statements of cash flows

SEK 000s	GROUP 2019	GROUP 2018	PARENT COMPANY 2019	PARENT COMPANY 2018
Interest paid	-43,523	-48,831	-9	-77
Interest received	71,451	85,253	–	–
Adjustment for items not affecting cash flow				
Anticipated dividends and Group contributions from subsidiaries	–	–	–	-255,000
Depreciation, amortisation and impairment of assets	72,239	23,283	–	–
Change in provisions for balance sheet items	-31,390	-46,024	–	–
Unrealised changes in value of financial instruments	-81,797	12,608	–	–
Total adjustments for items not affecting cash flow	**-40,948**	**-10,133**	**–**	**-255,000**

SEK 000s	GROUP 2019	GROUP 2018	PARENT COMPANY 2019	PARENT COMPANY 2018
Cash and cash equivalents[1]				
Cash and bank deposits with central banks	83,135	705,682	–	–
Negotiable government securities	2,289,621	2,138,664	–	–
Lending to credit institutions	2,031,824	2,206,132	1,423	1,526
Loans to credit institutions not payable on demand	-80,919	-31,067	–	–
Less pledged cash	-206,795	-551,495	–	–
Cash and cash equivalents at the end of the year	**4,116,866**	**4,467,916**	**1,423**	**1,526**

[1] Cash and cash equivalents consist of cash and bank balances with banks and comparable institutions and short-term liquid investments that can easily be converted to a known amount of cash and are exposed to only insignificant risk of changes in value. Accordingly, loans that are not payable on demand, pledged cash and client funds are not included.

Note 30 Reporting by country

As required by Swedish Financial Supervisory Authority Regulation FFFS 2008:25, the following table provides information about the nature of the business, geographical territory, average number of employees, operating income, operating profit/loss before tax and tax on profit for each country in which Carnegie is established, meaning where Carnegie has a physical presence. Carnegie is considered to have a physical presence in a country if Carnegie has a subsidiary or branch in that country. Carnegie has not received any government subsidies. The group designated "Other" includes the countries where each country's total income is less than 10% of total income for the Group.

GROUP			2019				2018			
Country	Business[1)]	Geographical territory	Average number of employees	Operating income, SEKm	Profit/loss before tax, SEKm	Tax, SEKm	Average number of employees	Operating income, SEKm	Profit/loss before tax, SEKm	Tax, SEKm
Denmark	IB, SEC, PB	Denmark	79	340	12	-3	81	293	-4	0
Norway	IB, SEC	Norway	85	384	77	-17	88	265	-23	-2
Sweden	IB, SEC, PB	Sweden	337	2,464	558	-52	326	1,594	426	-88
Other	IB, SEC, PB	London, New York, Finland, Luxembourg	69	454	46	-4	105	465	-53	5
Eliminations			–	-812	-21	-2	–	-169	44	-5
Total			**569**	**2,830**	**672**	**-78**	**600**	**2,448**	**390**	**-90**

[1] IB=Investment Banking, SEC=Securities, PB=Private Banking

Note 31 Assets held for sale

The decision to sell the business in Luxembourg was announced in May 2018. The transaction closed during the first half of 2019 and the profit from the sale is included in the item Other operating income in the consolidated statement of comprehensive income. Financial information concerning assets held for sale is presented below in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations.

Assets and liabilities held for sale, Banque Carnegie Luxembourg S.A.

	GROUP	
SEK 000s	31 Dec 2019	31 Dec 2018
Cash and bank deposits with central banks	–	637,702
Negotiable government securities	–	104,596
Loans to credit institutions	–	289,006
Loans to the general public	–	698,397
Bonds and other interest-bearing securities	–	–
Derivative instruments	–	30,756
Other assets	–	17,431
Total assets held for sale	**–**	**1,777,888**
Deposits and borrowing from the general public	–	1,422,108
Derivative instruments	–	36,761
Other liabilities	–	98,287
Total liabilities held for sale	**–**	**1,557,156**

Note 32 Disputes

A number of Danish institutional investors commenced legal proceedings in 2016 in a Danish court against several defendant parties, including OW Bunker A/S in bankruptcy, with regard to the losses of approximately DKK 764 million plus interest expenses incurred by the investors as a consequence of the bankruptcy of OW Bunker A/S. The shareholders' association, Foreningen OW Bunker-investor, commenced similar proceedings the same year in respect of approximately DKK 300 million plus interest and costs. Carnegie was one of the banks that assisted OW Bunker A/S and its owners in connection with the flotation of the company on Nasdaq Copenhagen in March 2014. By reason thereof, the institutional investors expanded the legal proceedings in 2017 to also include the two banks, including Carnegie. This is in addition to the legal proceedings commenced by a number of international investors in 2017 against two of the banks, including Carnegie, regarding a claim by reason of the bankruptcy of approximately DKK 534 million plus interest and costs. The legal proceedings continued during 2018 and are still ongoing. Carnegie has entered into an agreement with Foreningen OW Bunker-investor and a number of other parties in connection with the ongoing legal proceedings to mutually reserve the right to take legal measures in the future, but to hold the matter in abeyance until further notice. Carnegie applies customary processes and procedures to provide due and proper assistance in connection with initial public offerings. Carnegie is vigorously contesting the demands that have been presented or which may be presented in the future.

Carnegie is otherwise involved in legal disputes to an extent that can be expected in a business of the type operated by Carnegie.

Note 33 Disclosures concerning number of shares

The number of shares outstanding at 31 December 2019 was 2,168,350 with a quotient value of SEK 110.135 per share.

Note 34 Disposition of profit

Disposition of profit

At the disposal of the annual general meeting, SEK

Share premium reserve	683,165,000
Retained earnings	213,228,108
Net profit for the year	677,462,536
Total	**1,573,855,645**

The Board of Directors proposes the following disposition of profit:

To be carried forward	1,573,855,645
Total	**1,573,855,645**

Certification

The Board of Directors and the CEO hereby certify that the annual report was prepared in accordance with the Swedish Annual Accounts Act (ÅRL), the Swedish Financial Supervisory Authority's regulations and general recommendations regarding annual reports for credit institutions and securities companies (FFFS 2008:25) and recommendation RFR 2 Reporting of Legal Entities; that it provides a fair presentation of the parent company's financial position and earnings and that the Board of Directors' report provides a fair presentation of the company's operations, financial position and earnings; and that it describes significant risks and uncertainties facing the company.

