CARNEGIE HOLDING AB

# Sustainable growth through knowledge and capital

ANNUAL REPORT 2017

# The leading Nordic investment and private bank

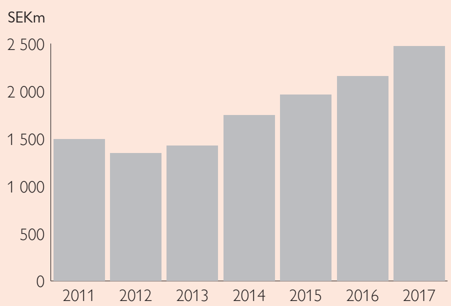
In 1803, David Carnegie founded a trading house in Gothenburg. A century ago, however, the herring, spices, timber and porter of the day were replaced by financial services. Today, Carnegie is the leading Nordic investment and private bank, a meeting place between knowledge and capital.

Carnegie brings investors, entrepreneurs, companies, institutions and private individuals together to create innovative products, new jobs, private wealth and social progress.

With leading research capacity in the Nordics, top-ranked corporate and wealth advisory services, Carnegie serves a key function in the Nordic capital market.

Our vision is that Carnegie shall be the leading Nordic investment and private bank – recognised and recommended by our clients.

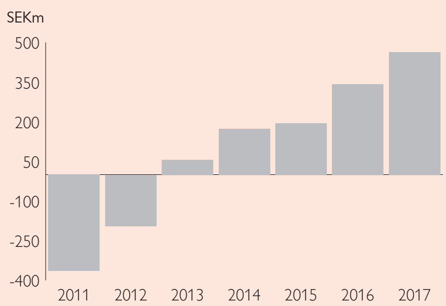
## Income




2,472 SEKM

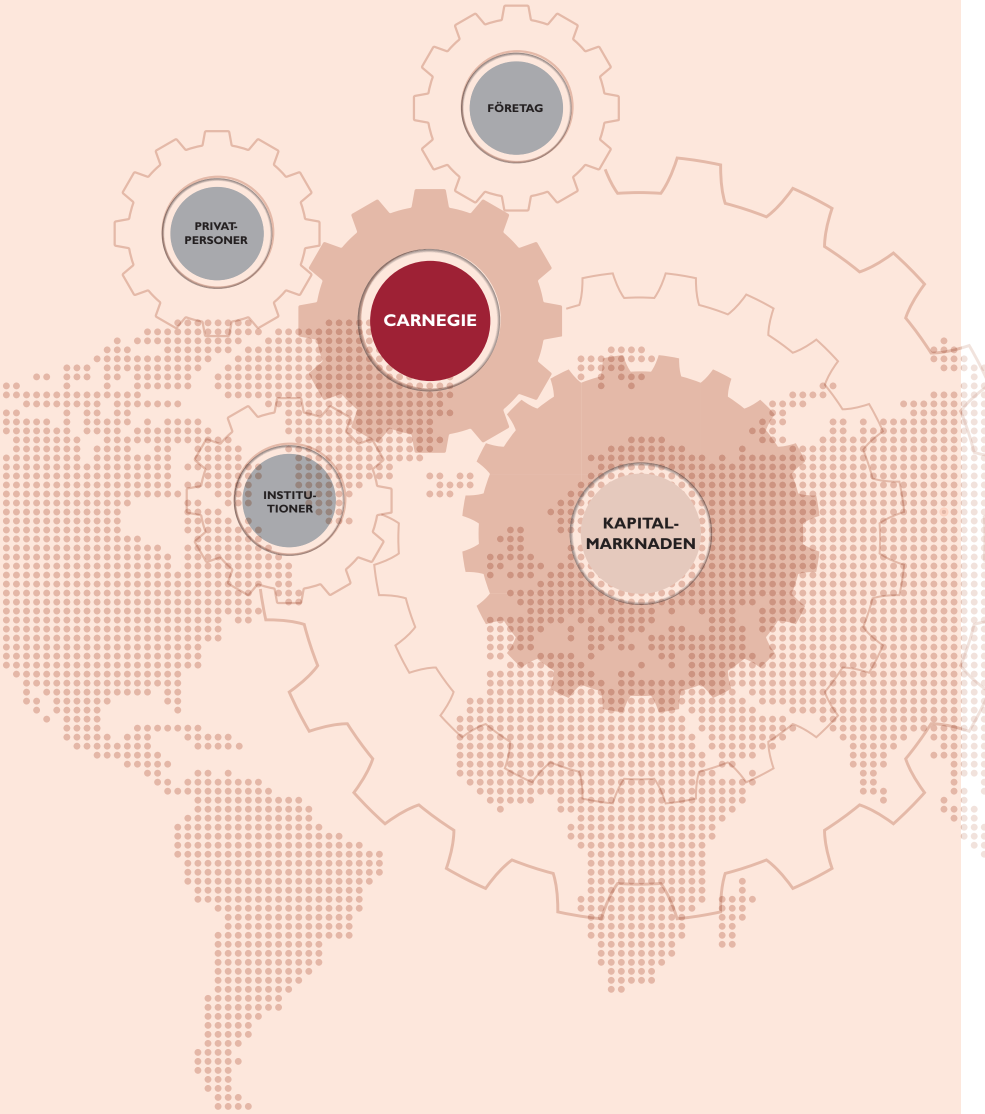
Carnegie's income increased by 9 percent per year on average over the period of 2011-2017. Income per employee has steadily grown during the same period.

## Profit before tax

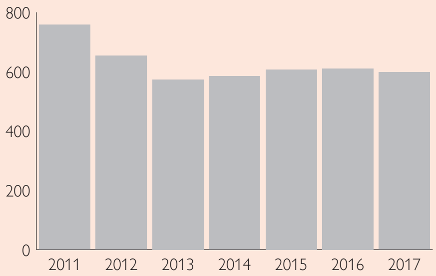



463 SEKM

Carnegie has delivered a positive profit trend over the long term. Profitability has continuously improved over the past seven years and the profit margin for 2017 was 19 percent.




