CAPITAL ADEQUACY AND LIQUIDITY

PILLAR 3

Q4 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 31st of December 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 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	904	1 548
Other Comprehensive Income	-101	0
Total CRR Eligable equity	**1725**	**1 748**
Intangible Assets	0	0
Goodwill	0	-13
Deferred Tax Assets	-46	-1
Prudent valuation	-1	-1
Significant Investments Financial Sector	0	-68
SFIs exceeds the 15% threshold	0	-28
Common Equity Tier 1	**1678**	**1 638**
Additional Tier 1	0	0
Tier 1 Capital	1 678	**1 638**
Tier 2 Capital	0	0
Total Capital Base	**1 678**	**1 638**
Total Risk Exposure Amount	**6 659**	**5 955**

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	1 678	1 638
Common Equity Tier 1 Capital	1 678	1 638
Tier 1 Capital	1 678	1 638
Common Equity Tier 1 Capital Ratio	25,2%	27,5%
Tier 1 Capital Ratio	25,2%	27,5%
Total Capital Ratio	25,2%	27,5%

Capital Buffers		**Group**		**Bank**
(MSEK)	**Cap req**	**% of REA**	**Cap req**	**% of REA**
Institution specific buffer requirement (CET1)	619	9,3%	555	9,3%
of which Capital conservation buffer	166	2,5%	149	2,5%
of which Countercyclical capital buffer	153	2,3%	138	2,3%
CET1 available to meet buffers	1 145	17,2%	1161	19,5%
Other own fund requirement (Pillar II)	133	2,0%	119	2,0%
Total own fund requirement	985	14,8%	882	14,8%

Capital Requirement		**Group**		**Bank**
(MSEK)	**Cap req**	**% of REA**	**Cap req**	**% of REA**
Credit Risk	157	2,4%	162	2,7%
Equity Risk	15	0,2%	15	0,3%
Currency Risk	33	0,5%	17	0,3%
Operational Risk	328	4,9%	282	4,7%
Own fund requirement	533	8,0%	476	8,0%

CREDIT RISK EXPOSURES

The risk exposure amounts below are stated per exposure class.

Credit risk exposure

(MSEK)	**Group**	**Bank**
Institutions	370	372
Corporate	297	219
Retail	131	131
Exposures secured by mortgages on immovable property	131	131
Exposures in Default	0	0
Covered Bonds	245	245
Short Term Claims	0	0
Collective Investment Undertakings	0	0
Equity Exposures	0	364
Other	776	568
Total	**1 950**	**2 029**

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	83	83
Bank Balances	1 825	1 711
Bonds issued by Central bank or Government	2 290	2 290
Covered Bond	1 958	1 958
Securities issued by non-financial Institutions	225	225
Liquidity Buffer	**6 380**	**6 266**

Funding		
Own Funds	1 725	1 748
Tier II Capital	0	0
Bonds	0	0
Deposits from the Public	8 007	8 017
Other Liabilities	1 552	1 603
Total Assets	11 285	11 369

Key Figures		
Own Funds and Bonds/Assets	15%	15%
Deposits from the Public/Assets	71%	71%
Liquidity Buffer/Assets	57%	55%
Liquidity Reserve according to (EU) 2015/61 article 9	4 555	4 555
Stressed Net Outflow	1 646	1 701
Liquidity Coverage Ratio	277%	268%
Net Stable Funding Ratio	242%	226%

ASSET ENCUMBRANCE

The majority of the groups 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	**338**	**-**	**11 582**	**-**	**201**	**5 261**
of which loans on demand	242	-	2 131	-	13	15
of which equity instruments	0	0	437	437	171	5 239
of which debt securities	101	101	3 122	3 122	0	0
of which loans and advances other than loans on demand	0	-	2 485	-	0	0
of which other assets	0	-	3 360	-	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	49	170
of which derivatives	22	117
of which deposits	0	0
of which debt securities issued	0	0
Other sources of encumbrance	147	390
Total Sources of Encumbrance	**195**	**546**

BANK

Asset Encumbrance

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

(MSEK)	Assets				Collateral received	
	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	**312**	**-**	**11 712**	**-**	**153**	**4 756**
of which loans on demand	216	-	1 970	-	0	0
of which equity instruments	0	0	437	437	153	4 756
of which debt securities	101	101	3 122	3 122	0	0
of which loans and advances other than loans on demand	0	-	1 930	-	0	0
of which other assets	0	-	4 203	-	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	29	137
of which derivatives	22	107
of which deposits	9	31
of which debt securities issued	0	0
Other sources of encumbrance	147	209
Total Sources of Encumbrance	**174**	**496**

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 13,3,0% in Q4 2019 and has decreased compared to previous period (12,4% Q4 2018).
For the bank, leverage ratio also decrease compared to previous period. The banks leverage ratio is 13% in Q4 2019 compared to 11,6% in Q4 2018.

