CAPITAL ADEQUACY AND LIQUIDITY

PILLAR 3
Q4 2020

INTRODUCTION

Carnegie's 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 31st of December 2020 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 Carnegie's 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 in accordance with Finansinspektionen regulations; FFFS 2010:7, 2014:12, 2014:18 and 2019:6.

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 institutions 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.

CAPITAL BASE

Carnegie's 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 Carnegie's 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	1 182	1 842
Other Comprehensive Income	-72	0
Total CRR Eligable equity	**2 032**	**2 042**
Intangible Assets	-26	-26
Goodwill	0	0
Deferred Tax Assets	-8	0
Prudent valuation	-1	-1
Significant Investments Financial Sector	0	-25
SFIs exceeds the 15% threshold	0	-20
Common Equity Tier 1	**1 998**	**1 971**
Additional Tier 1	0	0
Tier 1 Capital	1 998	**1 971**
Tier 2 Capital	0	0
Total Capital Base	**1 998**	**1 971**
Total Risk Exposure Amount	**7 561**	**6 822**

CAPITAL RATIOS AND BUFFERS

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 standardised 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 Ratio

(MSEK)	Group	Bank
Capital Base	1 998	1 971
Common Equity Tier 1 Capital	1 998	1 971
Tier 1 Capital	1 998	1 971
Common Equity Tier 1 Capital Ratio	26,4%	28,9%
Tier 1 Capital Ratio	26,4%	28,9%
Total Capital Ratio	26,4%	28,9%

Capital Buffers

		Group		Bank
(MSEK)	Cap req	% of REA	Cap req	% of REA
Institution specific buffer requirement (CET1)	**534**	**7,1%**	**478**	**7,0%**
of which Capital conservation buffer	189	2,5%	171	2,5%
of which Countercyclical capital buffer	5	0,1%	0	0,0%
CET1 available to meet buffers	**1 393**	**18,4%**	**1 426**	**20,9%**
Other own fund requirement (Pillar II)	**189**	**2,5%**	**171**	**2,5%**
Total own fund requirement	**988**	**13,1%**	**887**	**13,0%**

Capital Requirement

		Group		Bank
(MSEK)	Cap req	% of REA	Cap req	% of REA
Credit Risk	195	2,6%	203	3,0%
Equity Risk	7	0,1%	7	0,1%
Currency Risk	41	0,5%	24	0,4%
Operational Risk	361	4,8%	311	4,6%
Own fund requirement	**605**	**8,0%**	**546**	**8,0%**

CREDIT RISK EXPOSURES

The risk exposure amounts below are stated per exposure class.

Credit risk exposure

(MSEK)	Group	Bank
Institutions	672	651
Corporate	303	192
Retail	168	168
Exposures secured by mortgages on immovable property	196	196
Exposures in Default	0	0
Covered Bonds	182	182
Short Term Claims	0	0
Collective Investment Undertakings	0	0
Equity Exposures	0	455
Other	858	654
Total	**2 380**	**2 500**

LIQUIDITY

Carnegie's 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	14	14
Bank Balances	3 226	3 096
Bonds issued by Central bank or Government	3 960	3 960
Covered Bond	1 441	1 441
Securities issued by non-financial Institutions	212	212
Liquidity Buffer	**8 853**	**8 723**

Funding

Own Funds	2 332	2 204
Tier II Capital	0	0
Bonds	0	0
Deposits from the Public	9 749	9 755
Other Liabilities	2 240	2 394
Total Assets	14 322	14 353

Key Figures

Own Funds and Bonds/Assets	16%	15%
Deposits from the Public/Assets	68%	68%
Liquidity Buffer/Assets	62%	61%
Liquidity Reserve according to (EU) 2015/61 article 9	5 627	5 627
Stressed Net Outflow	1 085	1 148
Liquidity Coverage Ratio	519%	490%
Net Stable Funding Ratio	260%	245%

ASSET ENCUMBRANCE

The majority of the group's encumbered assets are assets pledged to cover margin requirements for the group and clients of the group. The margin requirement covers, among others; settlement and derivatives exposures, and the pledged assets are mainly cash or liquid bonds. Carnegie also facilitate securities borrowing on behalf of clients. Amongst the unencumbered assets the category “other assets” are defined as not available for encumbrance.

GROUP

Asset Encumbrance

In accordance with CRR article 443 the amount of encumbered assets are presented as a median of the last four quarters.

	Assets				Collateral received	
(MSEK)	Carrying amount of encumbered asset	Fair value of encumbered assets	Carrying amount of unencumbered asset	Fair value of unencumbered asset	Fair value of collateral received and encumbered	Nominal value collateral received or own debt securities issued non available for encumbrance
Total	**533**	**-**	**13 778**	**-**	**326**	**8 145**
of which loans on demand	364	-	3 199	-	33	9
of which equity instruments	0	0	530	530	281	8 136
of which debt securities	157	157	5 597	5 597	0	0
of which loans and advances other than loans on demand	0	-	2 952	-	0	0
of which other assets	0	-	1 464	-	0	0

Sources of Encumbrance

(MSEK)	Matching liabilities	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	70	256
of which derivatives	28	195
of which deposits	0	0
of which debt securities issued	0	0
Other sources of encumbrance	562	564
Total Sources of Encumbrance	**621**	**851**

BANK

Asset Encumbrance

In accordance with CRR article 443 the amount of encumbered assets are presented as a median of the last four quarters.