Employees




598

Carnegie employees in Sweden, Norway, Denmark, Luxembourg, the United Kingdom, Finland and the United States do their utmost every single day to guide clients with qualified advice.

**Contents**



This is Carnegie's annual report for the 2017 financial year. The annual report also comprises Carnegie's sustainability report for 2017 as required under the Swedish Annual Accounts Act, ch 6 s 10, (1995:1554).

# Carnegie at a glance in 2017

Carnegie is the Nordic market leader in Investment Banking, Securities and Private Banking. Along with some 600 extremely knowledgeable and committed employees, we are building a value-creating bank of knowledge where focus is always on the client.

## Investment Banking & Securities

Carnegie Investment Banking offers professional advisory services in mergers and acquisitions (M&A) and equity capital market (ECM) transactions. The Debt Capital Markets (DCM) unit also provides advisory services in capital raising via corporate bonds and fixed income instruments. With strong local presence, profound experience and unique understanding of sectors and capital markets in the Nordic region, Carnegie is one of the leading Nordic advisers in corporate finance.

Operations in Denmark, Finland, Norway and Sweden.

Awards in 2017:

- Carnegie was named Financial Adviser of the Year in M&A in Sweden (Mergermarket)
- Carnegie topped the adviser rankings in the Nordic corporate transactions market, both overall and in M&A and equity capital market transactions (Kantar Sifo Prospera)
- Carnegie was named Best Investment Bank in Norway (Euromoney)
- Carnegie was ranked highest in relation to the Swedish bond market in the High Yield category (Kantar Sifo Prospera)

Carnegie Securities offers institutional clients several services within research, equity sales and equity capital market transactions (ECM). In addition, the Fixed Income unit offers bond research and sales. Carnegie's top-ranked research and equity sales enjoy a globally leading position in Nordic equities.

Securities operates in Denmark, Finland, Norway, Sweden, the UK and the US.

Awards in 2017:

- Institutional investors in both Sweden and Finland named Carnegie the best equity house, overall as well as in research and equity trading (Kantar Sifo Prospera)
- Nordic portfolio managers named Carnegie the best equity house in the Nordics (Kantar Sifo Prospera)
- Swedish institutions ranked Carnegie first in the market for equity research, with Lena Österberg named the best individual analyst (Financial Hearings)
- Global investors rated Carnegie the highest among all firms in the market in Nordic equity research, equity sales and corporate access (Extel)
- Global institutions ranked Carnegie number one in Nordic equity research (Institutional Investors All-Europe)

## Private Banking

Carnegie Private Banking provides comprehensive financial advisory services to high net worth individuals, small businesses, institutions and foundations. The Private Banking staff includes experts in areas including asset allocation, asset management, law, tax management, pensions and trading in securities and fixed-income bonds.

Operations in Denmark, Luxembourg and Sweden.

Awards in 2017:

- Carnegie was ranked highest among Swedish Private Banking providers and topped the list in eight out of twelve assessed categories (Kantar Sifo Prospera)
- Carnegie was ranked first among Swedish Private Banking providers (Euromoney)

# +15%

Operating income rose to SEK 2,472 million, up 15 percent year-on-year

# 463 SEKM

Profit before tax increased by 35 percent year-on-year and was the strongest result in several years.

# 110 BN

Assets under management increased by 10 percent year-on-year.

# 352

Number of Nordic listed companies covered by Carnegie Research in 2017.

## Financial key data, continuing operations

| | 2017 | 2016 |
|---|---|---|
| Operating income, SEKm | 2,472 | 2,157 |
| Operating profit, SEKm | 901 | 692 |
| Operating C/I ratio, % | 64 | 68 |
| Profit/loss before tax, SEKm | 463 | 342 |
| Operating profit margin, % | 36 | 32 |
| Assets under management, SEKbn | 110 | 100 |
| Return on equity, % | 22 | 21 |