The Board of Directors and the CEO hereby certify that the consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU; the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL); FFFS 2008:25; and RFR 1, Supplementary Accounting Principles for Corporate Groups; that the consolidated financial statements provide a fair presentation of the Group's financial position and earnings; and that the Board of Directors' Report provides a fair presentation the Group's operations, financial position and earnings and describes significant risks and uncertainties facing the companies included in the Group.

Stockholm, 24 March 2020

Anders Johnsson
Chairman of the Board

Ingrid Bojner

Klas Johansson

Andreas Rosenlew

Harald Mix

Björn Jansson
President and CEO

Our audit report was submitted, 30 March 2020
Ernst & Young AB

Mona Alfredsson
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Carnegie Holding AB, corporate identity number 556780-4983

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Carnegie Holding AB (publ) for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 44-89 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 March 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other matter

The audit of the annual accounts and consolidated accounts for 2018 was performed by another auditor who submitted an auditor´s report dated 25 March 2019, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Commission income

Detailed disclosures and a description of the matter are provided in the annual report. The accounting policies are described under "Accounting policies – Income recognition." Further disclosures are provided in Note 1 Geographical distribution of income and Note 2 Net commission income. Information is also provided in the Board of Directors' Report.

Description

Commission income amounts to SEK 2,593 million for the Group as of 31 December 2019.

The item consists mainly of income derived from brokerage and advisory services. A large portion of advisory services income refers to income in the Investment Banking business area. This income is based on agreements that are unique to each client and thus not standardised. Carngie often performs the related work over an extended period of time and the right to income depends on fulfilment of certain terms and conditions in the agreements that are not always satisfied at the same time. Management thus assesses whether the terms and conditions have been met at the reporting date. This in turn affects when income is recognised. In the light of the size of advisory services income and that management must make this assessment, we have considered commission income from Investment Banking a key audit matter.

How our audit addressed this key audit matter

In our audit, we have evaluated the company's governance and control environment related to the commission income process. We have applied a substantive-based approach to income within Investment Banking.

We have obtained the bank's policies and instructions and evaluated the control functions reviews related to commission income. We have reviewed a sample of agreements to assess whether Carnegie have met the contractual terms and conditions for recognizing the income and we reviewed subsequent payments. We also assessed whether the income was recognised in the correct period and verified the calculation of the income.

We have also reviewed disclosures in the financial statements regarding commission income.

Legal disputes and claims

Detailed disclosures and a description of the matter are provided in the annual report. The accounting policies are described under "Accounting policies – Provisions" and significant estimates and assumptions are described under "Accounting policies – Critical assessment parameters." Legal disputes are described in Note 32 Disputes.

Description

Carnegie is from time to time involved in disputes that arise within the business. The outcome of claims and disputes is determined by the circumstances of the case and through negotiations between the parties or by judicial ruling.

In order to determine whether an item should be recognised in the balance sheet, management estimates the probability and consequences of possible outcomes for Carnegie. As described in the annual report, there is a dispute pertaining to advice provided in connection with a prospectus (see Note 32 Disputes). The claims presented by the counterparties are a significant amount to Carnegie. Based on the complexity of the assessment of possible outcomes and the size of the claim, we have considered legal disputes and claims a key audit matter.

How our audit addressed this key audit matter

In our audit, we evaluated whether Carnegie's method for recognising provisions for legal disputes is in compliance with IFRS. We applied a substantive-based approach to our audit.

We have read the claims presented and Carnegie's assessment of the claims made. We have interviewed the bank's senior management personnel and control functions. We have also read the written assessment of the statement of the case expressed by the bank's external legal counsel as a basis for the bank's assessment of the claims. We have assessed the legal dispute based on the audit procedures above.

We have also reviewed disclosures provided in Note 32.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-43 and 93-106. The Board of Directors and the CEO are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the CEO are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the CEO are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the CEO intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the CEO.
- Conclude on the appropriateness of the Board of Directors' and the CEO's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any ma-

terial uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of Carnegie Holding AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's Responsibilities

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the CEO in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Stockholm, 30 March 2020
Ernst & Young AB

Mona Alfredsson
Authorised Public Accountant

Sustainability disclosures

The sustainability report is an integrated part of Carnegie's annual report as our responsibility arises from the core business and the opportunity to make a difference. The sustainability report describes how Carnegie is working with the sustainability topics we consider most material to us and our stakeholders.

Carnegie's general ambition for the sustainability report is that it should be transparent and relevant and that our stakeholders must be able to easily learn about our sustainability efforts and gain good understanding of our performance. This part of the sustainability report presents governance, events and outcomes for the year and provides in-depth explanations, context and details about topics that have also been addressed earlier in the annual report. The sustainability disclosures should be read as part of Carnegie's sustainability report for 2019. The disclosures are structured according to our key sustainability topics.

About the sustainability report

Carnegie's sustainability report, as required by the Annual Accounts Act (1995: 1554), consists of the Carnegie Annual Report for 2019 including these sustainability disclosures. Carnegie's business model is described on pages 12-13. Sustainability risks are presented on the following pages and our most significant risks are more fully described in the Risk, Liqudity and Capital Management section on pages 48-51.

This is Carnegie's third sustainability report and covers the calendar year of 2019. Carnegie intends to report itcs sustainability work annually. Carnegie complies with the Global Reporting Initiative guidelines, GRI Standards, and reports according to the "core option". The GRI Index on pages 102-103 shows where disclosures according to GRI are found in the Carnegie Annual Report for 2019.

Reporting profile and delimitations

The sustainability report describes the areas in which Carnegie has significant influence. Unless otherwise specified, the disclosures refer to the Carnegie Group, which consists of the wholly owned subsidiary Carnegie Investment Bank AB (publ) and its subsidiaries in which all business is conducted. The delimitations of the report are described in each section or in remarks on charts and tables. The figures reported refer to the 2019 financial year and the comparative year, 2018.

Accounting principles

The accounting principles applied to financial reporting are disclosed in the section on Group accounting principles on pages 61-66. The employee data based on verified figures and are reported within the framework of regular reporting.

Stakeholder engagement

Carnegie's business affects people, communities and the environment. Open and frequent engagement with the company's stakeholders is critical to understanding their expectations, and it is also a way to improve our company. Engagement is managed in day-to-day operations because Carnegie believes that stakeholder trust is a joint effort.

Carnegie has numerous forms of engagement and paths of communication with clients and other key stakeholders. In addition, we striveto maintain frequent and transparent public disclosure of information.

