Carnegie Investment Bank AB (publ)

ANNUAL REPORT 2018

Reg no. 516406-0138

Contents

Board of directors' report

The Board of Directors and CEO of Carnegie Investment Bank AB (reg. no. 516406-0138) hereby present the annual report of operations in the parent company and the Group for the financial year 2018.

OPERATIONS

Carnegie is a Nordic investment and private bank with operations in the business areas of Investment Banking & Securities and Private Banking. Carnegie offers financial products and services to Nordic and international clients from offices in seven countries: Sweden, Denmark, Norway, Finland, Luxembourg, the UK and the US. Business is conducted in both subsidiaries and branches of Carnegie.

OWNERSHIP

Carnegie Investment Bank AB (publ) is a wholly owned subsidiary of Carnegie Holding AB, reg. no. 556780-4983, which is owned by Altor Fund III ("Altor") and employees of Carnegie.

MARKET & POSITION

Corporate transactions market

Equity capital market transactions (ECM)

Higher market volatility in 2018 gave rise to somewhat lower activity in equity capital market transactions in the Nordics. This included a decline in the number of IPOs compared to the record number in the preceding year.

Carnegie nevertheless continued to leverage its strong market position as an adviser and broker and was involved in more ECM transactions than any other firm in the Nordic market, including 13 of the major IPOs of the year (Thomson Reuters). In addition, Carnegie participated in two non-Nordic IPOs: the listing of Neoen in Paris and the Port of Tallinn's initial public offering on Nasdaq Estonia. The Nordic IPOs in which Carnegie was involved include Lime (SE), Calliditas (SE), NCAB (SE), Bygghemma (SE), Arion Bank (SE/IS), Elkem (NO), Oma Savings Bank (FI) and Altia (FI). Carnegie also participated in numerous equity investments, including Stora Enso (FI) on behalf of Solidium and SSAB (SE) for Industrivärden.

For the third consecutive year, Carnegie defended its top ranking among advisers in equity capital market transactions in Sweden and the Nordics. (Kantar Sifo Prospera, Euromoney).

Mergers, acquisitions & sales (M&A)

In pace with the cooling trend for IPOs, Nordic market conditions for M&A became proportionately more favourable. Building on the momentum of an active market, Carnegie was involved in about 30 transactions during the year. This makes Carnegie one of the most frequently engaged advisers in connection with business sales and acquisitions (Thomson Reuters).

Carnegie participated during the year in deals including Shearwater GeoServices' (NO) acquisition of Schlumberger's marine seismic acquisition business (UK), Nordic Capital and Sampo's buyout of Nordax (SE), Orkla's takeover bid for Kotipizza (FI) and Jyske Bank's sale of Nordjyske Bank (DK). Carnegie has an outstanding reputation among advisers in the Nordic M&A market (Kantar Sifo Prospera, Euromoney).

Nordic equity market (equity research & trading)

Trading volumes on the Nordic stock exchanges in 2018 ended on par with the preceding year. Carnegie increased its trading in Nordic equities and increased its market shares during the period (Fidessa). The regulatory impact of MiFID II, including the altered compensation structure for equity research and brokerage, was a prime concern for market players during the year. The impact on Carnegie was limited and total compensation did not change compared to the preceding year.

In parallel, Carnegie further strengthened its reputation during the year. According to most client surveys, Carnegie tops the rankings for equity research, equity sales and execution (Extel, Institutional Investors, Financial Hearings, Kantar Sifo Prospera).

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

The Nordic corporate bonds market was characterised by relatively good market conditions and high transaction volumes in 2018, apart from a distinct cooldown in the last quarter of the year. Carnegie acted as adviser in 18 transactions in 2018 across the Nordic market, including bond issues by Stillfront (SE), Lendify (SE) and Polygon (SE).

For the second year running, Carnegie was ranked first among all market providers in the High Yield segment in Kantar Sifo Prospera's annual customer survey.

Wealth management market

The gradually increasing volatility in stock exchanges worldwide gave reason to progressively lower equity weights in Carnegie Private Banking's overall asset allocation. In parallel, overweight in alternative investments, including unlisted assets, created good investment opportunities for Carnegie's private investors during the year.

The positive development of the business persisted, with good net growth in the client base. Its attractiveness was also confirmed in external assessments. Carnegie defended its top ranking among Swedish private banking firms in both the annual Euromoney market survey and Kantar Sifo Prospera's annual customer evaluation.

As part of its growth strategy in Private Banking, Carnegie chose to open a new office in the autumn in Linköping, where the market base also includes the urban regions of Norrköping and Jönköping. Meanwhile, Carnegie exited the Luxembourg market when the sale of Banque Carnegie Luxembourg S.A. closed in January 2019.

Carnegie Private Banking has also successfully implemented the regulatory adaptations governed by MiFID II, which has resulted in an altered compensation structure within discretionary asset management. Client's assets under management (AuM) with Carnegie amounted to SEK 110 billion (110) at the end of the year, which is unchanged in relation to 2017, in spite of weaker stock market performance at the end of the year.

GROUP FINANCIAL PERFORMANCE

Group operating income amounted to SEK 2,423 million (2,472) for the full year of 2018, a decrease of 2 percent year-on-year. Operating expenses during the same period amounted to SEK 1,734 million (1,569). The Group is reporting operating profit of SEK 689 million (903). Profit before tax amounted to SEK 392 million (469), a decrease of 16 percent year-on-year.

Operating income statement

January–December, SEKm	2018	2017
Continuing operations		
Investment Banking & Securities	1,759	1,822
Private Banking	664	650
Operating income	**2,423**	**2,472**
Personnel expenses before variable remuneration	-1,153	-1,036
Other expenses	-582	-533
Operating expenses	**-1,734**	**-1,569**
Operating profit	**689**	**903**
Financing expenses, variable remuneration, etc.	-297	-434
Profit before tax	**392**	**469**
Tax	-90	-124
Profit for the year from continuing operations	**302**	**345**
Discontinued operations		
Profit for the year from discontinued operations	–	7
Net profit for the year	**302**	**352**
Employees, continuing operations		
Average number of employees	600	590
Number of employees at the end of the year	606	598

See page 56 for definitions.

Income

Investment Banking & Securities

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

The business area is reporting income of SEK 1,759 million (1,822) for the full year. This is a decrease of 3 percent in relation to 2017, partially due to weaker development in equity capital market transactions. The strongest growth in terms of percentage is in M&A, with positive contributions from the operations in Sweden, Denmark and Finland. The equity research and brokerage services businesses performed well during the year, even though compensation structures were changed under new regulations. Carnegie's enhanced reputation along with higher trading volumes are contributing to persistently stable earnings.

Private Banking

Income in Private Banking is generated mainly from discretionary management, advisory services, commissions on sales of external equity funds, net interest income and charges related to securities transactions.

Income in Private Banking amounted to SEK 664 million (650) in 2018, an increase of 2 percent compared to 2017. The Swedish and Danish operations both contributed to the income growth, driven primarily by increased assets under management and higher transaction income.

However, the process of selling the business in Luxembourg entailed weaker earnings for the office during the year, which had negative impact on overall income performance for the business area.

The regulatory adaptation of MiFID II and the transition to a new compensation structure had limited impact on total income during 2018.

Costs

Operating expenses amounted to SEK 1,734 million (1,569), an increase of 10 percent in relation to the corresponding period last year. The increase was driven by staff reinforcements implemented to further enhance Carnegie's market position and growth strategy. The reinforcements are mainly in corporate advisory and private wealth management advisory. The average number of employees increased from 590 to 600. The increase is also related to items including investments in IT, system adjustments to meet new regulatory requirements and currency effects.

Profit

Profit before tax for the period was SEK 392 million (469), down 16 percent from the same period last year.

Operating profit amounted to SEK 689 million (903), a decrease of 24 percent year-on-year.

Provisions for the costs of variable remuneration decreased due to lower profit. Profit after tax for the year decreased by 12 percent in relation to last year to SEK 302 million (345).

Fluctuations in exchange rates have not exceeded 1 percent for income, costs and profit, respectively.

INVESTMENTS

Consolidated investments in fixed assets amounted to SEK 10 million (8) in 2018.

FINANCIAL POSITION

The Group's financial position is 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 2 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) was 24.5 percent (24.4) and the capital adequacy ratio was 24.5 percent (24.4). Capital adequacy information for the year is presented in Note 28. A more detailed description of Carnegie's capital adequacy is available online at www.carnegie.se.

The Group's financing comprises equity and deposits from the public. Equity accounts for 19 percent (16), deposits from the public account for 68 percent (73) and other debt accounts for 14 percent (11) of the balance sheet total.

DIVIDEND PROPOSAL

The Board of Directors of Carnegie is proposing that the 2019 annual general meeting endorse a cash dividend of SEK 637.50 per share. This corresponds to a total dividend of SEK 255 million.

Carnegie's dividend policy is that capital exceeding the desired and appropriate level of capital adequacy shall be distributed to shareholders. The Board of Directors' proposed dividend must take into account factors such as distributable funds, market situation and other capital requirements. The Board of Directors has determined that the proposed dividend is clearly justified with consideration given to the above. Carnegie's capital adequacy level is expected, even after the proposed dividend, to be sound and well-adapted to the demands with respect to the size of equity imposed by the nature, scope and risks associated with Group operations and the Group's consolidation requirements, liquidity and financial position in general.

Disposition of profit

At the disposal of the annual general meeting, SEK

Retained earnings	1,580,955,648
Net profit for the year	308,475,491
Total	**1,889,431,139**

The Board of Directors proposes the following disposition of profit:

Dividend to Carnegie Holding AB	
SEK 637.50 per share	255,000,000
To be carried forward	1,634,431,139
Total	**1,889,431,139**

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 11–15, and Note 28 Risk, liquidity and capital management

EMPLOYEES, CONTINUING OPERATIONS

The Carnegie Group had a total of 598 (610) employees in six countries at year-end 2018. 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.

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 adviser, a responsible business and a responsible employer.

SIGNIFICANT EVENTS IN 2018

Establishment in Linköping

Carnegie opened a new office in Linköping in September, as an aspect of the growth strategy in Private Banking. The establishment is focused on the urban regions of Linköping, Norrköping and Jönköping.

Changes in Group management

Anders Antas, formerly the COO, was appointed the new CFO and succeeded Henrik Rättzén, who left Carnegie in August.

AWARDS IN 2018

Carnegie can sum up 2018 with a leading position in all areas of operations and geographies.

Investment Banking & Securities

In 2018, Euromoney named Carnegie Best Investment Bank in Sweden and Denmark. In February 2018, Carnegie repeated last year's top placement and was once again ranked number one in Nordic equity research by global institutional investors according to Institutional Investors All-Europe. Global investors again rated Carnegie the highest among all firms in the market with regard to Nordic equity research, equity sales and corporate access. In addition, individual Carnegie analysts were ranked in the top ten of the most trusted analysts in the Nordics, according to Extel. Further successes in June were that Swedish institutions named Carnegie the best research house in Sweden for the fifth year running, and Lena Österberg defended her position as the best individual analyst for the fourth year straight, according to Financial Hearings. For the second consecutive year, Carnegie topped the rankings of institutions in the bond market in the High Yield category according to Kantar Sifo Prospera. This was followed by new successes in October, when institutional clients in the Swedish market assessed Carnegie's Back Office capacity as the highest among all firms in the market, also according to Kantar Sifo Prospera. Capping off the year, institutional investors named Carnegie the best equity house in the Nordics overall and in the research and equity trading category. Carnegie was also once again the number one adviser in the Nordic corporate transactions market and defended its top ranking in the Swedish market, all according to Kantar SifoProspera.

Private Banking

In February 2018, Carnegie was once again ranked first among Swedish Private Banking providers, according to Euromoney. In addition, Carnegie was ranked highest among Swedish private banking providers for the third year running, according to Kantar Sifo Prospera in October.

SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

External awards

Carnegie was once again ranked first among Swedish Private Banking providers in February 2019 in the annual Euromoney survey.

Sale of Banque Luxembourg S.A. closed

Carnegie announced in May 2018 the decision to sell its operations in Luxembourg to the Swiss bank Union Bancaire Privée (UBP). The transaction closed in January 2019.

OVERVIEW OF THE PARENT COMPANY

This section covers parent company performance excluding discontinued operations, i.e., operations within third-party distribution of structured products.

Total operating income amounted to SEK 2,033 million (1,794). Profit before tax amounted to SEK 428 million (362).

Profit for the year from continuing operations was SEK 341 million (306). Parent company investments in fixed assets amounted to SEK 3 million (16).

Equity in Carnegie Investment Bank amounted to SEK 2,029 million (1,991) as of 31 December.

Corporate governance

Corporate governance refers to the decision systems and processes through which a company is governed 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 smooth and efficient processes that uphold high ethical standards as well as good risk management and internal control.

Carnegie is required to comply with 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 government agencies. The Group also applies internal regulations adopted at various levels. These internal regulations clarify the division of responsibility and the tasks of functions and employees and provide guidance on how employees should conduct themselves in accordance with Carnegie's fundamental values. The parts of internal regulations adopted by the annual general meeting are the Articles of Association, a Diversity Policy and assessment of the suitability of directors. Governance within the Group is also regulated by internal policy documents adopted by the board of directors and the CEO, respectively. The policy documents adopted by the board of directors include the board charter, instructions to the CEO, the Group governance policy, the 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, in part 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 six directors since the annual general meeting of 2018. The CEO is not a director. The CEO participates in all board meetings except when prevented due to conflicts of interest, such as when the work of the CEO is evaluated. Other members of executive management participate as required.

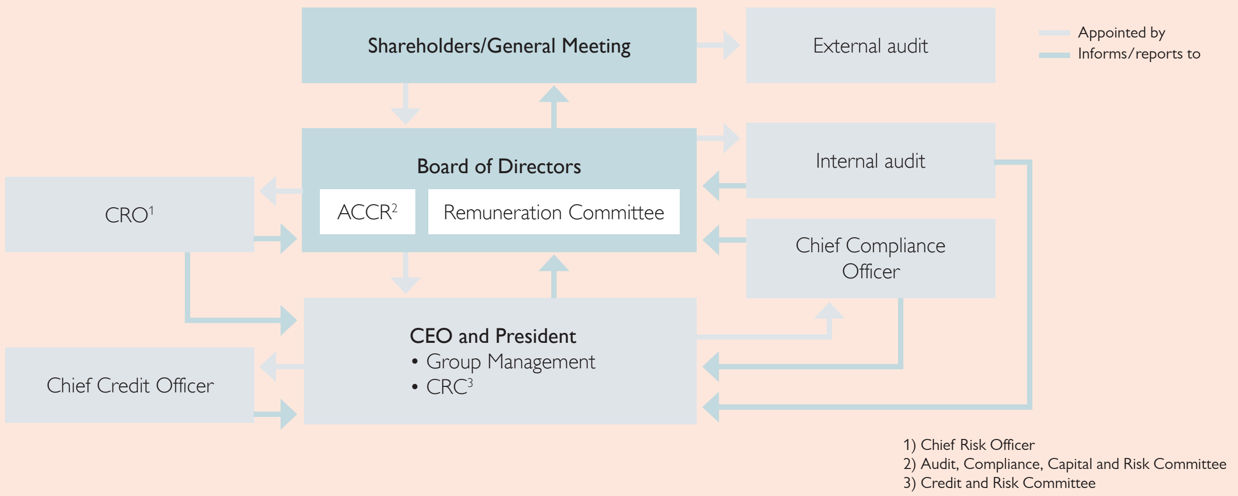
The board of directors has overall responsibility for the business conducted in the Group. The Board establishes the general objectives and strategy for business operations, regularly monitors and evaluates operations based on the objectives and guidelines it has adopted, appoints the CEO, and continuously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

The Board has adopted a charter that governs its role and working procedures as well as special 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

Governance model



work also includes monitoring risks, capital and liquidity in ongoing operations as well as the Internal Capital Adequacy Assessment Process (ICAAP) and other stress tests. Further study and ongoing skills development relating to competition and business intelligence, the various businesses within the Group, major projects and new regulations are also carried out within the Board of Directors' remit.

