CAPITAL AND LIQUIDITY

PILLAR 3
Q3 2019

INTRODUCTION

Carnegies Capital and liquidity report describes Carnegie Group, including Carnegie Holding AB (556780-4983) and Carnegie Investment Bank AB (publ) (516406-0138), capital and liquidity position. The report states conditions as per 30th of September 2019 if nothing else stated.

All operations are managed and executed within Carnegie Investment Bank and Carnegie Holding AB is exclusively a holding company.

Throughout the report the terms "Carnegie" or "the Group" will be used for Carnegie Group and "the Bank" will be used for Carnegie Investment Bank AB.

The report includes information about Carnegies capital base, capital adequacy and liquidity in accordance with Pillar III of the Capital Requirement Regulation – Regulation EU 575/2013 (CRR). The information is published quarterly in accordance with Finansinspektionen regulations; FFFS 2010:7, 2014:12 and 2014:18.

CAPITAL REQUIREMENT REGULATION

The capital requirement regulations are divided as follows:

Pillar 1 – Minimum own funds requirements

Pillar 1 capital requirements are regulated by the Capital Requirements Regulation (575/2013/EU) and ensure capital coverage for credit and counterparty risk, market risk and operational risk, which together form the minimum requirement. The capital adequacy ration, capital base divided with capital requirement, should always be higher than 1.

Pillar 2 – Risk assessment and supervisory review

Credit institutions, pursuant to the Banking and Financing Business Act (2004:297), must identify, measure, govern, report internally and control their risks. In order to meet this requirement, credit instututions must have processes and methods for regularly measuring and maintaining capital and liquidity which – with regard to amount, type and distribution – is sufficient for covering current and future risks. The Pillar 2 requirement is an individual requirement and should cover risks that are not fully captured by the regulation's minimum and buffer requirements.

Pillar 3 – Information requirements

Pillar 3 is the part of the Basel accord that requires credit institutions to publish additional information about their own operations. The objective of these requirements is to ensure that counterparties are better able to assess if they want to enter into a customer, lender or investor relationship with the credit institution.

More information about the regulations can be found here: www.fi.se.

CAPITAL BASE AND REQUIREMENT

Carnegies ability to asses and handle risks and at the same time withhold a strong capital base are key factors for the Groups long term profitability and development. Carnegie shall maintain a capital that is adequate to cover all risks and at the same time operate and development the business.

CAPITAL BASE

The purpose of Carnegies capital base is to work as a buffer against possible losses due to risks that the group may face and to cover capital need to maintain and develop the business. The capital base includes only tier 1 capital and the majority of the funds are own funds.

Capital Base

(MSEK)	**Group**	**Bank**
CET1 paid up Capital	922	200
Retained Earnings	681	1 363
Other Comprehensive Income	-95	0
Total CRR Elligable equity	**1 508**	**1 563**
Intangible Assets	0	0
Goodwill	0	-17
Deferred Tax Assets	-29	-11
Prudent valuation	-1	-1
Significant Investments Financial Sector	0	-78
SFIs exceeds the 15% threshold	0	-44
Common Equity Tier 1	**1 478**	**1 412**
AT1	0	0
Tier 1 Capital	**1 478**	**1 412**
Tier 2 Capital	0	0
Total Capital Base	**1 478**	**1 412**

CAPITAL REQUIREMENT

The capital base shall ensure capital coverage of the capital requirements for Credit risk, Market risk and Operational risk.

Within the Capital Requirement Regulation banks have the opportunity to use different methods to calculate the capital requirement needed to meet any losses resulting from exposures to credit risk, market risk and/or operational risks.

The following methods are used by Carnegie:

• Credit risk – Standardised approach for credit risk and full method for financial collateral.

• Market risk – Finansinspektionens standardiserad approach.

• Operational risk – Basic indicator approach, meaning that the capital requirement is calculated as 15% of the average operating income during the last three years.

Capital Requirement		**Group**		**Bank**
(MSEK)	Cap req	% of REA	Cap req	% of REA
Credit Risk	164	2,4%	156	2,7%
Equity Risk	17	0,3%	17	0,3%
Currency Risk	33	0,5%	13	0,2%
Operational Risk	328	4,8%	282	4,8%
Capital Requirement	**542**	**8,0%**	**468**	**8,0%**

CAPITAL RATIO

Capital Ratio (MSEK)	**Group**	**Bank**
Capital Base	1 478	1 412
Common Equity Tier 1 Capital	1 478	1 412
Tier 1 Capital	1 478	1 412
Common Equity Tier 1 Capital Ratio	21,8%	24,1%
Tier 1 Capital Ratio	21,8%	24,1%
Total Capital Ratio	21,8%	24,1%
Institution specific buffer	9,2%	9,2%
of which capital conservation buffer	2,5%	2,5%
of which countercyclical capital buffer	2,2%	2,2%
Availiable buffer capital	16,8%	19,1%

CREDIT RISK EXPOSURES

The risk exposure amounts below are stated per exposure class.

Credit risk exposure

(MSEK)	**Group**	**Bank**
Institutions	375	398
Corporate	271	219
Retail	200	200
Exposures secured by Real Estate Property	119	119
Past Due Items	0	0
Covered Bonds	224	224
Short Term Claims	0	0
Collective Investment Undertakings	0	0
Equity Exposures	0	275
Other	844	515
Total	**2 033**	**1 950**

LIQUIDITY

Carnegies funding is mainly conducted by equity and deposits from the public. Carnegie's risk appetite is set to ensure sufficient funds within daily operations, as well as during periods of market stress. The liquidity buffer shall at all times exceed the expected outflow during periods of market stress and consist of either bank balances or assets refundable through “Riksbanken”.

Liquidity

(MSEK)	**Group**	**Bank**
Central Bank Balances	15	15
Bank Balances	1 770	1 695
Bonds issued by Central bank or Government	2 875	2 875
Covered Bond	1 684	1 684
Securities issued by non-financials Institutions	164	164
Liquidity Buffer	**6 509**	**6 433**
Funding		
Own Funds	1 913	1 911
Tier II Capital	0	0
Bonds	0	0
Deposits from the Public	8 180	8 198
Other Liabilities	1 648	1 718
Total Assets	11 740	11 828
Key Figures		
Own Funds and Bonds/Assets	16%	16%
Deposits from the Public/Assets	70%	69%
Liquidity Buffer/Assets	55%	54%
Liquidity Reserve accoring to (EU) 2015/61 article 9	4 738	4 738
Stressed Net Outflow	1 955	2 066
Liquidity Coverage Ratio	242%	229%
Net Stable Funding Ratio	238%	222%