Carnegie has identified a number of key stakeholder groups which all affect or are affected by the business in various ways. We have identified our key stakeholders as clients, employees and owners. Carnegie also engages in dialogue with other stakeholder groups, including:

- Industry organisations
- Trade unions
- Non-profit international interest organisations
- Politicians
- Suppliers
- Media
- Higher education institutions

Clients

The most important engagement takes place in the client encounters that occur every day by phone and email or in face-to-face meetings. Engagement also takes place through client meetings, distribution of analyses and reports, talks and other client communications. Carnegie gains better understanding of their expectations by maintaining close relationships with our clients. The topics include products and services, customer service and fees. It is increasingly important to clients that Carnegie conducts it business responsibly. In addition to direct engagement, Carnegie monitors the customer satisfaction surveys performed by independent market research firms.

Employees

Motivated, committed employees are a prerequisite for our success and one of the most important drivers of successful goal attainment. Regular department meetings for information and dialogue are held with employees in relation to profit performance, goals and other current and relevant issues that affect the company. Employee opinions are catered to through employee surveys and performance reviews.

Owners

Carnegie Holding AB is owned by Altor Fund III and Carnegie employees. The owners exert governance primarily through the general meeting and the Board of Directors appointed by the meeting.

Society

Carnegie engages in ongoing dialogue with supervisory authorities such as Finansinspektionen and regulatory bodies in the Nordic region and other countries where Carnegie operates. Aspects related to entrepreneurship and enterprise remained the focus of Carnegie's engagement in 2019, aimed at stimulating the growth of new companies in society.

Material topics

Carnegie's ability to make a difference to sustainable development is found primarily in our advisory services and is based on our market position. Our potential to stimulate responsible investment and ensure effective capital allocation affect both the growth of new companies and economic growth overall.

Issues related to sustainability and responsibility are found in all aspects of our advisory, from allocation of capital to how we invest in discretionary management as well as within equity research. We look at both the risks and the business opportunities through clear investor's glasses with the ultimate objective of enabling our clients to create value in society.

Carnegie must stand on solid financial ground, with sound and sustainable growth and profitability. This is prerequisite for our ability to play an active and prominent role in the financial value chain. Our entire business must be operated responsibly, with a sound and prudent risk culture, high ethics, integrity and confidentiality, strong governance and regulatory compliance.

As a responsible employer, we must create the optimal conditions for enhancing employee engagement and work to achieve greater diversity and equal opportunity.

We have categorised our most material sustainability topics in three areas: responsible advisory, responsible business and responsible employer.

Focus areas and key sustainability topics

Responsible advisory

- Business ethics
- Privacy and confidentiality
- Service, knowledge and tailored advisory
- Responsible investment

Responsible business

- Profitable growth and long-term competitive advantage
- Sound risk culture and strong governance
- Regulatory compliance
- Effective capital allocation

Responsible employer

- Skills development
- Equal opportunity and diversity
- Compensation
- Health and safety

Sustainability risks

Carnegie runs its business with a low risk appetite and surveys show a high risk awareness among employees. We are working continuously to further develop our risk management procedures and have included a number of sustainability risks in our risk framework.

Actively working with sustainability risks is important from afinancial and legal perspective, but also from a reputational perspective. As with other risks, responsibility for managing sustainability risks lies where the risk arises. This means that every employee is responsible for managing sustainability risks in their own area of responsibility.

Sustainability risks are linked to areas such as business ethics, anti-corruption, human rights, the environment, climate and employees. Sustainability risks could arise in any area of the bank's operations in its capacity as an asset manager, service provider, lender, employer and buyer. Carnegie's most material risks and how they are managed are described in detail in Risk, Liquidity and Capital Management on pages 61–66.

Focus area	Risk description	Risk consequences	Risk prevention
Responsible advisory			
Business ethics and anti-corruption	Risk of poor compliance with Carnegie's code of conduct and ethics policy. Risks associated with inadequate understanding of core values or policies that can harm clients and the financial market's trust in Carnegie	Unethical conduct could entail losses for our clients and damage trust in Carnegie as an advisor.	The banking and financial services industry is regulated and authorisation is mandatory. Public trust is dependent upon good business ethics and professionalism in everything we do. Carnegie's code of conduct applies to all employees . Any violations of the code are reported and investigated. Our clients' interests must always be put before our own. Carnegie's corporate ethics is based on a clear division of responsibilities and policy documents, such as the conduct and ethics policy and the purchasing policy.
Responsible investment	Risk that clients, based on our advice and investment recommendations, will invest in companies that fall short in relation to ethical, environmental or social issues.	Inadequate capacity to keep up with developments and consider sustainability in investments could lead to loss of clients and market shares due to new demands on products and services. Risk of losing clients if we are unable to meet client expectations on our business and/or our products and services.	Taking sustainability into account when making investment decisions involves mitigating risks and generating better risk-adjusted return for our clients. Carnegie considers environmental and social issues in advisory services, company analysis and investment management. Our responsible investment policy applies mainly to actively managed funds and the portfolios and funds in which Carnegie or an external fund manager makes direct investments in equities and corporate bonds. Equity research at Carnegie includes sustainability topics. Each year, we publish Socially Responsible Investing, a report of the sustainability work of analysed companies.

Sustainability disclosures, cont.