## Financial position

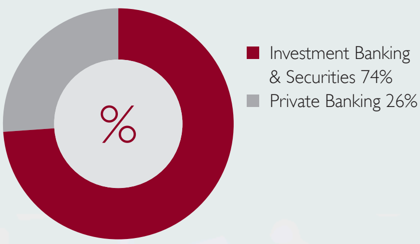
**1,917 SEKM**

Equity at 31 December 2017

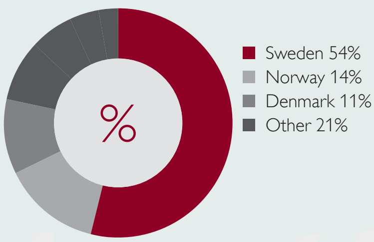
**23.5%**

Common equity Tier 1 capital ratio at 31 December 2017

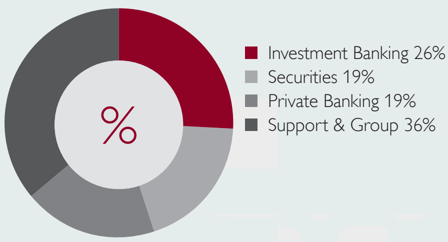
### Income by business area

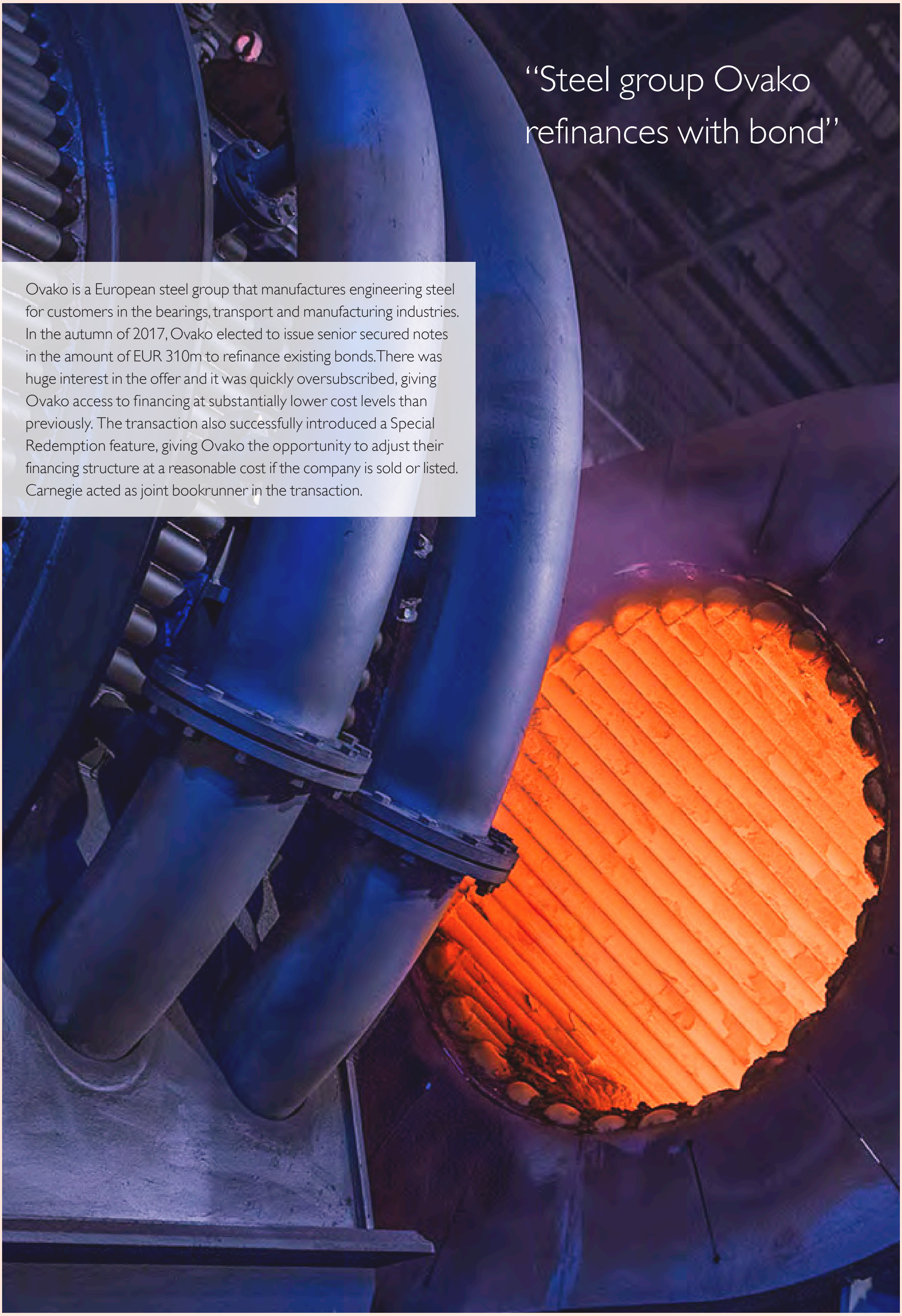



### Geographical distribution of income




### Employees per unit



"Steel group Ovako refinances with bond"

Ovako is a European steel group that manufactures engineering steel for customers in the bearings, transport and manufacturing industries. In the autumn of 2017, Ovako elected to issue senior secured notes in the amount of EUR 310m to refinance existing bonds. There was huge interest in the offer and it was quickly oversubscribed, giving Ovako access to financing at substantially lower cost levels than previously. The transaction also successfully introduced a Special Redemption feature, giving Ovako the opportunity to adjust their financing structure at a reasonable cost if the company is sold or listed. Carnegie acted as joint bookrunner in the transaction.


# We are building trust for the long term

Carnegie's favourable progress in recent years has generated high client trust, stronger profitability and good financial stability, creating the conditions for sustainable business development.

The strong performance in recent years is the result of successes in well-established areas, along with widening the income base in terms of products and geographies. Combined with stronger client trust in all market, this sets the stage for an increasingly competitive business model and long-term profitability.

The more diversified growth is occurring in accordance with the long-term strategy set by the Board and management, where new focus areas are given the conditions to flourish. These include areas like private wealth management advice in Denmark and the concentration on corporate bonds. There is tremendous growth potential here and Carnegie is regularly generating higher gains on its investments. In parallel, income growth in these areas is contributing to more balanced and well-diversified earnings over the long term.

### Strong financial position

Carnegie's financial position is high on the Board agenda and through good profitability, Carnegie successfully grew the business during the year while further strengthening key financial figures.

Growth-oriented investments have been balanced with ongoing efficiency improvements and good cost control.

### Market and regulatory adjustments

The Board and management of Carnegie have devoted considerable time to ensuring satisfactory operational integration and compliance with current regulatory adjustments and industry directives.

In pace with the increased regulation of the financial industry, the ability of the organisation to adapt is becoming a competitive factor. In addition, strong client relationships are a prerequisite for underlying stability. Carnegie is in prime position, with the highest client trust in all areas of operations.

### Focus on sustainability

In addition to the Board's focus on internal sustainable development of the business, efforts have continued to clarify the company's corporate social responsibility from a wider perspective. This is taking place in response to preferences and demands expressed by our stakeholders, including for greater transparency and communication pertaining to Carnegie's commitment to social responsibility, as well as our own conviction that sustainability is essential to the long-term development of our business.

The financial industry has a key role to play in global social development in maintaining high trust in the financial system and contributing to a responsible transition to a sustainable economy.

Carnegie serves a vital function in the Nordic capital market and will continue to evolve in the service of sustainability, with long-term profitability, strong client relationships and financial stability.

Bo Magnusson
Chairman

# Clear results from our long-term effort

The trust capital that Carnegie has tended for many years created the conditions for sustained healthy growth and improved profitability in 2017.