The Board of Directors held 15 meetings in 2018.

Board committees

The Board of Directors cannot delegate its overarching responsibility, but the Board has established committees to manage certain defined matters and to prepare such matters for decision by the Board. The Board presently has two committees: the Audit, Compliance, Capital and Risk Committee (ACCR), and the Remuneration Committee. The committees report regularly to the Board. Committee members are appointed by the Board for a term of one year. ACCR is tasked with 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 so 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 statement The ACCR also continuously monitors the Group's risk and capital situation. The committee communicates regularly with the Group's internal and external auditors, discusses 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 general policies for pay (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 affairs in accordance with the guidelines, policies and instructions adopted by the Board of Directors. The CEO reports to the Board and presents a CEO's report at every board meeting, which covers matters including development of operations based 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 has the option to delegate tasks to subordinates, but in so doing is not relieved 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 identifying, measuring, analysing and managing the Group's risks. The bank's Chief Risk Officer (CRO), who is appointed by the Board and reports to the CEO, regularly informs the Board of Directors, ACCR, the CEO and Group management concerning risk issues. The risk management function has global functional responsibility and the CRO's activities are governed by a policy adopted by the Board of Directors.

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 related to compliance, identifies compliance risks and monitors the management of such risks. The Group Compliance Officer is appointed by the CEO and reports regularly to the CEO, Group management, ACCR and the Board of Directors. The Group Compliance Officer has global functional responsibility and the GCO's activities are governed by a policy adopted by the Board of Directors.

Internal audit

The primary duty of the Internal Audit department is 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 of Directors. The principles that govern the work Internal Audit are reviewed and approved annually by ACCR and adopted by the Board of Directors.

COMPENSATION POLICY

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 of Directors of Carnegie has adopted a remuneration policy that covers all employees of the Group. The policy is based on a risk analysis performed annually by the Group risk management function under the direction of the CRO. The policy is revised annually.

Fixed remuneration

Fixed remuneration is the base of the remuneration model. Base salary depends on several parameters, such as the employee's competence, responsibility 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, market conditions and industry standards and risk-taking and risk management.

The proposal for provision and allocation to the business areas and units is prepared by the Board of Directors' Remuneration Committee. Particular consideration is given to any risks that may be associated with the proposal. The committee also analyses 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 recommendation from the Remuneration Committee forms the basis of the Board's final decision on variable remuneration.

Individual performance assessment

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

Identified staff

In compliance with external regulations, Carnegie has identified 'Defined identified staff,' who are employees who exert significant influence over the company's risks that could lead to significant impairment of earnings or financial position. Defined identified staff include executive management, employees in leading strategic positions, employees responsible for control functions and risk-takers, as defined by external regulations. For this group, 40–60% of variable remuneration is deferred for three to five years. The deferred portion may be withheld if criteria established in conjunction with the decision to allocate variable remuneration are not met. In addition, variable remuneration to this group may not exceed fixed remuneration.

Employees in control functions

The criteria for 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 2018

Allocations of variable remuneration to staff in 2018 amounted to SEK 275 million (346) excluding social insurance fees. For the individuals defined as risk-takers by Carnegie, as explained above, 40–60% of variable remuneration is deferred for three to five years. For more information about remuneration in 2018, 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 not later than in conjunction with approval of the annual accounts.

Partnership

Through the company CIBVESTCO, employees of the Carnegie Group own 24.7 percent of equity in the parent company, Carnegie Holding AB. Employee ownership is an important aspect of generating commitment to the entire company's development and ensuring that employees have the same incentives as other owners to create long-term value. There are no ongoing incentive programmes in which employees are remunerated in shares or options.

Five-year review

GROUP

INCOME STATEMENT, SEKm	2018	2017	2016	2015	2014
Continuing operations					
Total income	2,448	2,477	2,162	1,977	1,798
Personnel expenses	-1,479	-1,472	-1,387	-1,250	-1,137
Expenses	-581	-538	-442	-453	-444
Expenses before credit losses	-2,060	-2,010	-1,829	-1,703	-1,581
Profit before credit losses	**388**	**467**	**333**	**274**	**217**
Credit losses, net	4	2	26	4	25
Profit before tax	**392**	**469**	**358**	**279**	**242**
Tax	-90	-124	-76	-54	-10
Profit for the year from continuing operations	**302**	**345**	**282**	**225**	**232**
Discontinued operations					
Profit or loss for the year from discontinued operations	–	7	-58	-27	-20
Net profit for the year	**302**	**352**	**224**	**198**	**212**

FINANCIAL KEY DATA, CONTINUING OPERATIONS	2018	2017	2016	2015	2014
C/I ratio, %	84	81	85	86	88
Income per employee, SEKm	4.1	4.2	3.6	3.4	3.1
Expenses per employee, SEKm	3.4	3.4	3.0	2.9	2.7
Profit margin, %	16	19	17	14	13
Assets under management , SEKbn	110	110	100	92	80
Return on equity, %	16	21	19	13	15
Total assets, SEKm	12,611	12,256	11,227	11,050	11,127

CAPITAL BASE	2018	2017	2016	2015	2014
Common equity Tier 1 capital ratio (CET1), %	25	24	20	21	28
Equity, SEKm	2,023	1,920	1,883	1,657	2,126

EMPLOYEES, CONTINUING OPERATIONS	2018	2017	2016	2015	2014
Average number of employees	600	590	609	590	579
Number of employees at the end of the year	606	598	610	606	583

1) The historical overview is based on legal financial reports. For 2014 -2017, operations within third-party distribution of structured products are presented as discontinued operations.

Risk, liquidity and capital management

One of the expectations of external stakeholders for Carnegie's corporate social responsibility is that the bank will manage its risks in a sound and robust manner. A sound risk culture and robust risk management are critical to long-term financial success, for our clients as well as Carnegie's other stakeholders. As reflected in our risk profile, Carnegie has an explicitly low risk appetite. Our general risk strategy is to take conscious and controlled financial risks that support our advisory services business. This type of activity 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 Carnegie Bank Group sustained no losses of material size in 2018.

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 fundamental principle is that responsibility for risk management and control always resides with the source of the risk. 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 and employees.

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. In addition, the external auditors perform independent audits of the company's risk management and control environment.

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 good control over their risks, 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, decision and payment authorisation rules, verification, reconciliation and effective allocation of responsibility and tasks in processes and procedures.

Risk management and compliance

The control functions in the second line of defence are responsible, among else, for preparing corporate-wide processes and procedures to ensure that risks are managed in a structured way. The rules for risk management and regulatory compliance are described in policies and instructions that are adopted by management and the Board of Directors.

The risk management function is responsible for controlling 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 Board of Directors. The risk management function headed by the Chief Risk Officer (CRO) who reports directly to the CEO and the Board of Directors. The Group risk management function performs corporate risk management. This includes developing the risk process and risk management methods and monitoring 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 of Directors 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 remit includes verifying operational compliance with laws, regulations and internal rules. The regulatory areas that are particularly time-consuming concern the Markets in Financial Instruments Directive (MiFID) and regulations intended to prevent money laundering and market abuse. Control procedures are carried out independently of business operations. 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 of Directors. The compliance function also comprises compliance officers at each subsidiary and branch. The local functions report to the CRO as well as local management, presidents and boards of directors.

Internal audit

Internal Audit constitutes the third line of defence. Its remit is to systematically assess and verify the adequacy and effectiveness of internal control and risk management from a regulatory perspective and risk-based approach. This 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 from the business operations and reports directly to the Board of Directors. The principles that govern the work of the Internal Audit department are reviewed and approved annually by the Board Audit Committee and adopted by the Board of Directors.

External audit

External audit's tasks include assessing the risk of errors in the financial statements and, to the extent that it affects the annual report, monitoring the company's compliance with the risk appetite statement adopted by the Board of Directors.

RISK AREAS

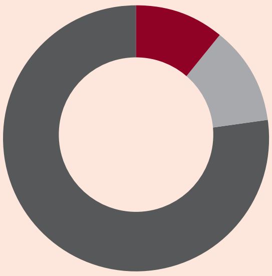
Risk represents uncertainty that may adversely impact Carnegie, for example in the form of financial loss or damaged reputation. Carnegie's operations primarily entail exposure to the following risk categories: market risk, credit risk, liquidity risk, operational risk, compliance risk, sustainability risk, reputational risk, business risk and strategic risk.

Carnegie's risk profile is an effect of the bank's operations in the various business areas and the risks that arise in the internal banking business, primarily the bank's own liquidity management.

As shown on the chart below, a small fraction, 11 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 ongoing 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 12 percent, of which the majority is comprised of risks against credit institutions. Other risk-weighted assets of 77 percent represents risks that arise in banking operations, such as operational risks and structural currency risks in the equity of the bank's subsidiaries.

Risk profile



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 first-line management are monitored by the financial risk department.

2018 was characterised by higher volatility than in 2017 and the year was more dramatic for some individual stocks, with large price movements. In spite of a volatile market, there were no significant earnings hits to the bank's trading book during 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 price 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 is found in positions in held and issued options that arise after activities within client facilitation or market making.

Currency risk

Carnegie's currency risk can be divided into operational risk and structural risk. Operational currency risk is defined as the currency risks arising in ongoing business operations through currency or securities deals with the bank's clients. Structural currency risk is defined as the currency exposure arising in the balance sheet through parts of the business being conducted 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 to changes 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 coincide. Carnegie's lending and deposits are mainly at variable rates.

Credit risk

Credit risk is the risk of loss due to failure of the Carnegie Bank Group's counterparties to fulfil contractual obligations. As part of this risk category, concentration risk is managed 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 exposure towards non-financial counterparties is secured by collateral in liquid securities. In order to manage adverse movements in the securities market, collateral values are set based on the risk nature of the collateral. Collateral value is monitored daily. Exposure to central banks and Nordic institutions arises 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 of Investment Banking & Securities as part of the business area's 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, the aim of margin loans is that they constitute part of an investment strategy. The counterparties in this portfolio are mainly characterised as private individuals whose financial position and capacity to repay are good. Accordingly, the credit risk in this segment is good, which is further reinforced by the high-quality cover pool in the pledged securities custody accounts. The quality of the cover pool is a result of the policies and instructions applied by the Group, which cover matters including loan-to-value and liquidity requirements. The percentage of unsecured margin loans is low and the loan agreements are primarily on an indefinite basis. The credit risk in this portfolio is regularly stress-tested 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.

Exposure to credit risk within Carnegie for 2018 was essentially on par with 2017. Credit risk within the confines of the bank's Treasury operations is still characterised by a diversified placement strategy vis-à-vis strong financial counterparties, primarily Nordic major banks and municipalities. The cover pool within the credit portfolio for margin lending is well-diversified and no credit losses arose during the year.

Credit policy

The credit policy sets the frameworks for managing credit risk, concentration risk and settlement risk and reflects the risk appetite established by the Board of Directors. 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 a few cases, 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 define and quantify. 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 the operational risks of the business, Carnegie has established a corporate-wide framework that encompasses policies and standardised processes 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 examining 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.

Improving and further developing operational risk management is a continuing process. This effort is managed by the Group Operational Risk Manager at the group level. Ultimately, however, the responsibility for managing operational risk lies where the risk arises. This means that each employee is responsible for managing the risks within their area of responsibility with the support of the risk management function. Raising risk awareness among all employees is therefore a key component of operational risk management.

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 and working to predict sustainability risks is important from the financial and legal perspectives, but also as regards Carnegie's reputation. 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 nonconformances with internal or external regulations. Reports made in the whistle-blower system are confidentially handled by the Head of Internal Audit.

Refer to the Carnegie Holding AB Annual Report 2018 for further information about Carnegie's sustainability work.

Compliance risk

Compliance risk is the risk of regulatory sanctions, financial losses or damaged reputation due to noncompliance 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, 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, but is not limited to, the following:

- The established Compliance Function, 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 and money laundering.
- 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 confidence in a bank is damaged.

At Carnegie, reputational risk is managed primarily through open and frequent dialogue with stakeholders in the company. Carnegie has a wide range of communications channels towards clients and other counterparties in the market that make it possible to pick up any negative signals. In addition, Carnegie endeavours 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, 19 (16) percent of Carnegie's financing was comprised of equity, while deposits from the public accounted for 68 (73) percent and other debt accounts for 14 (11) percent of the balance sheet total.

The stable financing in the form of equity and deposits and borrowing from the general public was considerably greater at year-end than Carnegie's total lending.

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. Aimed at maintaining good financial stability even in the face of unexpected losses, Carnegie has designed an 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 describes the possible measures that can be taken in the event of a strained financial situation.

The Carnegie Bank Group's financial position remains strong with a common equity Tier 1 capital ratio of 24.5 percent (24.4) and capital adequacy of 24.5 percent (24.4).

Pillar 1 – Minimum capital requirements

Carnegie must at all times have 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 several options to choose among different methods when calculating the size of capital required. Carnegie applies the standard method fore calculating credit risk, standardised methods for market risk and the base indicator approach for operational risk.

Pillar 2 – Risk assessment

Carnegie has processes and methods that enable continuous assessment and maintenance of capital that is adequate in terms of amount, type and allocation to cover the nature and level of the risks to which the Group is currently exposed or may become exposed. As part of the ICAAP, an extensive risk analysis is performed, encompassing all potential risks that may arise within Carnegie. The Board of Directors and senior management participate throughout the process by contributing to identifying and analysing risks, defining scenarios and stress test methods and approving the final capital requirement.

Pillar 3 – Public disclosure

In accordance with capital adequacy regulations, Carnegie must disclose information about its capital adequacy and risk management. Additional disclosures concerning Carnegie's capital adequacy in 2018 are provided in the Capital Adequacy and Liquidity Report, available at www.carnegie.se.