Focus area	Risk description	Risk consequences	Risk prevention
Privacy and confidentiality	Risk of shortcomings in procedures intended to protect clients' privacy or failures to uphold bank confidentiality. Also, the general risk within the financial industry that could lead to indirect damage to Carnegie's reputation.	Risk of being unable to retain or attract new clients due to insufficient trust in the financial market or in Carnegie.	The banking and financial services industry is regulated and authorisation is mandatory. We observe bank confidentiality in everything we do. Our work with information security is focused on availability, integrity, confidentiality and traceability. Information must not be disclosed to unauthorised parties and must only be used to the extent required for the task. An ongoing project within Carnegie is aimed at raising employee awareness of information security by means including mandatory training and information initiatives.
Service, knowledge and tailored advisory	Risk that clients will not receive the best service or access to sound advice tailored to the client's circumstances	Risk that our services do not live up to clients' expectations. If advice is not tailored to the client's circumstances, the risk to the client's invested capital could be increased.	Variable remuneration is not based on sales of specific products. We aim to find investment opportunities and financial products that are always based on the client's risk profile and other preferences at the time.
Responsible business			
Sound risk culture and good governance	Risk of unsustainable risk-taking due to inadequate governance and internal control	Exaggerated risk-taking could have a negative impact on Carnegie's capital base and financial stability.	Carnegie's operations are run with a low risk appetite, which means we take only conscious and controlled risks that support our core business. The bank works actively to maintain a sound risk culture in various ways including clear accountability, effective communication and appropriate incentives.
Effective capital allocation	Risk that the emergence of new companies will be inhibited by inadequate capital and transparency.	If companies that need to invest do not find capital, it could inhibit economic growth.	Our core business is to bring capital together. Carnegie plays a key economic role. We analyse more than 350 listed companies in the Nordics and their sustainability is an aspect of the research.
Regulatory compliance	Risk of non-compliance with laws and regulatory requirements. Can lead to legal sanctions or financial losses.	Inadequate compliance could lead to financial losses through the imposition of fines or withdrawal of the company's license to conduct business.	All employees are responsible for complying with the laws and regulations that apply to their area. The compliance function plays a key role in the effort to monitor the bank's compliance and support employees in matters related to compliance, such as anti-money laundering measures. In order to keep abreast of legislation, Carnegie is an active member of industry organisations including the Swedish Securities Dealers Association
Profitable growth and long-term competitive advantage	Risk that Carnegie's growth will decline and thus our competitive advantage in the market.	Declining growth for Carnegie could affect our clients, their growth and social progress.	Carnegie offers a range of sophisticated financial services and products in several markets. Carnegie continuously reviews its strategic position and engages in business intelligence to be prepared for changes in client demand and the competitive landscape.
Purchasing and suppliers	Risks related to management of and cooperation with suppliers and products or services that Carnegie buys	Risk that Carnegie's reputation will be damaged and that the bank loses clients and market shares	Carnegie's purchasing policy regulates processes for purchasing and supplier assessment. Sustainability topics are integrated in the purchasing process
Environment and climate	Risk that we will fail to live up to clients' increasing demands on environmental and social responsibility in our products and services. Also, higher demands on understanding and managing the impact of climate change on suppliers and society as a whole	Risk of losing clients and market shares if Carnegie is unable to meet client expectations on our products or the environmental impact of our operations	Carnegie takes environmental aspects into account in all business areas. This applies to advisory, company analysis and wealth management. We aim to find investment opportunities and financial products that are always based on the client's risk profile and other preferences at the time. Carnegie's direct environmental impact arises mainly from energy consumption, business travel and the use of natural resources, such as use of paper.
Responsible employer			
Skills development	Risk that Carnegie will be unable to remain the market leader if employees feel they are not developing sufficiently in their roles, or that the right skills are lacking among employees. Inability to attract new employees in highly competitive markets	A general risk of losing competitive advantage and business position in the market, with particular risk focus on not maintaining Carnegie's strong position in the financial market	Attracting and retaining the right skills has always been Carnegie's goal, with focus on further developing as an employer. Skills development occurs regularly at various levels. Employees and their immediate managers regularly confer to ensure that the employee's individual development goals are consistent with Carnegie's overall business objectives.
Equal opportunity and diversity	Risk that we do not sufficiently leverage our employees experience, knowledge and qualities , which can lead to risk that Carnegie will not meet its business objectives.	If the experience, knowledge and qualities of employees are not leveraged, our future development would be at risk	We must have an inclusive culture and work actively with these matters if we are to continue strengthening our business and developing in society. Carnegie aligns with the principles of equal treatment and always strives for diversity in various types of jobs and positions in connection with recruitment. We are an active member of industry organisations.

Sustainability disclosures, cont.

Focus area	Risk description	Risk consequences	Risk prevention
Compensation and benefits	Risk that Carnegie will fail to attract and retain competent employees because our compensation and benefits are not competitive.	We must have the best employees to continue holding our strong position in the financial market. If employees do not believe compensation and benefits are sufficient, there is risk that it will be difficult to retain employees.	Carnegie offers competitive compensation. The remuneration model is aimed at supporting successful and long-term development of the Group, rewarding individual performance and encouraging long-term value creation combined with balanced risk-taking.
Health and safety	Risks connected to non-compliance with health and safety procedures, which can result in injury or increased absenteeism	Risk that accidents will occur, employees will become ill or develop stress-related conditions.	Carnegie pursues a systematic health and safety management programme to prevent accidents, illness and stress. Any risks on the job can be discovered and corrected in time through our health and safety management.

Responsible advisory

Carnegie stives toprovide professional advice to guide its clients in a world that is both complex and difficult to predict. We affect both the growth of new companies and economic growth overall by stimulating responsible investment and ensuring effective capital allocation. Sustainability and responsibility is an integral aspects of our advisory services, from allocation of capital to how we invest within discretionary asset management, as well as within equity research. We look at both the risks and the business opportunities through clear investor's glasses with the ultimate objective of enabling our clients to create value in society.

Carnegie takes responsibility in a systematic manner, both in our own operations and from our clients' perspective. Guidelines including the credit policy, instructions for provision of investment services and instructions for AML & KYC provide support for transparent risk assessments based on solid input and for rejecting business thought to entail risk of damaging trust in Carnegie among employees, clients or the general public. These guidelines also describe how employees should, in the context of business considerations, take economic, environmental and social aspects into account.

Business ethics and anti-corruption

The banking and financial services industry is heavily regulated and operations are subject to mandatory authorisation, the grant of which is conditional upon ood governance and clear procedures. In order to maintain trust, good business ethics and professionalism must characterise everything that Carnegie does. Our clients' interests must always be put before our own. Carnegie has zero tolerance of discrimination in any form and takes client complaints very seriously, which must be managed fairly and expeditiously. No client complaints related to customer privacy or inappropriate handling of client data were reported during the year.

Carnegie's corporate ethics is based on clear divisionof responsibility and policies such as the conduct and ethics policy and the purchasing policy. The purchasing process and choice of suppliers must always be managed according to a consistently ethical and competition-neutral perspective. Carnegie also has rules for how gifts and employees' outside activities and share ownership must be managed in order to avoid conflicts of interest. Violations of Carnegie's policies, business principles, ethical standards and other irregularities must be reported through a whistleblowing system.

Proactively addressing risks, especially those connected to money laundering and terrorism financing, is an essential part of Carnegie's responsibility providing advisory services to clients. Our work to continuously minimise these risks is achieved through supportive systems, Know Your Customer processes and regular training.

Responsible investment

Carnegie considers environmental and social matters in advisory services, company analysis and investment management. We aim to find investment opportunities and financial products that are always based on the client's risk profile and other preferences at the time.

Taking sustainability into account when making investment decisions involves mitigating risks and generating better risk-adjusted return. Our responsible investment policy covers the Swedish operations and applies mainly to actively managed funds and the portfolios and funds in which Carnegie or an external fund manager makes direct investments in equities and corporate bonds.

By supporting the UN Principles for Responsible Investment (UNPRI), Carnegie avoids exposure to companies that produce or distribute weapons banned under international conventions and investments in companies that do not respect human rights or that commit serious environmental crimes.