Carnegie's successes during the year are proof of strength in several aspects. We are continuing to increase profitability in individual business units and across geographies, and particularly in our growth areas. At the same time, we are strengthening the trust within all client groups in Carnegie, where companies, institutional investors and private investors all rank Carnegie highest among all market players. And so, the results not only reflect the initiatives taken during the year, they are an expression of a long-term effort in which strategic choices of direction and investments have gradually strengthened our market position.

Our strong impact in 2017 took place under favourable market conditions, with high investor activity in corporate transactions in all Nordic markets. Carnegie was also in prime position to manage the business opportunities created and we have achieved high return on continuous investments in equity sales and research, corporate advisory services and wealth management advice. This is reflected in multiple ways, including the high percentage of IPOs and ECM transactions in the Nordic market in which we were involved. It has also had positive impact on client activity linked to our equity sales and research services, including in the London and New York operations.

## Focus areas in growth

The business areas with the greatest growth potential, including corporate bonds, Private Banking and our ventures in selected segments of the real estate sector, delivered the strongest relative growth during the year.

The corporate bonds business is still developing well and income nearly doubled year-on-year. Likewise, Private Banking operations delivered sustained strong development in 2017, with positive inflow of new clients, record-high income and increased assets under management. In addition to favourable market conditions during the year, performance in the business area should be considered in the light of the actions taken last year towards a more client-oriented organisation and customised offerings.

Carnegie's ventures in the real estate sec-

#1

Carnegie can sum up the year with a leading position in all business areas and markets.

"Growth is taking place where the potential is greatest."

tor through property syndications have also produced results during the year, from relatively low income levels last year.

Overall, profitability improvements within both geographies and individual business areas during the year advanced diversified growth for Carnegie's business as a whole in 2017.

### Stronger trust capital

Alongside the positive operational trend, client trust was strengthened across the board, among companies, institutions and private individuals. This was expressed in business mandates during the year as well as in several client and market surveys, where Carnegie is ranked as the top market provider in areas including equity analysis, equity sales, corporate advisory services, corporate bonds and private banking. Accordingly, Carnegie can sum up the year with a leading market position in all areas of operations. This is a testament to the expertise, outstanding commitment and client focus of our employees.

### Responsibility and transparency

We are building trust not only with regard to our clients, but also through understanding external expectations for responsible conduct based on our position as a leading financial adviser.

Carnegie took further steps during the year to clarify our stance and approach to sustainability and responsibility in relation to the advice we provide to clients, but also from a wider perspective in regards to other stakeholders.

These included more clearly integrating sustainability aspects in company research and asset management. In addition, we are continuing to strengthen our social responsibility in relation to enterprise and entrepreneurship, where annually recurring initiatives like the Entrepreneurs of the Future reflect our commitment to the emergence and growth of new companies in the market.

Furthermore, Carnegie joined the UN Global Compact in 2017, in support of its international principles relating to human rights, labour law, the environment and anti-corruption. In conjunction with this annual report, we are also initiating application of Global Reporting Initiative (GRI) standards for sustainability reporting. The annual report includes Carnegie's first sustainability report, in accordance with the standards imposed under the Swedish Annual Accounts Act.

### Long-term competitive advantage

Carnegie continued to invest in the business during the year to respond to high business activity and to streamline internal processes. These eminently worthwhile investments will contribute over the long term to strengthening our market position with a competitive advisory services offering to our clients. In addition, the business has committed substantial resources to implementing new regulatory adjustments entering into force in 2018, such as MiFID II.

We are well aware that the strong development during the year was achieved under favourable market conditions, but the growth is diversified and we are building client relationships for the long term. Conditions for Carnegie's continued positive development are good.

*Björn Jansson*
CEO and President

"Carnegie shall be the leading Nordic investment bank and private bank – recognised and recommended by our clients"

Carnegie's vision

# Creating value through knowledge and advice

Carnegie is the leading Nordic investment and private bank. A meeting place for knowledge and capital that creates growth through advisory services for clients, shareholders and society.

Carnegie plays a key role in the economy as a meeting place for capital and investment opportunities. By bringing capital, people and ideas together, innovative products and services have the capacity to create value and growth for our clients, owners and employees - and for society as a whole.

### The need for advice

The need for professional advice is growing in pace with the increasing complexity and unpredictability of world development and more rigorous financial regulations.

Carnegie is here, tapping knowledge of Nordic enterprise, markets and the business environment to guide its clients through this landscape. Local knowledge is combined with global reach, to a wide network of international investors.

Professional advice also requires the right expertise, which puts demands on Carnegie's opportunities to recruit and motivate the most talented employees in the market. Our success is ultimately determined by our capacity to transform the collective expertise of our staff into client relationships that build trust.

### Diversified income

Carnegie rests on three pillars, Investment Banking, Securities and Private Banking, which together offer corporate advisory services, equity sales, research capacity and wealth advisory services. The operations are market leaders in their fields and their underlying income streams work together to promote sound distribution of the earnings mix.

The Nordic dimension is essential to our identity and our business and contributes to balanced income performance over time. Carnegie has long enjoyed a well-established position in a total of seven geographic markets, where offices in London, New York and Luxembourg complement our Nordic presence.

### Business dynamics

The various business areas cross-pollinate each other, bring our business relationships together and make the whole greater than the sum of its parts.

Carnegie's top-ranked research, for example, is essential input for both institutional and private investors. Likewise, execution capacity is critically important to both corporate clients and institutional investors. In addition, Carnegie's high activity in corporate transactions is playing a key role in the development of many high-growth companies and creating unique investment opportunities for Private Banking and Securities clients.