Consolidated statements of comprehensive income

SEK 000s	Note	Jan–Dec 2018	Jan–Dec 2017
Continuing operations			
Commission income	1	2,417,128	2,421,395
Commission expenses		-25,062	-26,575
Net commission income	2	**2,392,066**	**2,394,820**
Interest income	1	80,381	85,891
Interest expenses		-48,204	-38,103
Net interest income	3	**32,177**	**47,788**
Net profit from financial transactions	1, 5	23,727	34,613
Total operating income		**2,447,970**	**2,477,221**
Personnel expenses	6	-1,478,911	-1,471,961
Other administrative expenses	7	-557,555	-512,630
Depreciation and amortisation of tangible and intangible assets	8	-23,283	-25,377
Total operating expenses		**-2,059,749**	**-2,009,968**
Profit before credit losses		**388,221**	**467,253**
Credit losses, net	9	3,501	1,719
Profit before tax		**391,722**	**468,972**
Tax	10	-89,328	-123,743
Profit for the year from continuing operations		**302,394**	**345,229**
Discontinued operations			
Profit for the year from discontinued operations	33	–	7,228
Net profit for the year		**302,394**	**352,457**
Other comprehensive income from continuing operations			
Items that may subsequently be reclassified to the income statement:			
Translation of foreign operations		16,533	-5,653
Total comprehensive income for the year		**318,927**	**346,804**

Consolidated statements of financial position

SEK 000s	Note	31 Dec 2018	31 Dec 2017
Assets			
Cash and bank deposits with central banks		67,980	65,776
Negotiable government securities	11, 12	2,034,067	1,786,699
Loans to credit institutions[1]	11	2,422,881	2,197,529
Loans to the general public	11	2,091,710	1,811,878
Bonds and other interest-bearing securities	11, 12, 13	2,736,907	2,316,418
Shares and participations	12, 13	287,424	820,036
Derivative instruments	12	34,201	24,098
Intangible assets	15	2,645	7,947
Tangible fixed assets	16	40,635	43,001
Current tax assets		31,515	31,020
Deferred tax assets	17	212,427	296,055
Other assets	18	668,425	610,345
Prepaid expenses and accrued income	19	201,868	89,042
Assets held for sale	33	1,777,888	2,264,909
Total assets	23	**12,610,575**	**12,364,754**
Liabilities and equity			
Liabilities			
Liabilities to credit institutions	11	29,808	-
Deposits and borrowing from the general public[1]	11	7,729,043	7,212,931
Short positions, shares	12	7,449	36,807
Derivative instruments	12	9,144	12,739
Current tax liabilities		5,137	15,935
Deferred tax liabilities	17	3,040	310
Other liabilities	20	580,120	312,585
Accrued expenses and prepaid income	21	602,105	742,841
Other provisions	22	64,115	110,110
Liabilities held for sale	33	1,557,156	2,000,656
Total liabilities	23	**10,587,118**	**10,444,914**
Equity			
Share capital	35	200,000	200,000
Other capital contributions		2,811,312	2,811,312
Provisions		6,155	-10,377
Retained earnings		-994,011	-1,081,095
Total equity		**2,023,457**	**1,919,840**
Total liabilities and equity		**12,610,575**	**12,364,754**
Pledged assets and contingent liabilities	24		
Assets pledged for own debt		681,980	670,643
Other pledged assets		541,629	1,085,816
Contingent liabilities and guarantees		560,230	332,747

1) Whereof client funds 507,281 (478,520)

Consolidated statements of changes in equity

	ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS				
SEK 000s	Share capital	Other capital contributions	Translation reserve	Retained earnings	Summa
Equity – opening balance 2017	**200,000**	**2,811,312**	**-4,724**	**-1,123,552**	**1,883,036**
Net profit for the year				352,457	352,457
Other comprehensive income:					
Translation differences relating to foreign operations			-5,653		-5,653
Total comprehensive income (net after tax)			**-5,653**	**352,457**	**346,804**
Dividends paid				-310,000	-310,000
Equity – closing balance 2017	**200,000**	**2,811,312**	**-10,378**	**-1,081,094**	**1,919,840**
Net profit for the year				302,394	302,394
Other comprehensive income:					
Translation differences relating to foreign operations			16,533		16,533
Total comprehensive income (net after tax)			**16,533**	**302,394**	**318,927**
Initial effect of transition to IFRS 9				-10,311	-10,311
Dividends paid				-205,000	-205,000
Equity – closing balance 2018	**200,000**	**2,811,312**	**6,155**	**-994,011**	**2,023,456**

Parent company income statement

SEK 000s	Notes	Jan–Dec 2018	Jan–Dec 2017
Continuing operations			
Commission income	1	2,028,076	1,969,733
Commission expenses		-25,054	-26,564
Net commission income	2	**2,003,022**	**1,943,169**
Interest income	1	53,597	53,570
Interest expenses		-37,767	-31,032
Net interest income	3	**15,830**	**22,538**
Dividends received	1, 4	–	67,097
Net profit/loss from financial transactions	1, 5	-3,733	507
Total operating income		**2,015,119**	**2,033,311**
Personnel expenses	6	-1,183,084	-1,175,849
Other administrative expenses	7	-407,887	-399,234
Depreciation and amortisation of tangible and intangible assets	8	-27,518	-32,314
Total operating expenses		**-1,618,489**	**-1,607,397**
Profit before credit losses		**396,630**	**425,914**
Credit losses, net	9	309	1,719
Profit before tax		**396,939**	**427,633**
Tax	10	-88,464	-87,095
Profit for the year from continuing operations		**308,475**	**340,538**
Discontinued operations			
Profit for the year from discontinued operations	33	–	7,228
Net profit for the year		**308,475**	**347,766**
Other comprehensive income			
Items that may subsequently be reclassified to the income statement:			
Translation differences relating to foreign operations		670	183
Total comprehensive income for the year		**309,146**	**347,949**

Parent company balance sheet

SEK 000s	Notes	31 Dec 2018	31 Dec 2017
Assets			
Cash and bank deposits with central banks		67,977	65,773
Negotiable government securities	11, 12	2,034,067	1,786,699
Loans to credit institutions[1)]	11	2,279,462	2,016,448
Loans to the general public	11	2,193,984	1,819,214
Bonds and other interest-bearing securities	11, 12, 13	2,736,907	2,316,418
Shares and participations	12, 13	287,030	815,482
Shares and participations in Group companies	14	508,103	488,436
Derivative instruments	12	34,201	24,098
Intangible assets	15	29,631	47,870
Tangible fixed assets	16	33,356	34,548
Current tax assets		29,715	30,978
Deferred tax assets	17	177,613	261,645
Other assets	18	678,331	998,863
Prepaid expenses and accrued income	19	190,418	79,277
Assets held for sale		–	109,085
Total assets	23	**11,280,793**	**10,894,834**
Liabilities and equity			
Liabilities			
Liabilities to credit institutions	11	29,219	–
Deposits and borrowing from the general public[1)]	11	7,753,812	7,227,485
Short positions, shares	12	7,448	36,807
Derivative instruments	12	9,144	12,739
Current tax liabilities		1,740	1,763
Deferred tax liabilities	17	3,040	310
Other liabilities	20	294,241	287,245
Accrued expenses and prepaid income	21	565,263	659,888
Other provisions	22	57,286	110,110
Provisions for pensions	31	429,885	420,430
Liabilities held for sale		–	109,085
Total liabilities	23	**9,151,078**	**8,865,862**
Equity			
Share capital	35	200,000	200,000
Statutory reserve		40,000	40,000
Reserve for development costs		1,007	3,017
Retained earnings		1,580,233	1,438,189
Net profit for the year		308,475	347,766
Total equity		**2,129,715**	**2,028,972**
Total liabilities and equity		**11,280,793**	**10,894,834**
Pledged assets and contingent liabilities	24		
Assets pledged for own debt		369,512	405,966
Other pledged assets		447,564	573,000
Contingent liabilities and guarantees		548,415	186,229

1) Whereof client funds 507,281 (478,520)

Parent company statement of changes in equity

SEK 000s	Share capital	Statutory reserve	Reserve for development costs	Retained earnings	Total
Equity – opening balance 2017	**200,000**	**40,000**	**5,029**	**1,745,954**	**2,028,972**
Net profit for the year				347,766	347,766
Transfer of internally generated capitalised development costs			-2,012	2,012	–
Total income and expenses for the year			**-2,012**	**349,777**	**347,766**
Other comprehensive income:					
Translation differences relating to foreign operations				183	183
Total comprehensive income (net after tax)			**-2,012**	**349,960**	**347,949**
Dividends paid				-310,000	-310,000
Equity – closing balance 2017	**200,000**	**40,000**	**3,018**	**1,785,955**	**2,028,972**
Net profit for the year				308,475	308,475
Transfer of internally generated capitalised development costs			-2,011	2,011	–
Total income and expenses for the year			**-2,011**	**310,486**	**308,475**
Other comprehensive income:					
Translation differences relating to foreign operations				670	670
Total comprehensive income (net after tax)			**-2,011**	**311,157**	**309,146**
Initial effect of applying IFRS 9				-3,403	-3,403
Dividends paid				-205,000	-205,000
Equity – closing balance 2018	**200,000**	**40,000**	**1,007**	**1,888,708**	**2,129,715**

Cash flow statements

	GROUP[1]		PARENT COMPANY	
SEK 000s	**2018**	**2017**	**2018**	**2017**
Operating activities				
Profit before tax	391,722	471,701	396,939	430,361
Adjustments for items not affecting cash flow	-10,133	57,486	-608	14,005
Paid income tax	-20,904	-41,435	-378	-3,171
Cash flow from operating activities before changes in working capital	360,685	487,752	395,953	441,195
Changes in working capital	214,563	-864,266	365,980	333,378
Cash flow from operating activities	575,248	-376,514	761,933	774,573
Investing activities				
Acquisitions of fixed assets	-8,730	-8,351	-6,324	-2,850
Acquisitions of subsidiaries	–	–	-19,667	–
Cash flow from investing activities	-8,730	-8,351	-25,991	-2,850
Financing activities				
Cash flow from financing activities	–	–	–	–
Cash flow for the year	**566,518**	**-384,865**	**735,942**	**771,723**
Cash and cash equivalents at beginning of year[2]	3,796,238	4,127,772	2,872,935	2,070,434
Translation differences in cash and cash equivalents	103,634	53,330	60,314	30,778
Cash and cash equivalents at end of year[2]	**4,466,390**	**3,796,237**	**3,669,191**	**2,972,935**

1) The consolidated statements of cash flows include discontinued operations up to and including the date of divestment.

2) Excluding cash and cash equivalents pledged as collateral.

For further disclosures concerning cash flow statements, see Note 30.

Accounting policies

General information

Carnegie Investment Bank AB, corporate reg. no. 516406-0138, and subsidiaries ("Carnegie" or "the Group") is a Nordic investment and private bank operating in Securities, Investment Banking and Private Banking. Carnegie offers financial products and services to Nordic and international clients from offices in seven countries: Sweden, Denmark, Norway, Finland, Luxembourg, the UK and the US. Carnegie's registered office is in Stockholm, at Regeringsgatan 56. Carnegie Investment Bank AB is owned by Carnegie Holding AB, which is owned by Altor Fund III and employees of Carnegie.

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 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.

Carnegie Fonder AB was sold in April 2016, operations within third-party distribution of structured products (Structured Products) was sold in 2017 and the decision to sell Banque Carnegie Luxembourg S.A. (Luxembourg) was announced in May 2018. The transaction closed in January 2019. Structured Products is presented as discontinued operations in the Consolidated statements of comprehensive income for 2017 and in the Five-year review for the years 2014–2017. Carnegie Fonder AB is presented as discontinued operations in the Five-year review for the years 2014–2016. Assets and liabilities attributable to Luxembourg are presented separately in the Consolidated statements of financial position as a disposal group for both 2018 and 2017. Supplementary disclosures concerning Luxembourg and Structured Products are presented in Note 32.

The financial statements for the Group and the parent company are presented in thousands of Swedish krona (SEK 000s). The parent company's functional currency is the Swedish krona (SEK). Accounting principles for the parent company are presented below under "Parent company accounting principles".

New and amended accounting standards and interpretations

A number of new standards and amendments to existing standards took effect during the 2018 financial year.

IFRS 9, Financial Instruments has superseded *IAS 39, Financial Instruments: Recognition and Measurement*. The standard introduces new rules for recognition, classification and measurement, loss allowances for credit losses and general hedge accounting. The new model for estimating loss allowances is based on expected losses and considers all available relevant information, including information about past events, current economic conditions at the reporting date and forecasts of future economic conditions. The new rules reduced consolidated equity by SEK 10 million as of 1 January 2018.

As regards classification of financial assets, the following changes to classification applied to the Group:

Classification of financial assets at 31 December 2018, SEKm[1]

Assets held for trading	3,765
Investments held to maturity	1,457
Loan receivables and accounts receivable	6,654
Total financial assets	**11,876**

1) See also Note 23

Classification of financial assets at 1 January 2019, SEKm

Amortised cost	10,977
Fair value through profit and loss[2]	899
Total financial assets	**11,876**

2) Comprises shares and participations, derivative instruments and fixed income structured products

IFRS 15 Revenue from Contracts with Customers is a new standard for revenue recognition that supersedes previous standards and interpretations on revenue recognition. The standard has no material impact on the consolidated financial statements in terms of either amounts or differences in periodicity.

Standards, amendments and interpretations that have not yet entered into force

IFRS 16 Leases, which applies to reporting periods beginning on or after 1 January 2019 will supersede *IAS 17 Leases* and the associated interpretations *IFRIC 4*, *SIC-15* and *SIC-27*. The standard requires all assets and liabilities attributable to leases, with a few exceptions, to be reported on the balance sheet. Accounting is based on the perspective that the lessee has a right to use an asset during a specific time period and a concurrent obligation to pay for that right. Accounting for the lessor will remain unchanged in all material respects.

The Group will apply the standard from 1 January 2019 and intends to apply the modified retrospective approach to the transition. Comparative figures will not be restated. Rights-of-use are measured at an amount corresponding to the lease liability adjusted for prepaid and accrued leasing charges. For the Group, the standard primarily covers leases for premises. The lease liability as of 31 December 2018 amounts to SEK 280 million and will be included in the balance sheet as of 1 January 2019.

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 intragroup 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 principles. 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 purchase 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. Minority owners' interests in the acquired company are initially measured 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.

Revenue recognition

Revenue is recognised in profit and loss when it is probable that future economic benefits will be received and these benefits can be reliably estimated. Revenue is normally recognised during the period in which the service was performed. Performance-based fees and commissions are recognised when the income can be reliably estimated.

Commission income mainly includes brokerage fees and advisory income within Private Banking and Investment Banking. These services are recognised in profit and loss when the services have been performed and when it is probable that the future economic benefits will accrue to the company and the benefits can be reliably estimated.

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." 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 postemployment 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 EU rules, guaranteed variable remuneration (sign-on bonus) is paid only in connection with new recruiting and the service period is limited to one year.

Remuneration principles for the Group are 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 are 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.

Leases

Financial leases are contracts according to which the economic benefits and risks associated with ownership of the leased asset are transferred in all significant respects from the leaser to the lessee. Leases that are not financial are classified as operational. At present, Carnegie only has operational leases.

Lease charges paid for operational leases are expensed straight-line over the leasing period. Variable fees are recognised as expenses in the period in which they arise. In cases where the Group receives benefits (such as rent rebates) upon entering an operational lease, such benefits are initially recognised as a liability and thereafter as a reduction in leasing fees straight-line over the leasing period, unless some other systematic method better reflects the benefit to the Group over time.

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 in practice 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 recognised with a net amount 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 probably. 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 financial assets and liabilities depends on the intention with the acquisition of the financial item. The categories within IFRS 9 applied by Carnegie are amortised cost and fair value through profit or loss.

Financial assets are initially measured at fair value plus transaction costs, which applies to all financial assets not measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are initially recognised at fair value, while attributable transaction costs are recognised in profit or loss.

Financial assets and financial liabilities held in the trading book are measured after acquisition date at fair value through profit and loss. 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.

Cash and central bank balances

Cash and balances with central banks are categorised as loans and accounts receivable and 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. Allowances are made for expected credit losses after individual assessment. Allowances are made where the probability of default is significant and where pledges, obligations or other guarantees are not estimated to cover the claim amount.

The principle for what is classified as an actual credit loss is that they are losses established through bankruptcy procedures or composition agreements. A decline in value attributable to a debtor's payment capacity is recognised under "Net credit losses".

Loans to the general public

Lending to the 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 provide corporate financing and 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. This means that counterparty classes have the same credit characteristics and Carnegie thus does not perform impairment testing on a group basis. Following individual assessment, allowances are made for expected credit losses where the probability of default is significant and where pledges, obligations or other guarantees are not estimated to cover the claim amount.

The principle for what is classed as an actual credit loss is that they are losses established through bankruptcy procedures or composition agreements. A decline in value attributable to a debtor's payment capacity is recognised under "Net credit losses".

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. These are categorised as amortised cost.

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 and 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 as "Other financial liabilities" 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 as "Other financial liabilities" 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 are 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 reliably estimated. 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 principles, estimates and assumptions about the future are required that affect the amounts presented in the financial reports. The estimations, which are based on judgements and assumptions that management has deemed fair, are regularly re-examined. 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 28.

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 PRINCIPLES

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 principles 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.

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.