Carnegie excludes investments in companies involved in alcohol, tobacco, pornography and weapons from portfolios with direct investments, mainly in the Nordic markets. We are also restrictive with regard to commercial gambling operations.

A large portion of assets under management are managed by external fund managers and Carnegie has a clear and established process in this regard. The primary focus is to ensure that external managers understand the value of considering both risks and opportunities related to sustainability. In addition, Carnegie checks fund exposure from a sustainability perspective in partnership with the external advisor ISS-Ethix. They perform an ESG screening of the funds' holdings and the manager is required to submit an explanation of any non-conformances. When there are shortcomings, engaging in dialogue is Carnegie's first resort, with a view to achieving improvement. If the manager's sustainability work is deemed inadequate or if the manager does not demonstrate willingness to improve, the business relationship may be terminated. In accordance with our objective, discretionary management was covered by ESG screening in 2019.

Responsible advisory, cont.

Indicators: Responsible advisory 2017

		2019	2018
Business ethics			
Mandatory training and licensing requirements			
Sweden			
Introductory training	%	100	100
Annual mandatory AML training	%	100	100
Annual mandatory knowledge updates, Swedsec (AKU)	%	100	100
Norway			
Introductory training	%	100	100
Annual mandatory AML training	%	100	100
Annual mandatory knowledge updates (AKU)	%	NA	NA
Denmark			
Introductory training	%	100	100
Annual mandatory AML training	%	100	100
Annual mandatory knowledge updates (AKU)	%	NA	NA
Luxembourg			
Introductory training	%	100	100
Annual mandatory AML training	%	100	100
Annual mandatory knowledge updates (AKU)	%	NA	NA
Finland			
Introductory training	%	100	100
Annual mandatory AML training	%	100	100
Annual mandatory knowledge updates (AKU)	%	NA	NA
UK			
Introductory training	%	100	100
Annual mandatory AML training	%	100	100
Annual mandatory knowledge updates (AKU)	%	100	100
USA			
Introductory training	%	100	100
Annual mandatory AML training	%	100	100
Annual mandatory knowledge updates (AKU)	%	NA	NA

		2019	2018
Clients managed within Know Your Customer processes (KYC)			
Sweden	%	100	100
Norway	%	100	100
Denmark	%	100	100
Luxembourg	%	100	100
Finland	%	100	100
UK	%	100	100
USA	%	100	100
Privacy and confidentiality			
Client complaints	Number	0	0
	%	0	0
Service, knowledge and tailored advisory			
Listed companies in Sweden whose sustainability work has been analysed	Number	350	369
	%	100	100
Ranking and awards			
Best Swedish Private Banking Provider (Euromoney)	Rank	1	1
Best Nordic equity research (Institutional Investors All-Europe)	Rank	1	1
Best equity research, equity sales and corporate access (Extel)	Rank	1	1
Best individual analysts, top ten rankings (Extel)	Rank	1	1
Best equity research and best individual analysts (Financial Hearings)	Rank	1	1
Best in the bond market in the High Yield category (Kantar Sifo Prospera)	Rank		1
Best investment bank in Sweden (Euromoney)	Rank	1	1
Best Nordic equity house (Kantar Sifo Prospera)	Rank	1	1
Best Swedish Private Banking Provider (Kantar Sifo Prospera)	Rank	1	1
Best equity research, equity sales services and corporate access in Sweden (Kantar Sifo Prospera)	Rank	1	1
Best Nordic advisor for corporate transactions (Kantar Sifo Prospera)	Rank	1	1
Foremost Back Office in Sweden (Kantar Sifo Prospera)	Rank	1	1
Responsible investment			
Assets under management covered by screening			
Discretionary management	%	100	100

Responsible business

Based on our essential function in the capital market, Carnegie aims to create value from a wider perspective: for our clients, for an efficient and sustainable capital market and for a sustainable society. We are convinced that well-managed companies are a cornerstone of a dynamic business sector and a sustainable national economy. This involves looking at ourselves and business from a more expansive perspective. Based on our position, Carnegie aims to promote enterprise and the emergence of new companies.

In supporting the UN initiatives Principles for Responsible Investment (UNPRI) and Global Compact, Carnegie is demonstrating our support and respect for international principles of fundamental human rights and sustainable development, such as the UN Universal Declaration of Human Rights, ILO Fundamental Conventions on Rights at Work, the Rio Declaration and the UN Convention against Corruption.

External suppliers and partners are a key component of the business. Each year, Carnegie purchases supplies and other products and services such as IT systems, office supplies, consultancy services and external management services from numerous suppliers. Several policies, including the conduct and ethics policy and the purchasing policy, support careful purchasing and good control over the efficient use of resources.

Sound risk culture and regulatory compliance

Carnegie believes that a sound risk culture and robust risk management are critical to long-term economic success. Operations are run with a low risk appetite and take only conscious and controlled financial risks that support our core advisory business

The internal survey to measure the risk culture was conducted for

Responsible business, cont.

the third time in 2019. The results are once again considered very good at the individual, departmental and managerial levels, and exceed our targets. The survey is based on the ABC model, where all three aspects (Activators, Behaviour and Consequences) received high scores. The ambition is to follow up the survey on an annual basis.

Carnegie has several forums and committees at board and management level that have clear decision mandates and which comply with structured descriptions of business and risk assessments and regulatory compliance. The risk management and compliance functions are both independent of business operations. In order to ensure satisfactory risk control, particular deliberations are escalated to the superior decision forum.

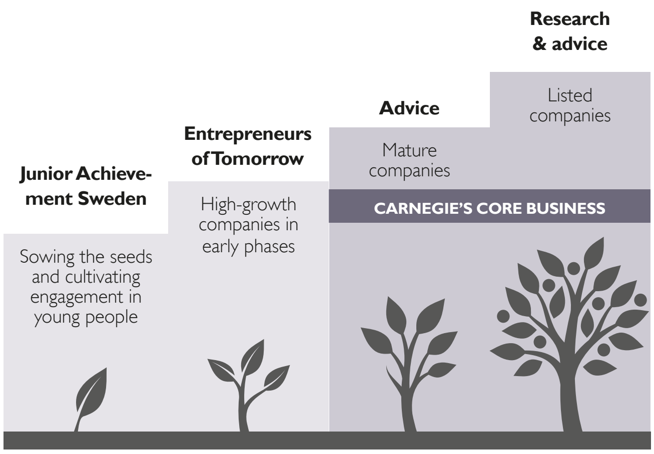
In order to ensure a strong compliance culture and minimise the risk of legal sanctions and economic losses due to inadequate compliance, Carnegie works continuously to observe the laws and regulations that apply to our business. This includes ensuring that our policies and procedures provide employees the necessary conditions to work in accordance with applicable regulations. Further information is provided concerning risk management at Carnegie in the Risk, Liquidity and Capital Management section on pages 48-52 and concerning compliance in the Corporate Governance section on page 39.