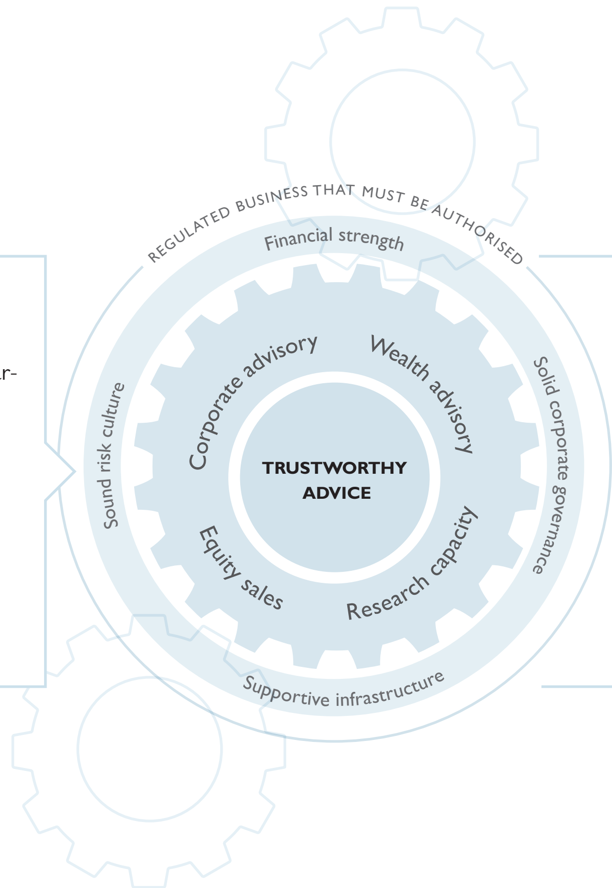
### Low risk profile

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.

Carnegie runs the business with a low risk appetite and takes only conscious and controlled financial risks that support our advisory services operations.

Knowledge of Nordic enterprise, markets and business environment

- Client focus
- Competence
- Commitment




Value creation and sustainable growth

- For clients
- For shareholders
- For employees
- For society

### Efficiency and financial stability

A solid financial position is essential to secure the long-term resiliency and development potential of the business. Carnegie ensures its capacity to compete on market terms by balancing growth-oriented investments with ongoing efficiency improvements and good cost control.

### Sustainable capital market

Focus is on the client, but Carnegie must also contribute to sustainable global development. Ensuring efficient capital allocation for companies and bringing wcapital, new technologies and sustainable products together is important to overcoming the new challenges faced by society. Likewise, advisers that can provide assistance with private and business economic issues associated with a sustainable transition are important.

## Business principles

### Client focus

- We do our utmost to ensure products and services of the highest quality.
- We combine global reach and local presence in our business.
- Every meeting with Carnegie shall enhance the knowledge of our clients.

### Competence

- We employ, develop and retain the best employees.
- We think outside the box to find the best solutions for our clients.
- We work together and utilise all resources of the firm to find the best solutions.

### Commitment

- Earning our stakeholders' trust is a joint effort.
- We have high moral standards and comply with rules and regulations.
- Our professionalism goes all the way down to the last detail.

# High activity among Nordic companies

2017 brought numerous transactions and listings in the Nordics. Favourable market conditions in Sweden have spread to the other Nordic countries and international interest in the Nordics as an investment region remained strong.

+30%

The number of foreign direct investments (FDI) in the Nordics rose by more than 30% between 2015 and 2016.

+6.5%

The number of corporate transactions in the Nordics rose by 6.5 percent in 2017, according to Mergermarket.

The Nordic corporate transactions market performed well, for several structural and economic reasons. Low interest rates, low volatility and an ecosystem of advisers, analysts and investors with an appetite to invest in small and medium-cap companies are a few of these.

### Politically stable region

Political systems in other parts of Europe have been challenged with government crises, distrust of institutions and major, unpredictable impact on voter opinion. In terms of political stability, the Nordic countries are outliers. The same is true for Nordic banks, which are thus contributing to their markets' long-term stability and investment climate. As regards attracting and retaining foreign investors, all Nordic countries are demonstrating a positive trend.

### Strong research knowledge

The Nordic listing markets, especially Sweden, can be considered among the most effective in the world. Advisers with solid analytical capacity, like Carnegie, have played an important role in successfully anchoring and launching IPOs. Mutual trust between sellers and buyers is a prerequisite for effective market function over time. Carnegie has helped instil that trust.

### Transparent ownership structures

In most countries, potential investors know nothing about who will be the new major shareholders in a market candidate. In a Swedish phenomenon that has begun to spread to the other Nordic markets, anchor investors are increasing transparency and reducing uncertainty.

That major funds or other institutional investors have had the opportunity to analyse a candidate and have decided to make a substantial long-term investment in the company is an unmistakable stamp of quality. It is also an important reason for the exceptional listing climate in the Nordics.

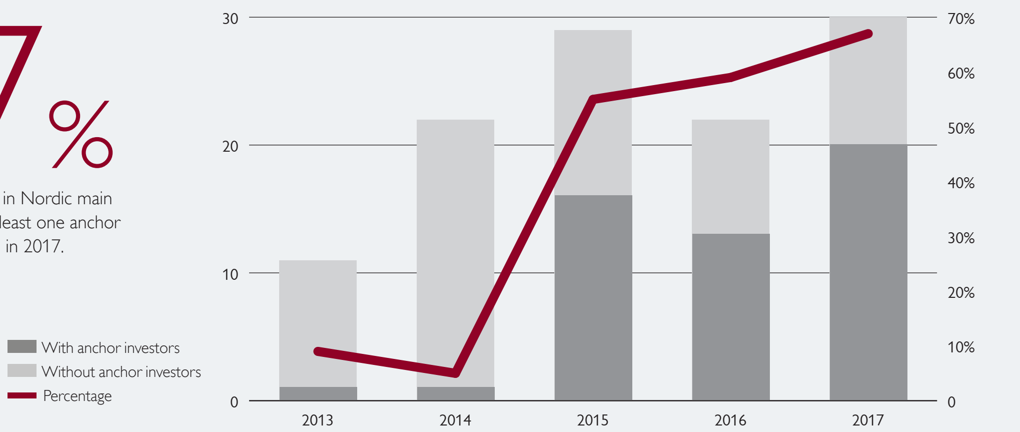
### High activity in the transaction market

2017 was another strong transaction year for both sales and IPOs. The stock exchanges performed well, resulting in attractive valuations. Spinning off and listing companies was one trend. There are several reasons for doing so, both financial and industrial. These include bringing attention to the company, concentrating the core business and benefiting from value growth, all aimed at increaasing shareholder value.