Financial guarantees

The parent company applies the exception rule in RFR 2 so that it is not required to apply the rules in IAS 39 concerning financial guarantees related to guarantee contracts issued to the benefit of subsidiaries and associates. In these cases, the rules in IAS 37 are applied, according to which such a financial guarantee contract must be recognised on the balance sheet as a provision when the parent company has a legal or constructive obligation arising from a past event and settlement is expected to result in an outflow of resources and the obligation can be measured reliably.

Recognition of endowment insurance

The parent company's pension commitments, which are guaranteed through company-owned endowment insurance are recognised gross in the parent company. The asset is recognised under "Other assets" and the liability is recognised under "Provisions for pensions". See Note 31. Other assets and provisions for pension. However, there is no difference between the parent company and consolidated accounts in profit and loss accounting.

Notes

Notes related to the Consolidated statements of comprehensive income exclude operations within third-party distribution of structured products for 2017. Notes related to the Consolidated statements of financial position exclude structured products for 2017 and Carnegie Banque Luxembourg S.A. for both 2018 and 2017. Information about discontinued operations is presented in Note 33.

Note 1 Geographical distribution of income

GROUP	COMMISSION INCOME		INTEREST INCOME		OTHER DIVIDEND INCOME		NET PROFIT FROM FINANCIAL TRANSACTIONS		TOTAL INCOME	
SEK 000s	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Denmark	293,495	260,988	1,864	-246	–	–	-1,252	3,523	294,107	264,265
Norway	255,443	316,810	14,329	21,470	–	–	842	-361	270,614	337,919
Sweden	1,608,441	1,486,456	51,619	53,755	–	–	-3,632	-1,366	1,656,427	1,538,845
Other	426,911	488,544	18,088	16,313	–	–	29,409	34,057	474,409	538,914
Eliminations	-167,162	-131,403	-5,519	-5,401	–	–	-1,640	-1,240	-174,321	-138,044
Total	**2,417,128**	**2,421,395**	**80,381**	**85,891**	**–**	**–**	**23,727**	**34,613**	**2,521,236**	**2,541,899**

PARENT COMPANY	COMMISSION INCOME		INTEREST INCOME		OTHER DIVIDEND INCOME		NET PROFIT FROM FINANCIAL TRANSACTIONS		TOTAL INCOME	
SEK 000s	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Sweden	1,608,441	1,486,456	51,619	53,756	–	67,097	-3,632	-1,366	1,656,428	1,605,943
Denmark	293,495	260,988	1,864	-246	–	–	-1,252	3,523	294,107	264,265
Other	245,684	311,020	114	60	–	–	1,280	-1,650	247,078	309,430
Eliminations	-119,544	-88,731	–	–	–	–	-129	–	-119,673	-88,731
Total	**2,028,076**	**1,969,733**	**53,597**	**53,570**	**–**	**67,097**	**-3,733**	**507**	**2,077,940**	**2,090,907**

Note 2 Net commission income

	GROUP		PARENT COMPANY	
SEK 000s	2018	2017	2018	2017
Brokerage fees	619,277	706,039	472,371	523,835
Advisory services income	1,805,251	1,684,161	1,515,659	1,368,003
Other income	29,956	61,634	66,656	99,418
Marketplace fees	-37,356	-30,439	-26,610	-21,523
Total commission income	**2,417,128**	**2,421,395**	**2,028,076**	**1,969,733**
Total commission expenses	**-25,062**	**-26,575**	**-25,054**	**-26,564**
Net commission income	**2,392,066**	**2,394,820**	**2,003,022**	**1,943,169**

Note 3 Net interest income

	GROUP		PARENT COMPANY	
SEK 000s	2018	2017	2018	2017
Interest income				
Interest income from lending to credit institutions	4,545	121	9,384	4,464
Interest income from lending to the general public	74,294	85,088	43,954	48,288
Interest income from interest-bearing securities	376	19	823	713
Other interest income	1,166	663	-564	105
Total interest income[1)]	**80,381**	**85,891**	**53,597**	**53,570**
Interest expenses				
Interest expenses related to liabilities to credit institutions	-25,982	-23,569	-21,684	-19,598
Interest expenses related to deposits/borrowing from the general public	-7,876	-4,755	-1,737	-1,749
Interest expenses related to interest-bearing securities	-15,374	-9,455	-15,374	-9,455
Other interest expenses	1,028	-324	1,028	-230
Total interest expenses	**-48,204**	**-38,103**	**-37,767**	**-31,032**
Net interest income	**32,177**	**47,788**	**15,830**	**22,538**
Whereof amounts for balance sheet items not measured at fair value:				
Interest income	80,381	85,891	53,597	53,570
Interest expenses	-48,204	-31,858	-37,767	-24,787
Total	**32,177**	**54,033**	**15,830**	**28,783**
1) Whereof interest on doubtful receivables	–	–	–	–

Note 4 Other dividend income

SEK 000s	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Dividends received on shares and participations of a fixed-asset nature[1]	–	–	–	67,097
Total other dividend income	**–**	**–**	**–**	**67,097**

1) Dividends from financial instruments in the trading book are included in the item "Net profit/loss from financial transactions."

Note 5 Net profit/loss from financial transactions

2018

		UNREALISED CHANGES IN VALUE[1]					
GROUP, SEK 000s	Realised changes in value	Market price	Observable market data	Non-observable market data	Other method	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**

2017

		UNREALISED CHANGES IN VALUE[1]					
GROUP, SEK 000s	Realised changes in value	Market price	Observable market data	Non-observable market data	Other method	Effect of exchange rate changes	Total
Bonds and other interest-bearing securities and attributable derivatives	5,102	-1,236	640	–	–		4,506
Shares and participations and attributable derivatives	6,859	-6,738	-1,850	–	–		-1,729
Other financial instruments and attributable derivatives	34,253	-1,054	–	–	–		33,199
Exchange-rate changes						-1,363	-1,363
Net profit/loss from financial transactions	**46,214**	**-9,028**	**-1,210**	**–**	**–**	**-1,363**	**34,613**

2018

		UNREALISED CHANGES IN VALUE[1]					
PARENT COMPANY, SEK 000s	Realised changes in value	Market price	Observable market data	Non-observable market data	Other method	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	-535	-21,318	5,589	–	–		-16,264
Other financial instruments and attributable derivatives	632	0	0	–	–		632
Exchange-rate changes						3,618	3,618
Net profit/loss from financial transactions	**7,922**	**-21,318**	**6,045**	**–**	**–**	**3,618**	**-3,733**

2017

		UNREALISED CHANGES IN VALUE[1]					
PARENT COMPANY, SEK 000s	Realised changes in value	Market price	Observable market data	Non-observable market data	Other method	Effect of exchange rate changes	Total
Bonds and other interest-bearing securities and attributable derivatives	3,915	-1,236	640	–	–		3,319
Shares and participations and attributable derivatives	7,220	-6,738	-1,850	–	–		-1,368
Other financial instruments and attributable derivatives	-267	–	–	–	–		-267
Exchange-rate changes						-1,177	-1,177
Net profit/loss from financial transactions	**10,868**	**-7,974**	**-1,210**	**–**	**–**	**-1,177**	**507**

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.
- Other method: The value is based on a price that was established using another method, such as the historical cost or equity method.

Note 6 Personnel expenses

SEK 000s	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Salaries and fees	-808,210	-736,240	-612,788	-566,606
Social insurance fees	-165,023	-153,662	-141,073	-130,923
Allocation to variable remuneration[1]	-325,247	-436,000	-274,959	-357,056
Pension expenses for Board of Directors and CEO	-2,319	-2,315	-2,319	-2,315
Pension expenses for other employees	-120,489	-112,244	-108,008	-101,329
Other personnel expenses	-57,627	-31,500	-43,941	-17,620
Total personnel expenses	**-1,478,911**	**-1,471,961**	**-1,183,084**	**-1,175,849**

1) Including social insurance fees.

Salaries and fees specified by category

SEK 000s	2018	2017	2018	2017
Salaries and fees to directors, CEO and members of Group management	-49,621	-49,233	-45,829	-44,915
Salary and remuneration to other employees not included in the Board of Directors or Group management	-758,589	-687,007	-566,959	-521,691
Total salaries and fees	**-808,210**	**-736,240**	**-612,788**	**-566,606**

Average number of employees (of whom women)[1]

	2018	2017	2018	2017
Denmark	81 (19)	77 (18)	81 (19)	77 (18)
Finland	24 (7)	22 (6)	24 (7)	22 (6)
Luxembourg	40 (9)	45 (10)	–	–
Norway	88 (13)	81 (12)	2 (1)	2 (1)
UK	31 (13)	31 (12)	31 (13)	31 (12)
Sweden	326 (98)	324 (105)	326 (98)	324 (105)
USA	10 (2)	10 (3)	–	–
Total	**600 (160)**	**590 (166)**	**463 (137)**	**456 (142)**

1) The average number of employees shown in the table refers to continuing operations.

Remuneration to the Board of Directors[1] SEK 000s	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Bo Magnusson, chairman	600	467	600	467
Ingrid Bojner	250	200	250	200
Klas Johansson	188	146	188	146
Anders Johnsson	350	283	350	283
Harald Mix	188	146	188	146
Andreas Rosenlew	250	200	250	200
Summa	**1,826**	**1,442**	**1,826**	**1,442**

1) Directors also receive fees from Carnegie Holding AB. The composition of remuneration was adjusted in 2017/2018 so that higher remuneration is paid for Carnegie Investment Bank AB and lower remuneration for Carnegie Holding AB. Total remuneration has not changed.

Remuneration to the CEO and other senior executives

2018 Group, 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[1]	39,742	8,465	3,994	–

1) 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.

Note 6 Personnel expenses, cont.

Remuneration to the CEO and other senior executives

2017 Group, SEK 000s	Gross salary and benefits	Variable remuneration	Pensions and comparable benefits	Severance pay
CEO Björn Jansson	7,863	5,800	2,315	–
Other senior executives[1]	39,965	22,929	4,710	–

1) 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 ten individuals: Anders Antas, Jacob Bastholm, Christian Begby, Elisabeth Erikson, Henric Falkenberg, Fredrik Leetmaa, Helena Nelson, Jonas Predikaka, Henrik Rättzén and Ulf Vucetic. All senior executives were part of executive management for the entire year except Elisabeth Erikson, who began on 9 January, and Jacob Bastholm, who began on 1 February. The figures also include Annika Agri Larsson for the period of 1 January–21 May and Claus Gregersen for the period of 1 January–31 January.

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. 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 12 percent (13) 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 the market value of the endowment insurance policies. The total market value amounts to: in the Group, SEK 429,885 thousand (412,604), and in the parent company SEK 429,885 thousand (412,604). Premiums paid during the year amounted to SEK 2,833 thousand (3,136) in the Group, whereof SEK 2,833 thousand (3,136) in the parent company.

Report on remuneration expensed by the Carnegie Group and Carnegie Investment Bank AB in 2017 pursuant to the Capital Requirements Regulation for Credit Institutions and Investments Firms and Regulation FFFS 2014:12 from the Swedish Financial Supervisory Authority. The table excludes discontinued operations.

Group: Remuneration expensed in 2018	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	812,086	663	263,888	482

	SPECIFICATION OF REMUNERATION BY CATEGORIES			
	Defined identified staff[2]			
SEK 000s	Executive management	Other employees identified to the category:	Other employees	Total
Fixed remuneration[1]	93,652	179,342	539,092	812,086
Number of employees	24	89	550	663
Variable remuneration[1]	22,745	60,221	180,922	263,888
Number of employees	16	73	393	482
Whereof:				
Cash-based variable remuneration	22,745	60,221	180,922	263,888
Share-based variable remuneration	N/A	N/A	N/A	N/A
Deferred remuneration[3]	9,609	18,876	–	28,486
Committed and paid remuneration[4]	91,239	183,057	705,032	979,328
Severance pay (paid out)	–	547	6,482	7,029
Number of employees	–	3	22	25
Committed severance pay (not yet paid)	6,235	10,441	12,654	29,330
Number of employees	1	4	11	16
Highest individual severance pay (not yet paid)	6,235	3,280	2,738	12,253

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 identified staff in question.
4) Committed variable remuneration arising from 2018 that was paid during 2019 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. Severance payments in 2018 are related to cost savings.

Note 6 Personnel expenses, cont.

Parent company: Remuneration expensed in 2018

SEK 000s	TOTAL REMUNERATION TO EMPLOYEES IN THE PARENT COMPANY: 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 parent company	622,150	510	216,337	408

SPECIFICATION OF REMUNERATION BY CATEGORIES

SEK 000s	Defined identified staff[2)]: Executive management	Defined identified staff[2)]: Other employees identified to the category:	Other employees	Total
Fixed remuneration[1)]	54,611	137,644	429,895	622,150
Number of employees	10	62	438	510
Variable remuneration[1)]	14,845	49,760	151,731	216,337
Number of employees	9	57	342	408
Whereof:				
Cash-based variable remuneration	14,845	49,760	151,731	216,337
Share-based variable remuneration	N/A	N/A	N/A	N/A
Deferred remuneration[3)]	8,367	17,720	–	26,087
Committed and paid remuneration[4)]	61,089	169,685	581,627	812,400
Severance pay (paid out)	–	285	4,635	4,920
Number of employees	–	2	15	17
Committed severance pay (not yet paid)	–	1,320	1,752	3,072
Number of employees	–	1	5	6
Highest individual severance pay (not yet paid)	–	1,320	960	2,280

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 identified staff in question.
4) Committed variable remuneration arising from 2018 that was paid during 2019 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. Severance payments in 2018 are related to cost savings.

Note 7 Other administrative expenses

	GROUP		PARENT COMPANY	
SEK 000s	2018	2017	2018	2017
Other administrative expenses include the following amounts paid to elected auditors:				
Statutory auditing				
PwC	-5,075	-5,439	-2,698	-2,424
Regen, Benz & MacKenzie	-435	-427	–	–
Total statutory auditing	**-5,510**	**-5,866**	**-2,698**	**-2,424**
Other auditing				
PwC	-6,447	-71	-4,587	–
Total other auditing	**-6,447**	**-71**	**-4,587**	**–**
Tax advice				
PwC	–	-176	–	-176
Total tax advice	**–**	**-176**	**–**	**-176**
Other consultant assignments				
PwC	-609	-784	-609	-784
Regen, Benz & MacKenzie	–	-131	–	–
Total other consultancy assignments	**-609**	**-915**	**-609**	**-784**

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		PARENT COMPANY	
SEK 000s	2018	2017	2018	2017
Computer equipment and other equipment	-7,300	-12,041	-1,826	-7,424
Renovations	-9,818	-7,581	-6,135	-6,119
Amortisation of acquired goodwill (see Note 15)	–	–	-14,255	-13,412
Other intangible assets	-6,165	-5,755	-5,302	-5,359
Total depreciation and amortisation of tangible fixed assets and intangible assets	**-23,283**	**-25,377**	**-27,518**	**-32,314**

Note 9 Net credit losses and provisions for doubtful receivables

	GROUP		PARENT COMPANY	
SEK 000s	2018	2017	2018	2017
Provisions for doubtful receivables on the opening date	-198,512	-210,308	-198,512	-210,308
Initial effect of applying IFRS 9	-13,428	–	-4,363	
Effect on income of individually evaluated credits recognised in profit and loss (minus indicates increased allowance):				
Reversals of previous provisions	–	1,719	–	1,719
Total net credit losses	**–**	**1,719**	**–**	**1,719**
Changes for the year in the loss allowance per IFRS 9	3,521	–	310	–
Translation differences	-20	-57	–	-57
Total items affecting income	**3,501**	**1,662**	**310**	**1,662**
Previously eliminated as actual, now reversed and recognised as income	–	5,697	–	5,697
Translation differences	-1,991	4,437	-2,012	4,437
Provisions for doubtful receivables on the closing date	**-210,430**	**-198,512**	**-204,577**	**-198,512**

Credit losses and doubtful receivables originated with provisions made before 2009. Changes for the year refer to the loss allowance per IFRS 9.