Leverage Ratio

LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

(MSEK)	Group	Bank
1 Total assets as per published financial statements	11 285	11 369
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	82	59
5 Adjustments for securities financing transactions "SFTs"	352	347
6 Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	632	702
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	227	106
8 Total leverage ratio exposure	**12 578**	**12 583**

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)	8 550	8 841
2 (Asset amounts deducted in determining Tier 1 capital)	-47	-111
3 Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	**8 503**	**8 730**

Derivative exposures		
4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	58	16
5 Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	82	59
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)	**140**	**75**

Securities financing transaction exposures		
12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	2 951	2 729
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	0	0
14 Counterparty credit risk exposure for SFT assets	352	347
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)	**3 303**	**3 076**

Other off-balance sheet exposures		
17 Off-balance sheet exposures at gross notional amount	4 172	3 865
18 (Adjustments for conversion to credit equivalent amounts)	-3 540	-3 163
19 Other off-balance sheet exposures (sum of lines 17 to 18)	632	702

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	1 678	1 638
21 Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	12 578	12 583
Leverage ratio		
22 Leverage ratio	13,34%	13,01%
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:	8 550	8 841
EU-2 Trading book exposures	619	1 066
EU-3 Banking book exposures, of which:	7 931	7 775
EU-4 Covered bonds	2 450	2 450
EU-5 Exposures treated as sovereigns	408	407
EU-6 Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	2 000	2 000
EU-7 Institutions	2 028	1 981
EU-8 Secured by mortgages of immovable properties	373	373
EU-9 Retail exposures	0	0
EU-10 Corporate	73	0
EU-11 Exposures in default	0	0
EU-12 Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	598	564

COUNTERCYCLICAL CAPITAL BUFFER

Below table shows the geographical allocation of Carnegies 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 2,3 % for the group and 2,31 % for the bank Q4 2019.

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	1	0	0	0	0	0,1%	0,0%
BE	1	0	0	0	0	0,0%	0,0%
CY	9	0	0	0	0	0,0%	0,0%
EE	0	0	0	0	0	0,0%	0,0%
FI	25	0	2	0	2	1,5%	0,0%
FR	2	0	0	0	0	0,1%	0,3%
DE	0	0	0	0	0	0,0%	0,0%
IE	0	0	0	0	0	0,0%	1,0%
LT	0	0	0	0	0	0,0%	1,0%
LU	2	0	0	0	0	0,1%	0,0%
MT	10	0	0	0	0	0,0%	0,0%
MC	2	0	0	0	0	0,0%	0,0%
NL	1	0	0	0	0	0,1%	0,0%
PT	8	0	0	0	0	0,3%	0,0%
ES	8	0	0	0	0	0,4%	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	2	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	426	1	10	0	10	7,5%	1,0%
FO	0	0	0	0	0	0,0%	0,0%
GG	1	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%	1,8%
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	320	0	7	0	7	4,8%	2,5%
RU	0	0	0	0	0	0,0%	0,0%
SG	1	0	0	0	0	0,0%	0,0%
SE	7 861	139	104	11	115	83,6%	2,5%
CH	1	0	0	0	0	0,0%	0,0%
GB	26	0	2	0	2	1,2%	1,0%
US	6	0	0	0	0	0,3%	0,0%
VG	0	0	0	0	0	0,0%	0,0%
Total	**8 712**	**140**	**126**	**11**	**138**	**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	9	0	0	0	0	0,0%	0,0%
EE	0	0	0	0	0	0,0%	0,0%
FI	25	0	2	0	2	1,4%	0,0%
FR	2	0	0	0	0	0,1%	0,3%
DE	0	0	0	0	0	0,0%	0,0%
IE	0	0	0	0	0	0,0%	1,0%
IT	0	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%	1,0%
LU	2	0	0	0	0	0,1%	0,0%
MT	10	0	0	0	0	0,0%	0,0%
MC	2	0	0	0	0	0,0%	0,0%
NL	1	0	0	0	0	0,1%	0,0%
PT	8	0	0	0	0	0,3%	0,0%
ES	8	0	0	0	0	0,3%	0,0%
AU	0	0	0	0	0	0,0%	0,0%
CA	2	0	0	0	0	0,0%	0,0%
CZ	0	0	0	0	0	0,0%	1,5%
DK	426	1	10	0	10	7,2%	1,0%
EG	0	0	0	0	0	0,0%	0,0%
GG	1	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	227	0	0	0	0	0,0%	2,5%
RU	0	0	0	0	0	0,0%	0,0%
SG	1	0	0	0	0	0,0%	0,0%
SE	7 836	139	117	11	128	89,2%	2,5%
CH	1	0	0	0	0	0,0%	0,0%
AE	0	0	0	0	0	0,0%	0,0%
GB	26	0	2	0	2	1,1%	1,0%
US	0	0	0	0	0	0,0%	0,0%
Total	**8 589**	**140**	**132**	**11**	**144**	**100%**	