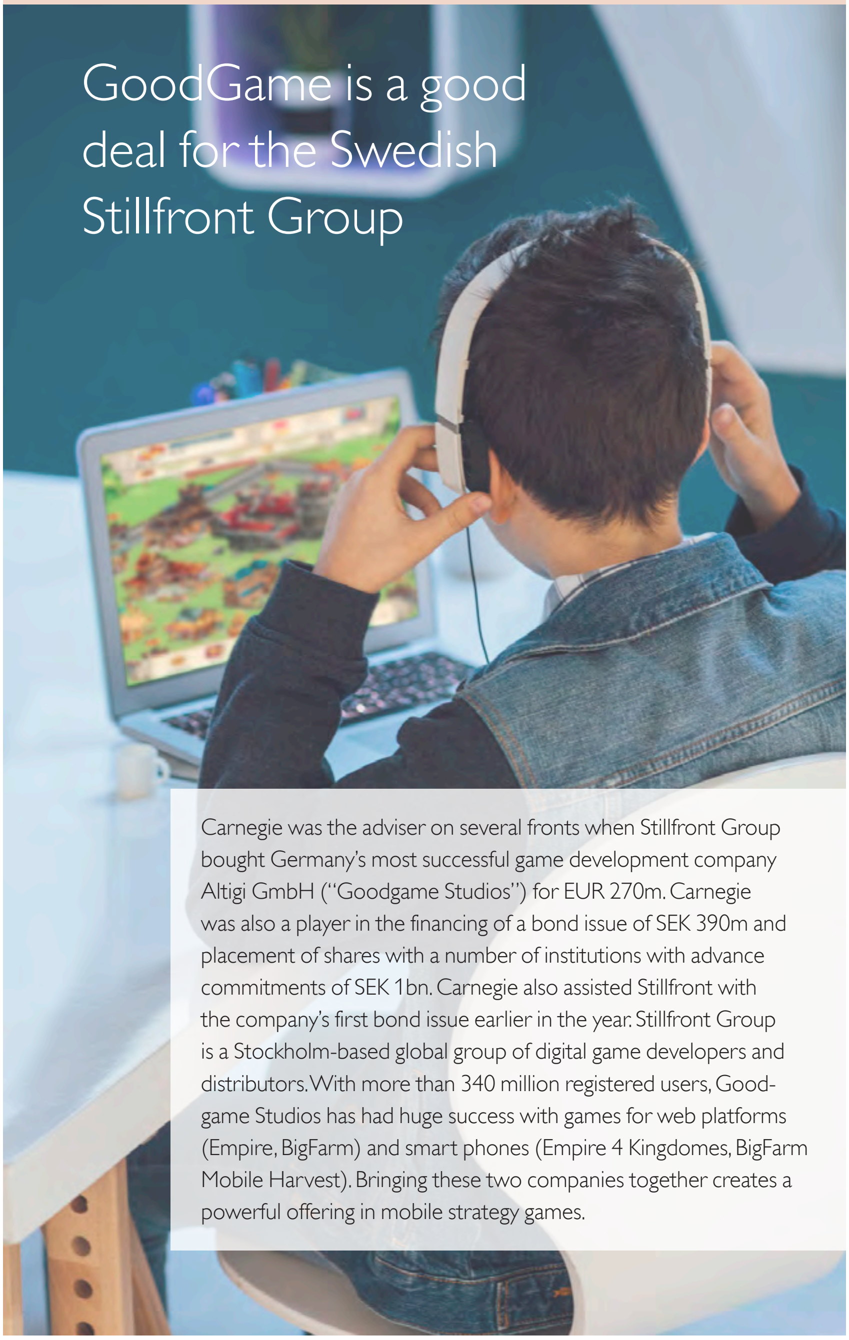
## Anchor investors ensure success

67%

Percentages of IPOs in Nordic main markets in which at least one anchor investor participated in 2017.




Source: Nasdaq Nordic, Oslo Børs, Borg and Engberg (2016), Does an anchor help you float?



# GoodGame is a good deal for the Swedish Stillfront Group

Carnegie was the adviser on several fronts when Stillfront Group bought Germany's most successful game development company Altigi GmbH ("Goodgame Studios") for EUR 270m. Carnegie was also a player in the financing of a bond issue of SEK 390m and placement of shares with a number of institutions with advance commitments of SEK 1bn. Carnegie also assisted Stillfront with the company's first bond issue earlier in the year. Stillfront Group is a Stockholm-based global group of digital game developers and distributors. With more than 340 million registered users, Goodgame Studios has had huge success with games for web platforms (Empire, BigFarm) and smart phones (Empire 4 Kingdomes, BigFarm Mobile Harvest). Bringing these two companies together creates a powerful offering in mobile strategy games.

## Growing corporate bond market

Corporate bonds are growing as a financing option for companies in need of capital, following an expansion for example. In recent years, Nordic companies have been industrious issuers of bonds.

Low interest rates are a key explanation behind the shift that has occurred where smaller companies are now also issuing bonds, once the preserve of large companies. In parallel, investors that are willing to take somewhat higher risk have sought out corporate bonds to a higher extent because they have offered higher yield than other fixed income products, such as government bonds.

The volume of corporate bonds traded on the Nasdaq exchanges in the Nordic countries increased by 9 percent between 2016 and 2017. The total value amounted to EUR 74 million at year-end 2017.

Source: Nasdaq

RESPONSIBILITY & SUSTAINABILITY

## The Entrepreneurs of the Future and new builders of society

Carnegie held the Entrepreneurs of the Future competition for the fourth year running, an initiative that draws applications from more than a hundred entrepreneurial companies every year.