Note 10 Taxes

	GROUP		PARENT COMPANY	
SEK 000s	**2018**	**2017**	**2018**	**2017**
Current tax expense				
Tax expense for the year	-5,151	-27,510	-309	-4,218
Adjustment of tax attributable to previous years	-1,185	-6,868	-745	3
Total current tax expense	**-6,336**	**-34,378**	**-1,054**	**-4,215**
Deferred tax expense (-) / tax income (+)				
Deferred tax related to timing differences	2,712	3,401	4,191	6,345
Tax effect of changed tax rate	-1,913	-2,330	-1,913	–
Deferred tax in the tax value of loss carryforwards capitalised during the year	5,976	–	79	19,653
Deferred tax expense in the tax value of loss carryforwards capitalised during the year	-89,766	-85,936	-89,766	-104,378
Effect on deferred tax expense of discontinued operations	–	-4,500	–	-4,500
Total deferred tax expense/income	**-82,992**	**-89,365**	**-87,409**	**-82,880**
Total recognised tax expense/income	**-89,328**	**-123,743**	**-88,463**	**-87,095**

Reconciliation of effective tax	2018		2017	
Group, SEK 000s	**Tax rate, %**	**Amount**	**Tax rate, %**	**Amount**
Profit before tax		391,722		468,973
Tax according to prevailing tax rate for the parent company	22.0	-86,179	22.0	-103,174
Tax effects in respect of:				
Other tax rates for foreign companies	-0.6	2,211	0.5	-2,386
Non-deductible expenses	2.8	-10,904	4.3	-20,326
Non-taxable income	-1.8	7,205	-1.1	5,113
Increase in loss carryforwards without corresponding capitalisation of deferred tax	2.7	-10,623	0.0	-3
Utilisation of non-capitalised loss carryforwards	–	–	-0.8	3,628
Capitalisation of loss carryforwards in previous years	–	–	-0.9	4,323
Remeasurement of deferred tax	2.0	-7,882	1.2	-5,526
Tax attributable to previous years	0.8	-3,042	1.5	-6,868
Adjustment of taxable profit	-5.1	19,886	-0.3	1,476
Recognised effective tax[1)]	**22.8**	**-89,328**	**26.4**	**-123,743**

Reconciliation of effective tax	2018		2017	
Parent company, SEK 000s	**Tax rate, %**	**Amount**	**Tax rate, %**	**Amount**
Profit before tax		396,939		427,633
Tax according to prevailing tax rate for the parent company	22.0	-87,327	22.0	-94,079
Tax effects in respect of:				
Other tax rates for foreign companies	0.2	-602	-0.2	749
Non-deductible expenses	2.6	-10,133	4.6	-19,716
Non-taxable income	0.0	83	-4.0	16,924
Increase in loss carryforwards without corresponding capitalisation of deferred tax	1.1	-4,328	–	–
Utilisation of non-capitalised loss carryforwards	–	–	-1.8	7,956
Capitalisation of loss carryforwards in previous years	–	–	0.0	-5
Revaluation of deferred tax	0.9	-3,636	-0.2	862
Tax attributable to previous years	0.0	3	0.0	3
Adjustment of taxable profit	-4.4	17,477	0.0	210
Recognised effective tax	**22.3**	**-88,463**	**20.4**	**-87,095**

1) The weighted average tax rate for the Group is 21.4 percent (22.5).

Note 11 Maturity information

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	1,915,148	95,808	–	–	–	–	–	2,034,067
Loans to credit institutions	2,422,882	–	–	–	–	–	–	–	2,422,882
Loans to the general public	1,766,155	13,408	137,972	687	–	173,488	–	–	2,091,710
Bonds and other interest-bearing securities	49,311	911,965	1,758,555	8,176	13,435	2,060	-6,594	–	2,736,907
Total financial assets	**4,261,458**	**2,840,521**	**1,992,335**	**8,863**	**13,435**	**175,548**	**-6,594**	**-**	**9,285,566**
Liabilities to credit institutions	29,808	–	–	–	–	–	–	–	29,808
Deposits and borrowing from the general public	7,639,180	88,317	1,546	–	–	–	–	–	7,729,044
Total financial liabilities	**7,668,988**	**88,317**	**1,546**	**–**	**–**	**–**	**–**	**–**	**7,758,851**

GROUP, 31 DEC 2017, 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	1,184,064	–	650,072	–	–	–	–	–	1,834,136
Loans to credit institutions	2,720,064	–	–	–	–	–	–	–	2,720,064
Loans to the general public	2,158,444	346,293	115,513	–	–	47,186	–	–	2,667,436
Bonds and other interest-bearing securities	72,506	935,861	1,489,694	4,967	15,251	–	-6,770	–	2,511,509
Total financial assets	**6,135,078**	**1,282,154**	**2,255,279**	**4,967**	**15,251**	**47,186**	**-6,770**	**205,225**	**9,733,145**
Deposits and borrowing from the general public	8,952,262	31,973	–	–	–	–	–	–	8,984,235
Total financial liabilities	**8,952,262**	**31,973**	**–**	**–**	**–**	**–**	**–**	**–**	**8,984,235**

PARENT COMPANY, 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	2,267,213	–	–	–	–	–	–	12,249	2,279,462
Loans to the general public	1,875,344	16,890	137,972	687	–	173,488	-6,594	-3,804	2,193,983
Bonds and other interest-bearing securities	49,311	910,912	1,753,014	8,176	13,435	2,060	–	–	2,736,907
Total financial assets	**4,214,978**	**2,738,354**	**2,091,391**	**8,863**	**13,435**	**175,548**	**-6,594**	8,445	**9,244,419**
Deposits and borrowing from the general public	7,753,812	–	–	–	–	–	–	–	7,753,812
Total financial liabilities	**7,753,812**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,753,812**

PARENT COMPANY, 31 DEC 2017, 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	1,184,064	–	602,635	–	–	–	–	–	1,786,699
Loans to credit institutions	2,016,448	–	–	–	–	–	–	–	2,016,448
Loans to the general public	1,669,558	10,517	98,723	–	–	47,186	–	–	1,819,214
Bonds and other interest-bearing securities	72,506	933,065	1,290,629	4,967	15,251	–	-6,770	–	2,316,418
Total financial assets	**4,942,576**	**943,582**	**1,991,987**	**4,967**	**15,251**	**47,186**	**-6,770**	–	**7,938,779**
Deposits and borrowing from the general public	7,227,485	–	–	–	–	–	–	–	7,227,485
Total financial liabilities	**7,227,485**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,227,485**

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

Valuation method 2018[1]	HELD FOR TRADING			AMORTISED COST	
GROUP, 31 DEC 2018, SEK 000s	Market price (Level 1)	Observable market data (Level 2)	Non-observable market data (Level 3)		Total
Negotiable government securities	–	–	–	2,034,067	2,034,067
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**	**–**	**4,736,479**	**5,092,599**
Short positions, shares	7,449	–	–	–	7,449
Derivative instruments	–	9,144	–	–	9,144
Total financial liabilities	**7,449**	**9,144**	**–**	**–**	**16,593**

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

There were no significant shifts between Level 1 and Level 2 during the financial year.

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.

Valuation method 2017[1]	HELD FOR TRADING			INVESTMENTS HELD TO MATURITY	
GROUP, 31 DEC 2017, SEK 000s	Market price (Level 1)	Observable market data (Level 2)	Non-observable market data (Level 3)		Total
Negotiable government securities	401,726	–	–	1,384,973	1,786,699
Bonds and other interest-bearing securities	2,221,771	22,140	–	72,506	2,316,418
Shares and participations	814,744	5,292	–	–	820,035
Derivative instruments	19,435	4,663	–	–	24,098
Total financial assets	**3,457,677**	**32,095**	**–**	**1,457,479**	**4,947,250**
Short positions, shares	36,807	–	–	–	36,807
Derivative instruments	11,463	1,276	–	–	12,739
Total financial liabilities	**48,270**	**1,276**	**–**	**–**	**49,546**

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

There were no significant shifts between Level 1 and Level 2 during the financial year.

Financial assets and liabilities subject to offsetting

GROUP, 31 DEC 2017, SEK 000s	Gross amounts	Offset	Net amounts in balance sheet
Assets			
Trade and client receivables	990,216	-691,344	298,872
Liabilities			
Trade and client payables	768,874	-695,006	73,868

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)]	HELD FOR TRADING			AMORTISED COST	
PARENT COMPANY, 31 DEC 2018, SEK 000s	Market price (Level 1)	Observable market data (Level 2)	Non-observable market data (Level 3)		Total
Negotiable government securities	401,726	–	–	1,632,341	2,034,067
Bonds and other interest-bearing securities	2,629,906	34,495	–	72,506	2,736,907
Shares and participations	281,837	5,193	–	–	287,030
Derivative instruments	–	34,201	–	–	34,201
Total financial assets	**3,313,469**	**73,889**	**–**	**1,704,847**	**5,092,205**
Short positions, shares	7,448	–	–	–	7,448
Derivative instruments	–	9,144	–	–	9,144
Total financial liabilities	**7,448**	**9,144**	**–**	**–**	**16,593**

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

There were no significant shifts between Level 1 and Level 2 during the financial year.

Financial assets and liabilities subject to offsetting

PARENT COMPANY, 31 DEC 2018, SEK 000s	Gross amounts	Offset	Net amounts in balance sheet
Assets			
Trade and client receivables	2,336,218	-2,228,368	107,850
Liabilities			
Trade and client payables	1,882,079	-1,866,751	15,327

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.

Valuation method 2017[1)]	HELD FOR TRADING			INVESTMENTS HELD TO MATURITY	
PARENT COMPANY, 31 DEC 2017, SEK 000s	Market price (Level 1)	Observable market data (Level 2)	Non-observable market data (Level 3)		Total
Negotiable government securities	401,726	–	–	1,384,973	1,786,699
Bonds and other interest-bearing securities	2,221,772	22,140	–	72,506	2,316,418
Shares and participations	810,190	5,292	–	–	815,482
Derivative instruments	19,435	4,663	–	–	24,098
Total financial assets	**3,453,123**	**32,095**	**–**	**1,457,479**	**4,942,696**
Short positions, shares	36,807	–	–	–	36,807
Derivative instruments	11,463	1,276	–	–	12,739
Total financial liabilities	**48,270**	**1,276**	**–**	**–**	**49,546**

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

There were no significant shifts between Level 1 and Level 2 during the financial year.

Financial assets and liabilities subject to offsetting

PARENT COMPANY, 31 DEC 2017, SEK 000s	Gross amounts	Offset	Net amounts in balance sheet
Assets			
Trade and client receivables	962,880	-660,302	302,578
Liabilities			
Trade and client payables	741,527	-667,946	73,581

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

	GROUP		PARENT COMPANY	
SEK 000s	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Bonds and other interest-bearing securities				
Listed	2,736,907	2,316,418	2,736,907	2,316,418
Unlisted	–	–	–	–
	2,736,907	**2,316,418**	**2,736,907**	**2,316,418**
Swedish government bodies	–	–	–	–
Other Swedish issuers	2,175,138	2,226,380	2,175,138	2,226,381
Foreign government bodies	49,311	72,506	49,311	72,506
Other foreign issuers	512,458	17,531	512,458	17,531
	2,736,907	**2,316,418**	**2,736,907**	**2,316,418**
Shares and participations				
Listed	282,231	814,972	281,837	810,418
Unlisted	5,193	5,064	5,193	5,064
	287,424	**820,036**	**287,030**	**815,482**

Note 14 Shares and participations in Group companies

	PARENT COMPANY	
SEK 000s	31 Dec 2018	31 Dec 2017
Cost of shares and participations in Group companies, 1 January	508,103	488,436
Cost of shares and participations in Group companies, 31 December	**508,103**	**488,436**

2018	Corporate Reg. No.	Reg. office	No. of shares	Carrying amount 2018	Equity 2018
Carnegie, Inc.	13-3392829	Delaware	100	26,461	40,470
Carnegie AS [1]	936310974	Oslo	20,000	175,994	111,065
Carnegie Ltd	2941368	London	1	0	297
Familjeföretagens Pensionsredovisning i Värmland AB	556636-7776	Karlstad	1,000	0	1,693
Carnegie Properties AB	556680-5288	Stockholm	1,000	100	774
Carnegie AB	556946-9355	Stockholm	50	50	45
Carnegie Fastigheter AB	556946-9371	Stockholm	50	50	45
Carnegie Fund Services S.A.	B 158409	Luxembourg	500	19,667	16,445
Banque Carnegie Luxembourg S.A.[1]	1993-2201863	Luxembourg	349,999	285,781	220,732
Total				508,103	**391,565**

All shares are unlisted and owned 100%.
1) Entities classified as credit institutions.

Note 15 Intangible assets

	GROUP		PARENT COMPANY	
SEK 000s	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Goodwill				
Cost on the opening date	–	–	–	–
Translation differences	–	–	–	–
Cost on the closing date	–	–	–	–
Amortisation on the opening date	–	–	39,923	52,284
Translation differences	–	–	1,318	1,051
Amortisation for the year	–	–	-14,255	-13,412
Amortisation on the closing date	**–**	**–**	**26,986**	**39,923**
Impairments on the opening date	–	–	–	–
Translation differences	–	–	–	–
Impairments during the year	–	–	–	–
Impairments on the closing date	**–**	**–**	–	**–**
Carrying amount	**–**	**–**	**26,986**	**39,923**

	GROUP		PARENT COMPANY	
SEK 000s	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Other intangible assets[1)]				
Cost on the opening date	49,930	49,427	40,976	40,835
Translation differences	674	338	303	141
Acquisitions during the year	728	165	–	–
Sale/scrapping	-2,268	–	-2,268	–
Attributable to divested subsidiaries	-9,522	–	–	–
Cost on the closing date	**39,542**	**49,930**	**39,011**	**40,976**
Amortisation on the opening date	-41,854	-35,766	-33,029	-27,530
Translation differences	-668	-333	-303	-140
Sale/scrapping	2,268	–	2,268	–
Attributable to divested subsidiaries	9,522	–	–	–
Amortisation for the year	-6,165	-5,755	-5,302	-5,359
Amortisation on the closing date	**-36,897**	**-41,854**	**-36,366**	**-33,029**
Total other intangible assets	**2,645**	**8,076**	**2,645**	**7,947**
Attributable to Banque Carnegie Luxembourg S.A.	–	129		
Total carrying amount of intangible assets	**2,645**	**7,947**	**29,631**	**47,870**

1) Consists of systems developed in-house

Note 16 Tangible fixed assets

	GROUP		PARENT COMPANY	
SEK 000s	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Computer equipment and other equipment				
Cost on the opening date	207,256	207,328	115,112	114,914
Translation differences	3,961	-3,923	1,071	24
Acquisitions during the year	5,614	7,222	2,635	2,446
Sale/scrapping	-18,918	-3,371	-9,345	-2,272
Cost on the closing date	**197,913**	**207,256**	**109,473**	**115,112**
Depreciation on the opening date	-177,741	-170,981	-99,308	-94,240
Translation differences	-4,122	2,367	-933	84
Sale/scrapping	17,460	2,914	9,345	2,272
Depreciation for the year	-7,300	-12,041	-1,826	-7,424
Depreciation on the closing date	**-171,703**	**-177,741**	**-92,722**	**-99,308**
Carrying amount	**26,210**	**29,515**	**16,751**	**15,804**
Renovation of leased premises				
Cost on the opening date	94,127	93,824	72,927	71,857
Translation differences	2,071	-661	994	667
Acquisitions during the year	3,846	964	3,690	403
Sale/scrapping	–	–	–	–
Cost on the closing date	**100,044**	**94,127**	**77,611**	**72,927**
Depreciation on the opening date	-71,539	-64,874	-54,184	-47,499
Translation differences	-1,425	917	-687	-565
Sale/scrapping	–	–	–	–
Depreciation for the year	-9,818	-7,581	-6,135	-6,119
Depreciation on the closing date	**-82,781**	**-71,538**	**-61,006**	**-54,183**
Total renovation of leased premises	**17,263**	**22,589**	**16,605**	**18,744**
Total tangible fixed assets	**43,474**	**52,104**	**33,356**	**34,548**
Attributable to Banque Carnegie Luxembourg S.A	2,838	9,103		
Total carrying amount of tangible fixed assets	**40,635**	**43,001**	**33,356**	**34,548**

Note 17 Deferred tax assets/liabilities

	GROUP		PARENT COMPANY	
SEK 000s	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Deferred tax assets				
Pensions	91,995	92,207	91,995	92,207
Capitalised loss carryforwards[1)]	94,233	172,375	77,967	162,325
Other	26,199	31,473	7,651	7,113
Total deferred tax assets	**212,427**	**296,055**	**177,613**	**261,645**
Deferred tax liabilities				
Intangible assets	2,839	2,763	2,839	2,763
Other	5,810	7,558	201	-2,453
Total deferred tax liabilities	**8,650**	**10,321**	**3,040**	**310**
Attributable to Banque Carnegie Luxembourg S.A	5,609	10,011		
Carrying amount, deferred tax liabilities	**3,041**	**310**	**3,040**	**310**

Note 17 Deferred tax assets/liabilities, cont.