Effective capital allocation

An important component of Carnegie's social responsibility is expressed in commitment to enterprise and the growth of new businesses. We lead and engage in several initiatives, such as Junior Achievement Sweden and Entrepreneurs of Tomorrow, to help Swedish entrepreneurs realise their growth potential. This is important to our business over the long term and is a way to use our knowledge to contribute to society, as a complement to our core business. Like the financial industry as a whole, Carnegie plays an important role in ensuring effective capital allocation, in bringing capital and new technology together to create sustainable solutions to climate and demographic challenges, for example, and in upholding due scrutiny and transparency in relation to listed companies. Our contributions include analysing about 350 of the listed companies in the Nordic countries every year. At the end of 2019, that corresponded to 91 percent of total market capitalisation of Nasdaq All-Share for Stockholm, Copenhagen and Helsinki and Oslo Bors All Share.

The sustainability perspective has been a distinct aspect of our company coverage for a long time. All companies that Carnegie covers are also analysed from a sustainability perspective: how well they have integrated sustainability in their strategies to be innovative and drive growth and how they are working to prevent incidents related to the environment or corruption.

Carnegie established a sustainability award in 2019 aimed at putting the spotlight on sustainability metrics that create shareholder value and presenting good examples to inspire companies and investors.



Indicators: Responsible business 2017

	2019	2018
Economic value generated and distributed		
Operating income	2,611	2,423
Economic value generated	2,611	2,423
Operating expenses	540	558
Employee pay and compensation	1,541	1,480
Dividends paid	300	250
Tax	28	6
Economic value distributed	2,409	2,294

		2019	2018
Sound risk culture and good governance			
Risk culture measurement, KPI		82	81
Response frequency	%	90	90
Regulatory compliance			
Fines and incidents	SEK	–	–
	Number	–	–
Effective capital allocation			
Analysed companies in the Nordics	Number	350	369
- of total market capitalisation in the Nordic countries*	%	91	95

* Refers to capitalisation of Nasdaq All-Share for Stockholm, Copenhagen and Helsinki and for Oslo Bors All Share at year-end 2019.

Responsible employer

Competent, committed employees are the foundation of Carnegie's success. Creating a stimulating, rewarding work environment where employees want to stay and the next generation's stars want to begin is critical to longevity and retaining the role of Nordic market leader.

Carnegie strives to be an attractive and responsible employer. Being responsible requires a long-term perspective. Skills development, diversity, compensation and health are high-priority issues. Our work is governed by applicable laws and regulations in the markets where Carnegie operates, as well as several policies such as guidelines for systematic health and safety management and delegation, conduct, ethics and diversity policies.

Health and safety

The purpose of our systematic health and safety management programme is to prevent accidents, illness and stress. Any risks on the job can be identified and addressed in time through systematic health and safety management.

If accidents or incidents occur, the responsible manager must investigate the cause and take action. In accordance with Swedish law requiring occupational injury insurance, all occupational injuries must be reported to the Swedish Social Insurance Office. In addition, the manager must immediately inform the Swedish Work Environment Authority of any serious accidents at work.

Skills development

Remaining the market leader also requires continuous skills development in relation to issues involving external and regulatory changes. The Carnegie Professional Development Foundation gives employees in Sweden, Denmark and the UK the opportunity to broaden their skills by taking courses twice a year in subjects outside their area of expertise. In addition, employees are continuously trained in operations-related subjects in order to maintain leading-edge skills. More than 200 employees signed up for one of the more than 300 courses offered in 2019. Employees and their immediate managers regularly confer to ensure that Carnegie's overall business objectives are in line with the employee's individual development goals.

Structured evaluations in the Performance Management Process are performed on a full-year and half-year basis and assessed against both financial and non-financial criteria.

Equal opportunity and diversity

By embracing people's unique experiences, knowledge and qualities, Carnegie can create a creative working environment that fosters personal development and improves the conditions for achieving optimal performance. Carnegie aims to be a workplace where all employees enjoy equal rights, opportunities and duties in all areas.

Carnegie aligns with the principles of equal treatment and always strives for diversity in various types of work and positions in connection with recruitment. In addition, Carnegie does not tolerate any form of harassment or discrimination and we strive to ensure that this also applies to wage determination. All employees are treated with respect and consideration for every individual's rightful demands for privacy, regardless of gender, transgender identity or expression, ethnicity, sexual orientation, disability or age.

Compensation and benefits

Carnegie aims to offer competitive compensation. The remuneration model is aimed at supporting successful and long-term development of the group, rewarding individual performance and encouraging long-term value creation combined with balanced risk-taking. Fixed pay is the base of the remuneration model. Each employee's performance is evaluated in an annual process. Eligibility for variable remuneration is governed by the attainment of individual targets and the performance of the unit and the group.

The standard benefits that Carnegie offers its employees may vary somewhat from one country to the next, but usually include various types of insurance, such as pension and medical insurance, life insurance, disability insurance and health insurance. Carnegie also makes pension provisions in various forms. The fitness and wellness benefits are generous and employees are offered a range of medical insurance policies and regular physical examinations. In addition, Carnegie has an active sports club that offers perks like running coaches and ski trips.

Indicators: Responsible employer 2017

		2019	2018
Skills development			
Training within Carnegie Professional Development			
Sweden			
Employees who applied	Number	145	145
Total number of course days	Number	194	268
UK			
Employees who applied	Number	7	4
Total number of course days	Number	14	5
Denmark			
Employees who applied	Number	70	85
Total number of course days	Number	233	170

		2019	2018
Equal opportunity and diversity			
Average number of employees			
Women	%	27	27
Men	%	73	73
Age			
< 30	%	16	15
30-50	%	60	60
> 50	%	24	25
Employee ownership			
Employee ownership interest	%	29.8	29.8
Employees as part owners	Number	220	220
Health and safety			
Absenteeism	%	1.5	2.1
Employee turnover	%	13.0	16.3

Responsible employer, cont.

Carnegie's ambition is to make it easier for all employees to combine work and family life by providing supplementary parental leave benefits, allowing employees to retain selected benefits while on leave and, to the extent possible, accommodating flexible working hours. We try to make employees' lives easier, for example by offering cleaning services and tutoring in a salary swap scheme. Carnegie provides company cars to employees when the position so requires or when a car benefit is attached to a senior position. It is important to generate internal commitment to the company's development and to ensure that employees have the same incentives as the owners to create long-term value. Carnegie therefore offers employee ownership schemes.