The ten sharpest candidates were selected for pitch training and gave presentations to a distinguished jury, which then short-listed four finalists. A fifth finalist was selected by the readers of Svenska Dagbladet.

The distinguished jury: From left: Björn Jansson, Susanna Campbell, Anna Settman, Johan Andersson and Susanne Najafi. (Adam Kostyál not pictured)

"Our job is to identify companies that are clearly solving problems in the markets they are addressing and examine their potential to attract capital," says Björn Jansson, CEO of Carnegie and member of the jury.

Foodflow, a logistics company, was the firm that finally convinced the hundred or so investors gathered in November 2017 to see the finalists' company presentations and vote to select the winner. Swedish Minister of Enterprise and Innovation Mikael Damberg (Social Democratic Party) attended.

Read more about the Entrepreneurs of the Future on p. 25 →

Investment Banking & Securities

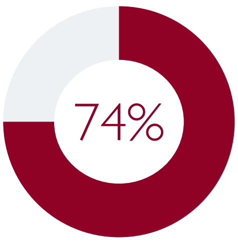
# Carnegie gains high returns in a strong market

Carnegie was well-positioned to benefit from high activity in the transaction market in 2017. With the highest reputation among corporate clients and institutional investors, our impact on the market for corporate advisory services, equity research and execution has become greater.

Ulf Vucetic,
Head of Carnegie Investment Banking

Henric Falkenberg,
Head of Carnegie Securities

**Share of total operating income 2017**




Income within Investment Banking & Securities increased by 13 percent, with positive contributions from all operations.

2017 was a very strong year for Investment Banking & Securities and income rose by 13 percent over 2016. All markets are profitable, but the good performance was driven mainly by strong development in equity capital market transactions, high IPO activity and solid client relationships.

### Investment Banking

Carnegie has acted as an adviser in more than half of all Nordic IPOs since 2010, each valued in excess of USD 50 million. That percentage is rising. In 2016, it was 70 percent and in 2017 almost 75 percent. The share is even higher in the Swedish market.

"Carnegie has a definitive size synergy. We can cover all the sectors that are most interesting and offer advice in M&A and various forms of financing. No one else has anything near our reach in the Nordic region," says Ulf Vucetic, Head of Investment Banking.

The high activity in corporate transactions and the need for advice is being driven by several changes in the market, where many industries are confronting major challenges. This is reflected in the breadth of sectors that characterised business activity in the Nordics. The effects of digitalisation, for example, are both creating new companies that need financing and challenging older business models and corporate structures.

"The market for corporate transactions and the need for advice has remained favourable and we have successfully generated good returns across the Nordic countries."

Corporate bonds are a form of financing that is growing among Nordic companies. Carnegie advanced its position in the high yield segment during the year and increased total issued market volume by more than 250 percent year-on-year.

### Securities

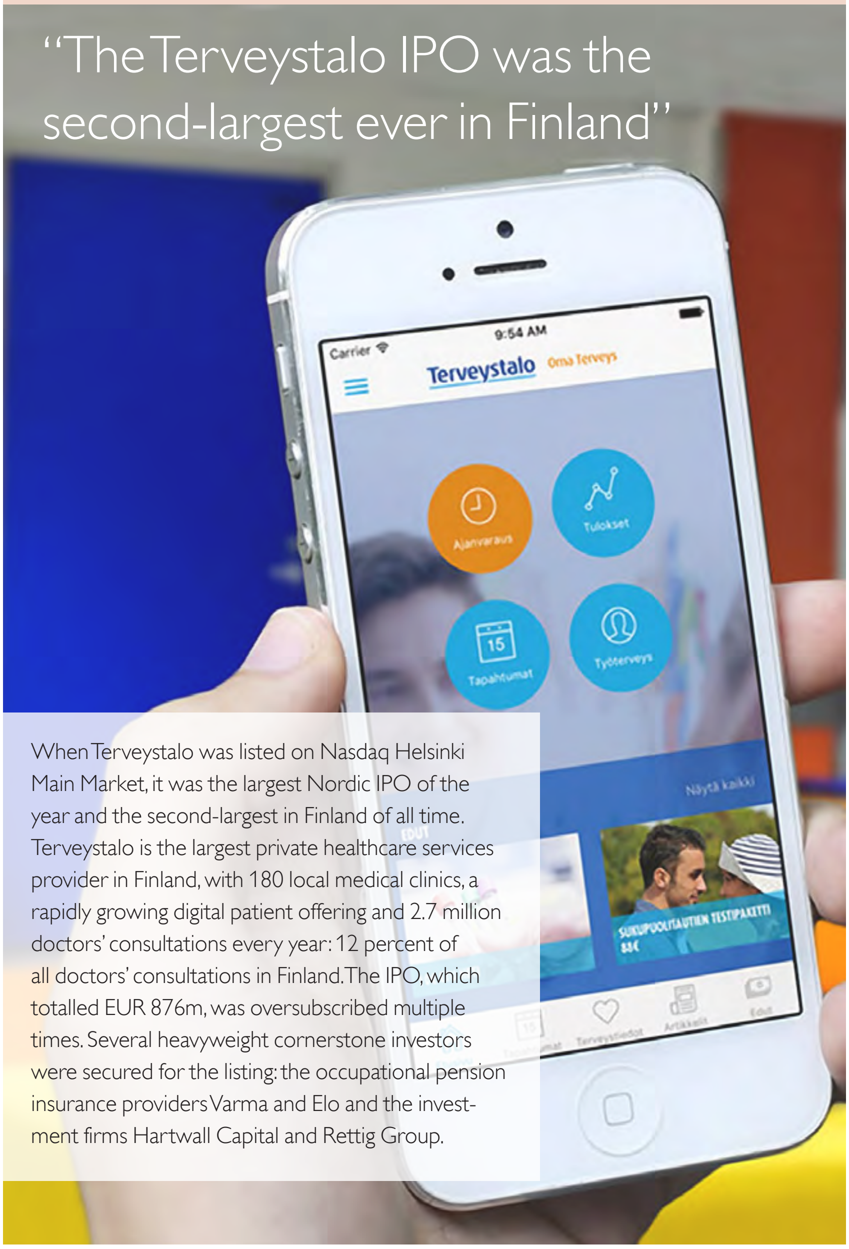
The strong transaction market in 2017 has encouraged client activity in connection with Carnegie's equity sales and research services. In the Nordic countries as well as via the operations in London and New York, Carnegie's market position has entailed stronger impact among institutional investors.