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, 2018, SEK 000s				
Pensions	92,207	-211	–	91,995
Capitalised loss carryforwards[1]	172,375	-79,102	960	94,233
Other	31,473	-5,693	417	26,198
Total	**296,055**	**-85,005**	**1,377**	**212,427**
Changes for the year – deferred tax liabilities				
GROUP, 2018, SEK 000s				
Intangible assets	2,763	-3	79	2,839
Other	7,558	-2,010	263	5,810
Total	**10,321**	**-2,013**	**343**	**8,651**
Changes for the year – deferred tax assets				
PARENT COMPANY, 2018, SEK 000s				
Pensions	92,207	-211	–	91,996
Capitalised loss carryforwards[1]	162,325	-84,353	-6	77,967
Other	7,113	560	-23	7,651
Total	**261,645**	**-84,003**	**-29**	**177,613**
Changes for the year – deferred tax liabilities				
PARENT COMPANY, 2018, SEK 000s				
Intangible assets	2,763	-3	79	2,839
Other	-2,453	2,759	-104	201
Total	**310**	**2,756**	**-25**	**3,041**

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 part of the loss carryforward during the year. At 31 December, the capitalised loss carryforward in Carnegie Investment Bank AB, Sweden, amounted to SEK 74,114 thousand (161,301). Total loss carryforwards in the Group at 31 December amounted to SEK 537,239 thousand (904,041), whereof SEK 537,178 thousand (901,841) is attributable to the parent company.

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

Note 18 Other assets

	GROUP		PARENT COMPANY	
SEK 000s	**2018**	**2017**	**31 Dec 2018**	**31 Dec 2017**
Trade and client receivables[1]	94,173	285,964	107,850	302,578
Accounts receivable[1]	155,778	250,823	74,090	153,545
Company-owned endowment insurance policies (see Note 30)[2]	–	–	429,885	420,430
Issue proceeds	338,948	–	13,284	1,287
Other[1]	79,526	73,558	53,222	121,023
Total other assets	**668,425**	**610,345**	**678,331**	**998,863**

1) The remaining maturity period is less than one year.
2) The remaining maturity period is more than one year.

Note 19 Prepaid expenses and accrued income

	GROUP		PARENT COMPANY	
SEK 000s	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Accrued interest	326	2,830	1,829	3,923
Rent	16,283	15,683	16,283	15,396
Personnel-related	1,835	1,953	1,733	1,953
Pensions	2,533	2,508	2,533	741
Accrued income	120,470	24,999	122,097	28,315
Prepaid expenses	60,421	41,069	45,943	28,949
Total prepaid expenses and accrued income[1]	**201,868**	**89,042**	**190,418**	**79,277**

1) The remaining maturity period is less than one year.

Note 20 Other liabilities

	GROUP		PARENT COMPANY	
SEK 000s	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Trade and client payables	300,624	53,053	15,327	73,581
Accounts payable, trade	74,404	99,941	43,801	52,656
Issue proceeds	156,419	77,382	156,419	77,382
Other	48,673	82,209	78,694	83,626
Total other liabilities[1)]	**580,120**	**312,585**	**294,241**	**287,245**

1) The remaining maturity period is less than one year.

Note 21 Accrued expenses and deferred income

	GROUP		PARENT COMPANY	
SEK 000s	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Accrued interest	2,159	2,916	2,159	2,916
Fees	–	11,955	–	11,955
Personnel-related	563,276	647,863	507,165	565,893
Pensions	26,273	17,121	24,207	15,219
Accrued expenses	9,866	32,256	31,292	33,175
Other	531	30,730	440	30,730
Total accrued expenses and prepaid income[1)]	**602,105**	**742,841**	**565,263**	**659,888**

1) The remaining maturity period is less than one year.

Note 22 Other provisions

	GROUP		PARENT COMPANY	
SEK 000s	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Restructuring provisions				
Opening balance	60,727	74,437	60,727	74,437
Translation differences	0	6	0	6
Utilised amounts	-23,577	-19,716	-23,577	-19,716
Reversal, unutilised amounts	-559	–	-559	–
Provisions for the year	6,829	6,000	–	6,000
Closing balance, restructuring reserve	**43,420**	**60,727**	**36,591**	**60,727**
Provisions				
Opening balance	49,383	13,818	49,383	13,818
Translation differences	29	-22	29	-22
Utilised amounts	-28,717	-6,913	-28,717	-6,913
Reversal, unutilised amounts	–	–	–	–
Provisions for the year	–	42,500	–	42,500
Closing balance, provisions	**20,695**	**49,383**	**20,695**	**49,383**
Total other provisions	**64,115**	**110,110**	**57,286**	**110,110**

Most of the provisions are expected to be utilised during 2019.

Note 23 Classification of financial assets and liabilities

(Classifications in accordance with IFRS 9 are used for 31 December 2018, while the comparative figures are classified in accordance with IAS 39.)

GROUP, 31 DEC 2018, SEK 000s	Fair value through profit and loss	Amortised cost	Other financial liabilities	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		2,422,881			2,422,881
Loans to the general public		2,091,710			2,091,710
Bonds and other interest-bearing securities		2,736,907			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				31,515	31,515
Deferred tax assets				212,427	212,427
Other assets		668,425			668,425
Prepaid expenses and accrued income		326		201,541	201,868
Assets held for sale	30,756	1,737,773		9,359	1,777,888
Total assets	**352,381**	**11,760,070**		**498,124**	**12,610,575**
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	48,673	580,120
Accrued expenses and prepaid income			2,159	599,947	602,105
Other provisions				64,115	64,115
Liabilities held for sale	36,760		1,448,339	72,056	1,557,156
Total liabilities	**53,353**		**9,740,797**	**792,968**	**10,587,118**
Equity				**2,023,457**	**2,023,457**
Total liabilities and equity	**53,353**		**9,740,797**	**2,816,425**	**12,610,575**

GROUP, 31 DEC 2017, SEK 000s	Held for trading	Financial assets available for sale	Loan and accounts receivable	Other financial liabilities	Non-financial assets/liabilities	Total
Cash and bank deposits with central banks			65,776			65,776
Negotiable government securities	401,726	1,384,973				1,786,699
Loans to credit institutions			2,197,529			2,197,529
Loans to the general public			1,811,878			1,811,878
Bonds and other interest-bearing securities	2,243,912	72,506				2,316,418
Shares and participations	820,036					820,036
Derivative instruments	24,098					24,098
Intangible assets					7,947	7,947
Tangible fixed assets					43,001	43,001
Current tax assets					31,020	31,020
Deferred tax assets					296,055	296,055
Other assets			610,345			610,345
Prepaid expenses and accrued income			2,830		86,212	89,042
Assets held for sale	275,654		1,970,864		18,391	2,264,909
Total assets	**3,765,426**	**1,457,479**	**6,659,653**		**482,196**	**12,364,754**
Deposits and borrowing from the general public				7,212,931		7,212,931
Short positions, shares	36,807					36,807
Derivative instruments	12,739					12,739
Current tax liabilities					15,935	15,935
Deferred tax liabilities					310	310
Other liabilities				230,375	82,210	312,585
Accrued expenses and prepaid income				2,916	739,925	742,841
Other provisions					110,110	110,110
Liabilities held for sale	33,762			1,907,163	59,732	2,000,656
Total liabilities	**83,308**			**9,353,385**	**1,008,221**	**10,444,914**
Equity					**1,919,840**	**1,919,840**
Total liabilities and equity	**83,308**			**9,353,385**	**2,928,061**	**12,364,754**

Note 23 Classification of financial assets and liabilities, cont.

PARENT COMPANY, 31 DEC 2018, SEK 000s	Fair value through profit and loss	Amortised cost	Other financial liabilities	Non-financial assets/liabilities	Total
Cash and bank deposits with central banks		67,977			67,977
Negotiable government securities		2,034,067			2,034,067
Loans to credit institutions		2,279,462			2,279,462
Loans to the general public		2,193,984			2,193,984
Bonds and other interest-bearing securities		2,736,907			2,736,907
Shares and participations	287,030				287,030
Shares and participations in Group companies				508,103	508,103
Derivative instruments	34,201				34,201
Intangible assets				29,631	29,631
Tangible fixed assets				33,356	33,356
Current tax assets				29,715	29,715
Deferred tax assets				177,613	177,613
Other assets		678,331			678,331
Prepaid expenses and accrued income		326		190,092	190,418
Total assets	**321,231**	**9,991,054**		**460,406**	**10,772,691**
Liabilities to credit institutions			29,219		29,219
Deposits and borrowing from the general public			7,753,812		7,753,812
Short positions, shares	7,448				7,448
Derivative instruments	9,144				9,144
Current tax liabilities				1,740	1,740
Deferred tax liabilities				3,040	3,040
Other liabilities			215,548	78,694	294,241
Accrued expenses and prepaid income			2,159	563,104	565,263
Other provisions				57,286	57,286
Provisions for pensions				429,885	429,885
Total liabilities	**16,593**		**8,000,737**	**1,133,749**	**9,151,078**
Equity					**2,129,715**
Total liabilities and equity	**16,593**		**8,000,737**	**1,133,749**	**11,280,793**

PARENT COMPANY, 31 DEC 2017, SEK 000S	Held for trading	Investments held to maturity	Loan and accounts receivable	Other financial liabilities	Non-financial assets/liabilities	Total
Cash and bank deposits with central banks			65,773			65,773
Negotiable government securities		1,786,699				1,786,699
Loans to credit institutions			2,016,448			2,016,448
Loans to the general public			1,819,214			1,819,214
Bonds and other interest-bearing securities	2,243,912	72,506				2,316,418
Shares and participations	815,482					815,482
Shares and participations in Group companies					488,436	488,436
Derivative instruments	24,098					24,098
Intangible assets					47,870	47,870
Tangible fixed assets					34,548	34,548
Current tax assets					30,978	30,978
Deferred tax assets					261,645	261,645
Other assets			998,863			998,863
Prepaid expenses and accrued income			3,923		75,354	79,277
Assets held for sale			109,085			109,085
Total assets	**3,083,492**	**1,859,205**	**5,013,306**		**938,831**	**10,894,834**
Deposits and borrowing from the general public				7,227,485		7,227,485
Short positions, shares	36,807					36,807
Derivative instruments	12,739					12,739
Current tax liabilities					1,763	1,763
Deferred tax liabilities					310	310
Other liabilities				203,618	83,627	287,245
Accrued expenses and prepaid income				2,916	656,972	659,888
Other provisions					110,110	110,110
Provisions for pensions					420,430	420,430
Liabilities held for sale				109,085		109,085
Total liabilities	**49,546**			**7,543,104**	**1,273,212**	**8,865,862**
Equity					**2,028,972**	**2,028,972**
Total liabilities and equity	**49,546**			**7,543,104**	**3,302,184**	**10,894,834**

Note 24 Pledged assets and contingent liabilities

	GROUP		PARENT COMPANY	
SEK 000s	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Assets pledged for own debt				
Pledged assets for:				
Deposited securities	314,366	325,400	314,366	325,400
whereof own pledged securities	–	–	–	–
whereof pledged cash	314,366	325,400	314,366	325,400
Derivative instruments	344,178	316,750	55,146	80,566
whereof own pledged securities	156,932	155,257	51,571	69,515
whereof pledged cash	187,246	161,493	3,575	11,051
Other liabilities	23,435	28,493	–	–
whereof own pledged securities	–	–	–	–
whereof pledged cash	23,435	28,493	–	–
Total pledged assets for own liabilities	**681,980**	**670,643**	**369,512**	**405,966**
Other pledged assets				
Pledged assets for:				
Deposited securities on clients' account	276,124	265,800	267,927	265,800
whereof own pledged securities	276,124	–	232,238	–
whereof pledged cash	–	265,800	35,689	265,800
Derivative instruments on clients' account[4)]	173,605	213,717	116,134	195,800
whereof own pledged securities	113,457	195,800	113,457	195,800
whereof pledged cash	60,148	17,917	2,677	–
Trade in securities on clients' and own account	91,900	606,299	63,503	111,400
whereof own pledged securities	–	139,982	–	–
whereof pledged client securities	–	354,917	–	–
whereof pledged cash	91,900	111,400	63,503	111,400
Total other pledged assets	**541,629**	**1,085,816**	**447,564**	**573,000**
Contingent liabilities and guarantees				
Contingent liabilities	11,815	12,867	–	–
Guarantees	548,415	319,880	548,415	186,229
Total contingent liabilities and guarantees	**560,230**	**332,747**	**548,415**	**186,229**

Note 25 Operational leasing

	GROUP		PARENT COMPANY	
SEK 000s	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Contracted payments relating to land and buildings				
Within one year	68,086	55,501	56,614	48,707
Later than one year but within five years	208,760	210,175	161,656	188,095
Later than five years	40,896	–	298	–
Other contracted payments				
Within one year	3,084	4,113	3,084	4,017
Later than one year but within five years	2,666	3,419	2,666	3,255

The amounts in the table primarily relate to rent for premises. The amounts have not been estimated at present value.

Note 26 Related-party transactions

The following disclosures are presented from Carnegie Investment Bank AB's perspective, that is, how Carnegie Investment Bank AB'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 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Related-party transactions with the CEO, board of directors and group management				
Deposits/liability	5,306	6,498	5,306	6,498
Interest expenses	8	7	8	7
Lending/assets	–	–	–	–
Interest income	–	–	–	–
Pledged assets and guarantees	–	19,751	–	19,751

Directors' fees are presented in Note 6.

	GROUP		PARENT COMPANY	
Related-party transactions with Group companies including Carnegie Holding				
Deposits/liability	–	–	75,471	41,865
Interest expenses	–	–	0	–
Lending/assets	3,415	6,927	695,120	309,648
Interest income	38	162	5,557	5,564
Purchases	–	–	0	993
Sales	–	–	82,811	85,086
Related-party transactions with owners of Carnegie Holding				
Deposits/liability	9,834	4,313	9,834	4,313
Interest expenses	–	1	–	1
Purchases	14	157	14	157
Sales	–	–	–	–

For other transactions with Group companies, see also Consolidated statements of changes in equity (page 17) and Parent company statements of changes in equity (page 20).