Environment

As a service company, Carnegie's operations have limited direct environmental impact. Nevertheless, we prioritise the issue because we know it is important to run the business in a way that minimises our ecological footprint. Carnegie has chosen to integrate environmental protection with business and due diligence processes in which all aspects are considered from the risk and added value perspectives. Internal environmental management involves continuous adaptation of operations, improved procedures and continuous updates of knowledge and information management related to environmental issues. Our car and travel policies have an explicit environmental focus. For example, train travel is required for all business trips of less than four hours travel time. Office premises, IT equipment, supplies and travel are examples of the direct environmental impact resulting from our operations.

The greatest environmental impact is indirect and is linked to our clients' investments in the Private Banking business. Making responsible investments is an important aspect of the management mandate. We take environmental, social and governance aspects into account through an established process for ESG investments. In the investment context, this is a matter of reducing the risk. See also the Responsible Investment section on page 19. The environment topic has been assessed internally and by our key stakeholders as less important to Carnegie at this time and no key figures or targets are therefore reported in this area. However, the continuously monitored and evaluated.

Membership of associations

Carnegie supports international principles of fundamental human rights and sustainable development and intends to actively contribute to global initiatives to create sustainable transition and development. Carnegie is a member of several industry organisations including the Swedish Securities Dealers Association and SwedSec. Carnegie also supports Junior Achievement Sweden, which sows the seeds of interest in entrepreneurship in Swedish schools and, over the long term, promotes the growth of new businesses.

UN Principles of Responsible Investment
Carnegie supports the UN initiative Principles for Responsible Investment (UNPRI). This means that Carnegie acts in accordance with the initiative's six principles on investment analysis, ownership policies, information disclosure, promotion of acceptance and implementation, cooperation and reporting.

UN Global Sustainable Development Goals
The United Nations adopted 17 global Sustainable Development Goals (SDGs) in 2015, with the clear expectation that states, the public sector and business should contribute to solutions to common challenges. When the global SDGs were adopted by the UN member states, it provided an opportunity to take on the sustainability challenges the world is confronting in a concrete manner. Business, the financial industry not least importantly, has an important role to play in developing scalable solutions and driving the transformation that is critical to attaining the goals by 2030. Based on Carnegie's vision, business principles and role in society, the assessment is that six SDGs are relevant to our business and to which Carnegie can make valuable contributions.

UN Global Compact
Carnegie has been a signatory to the UN Global Compact since 2017. In so doing, Carnegie has committed to supporting and respecting the ten principles of the Global Compact.

THE GLOBAL GOALS
For Sustainable Development

Human rights

1 Businesses should support and respect the protection of internationally proclaimed human rights; and
2 make sure they are not complicit in human rights abuses.

Labour and employment conditions

3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4 The elimination of all forms of forced and compulsory labour
5 The effective abolition of child labour; and
6 The elimination of discrimination in respect of employment and occupation.

Environment

7 Businesses should support a precautionary approach to environmental challenges
8 Undertake initiatives to promote greater environmental responsibility; and
9 Encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

10 Businesses should work against corruption in all its forms, including extortion and bribery.

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Carnegie Holding AB, corporate registration number 556780-4983

Engagement and responsibility
It is the board of directors who are responsible for the statutory sustainability report for the year 2019 on pages 93-100 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit
Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinions
A statutory sustainability report has been prepared.

Stockholm, 30 March 2020
Ernst & Young AB

Mona Alfredsson
Authorised Public Accountant
Auditor in Charge

GRI INDEX

Contents in accordance with GRI

Carnegie complies with the Global Reporting Initiative guidelines, GRI Standards, and reports according to the "Core option". Reporting at the Core level means that Carnegie has identified the sustainability topics that are material to the company and reports at least one indicator per area. The following GRI Index shows were disclosures in accordance with GRI are found in Carnegie's Annual Report for 2019.

GRI Standard	Disclosure		Page reference
General disclosures			
GRI 102: General disclosures 2016			
Organisational profile			
	102-1	Name of the organisation	1
	102-2	Activities, brands, products and services	2
	102-3	Location of headquarters	105
	102-4	Location of operations	2
	102-5	Ownership and legal form	44
	102-6	Markets served	2, 13
	102-7	Scale of the organisation	4–5
	102-8	Information on employees and other workers	30–31, 70
	102-9	Supply chain	97
	102-10	Significant changes to the organisation and its supply chain	88
	102-11	Precautionary principle or approach	97–98, 100
	102-12	External initiatives	100
	102-13	Memberships of associations	100
Strategy			
	102-14	Statement from senior decision-maker	6-7
Ethics and integrity			
	102-16	Values, principles, standards and norms of behaviour	8, 19, 96
Governance			
	102-18	Governance structure	38-40
Stakeholder engagement			
	102-40	List of stakeholder groups	93
	102-41	Collective bargaining agreements	Carnegie offers terms of employment and benefits at or above the level stipulated in collective bargaining agreements i the financial industry, and has not itself entered into any collective bargaining agreements.
	102-42	Identifying and selecting stakeholders	93
	102-43	Approach to stakeholder engagement	93-94
	102-44	Key topics and concerns raised	93-94
Reporting practice			
	102-45	Entities included in the consolidated financial statements	61
	102-46	Defining report content and topic boundaries	93
	102-47	List of material topics	94
	102-48	Restatements of information	61
	102-49	Changes in reporting	93
	102-50	Reporting period	93
	102-51	Date of most recent report	93
	102-52	Reporting cycle	93
	102-53	Contact point for questions regarding the report	105
	102-54	Claims of reporting in accordance with the GRI Standards	93
	102-55	GRI Index	102-103
	102-56	External assurance	No external assurance. The auditor's opinion on the statutory sustainability report is on page 101.