	Assets				Collateral received	
(MSEK)	Carrying amount of encumbered asset	Fair value of encumbered assets	Carrying amount of unencumbered asset	Fair value of unencumbered asset	Fair value of collateral received and encumbered	Nominal value collateral received or own debt securities issued non available for encumbrance
Total	**506**	**-**	**13 903**	**-**	**274**	**7 631**
of which loans on demand	337	-	3 061	-	0	0
of which equity instruments	0	0	530	530	274	7 631
of which debt securities	157	157	5 597	5 597	0	0
of which loans and advances other than loans on demand	0	-	2 326	-	0	0
of which other assets	0	-	2 416	-	0	0

Sources of Encumbrance

(MSEK)	Matching liabilities	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	64	191
of which derivatives	28	165
of which deposits	35	45
of which debt securities issued	0	0
Other sources of encumbrance	562	330
Total Sources of Encumbrance	**617**	**742**

LEVERAGE RATIO

The groups instructions and processes describe how to identify, handle and monitor the risk of the ratio between own funds and assets falling below a certain level.

Leverage ratio for the gruop 12,2% in Q4 2020 and has decreased compared to previous period (13,3% Q4 2019).
For the bank, leverage ratio also decrease compared to previous period. The banks leverage ratio is 12,2% in Q4 2020 compared to 13,0% in Q4 2019.

Leverage Ratio

LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

(MSEK)	Group	Bank
1 Total assets as per published financial statements	14 322	14 353
2 Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0	0
3 (Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	0	0
4 Adjustments for derivative financial instruments	92	50
5 Adjustments for securities financing transactions "SFTs"	419	410
6 Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	849	906
EU-6a (Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	0	0
EU-6b (Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	0	0
7 Other adjustments	650	483
8 Total leverage ratio exposure	**16 331**	**16 202**

Table LRCom: Leverage ratio common disclosure

(MSEK)	Group	Bank
On-balance sheet exposures (excluding derivatives and SFTs)		
1 On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	11 240	11 469
2 (Asset amounts deducted in determining Tier 1 capital)	-35	-71
3 Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	**11 205**	**11 398**

Derivative exposures		
4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	176	25
5 Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	92	50
EU-5a Exposure determined under Original Exposure Method	0	0
6 Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0	0
7 (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0	0
8 (Exempted CCP leg of client-cleared trade exposures)	0	0
9 Adjusted effective notional amount of written credit derivatives	0	0
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0	0
11 Total derivative exposures (sum of lines 4 to 10)	**268**	**75**

Securities financing transaction exposures		
12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	3 590	3 414
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0
14 Counterparty credit risk exposure for SFT assets	419	410
EU-14a Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	0	0
15 Agent transaction exposures	0	0
EU-15a (Exempted CCP leg of client-cleared SFT exposure)	0	0
16 Total securities financing transaction exposures (sum of lines 12 to 15a)	**4 009**	**3 823**

Other off-balance sheet exposures		
17 Off-balance sheet exposures at gross notional amount	4 954	4 564
18 (Adjustments for conversion to credit equivalent amounts)	-4 105	-3 658
19 Other off-balance sheet exposures (sum of lines 17 to 18)	849	906

Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a (Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0	0
EU-19b (Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0	0

Capital and total exposures		
20 Tier 1 capital	1 998	1 971
21 Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	16 331	16 202

Leverage ratio		
22 Leverage ratio	12,23%	12,17%

Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23 Choice on transitional arrangements for the definition of the capital measure	0	0
EU-24 Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	**0**	**0**

LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

(MSEK)	Group	Bank
EU-1 Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	11 240	11 469
EU-2 Trading book exposures	538	962
EU-3 Banking book exposures, of which:	10 702	10 506
EU-4 Covered bonds	1 824	1 824
EU-5 Exposures treated as sovereigns	602	602
EU-6 Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	3 500	3 500
EU-7 Institutions	3 476	3 352
EU-8 Secured by mortgages of immovable properties	561	561
EU-9 Retail exposures	0	0
EU-10 Corporate	90	0
EU-11 Exposures in default	0	0
EU-12 Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	647	666

COUNTERCYCLICAL CAPITAL BUFFER

Below table shows the geographical allocation of Carnegie's relevant credit exposures for calculation of institution specific countercyclical capital buffer. The calculation of the institution specific capital buffer value is done by multiplying all relevant credit exposure per country with the countries regulatory countercyclical buffer value.

The institution specific buffer value was 0,07% for the group and 0,00% for the bank Q4 2020.