	GROUP		PARENT COMPANY	
Related-party transactions with others				
Deposits/liability	7,770	6,800	7,770	6,800
Interest expenses	–	–	–	–
Lending/assets	6,010	1,000	6,010	1,000
Interest income	–	–	–	–
Purchases	944	1,685	944	1,685
Sales	41,925	59,574	41,925	59,574

Other related parties are Carnegie Fonder AB, Carnegie Personal AB and Stiftelsen D. Carnegie & Co.

Note 27 Significant events after 31 December 2018

Sale of Banque Carnegie Luxembourg S.A.
Carnegie announced in May 2018 the decision to sell its operations in Luxembourg to the Swiss bank Union Bancaire Privée (UBP). The transaction closed in January 2019.

The annual report was approved for publication by the Board of Directors on 25 March 2019.

Note 28 Risk, liquidity and capital management

Pledged assets
Carnegie's corporate and retail exposures are primarily collateralised with pledged liquid financial securities (known as custodian account loans). Only a small 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 3 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 2018 will include an allowance for expected credit losses of SEK 13 million, in accordance with the IFRS 9 standard.

As of 31 December 2018, the value of collateral the Group is holding for loans where the value has been impaired was SEK – million (-).

All renegotiated loan receivables were given new terms in the form of renegotiated interest rates and amortisation plans.

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.

Note 28 Risk, liquidity and capital management, cont.

Liquidity risk
The table below provides a maturity analysis of the contracted maturity of financial liabilities. Carnegie calculates and stress tests the liquidity reserve 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 2018

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
Bonds and other interest-bearing securities	49,311	913,708	1,756,987	8,176	13,435	2,060	-6,770	–	2,736,907
Shares and participations	–	–	–	–	–	–	–	287,424	287,424
Total financial assets	**354,259**	**2,727,773**	**1,957,392**	**8,176**	**13,435**	**2,060**	-6,770	**2,074**	**5,058,398**
Deposits and borrowing from the general public	7,639,180	88,317	1,546	–	–	–	–	–	7,729,044
Short positions, shares	–	–	–	–	–	–	–	7,449	7,449
Other liabilities	–	580,120	–	–	–	–	–	–	580,120
Accrued interest expenses	–	2,159	–	–	–	–	–	–	2,159
Total financial liabilities	**7,646,625**	**670,596**	1,546	–	–	–	–	**7,449**	**8,318,771**
Derivatives									
Assets at market value	–	23,593	10,285	323	–	–	–	–	34,201
Liabilities at market value	–	6,518	2,626	–	–	–	–	–	9,144

Contracted maturities of financial assets and liabilities, 31 Dec 2017

GROUP, 31 DEC 2017, 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	1,184,064	0	602,635	–	–	–	–	–	1,786,699
Bonds and other interest-bearing securities	72,506	935,861	1,294,603	4,967	15,251	0	-6,770	0	2,316,417
Shares and participations	–	–	–	–	–	–	–	820,036	820,036
Total financial assets	**1,256,570**	**935,861**	**2,139,766**	**4,967**	**15,251**	**0**	**-6,770**	**820,036**	**5,165,680**
Deposits and borrowing from the general public	7,180,958	31,973	–	–	–	–	–	–	7,212,931
Short positions, shares	–	–	–	–	–	–	–	36,807	36,807
Other liabilities	–	312,585	–	–	–	–	–	–	312,585
Accrued interest expenses	–	2,916	–	–	–	–	–	–	2,916
Total financial liabilities	**8,952,262**	**378,206**	–	–	–	–	–	**36,807**	**9,367,275**
Derivatives									
Assets at market value	–	18,082	5,985	31	–	–	–	–	24,098
Liabilities at market value	–	11,382	1,356	0	–	–	–	–	12,739

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 241 million (960). Of that amount, SEK 197 million (857) related to shares and SEK 44 million (104) to derivative instruments. The net exposure at year-end was SEK 208 million (794).

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 -0.4 million (0.8) at year-end. A +3% price change at the same date would have had an effect on earnings of SEK 0.5 million (0.3) in the Group. Derivative positions consist of held or issued forward contracts, 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 0.3 million (0.1). The exposure in the Group represents the net of positions with negative or positive Vega exposure.

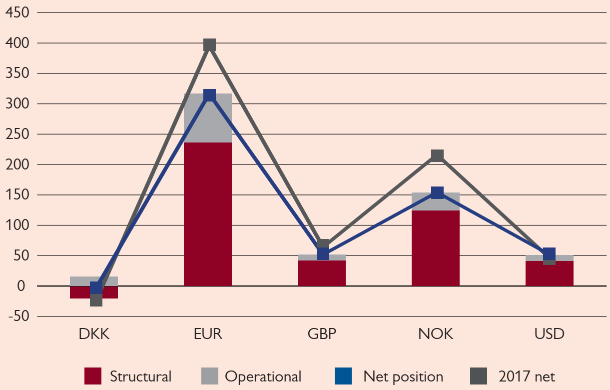
Scenario analysis
The risks in operations where risk-taking is an element of the business consist mainly of equity price risk and volatility risk. These risks are measured by simulating the effect on earnings of a combined change of share prices and volatility. Carnegie focuses on and has limits for 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 1.3 million (1.1). 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 5.0 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 0.7 million (0.2) for MML and SEK 2.3 million (1.0) for SML.

Note 28 Risk, liquidity and capital management, cont.

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 2018 (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 0.8 million (0.6). 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
During the year, the bank elected to place portions of its liquidity in bonds with longer terms. This provides better yield on invested funds, but also increases the interest 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 loss risk from such downward shift of 200 basis points was SEK 31.5 million (32.6).

Capital adequacy analysis
Presentation of the capital adequacy analysis refers to Carnegie Investment Bank AB and the consolidated situation, i.e., the Carnegie Holding Group, as required by the Swedish Financial Supervisory Authority's regulation FFFS 2014:14. In addition to Carnegie Investment Bank AB and subsidiaries, the Carnegie Holding Group also includes Carnegie Fonder AB. For a specification of subsidiaries of Carnegie Investment Bank AB, see Note 14 Shares and participating interests in Group companies.

	CARNEGIE INVESTMENT BANK AB		CARNEGIE HOLDING GROUP	
SEK 000s	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Capital adequacy				
Capital base	1,363,526	1,202,925	1,676,258	1,533,173
Risk exposure amount	5,556,320	4,934,492	6,912,827	6,535,877
Capital requirement	444,506	394,759	553,026	522,870
Surplus capital	919,020	808,166	1,123,232	1,010,302
Common equity Tier 1 capital ratio (CET1), %	24.5%	24.4%	24.2%	23.5%
Tier 1 capital ratio, %	24.5%	24.4%	24.2%	23.5%
Capital adequacy ratio, %	24.5%	24.4%	24.2%	23.5%
Capital buffer requirement				
Total CET1 requirement including buffer requirement, %	8.7%	8.8%	8.6%	8.6%
whereof: Capital conservation buffer, %	2.5%	2.5%	2.5%	2.5%
whereof: Countercyclical capital buffer, %	1.7%	1.8%	1.6%	1.6%
CET1 available as buffer, %	20.0%	19.9%	19.7%	19.0%
Capital base				
Equity instruments and associated premium reserve	200,000	200,000	921,976	921,976
Retained earnings and reserves	1,929,715	1,828,972	1,210,977	1,111,095
Other comprehensive income	–	–	-109,376	-115,599
Planned dividend	-255,000	-205,000	-250,000	-200,000
Goodwill and intangible assets	-29,631	-47,870	-2,645	-8,076
Deferred tax asset	-77,967	-162,325	-94,233	-172,375
Direct and indirect holdings	-403,220	-407,317	–	–
Further value adjustments	-372	-3,535	-440	-3,848
Total common equity Tier 1 capital	**1,363,526**	**1,202,925**	**1,676,258**	**1,533,173**
Additional Tier 1 capital				
Preference shares	–	–	–	–
Total Tier 1 capital	**1,363,526**	**1,202,925**	**1,676,258**	**1,533,173**
Tier 2 capital				
Perpetual convertible debentures	–	–	–	–
Total capital base	**1,363,526**	**1,202,925**	**1,676,258**	**1,533,173**

Note 28 Risk, liquidity and capital management, cont.

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.

	CARNEGIE INVESTMENT BANK AB		CARNEGIE HOLDING GROUP	
SEK 000s	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Capital requirements from exposures to:				
Central counterparties	44	36	89	65
Institutional exposures	42,537	27,550	45,778	37,701
Corporate exposures	10,120	13,358	21,200	24,018
Retail exposures	12,651	13,527	13,068	13,983
Exposures secured by real estate property	4,858	1,370	4,858	1,370
Exposures to funds	–	–	–	17
Exposures in the form of covered bonds	21,552	18,289	21,552	19,907
Equity exposures	20,977	16,224	0	–
Other items	48,356	50,127	53,989	51,277
Total capital requirement for credit risks	**161,094**	**140,481**	**160,535**	**148,338**
Capital requirement for market risks				
Settlement risk	–	5	–	5
Total capital requirement for settlement risks	–	**5**	–	**5**
Equity price risk				
Specific risk	4,415	6,625	4,415	6,989
General risk	1,147	1,442	1,147	1,807
Non-delta risk	–	–	–	–
Total capital requirement for equity risks	**5,562**	**8,067**	**5,562**	**8,796**
Interest rate risk				
Specific risk	261	881	261	881
General risk	395	409	395	409
Total capital requirement for interest risks	**656**	**1,290**	**656**	**1,290**
Currency risk	11,301	12,872	45,971	57,613
Total capital requirements for currency risks	**11,301**	**12,872**	**45,971**	**57,613**
Capital requirement from credit valuation adjustment risk				
Credit valuation adjustment risk	152	441	2,059	2,921
Total capital requirement for credit valuation adjustment risk	**152**	**441**	**2,059**	**2,921**

Capital requirement for operational risks

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

Income indicator	1,771,306	1,543,787	2,254,366	2,025,621
Capital requirement for operational risks	**265,696**	**231,568**	**338,155**	**303,843**

Note 29 Expected credit losses per IFRS 9

The IFRS 9 Financial Instruments standard took effect on 1 January 2018, superseding IAS 39, Financial Instruments. The standard contains rules for recognition, classification and measurement, write-offs, impairments and hedge accounting. The most significant changes in IFRS 9 compared to IAS 39 are those applicable to classification and measurement, hedge accounting and impairments.

When IFRS 9 was implemented, the company elected not to restate comparative periods. Consequently, all information for comparative periods is presented in accordance with the accounting policies applied in 2017, which are described in the 2017 annual report. Adjustments carried out for the recognition of financial assets and liabilities as of 1 January 2018 are recognised in the opening balance for equity.

Total Loss allowance SEK 000s	2018	Opening balance 1 January 2018
Loans at amortised cost		
Allowance – Stage 1	-5,379	-12,814
Allowance – Stage 2	-1,854	-268
Allowance – Stage 3	-1,847	-346
Allowance – acquired or issued bad debt	–	–
Total	**-9,080**	**-13,428**
Write-offs	–	–
Recoveries	–	–
Total loans at amortised cost	**-9,080**	**-13,428**
Financial guarantees		
Allowance – Stage 1	-268	-455
Allowance – Stage 2	–	–
Allowance – Stage 3	–	–
Total	**-268**	**-455**
Write-offs	–	–
Total financial guarantees	-268	-455
Total ECL	**-9,348**	**-13,882**

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 macroeconomic 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 the house price index. Usage of these models is 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 has only marginal effect on ECL.

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 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, if 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 ECL. 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, but the sensitivity of the models is controlled mainly by PD.

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. Estimation of LGD is based on type of counterparty 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 are 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 by 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 29 Expected credit losses per IFRS 9, cont.

MARGIN LOANS – Exposure, SEK 000s	Stage 1	Stage 2	Stage 3
Opening balance, 1 Jan 2018	**2,252,095**	**87,894**	**217,962**
Transfers:			
From Stage 1 to Stage 2	-78,232	78,232	0
From Stage 1 to Stage 3	-3,202	0	3,202
From Stage 2 to Stage 3	0	-5	5
From Stage 3 to Stage 2	0	0	0
From Stage 2 to Stage 1	15,436	-15,436	0
From Stage 3 to Stage 1	661	0	-661
Write-offs/Amortisation	-371,562	-22,825	-14,606
New assets	124,054	40,802	4,493
Renegotiations	0	0	0
Change in accrued interest	0	0	0
Impairments	0	0	0
FX and other changes	238,666	-23,223	12,727
Closing balance, 31 Dec 2018	**2,177,916**	**145,439**	**223,122**

MARGIN LOANS – Loss allowance, SEK 000s	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL
Opening balance, 1 Jan 2018	**12,027**	**268**	**198,935**
Transfers:			
From Stage 1 to Stage 2	-849	849	0
From Stage 1 to Stage 3	-1,788	0	1,788
From Stage 2 to Stage 3	0	-5	5
From Stage 3 to Stage 2	0	0	0
From Stage 2 to Stage 1	1,544	-1,544	0
From Stage 3 to Stage 1	662	0	-662
Write-offs/Amortisation	-2,604	-175	-226
New assets	880	626	27
Renegotiations	0	0	0
Change in accrued interest	0	0	0
Impairments	0	0	0
FX and other changes	-5,357	1,830	2,508
Closing balance, 31 Dec 2018	**4,515**	**1,854**	**202,370**

Accounts receivable
Total accounts receivable amounted to SEK 156 million (251). 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 2018, accounts receivable past due by more than 30 days amounted to less than SEK 1 million.

ACCOUNTS RECEIVABLE – Loss allowance, SEK 000s	2018	2017
At 31 December per IAS 39	0	0
Restated amount recognised in retained earnings	938	0
Opening balance, 1 Jan – IFRS 9	938	0
Change of loss allowance recognised in profit and loss	-377	0
Receivables written off during the year	0	0
Reversal of unutilised amounts	0	0
At 31 December (amounts for 2017 per IAS 39)	**561**	**0**

Guarantees
The Group's outstanding guarantees amounted to SEK 548 million (352). A very large proportion of these guarantees is 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. The closing balance for 2018 amounted to SEK 0.3 million (0.2).

GUARANTEES – Loss allowance, SEK 000s	2018	2017
At 31 December per IAS 39	0	0
Restated amount recognised in retained earnings	455	0
Opening balance, 1 Jan – IFRS 9	455	0
Change of loss allowance recognised in profit and loss	-186	0
Receivables written off during the year	0	0
Reversal unutilised amounts	0	0
At 31 December (amounts for 2017 per IAS 39)	**268**	**0**

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 7,961 million (7,009). 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	2018	2017
At 31 December per IAS 39	0	0
Restated amount recognised in retained earnings	759	0
Opening balance, 1 Jan – IFRS 9	759	0
Change of loss allowance recognised in profit and loss	-3	0
Receivables written off during the year	0	0
Reversal unutilised amounts	0	0
At 31 December (amounts for 2017 per IAS 39)	**756**	**0**

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 173 million (47).