GRI Standard	Disclosure		Page reference	Remarks
Material topic				
Economic performance				
GRI 103: Management approach 2016	103-1	Explanation of why the topic is material	12-13	
	103-2	Explanation of how the organisation manages the topic	12-13	
	103-3	Explanation of how the organisation evaluates the management approach	12-13	
GRI 201: Economic performance 2016	201-1	Economic value generated and distributed	98	
Anti-corruption				
GRI 103: Management approach 2016	103-1	Explanation of why the topic is material	96	
	103-2	Explanation of how the organisation manages the topic	96	
	103-3	Explanation of how the organisation evaluates the management approach	96	
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	96	
Employment				
GRI 103: Management approach 2016	103-1	Explanation of why the topic is material	30-31, 99-100	
	103-2	Explanation of how the organisation manages the topic	30-31, 99-100	
	103-3	Explanation of how the organisation evaluates the management approach	30-31, 99-100	
GRI 401: Employment 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	99-100	
Occupational health and safety				
GRI 103: Management approach 2016	103-1	Explanation of why the topic is material	30, 99	
	103-2	Explanation of how the organisation manages the topic	30, 99	
	103-3	Explanation of how the organisation evaluates the management approach	30, 99	
GRI 403: Occupational health and safety 2016	403-2	Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities	99	Carnegie reports absenteeism at the group level.
Training and education				
GRI 103: Management approach 2016	103-1	Explanation of why the topic is material	30, 99	
	103-2	Explanation of how the organisation manages the topic	30, 99	
	103-3	Explanation of how the organisation evaluates the management approach	30, 99	
GRI 404: Training and education 2016	404-2	Programmes for upgrading employee skills and transition assistance programmes	99	
	404-3	Percentage of employees receiving regular performance and career development reviews	99	
Equal opportunity and diversity				
GRI 103: Management approach 2016	103-1	Explanation of why the topic is material	10-11, 30, 99	
	103-2	Explanation of how the organisation manages the topic	10-11, 30, 99	
	103-3	Explanation of how the organisation evaluates the management approach	10-11, 30, 99	
GRI 405: Equal opportunity and diversity 2016	405-1	Diversity of governance bodies and employees	69-70, 99	
Product and service labelling				
GRI 103: Management approach 2016	103-1	Explanation of why the topic is material	10, 19, 26	
	103-2	Explanation of how the organisation manages the topic	10, 19, 26	
	103-3	Explanation of how the organisation evaluates the management approach	10, 96, 26	
GRI 417: Product and service labelling 2016	417-1	Requirements for product and service information and labelling	10, 19, 96	
Customer privacy				
GRI 103: Management approach 2016	103-1	Explanation of why the topic is material	96	
	103-2	Explanation of how the organisation manages the topic	96	
	103-3	Explanation of how the organisation evaluates the management approach	96	
GRI 418: Customer privacy 2016	418-1	Substantial complaints concerning breaches of customer privacy and losses of customer data	97	
Auditing				
GRI 103: Management approach 2016	103-1	Explanation of why the topic is material	10, 97-98	
	103-2	Explanation of how the organisation manages the topic	10, 97-98	
	103-3	Explanation of how the organisation evaluates the management approach	10, 97-98	
GRI FS: Auditing	FS	Risk assessment procedures	10, 97-98	
Socioeconomic compliance				
GRI 103: Management approach 2016	103-1	Explanation of why the topic is material	97-98	
	103-2	Explanation of how the organisation manages the topic	97-98	
	103-3	Explanation of how the organisation evaluates the management approach	97-98	
GRI 419: Socioeconomic compliance 2016	419-1	Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations	98	
Active ownership				
GRI 103: Management approach 2016	103-1	Explanation of why the topic is material	10, 19, 96-97	
	103-2	Explanation of how the organisation manages the topic	10, 19, 96-97	
	103-3	Explanation of how the organisation evaluates the management approach	10, 19, 96-97	
GRI FS: Active ownership	FS11	Percentage of assets under management subject to screening	97	Refers to the Swedish operations.

Definitions – Alternative performance measures*

Operating income*
Operating income excluding income not generated by our business areas.

Operating expenses*
Operating expenses excluding variable remuneration, financing costs and credit losses.

Operating profit or loss*
Operating profit or loss excluding variable remuneration, financing costs and credit losses.

Operating C/I ratio*
Operating expenses as a percentage of operative income.

Operating income per employee*
Operating income for the period divided by the average number of employees in continuing operations.

Operating expenses per employee*
Operating expenses for the period divided by the average number of employees in continuing operations.

Operating profit margin*
Operating profit as a percentage of operating income.

Income per employee
Total income for the period divided by the average number of employees.

Capital requirements
A measure of how much capital an institution must have given the risks involved in the business.

Common equity Tier 1 capital ratio
Total regulatory common equity Tier 1 capital as a percentage of risk-weighted assets.

Capital adequacy*
Total regulatory capital base as a percentage of risk-weighted assets.

Number of employees at the end of the period (FTE)
The number of annual employees (full-time equivalents) at the end of the period.

Average number of employees
Number of employees at the end of each month divided by number of months in the period.

Cost/income (C/I) ratio*
Total costs before credit losses as a percentage of total income.

Profit margin
Profit or loss before tax as a percentage of total income.

Return on equity*
Profit or loss divided by average equity, adjusted for the effect of loss carryforwards on deferred tax.

Bridge between alternative performance measures and the financial statements

A more detailed description of the calculation method is required for some performance measures.

Return on equity – To calculate average equity adjusted for the effect of deferred tax on loss carryforwards, we have used equity for the past 13 months and loss carryforwards for the past 13 months, divided thereafter by the number of months, ∑ (equity – loss carryforwards)/13

Operating income statement – The differences between the Consolidated statements of comprehensive income on page 54 and the Operating income statement on page 45 are:

- SEK 428 million has been moved from Operating expenses to the line item Financing expenses, variable remuneration, etc.
- SEK 15 million has been moved from Operating expenses to the line item Profit from assets held for sale.
- SEK 26 million has been moved from Operating income to the line item Financing expenses, variable remuneration, etc.
- SEK 186 million has been moved from Operating income to the line item Profit from assets held for sale.
- SEK 5 million has been moved from Operating income to Operating expenses.
- Net credit losses of SEK -5 million are included in the line item Financing expenses, variable remuneration, etc.

The net change is SEK -236 million, which comprises variable remuneration of SEK -428 million, costs unrelated to the business areas of SEK -15 million, income unrelated to the business areas of SEK 212 million and a loss allowance adjustment of SEK -5 million under IFRS 9.

*Alternative Performance Measures, APM, are financial measures of historical or future financial performance, financial position, or cash flows that are not defined in the applicable reporting framework (IFRS) or in the EU Capital Requirements Directive (CRD)/Capital Requirements Regulation (CRR). Carnegie uses APM when it is relevant to track and describe Carnegie's financial performance and position and to provide further relevant information and tools to enable analysis of the same. APMs that describe Operating C/I ratio, Operating income and expenses per employee, Operating profit margin, like the profit margin and return on equity measures, provide information about Carnegie's earnings capacity and efficiency from various angles. All of these measures may differ from similar key data presented by other entities. How the performance measures are calculated is noted above.

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