GROUP

	General credit exposures	Exposures in trading book	Capital requirement				
Country	**Exposure value standard approach (SA)**	**Sum of long and short positions in trading book**	**Of which; general credit exposures**	**Of which; exposures in trading book**	**Total**	**% of own fund requirement**	**Countercyclical capital buffer**
(MSEK)	010	030	070	080	100	110	120
AD	0	0	0	0	0	0,0%	0,0%
AT	0	0	0	0	0	0,0%	0,0%
BE	1	0	0	0	0	0,0%	0,0%
CY	6	0	0	0	0	0,0%	0,0%
EE	0	0	0	0	0	0,0%	0,0%
FI	26	0	2	0	2	1,3%	0,0%
FR	8	0	0	0	0	0,3%	0,0%
DE	8	0	0	0	0	0,3%	0,0%
IE	0	0	0	0	0	0,0%	0,0%
LT	0	0	0	0	0	0,0%	0,0%
LU	2	0	0	0	0	0,1%	0,3%
MT	23	0	1	0	1	1,0%	0,0%
MC	0	0	0	0	0	0,0%	0,0%
NL	0	0	0	0	0	0,0%	0,0%
PT	26	0	2	0	2	1,2%	0,0%
ES	2	0	0	0	0	0,0%	0,0%
AU	0	0	0	0	0	0,0%	0,0%
BB	0	0	0	0	0	0,0%	0,0%
BM	0	0	0	0	0	0,0%	0,0%
BR	0	0	0	0	0	0,0%	0,0%
CA	0	0	0	0	0	0,0%	0,0%
CN	0	0	0	0	0	0,0%	0,0%
HR	0	0	0	0	0	0,0%	0,0%
DK	583	2	11	0	12	8,2%	0,0%
FO	0	0	0	0	0	0,0%	0,0%
GG	0	0	0	0	0	0,0%	0,0%
HK	0	0	0	0	0	0,0%	0,0%
HU	0	0	0	0	0	0,0%	0,0%
IS	0	0	0	0	0	0,0%	0,0%
IM	0	0	0	0	0	0,0%	0,0%
JP	0	0	0	0	0	0,0%	0,0%
JE	0	0	0	0	0	0,0%	0,0%
JO	0	0	0	0	0	0,0%	0,0%
LI	0	0	0	0	0	0,0%	0,0%
MY	0	0	0	0	0	0,0%	0,0%
NO	459	0	9	0	9	6,7%	1,0%
RU	0	0	0	0	0	0,0%	0,0%
SG	8	0	0	0	0	0,2%	0,0%
SE	9 499	58	107	5	112	78,9%	0,0%
CH	0	0	0	0	0	0,0%	0,0%
GB	37	0	2	0	2	1,5%	0,0%
US	4	0	0	0	0	0,2%	0,0%
VG	0	0	0	0	0	0,0%	0,0%
Total	**10 691**	**60**	**137**	**5**	**141**	**100%**	

BANK

	General credit exposures	Exposures in trading book	Capital requirement				
Country	Exposure value standard approach (SA)	Sum of long and short positions in trading book	Of which; general credit exposures	Of which; exposures in trading book	Total	% of own fund requirement	Countercyclical capital buffer
(MSEK)	010	030	070	080	100	110	120
BE	1	0	0	0	0	0,0%	0,0%
CY	6	0	0	0	0	0,0%	0,0%
EE	0	0	0	0	0	0,0%	0,0%
FI	26	0	2	0	2	1,2%	0,0%
FR	8	0	0	0	0	0,3%	0,0%
DE	8	0	0	0	0	0,3%	0,0%
IE	0	0	0	0	0	0,0%	0,0%
IT	10	0	0	0	0	0,0%	0,0%
LV	0	0	0	0	0	0,0%	0,0%
LT	0	0	0	0	0	0,0%	0,0%
LU	2	0	0	0	0	0,1%	0,3%
MT	23	0	1	0	1	1,0%	0,0%
MC	0	0	0	0	0	0,0%	0,0%
NL	0	0	0	0	0	0,0%	0,0%
PT	26	0	2	0	2	1,1%	0,0%
ES	2	0	0	0	0	0,0%	0,0%
AU	0	0	0	0	0	0,0%	0,0%
CA	0	0	0	0	0	0,0%	0,0%
CZ	0	0	0	0	0	0,0%	0,5%
DK	583	2	11	0	12	7,6%	0,0%
EG	0	0	0	0	0	0,0%	0,0%
GG	0	0	0	0	0	0,0%	0,0%
HK	0	0	0	0	0	0,0%	0,0%
IM	0	0	0	0	0	0,0%	0,0%
LI	0	0	0	0	0	0,0%	0,0%
NO	368	0	0	0	0	0,0%	1,0%
RU	0	0	0	0	0	0,0%	0,0%
SG	8	0	0	0	0	0,2%	0,0%
SE	9 529	58	128	5	133	86,9%	0,0%
CH	0	0	0	0	0	0,0%	0,0%
AE	0	0	0	0	0	0,0%	0,0%
GB	37	0	2	0	2	1,4%	0,0%
US	0	0	0	0	0	0,0%	0,0%
Total	**10 637**	**60**	**148**	**5**	**153**	**100%**	