MORTGAGES – Loss allowance, SEK 000s	2018	2017
At 31 December per IAS 39	0	0
Restated amount recognised in retained earnings	27	0
Opening balance, 1 Jan – IFRS 9	27	0
Change of loss allowance recognised in profit and loss	81	0
Receivables written off during the year	0	0
Reversal unutilised amounts	0	0
At 31 December (amounts for 2017 per IAS 39)	**108**	**0**

Note 30 Information on statements of cash flows

	GROUP		PARENT COMPANY	
SEK 000s	**2018**	**2017**	**2018**	**2017**
Interest paid	-48,826	-27,489	-38,524	-20,180
Interest received	84,289	87,677	51,503	59,222
Adjustments for items not affecting cash flow				
Anticipated dividends from subsidiaries	–	–	–	-67,097
Depreciation, amortisation and impairment of assets	23,283	25,377	27,518	32,314
Change in provisions for balance sheet items	-46,024	21,871	-43,398	39,603
Share of profit/loss in associates	–	–	–	–
Capital gain/loss from sale of associates	–	–	–	–
Unrealised changes in value of financial instruments	12,608	10,238	15,273	9,185
Total adjustments for items not affecting cash flow	**-10,133**	**57,486**	**-607**	**14,005**

	GROUP		PARENT COMPANY	
SEK 000s	**2018**	**2017**	**2018**	**2017**
Cash				
Cash and bank deposits with central banks	705,682	533,682	67,977	65,773
Negotiable government securities	2,138,664	1,834,136	2,034,067	1,786,699
Loans to credit institutions	2,204,607	2,350,629	1,772,181	1,647,013
Loans to credit institutions, not payable on demand	-31,066	-32,661	–	–
Less pledged cash	-551,495	-889,549	-205,033	-626,550
Cash at end of year	**4,466,391**	**3,796,237**	**3,669,192**	**2,872,935**

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 and pledged cash are not included.

Note 31 Other assets and provisions for pensions

The parent company has pension commitments. These are treated according to the rules that apply to defined contribution pension plans. They are guaranteed through company-owned endowment insurance whose value is included in the item "Other receivables". Their gross recognised market value in the parent company is shown below. The amounts are recognised net in the consolidated financial statements.

	PARENT COMPANY	
SEK 000s	**31 Dec 2018**	**31 Dec 2017**
Company-owned endowment insurance policies	429,885	420,430
Provisions for pensions:		
Provisions for pensions and comparable obligations pursuant to the Swedish Pension Obligations Vesting Act	429,885	420,430

Note 32 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			2018				2017			
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	81	293	-4	0	77	264	-13	2
Norway	IB, SEC	Norway	88	265	-23	-2	81	332	62	-16
Sweden	IB, SEC, PB	Sweden	326	1,594	428	-87	324	1,482	403	-85
Other		London, New York, Finland, Luxembourg	105	465	-53	6	108	532	70	-15
Eliminations			–	-169	44	-5	–	-133	-53	-10
Total			**600**	**2,448**	**392**	**-89**	**590**	**2,477**	**469**	**-124**

1) IB=Investment Banking, SEC=Securities, PB=Private Banking Discontinued operations are not included.

Note 33 Discontinued operations

The decision to sell the business in Luxembourg was announced in May 2018. The transaction closed in January 2019. In December 2016, the Board of Directors decided that operations within third party distribution of structured products (below: Structured Products) would be sold in 2017. Financial information concerning discontinued operations 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 2018**	**31 Dec 2017**
Cash and bank deposits with central banks	637,702	467,906
Negotiable government securities	104,596	47,437
Loans to credit institutions	289,006	522,535
Loans to the general public	698,397	855,557
Bonds and other interest-bearing securities	–	195,091
Derivative instruments	30,756	33,126
Other assets	17,431	34,171
Total assets held for sale	**1,777,888**	**2,155,824**
Deposits and borrowing from the general public	1,422,108	1,771,304
Derivative instruments	36,761	33,762
Other liabilities	98,287	86,505
Total liabilities held for sale	**1,557,156**	**1,891,571**

Assets and liabilities held for sale, Structured Products

	GROUP		PARENT COMPANY	
SEK 000s	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Loans to the general public	–	–	–	–
Cash	–	109,085	–	109,085
Total assets	**–**	**109,085**	**–**	**109,085**
Deposits and borrowing from the general public	–	109,085	–	109,085
Total liabilities	**–**	**109,085**	**–**	**109,085**

Profit/loss from discontinued operations, Structured Products

	GROUP		PARENT COMPANY	
SEK 000s	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Operating income	–	56,007	–	56,007
Operating expenses[1)]	–	-53,279	–	-53,279
Operating loss	**–**	**2,728**	**–**	**2,728**
Net financial income/expense	–	–	–	–
Profit or loss after net financial income/expense	**–**	**2,728**	**–**	**2,728**
Income tax	–	4,500	–	4,500
Profit/loss from discontinued operations after tax	**–**	**7,228**	**–**	**7,228**

Note 34 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 35 Disclosures concerning number of shares

The number of shares outstanding at 31 December 2018 was 400,000 with a quotient value of SEK 500 per share. All shares are ordinary shares.

Note 36 Disposition of profit

Disposition of profit

At the disposal of the annual general meeting, SEK	
Retained earnings	1,580,232,722
Net profit for the year	308,475,491
Total	**1,888,708,212**
The Board of Directors proposes the following disposition of profit:	
Dividend to Carnegie Holding AB	255,000,000
To be carried forward	1,633,708,212
Total	**1,888,708,212**

The Board of Directors is proposing that the 2019 AGM endorses a dividend of SEK 637.50 per share for a total distribution to shareholders of SEK 255,000,000 and that the AGM authorises the Board of Directors to set the date upon which the dividend will be paid.

Certification

The Board of Directors and the CEO hereby certify that the annual report was prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), 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; 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, 25 March 2019

Bo Magnusson
Chairman

Ingrid Bojner

Klas Johansson

Anders Johnsson

Andreas Rosenlew

Harald Mix

Björn Jansson
President and CEO

Our audit report was submitted 25 March 2019
PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorised Public Accountant
Auditor in Charge

Martin By
Authorised Public Accountant

Auditor's report

To the annual meeting of the shareholders of Carnegie Investment Bank AB, corporate registration number 516406-0138

Report on the annual accounts and consolidated financial statements

Opinions

We have audited the annual accounts and consolidated accounts of Carnegie Investment Bank AB (publ) for the 2018 financial year.

In our opinion, the annual accounts and consolidated financial statements 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 parent company as of 31 December 2018 and of its financial performance and cash flows in accordance with Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated financial statements 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 December 2018 and of its financial performance and cash flows 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 other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the annual accounts and consolidated financial statements are consistent with the contents of the additional report provided to the audit committee of the parent company and the group, in accordance with Regulation (EU) No 537/2014, Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Our responsibilities under these standards are further described in the Auditor's Responsibilities section of our report. We are independent of the parent and the Group, in accordance with the code of professional ethics for accountants in Sweden, and have fulfilled our ethical responsibilities in other respects per these requirements. This means that, to the best of our knowledge and conviction, no prohibited services as referred to in Regulation (EU) No 537/2014, Article 5 (1) have been provided to the audited entity, its parent undertaking or its controlled undertakings within the European Union.

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

Our approach to the audit

Direction and scope of the audit

We designed our audit by establishing the level of materiality and assessing the risk of material misstatements in the financial statements. We particularly considered the areas in which the CEO and the board of directors have made subjective judgements, such as key accounting estimates made on the basis of assumptions and forecasts concerning future events, which are by nature uncertain. As in all audits, we have also considered the risk that the board of directors and the CEO are disregarding internal control procedures and have, inter alia, considered whether there is evidence of systematic non-conformances that have given rise to a risk of material misstatement due to irregularities.

We adapted our audit to perform an appropriate examination to enable us to express an opinion on the financial statements as a whole, with consideration given to the group's structure, accounting processes and internal reviews and the industry within which the group operates.

Units of substantial importance or risk to the group are subject to a full audit and reporting to us as group auditors. The audit is conducted in accordance with International Standards on Auditing and local audit standards. Audit procedures normally include examination of internal controls for key processes, analytical review of specific accounts, review of accounting entries through inspection, observation or confirmation and obtaining audit evidence to verify our inquiries.

It is necessary from the group perspective to examine specific items in the accounts for certain units, even though these units are not assessed as material or associated with high risk. In such cases, local teams are instructed to perform specific audit checks and to report the results of these checks to us. Specific audit checks usually include a detailed analytical review, reconciliation of the accounts against underlying systems, substantive testing of specific processes, areas and accounts, discussions with management concerning accounting records, taxes and internal controls, as well as follow-up of known issues from earlier periods.

Materiality

The scope and direction of the audit is influenced by our materiality assessment. An audit is designed to achieve reasonable assurance as to whether the financial statements contain any material misstatements. Misstatements may arise due to irregularities or error. Misstatements are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based upon professional judgement, we established certain quantitative materiality levels, including for overall financial reporting. Using these and qualitative deliberations, we established the direction and scope of the audit and the nature, timing and scope of our audit checks, and assessed the impact of misstatements, individually and in the aggregate, on the financial statements as a whole.

Key audit matters

Key audit matters are those matters which, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated financial statements for the relevant reporting period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Commission income	
Commission income comprises a significant portion of Carnegie's total income. Characteristically, income streams arising from management mandates and brokerage services entail many similar transactions that are handled in joint processes. As agreements are standardised and the risk of material errors in individual contracts is low, the complexity instead resides in assuring the process flow that leads to income recognition. Commissions related to the Investment Banking area of business are based on agreements that are unique for each transaction and where the contracted income is often significant to profit for the year. The work that generates the income is performed over an extended period of time and Carnegie's right to income arises only upon one or more agreed outcomes. We consider commission income a key audit matter due to the inherent degree of complexity related to the period to which income belongs and how the income should be measured.	Our audit consisted of both testing of key controls in income recognition processes as well as substantive testing. We have, inter alia, performed a formalised review of the income recognition process and have assessed and tested the design and function of selected controls, including the following: • Examination of policies and instructions • Evaluation of control function tests in relevant areas • Review of general controls in relevant IT systems • Testing of controls for calculation of management commissions • Checking of reconciliations of transfers between systems • Evaluation of the bank's supervisory controls We have furthermore performed detailed tests of a selection of agreements in which we verified the calculation of commissions based on parameters specified in the agreements and assessed whether the income was recognised in the correct period. Our audit also determined whether billed amounts had been received through subsequent payment tracking.
Legal disputes and claims	
The bank is from time to time involved in disputes that arise within the framework of the business. The outcome of claims and disputes is determined by the circumstances of the case and through negotiations between the parties. Whether an item must be recognised in the balance sheet and the calculation of contingent liabilities is determined by the bank's assessment of the probability and consequences of possible outcomes. As discussed in the annual report, there is a dispute pertaining to advice provided in connection with a prospectus (see Note 34 Disputes). The claims presented by the counterparties are a significant amount to Carnegie.	The primary focus of the audit was on determining whether or not the claims made against the bank will require an obligation to be reported on the balance sheet. Secondarily, we have evaluated the bank's assessment of the size of the risk exposure and possible impact on the bank's financial position. We have read the claims presented and the bank's assessment of the claims made. We have interviewed the bank's senior management personnel and control functions to ascertain their views. We have also read the written assessment of the counterparty's statement of the case expressed by the bank's external legal counsel as a basis for the bank's decisions as regards both probability and financial outcome, and have evaluated the reasonableness of the conclusions. We have conducted follow-up interviews with the bank's representatives for reasons including covering the period after the date of the written opinion. Finally, we have read the description provided in Note 34 Disputes.

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 financial statements and for their fair presentation in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and, in respect of the consolidated financial statements, in accordance with IFRSs as adopted by the EU. The Board of Directors and the CEO are also responsible for such internal control as management determines is necessary to enable the preparation of annual accounts and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and the consolidated financial statements, the Board of Directors and the CEO are responsible for assessing 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 assumption is, however, not applied if the Board of Directors and the CEO intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The duties of the board audit committee include monitoring the company's financial reporting, which shall not affect the duties and tasks of the board of directors otherwise.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA 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 be reasonably expected to influence the financial decisions of users taken on the basis of these annual accounts and consolidated financial statements.

A more detailed description (in Swedish) of our responsibility for the audit of the annual accounts and consolidated financial statements is provided on the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description constitutes a part of the auditor's report.

Report on Other Legal and Regulatory Requirements

Opinions

In addition to our audit of the annual accounts and consolidated financial statements, we have conducted an audit of the management of Carnegie Investment Bank AB (publ) by the Board of Directors and CEO in 2018 and the proposal on disposition of the company's profit or loss.

We recommend to the annual meeting of shareholders that the profit be disposed in accordance with the proposal in the board of directors' report and 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 these standards are further described in the Auditor's Responsibilities section of our report. We are independent of the parent and the Group, in accordance with the code of professional ethics for accountants in Sweden, and have fulfilled our ethical responsibilities in other respects per these requirements.

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

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposed disposition of the company's profit or loss. In connection with a proposed dividend, this involves, among else, assessment of whether the dividend is justifiable with consideration given to the demands with respect to the size of equity in the parent company and the group imposed by the nature, scope and risks associated with operations and the Group's consolidation requirements, liquidity and financial position in general.

The Board of Directors is responsible for the company's organisation and for management of the company's affairs. Among else, this includes regular assessment of the company's and the group's financial position and ensuring that the company's organisation is structured in such a manner that accounting, management of funds and the company's financial affairs in general are monitored in a satisfactory manner. The CEO shall attend to the day-to-day management of the company pursuant to guidelines and instructions issued by the Board of Directors and, among else, take the measures necessary to ensure that the company's accounting records are prepared and maintained pursuant to law and that management of funds is conducted in a sound manner.

Auditor's Responsibilities

Our objective regarding the audit of management, and thus our opinion concerning discharge of liability, is to obtain audit evidence sufficient to assess, with reasonable assurance, whether any director or the CEO in any material respect has:

- taken any action or committed a negligent breach that may result in liability to the company
- has in any other way, acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective regarding audit of the proposed disposition of the company's profit or loss, and thus our opinion on the proposal, is to assess with reasonable assurance whether the proposal is consistent 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 measures or negligence that might results in liability to the company or that a proposed disposition of the company's profit or loss is not consistent with the Companies Act.

A more detailed description (in Swedish) of our responsibility for the audit of the management of the company is provided on the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description constitutes a part of the auditor's report.

PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed as the statutory auditor of Carnegie Investment Bank AB by the 2018 annual general meeting and has been the company's auditor since 2009.

Stockholm, 25 March 2019
PricewaterhouseCoopers AB

Magnus Svensson Henryson Authorised Public Accountant Auditor in Charge	Martin By Authorised Public Accountant

Definitions – alternative performance measures*

Operating income*
Operating income excluding income not generated by our business areas.

Capital requirement
A measure of how much capital an institution must have given the risks involved in the business.

Operating costs*
Operating expenses excluding variable remuneration, financing costs and credit losses.

Common equity Tier 1 capital ratio
Total regulatory common equity Tier 1 capital as a percentage of risk-weighted assets.

Operating profit or loss*
Operating profit or loss excluding variable remuneration, financing costs and credit losses.

Capital adequacy*
Total regulatory capital base as a percentage of risk-weighted assets.

Operating C/I ratio*
Operating expenses as a percentage of operative income.

Number of emloyees at the end of the period
The number of annual employees (full-time equivalents) at the end of the period.

Operating income per employee*
Operating income for the period divided by the average number of employees in continuing operations.

Average number of employees
The number of employees at the end of each month divided by number of months.

Operating expenses per employee*
Operating expenses for the period divided by the average number of employees in continuing operations.

Cost/income (C/I) ratio*
Total costs before credit losses as a percentage of total income.

Operating profit margin*
Operating profit as a percentage of operating income.

Profit margin
Profit or loss before tax as a percentage of total income.

Income per employee
Total income for the period divided by the average number of employees.

Return on equity*
Profit or loss from continuing operations 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 difference between the Consolidated statement of comprehensive income on page 15 and the Operating income statement on page 4 is that SEK 5 million for support income and SEK -441 million from Operating costs have been moved to a separate line, Financing costs, variable remuneration, etc., and that Credit losses, net in the amount of SEK 2 million are included on this line. The net change is SEK -434 million, comprising mainly variable remuneration of SEK -436 million.

*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.

Addresses

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