CAPITAL ADEQUACY AND LIQUIDITY

PILLAR 3
Q1 2020

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 31st of March 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 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 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

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	845	1 548
Other Comprehensive Income	-55	0
Total CRR Eligable equity	**1712**	**1 748**
Intangible Assets	-6	-6
Goodwill	0	-10
Deferred Tax Assets	-25	-1
Prudent valuation	-1	-1
Significant Investments Financial Sector	0	-55
SFIs exceeds the 15% threshold	0	-25
Common Equity Tier 1	**1680**	**1 650**
Additional Tier 1	0	0
Tier 1 Capital	1 680	**1 650**
Tier 2 Capital	0	0
Total Capital Base	**1 680**	**1 650**
Total Risk Exposure Amount	**7 263**	**6 574**

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	1 680	1 650
Common Equity Tier 1 Capital	1 680	1 650
Tier 1 Capital	1 680	1 650
Common Equity Tier 1 Capital Ratio	23,1%	25,1%
Tier 1 Capital Ratio	23,1%	25,1%
Total Capital Ratio	23,1%	25,1%

Capital Buffers		**Group**		**Bank**
(MSEK)	**Cap req**	**% of REA**	**Cap req**	**% of REA**
Institution specific buffer requirement (CET1)	510	7,0%	461	7,0%
of which Capital conservation buffer	182	2,5%	164	2,5%
of which Countercyclical capital buffer	2	0,0%	1	0,0%
CET1 available to meet buffers	**1 099**	**15,1%**	**1124**	**17,1%**
Other own fund requirement (Pillar II)	**145**	**2,0%**	**131**	**2,0%**
Total own fund requirement	**909**	**12,5%**	**823**	**12,5%**

Capital Requirement		**Group**		**Bank**
(MSEK)	**Cap req**	**% of REA**	**Cap req**	**% of REA**
Credit Risk	167	2,3%	178	2,7%
Equity Risk	17	0,2%	17	0,3%
Currency Risk	35	0,5%	19	0,3%
Operational Risk	361	5,0%	311	4,7%
Own fund requirement	**581**	**8,0%**	**526**	**8,0%**

CREDIT RISK EXPOSURES

The risk exposure amounts below are stated per exposure class.

Credit risk exposure

(MSEK)	Group	Bank
Institutions	664	679
Corporate	189	180
Retail	152	152
Exposures secured by mortgages on immovable property	140	140
Exposures in Default	0	0
Covered Bonds	214	214
Short Term Claims	0	0
Collective Investment Undertakings	0	0
Equity Exposures	0	370
Other	723	490
Total	**2 082**	**2 225**

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	50	50
Bank Balances	3 095	2 967
Bonds issued by Central bank or Government	2 383	2 383
Covered Bond	1 842	1 842
Securities issued by non-financial Institutions	195	195
Liquidity Buffer	**7 565**	**7 436**

Funding		
Own Funds	1 799	1 835
Tier II Capital	0	0
Bonds	0	0
Deposits from the Public	10 084	10 118
Other Liabilities	1 403	1 553
Total Assets	13 286	13 505

Key Figures		
Own Funds and Bonds/Assets	14%	14%
Deposits from the Public/Assets	76%	75%
Liquidity Buffer/Assets	57%	55%
Liquidity Reserve according to (EU) 2015/61 article 9	4 469	4 469
Stressed Net Outflow	1 210	1 211
Liquidity Coverage Ratio	369%	369%
Net Stable Funding Ratio	271%	248%