"We are convinced that our offering across the entire value chain – access to high-quality equity research, relevant investor meetings and efficient equity sales – is utterly central to the client. Combined with our capacity to offer unique investment opportunities to a global network of investors, we are generating substantial added value," says Henric Falkenberg, Head of Securities.

Carnegie has regularly increased the number of companies it covers in pace with rising interest in Nordic equities, not least importantly among investors outside the Nordics.

"Trust in our research power among institutional global investors continues to grow and we are strengthening our positions in France, Germany, Spain and Italy."

# "The Terveystalo IPO was the second-largest ever in Finland"




When Terveystalo was listed on Nasdaq Helsinki Main Market, it was the largest Nordic IPO of the year and the second-largest in Finland of all time. Terveystalo is the largest private healthcare services provider in Finland, with 180 local medical clinics, a rapidly growing digital patient offering and 2.7 million doctors' consultations every year: 12 percent of all doctors' consultations in Finland. The IPO, which totalled EUR 876m, was oversubscribed multiple times. Several heavyweight cornerstone investors were secured for the listing: the occupational pension insurance providers Varma and Elo and the investment firms Hartwall Capital and Rettig Group.

## The foremost Nordic investment bank

Carnegie is continuing to reap successes in corporate advisory services and transactions, as well as equity research and execution. In 2017, Carnegie was once again the preferred choice of many companies and institutions in the Nordic region, as shown by both Nordic and international client surveys.

For example, Carnegie was named Financial Adviser of the Year in M&A in Sweden, and Best Swedish Investment Bank by international surveys like Mergermarket and Euromoney.

Carnegie was also ranked highest in the Swedish bond market in the High Yield category according to Kantar Sifo Prospera.

Nordic and global institutional investors alike also ranked Carnegie as number one in equity research and sales, according to Financial Hearings and the international surveys performed during the year by Extel and Institutional Investor All-Europe.

RESPONSIBILITY & SUSTAINABILITY

## Top-ranked research with new perspective

Lena Österberg, head of Swedish research at Carnegie, has been named the best individual company analyst in Sweden for three years running. She has been covering Telia since 2001, and the company's bribery scandal in Uzbekistan inspired her to begin seriously thinking about sustainability in relation to long-term share price performance.

"We must have a long-term quality perspective on companies. Where will the stock be in two or three years? When you ask that question, sustainability is an important factor," she says.

Carnegie started looking at sustainability initiatives, how well companies are integrating sustainability in their strategies to innovate and drive growth. That might involve avoiding environmental or corruption incidents, which are at risk of being very costly.

Carnegie's research department has reviewed all 151 companies that the department covers in Sweden.

"We learned a great deal, especially about how much the conditions for pursuing sustainability vary from one industry to the next."

151

Number of listed companies whose sustainability work was analysed by Carnegie in 2017.

# Enterprise is the wellspring of growing personal wealth

The Nordic region has a history of generating globally successful companies. This has been confirmed by the advances of tech firms in recent years. For many, starting locally and then growing globally has been the key to creating substantial wealth.

+140%

Strong increase in the number of dollar millionaires in Sweden since 2010. The development of household wealth in the Nordic countries has been positive since the financial crisis.

People can become truly rich in essentially two ways: start a successful business or inherit from someone who started a successful business.

Wealth growth is generally good in the Nordic region. According to a study by Capgemini, the number of Swedes with investable assets, in addition to their primary residence, of at least USD one million has increased since 2010 from 48,000 to 116,000. In Norway, the number of dollar millionaires grew by 13 percent between 2016 and 2017. The same study shows that Sweden has for the first time made it to the list of the top countries in the world with the most dollar millionaires per capita.

Enterprise is now the primary driver of the large fortunes in the Nordics. One explanation for why the Nordic countries differ from others in this respect is the access to free higher education and high social mobility. An additional explanation for the successes in the tech sector is the high level of digitalisation and IT savvy among ordinary people.

The tech sector has been the source of many of the new, truly large fortunes. The Forbes list of the richest people in the world shows that the youngest billionaires in the Nordic countries, who created their own wealth, come from this particular sector. The high ranking of the Nordic region was confirmed in a recent global survey of unicorns: tech firms valued at more than USD 1 billion. Stockholm is second only to Silicon Valley in the number of unicorns per capita.

As new companies emerge, the odds are good that history is going to repeat itself – that companies in business today will give rise to new ideas and entrepreneurs who pave the way for the next generation of business builders and personal fortunes.

## Flexibility and transparency with new MiFID II regulations

The European MiFID II regulations went into effect on 3 January 2018 and will increase protection for investors in securities. As the regulations entail major changes, all firms that provide advice pertaining to financial instruments have dedicated tremendous energy to adjusting their operations in 2017.

Carnegie is no exception. MiFID II affects several parts of operations within Private Banking and Investment Banking & Securities, including pricing and the provision of information about equity research and sales services as well as asset management.

Carnegie welcomes the greater transparency in securities-related advisory services brought by the new regulations for 2017 and 2018. The directives favour firms like Carnegie that have a strong market position and high flexibility in asset management.

For example, Carnegie designed four fund portfolios that clients are free to combine as they prefer.

"Greater transparency is going to favour our offering over that of the competition, as our ability to provide customised solutions will become more apparent," says Jonas Predikaka, Head of Carnegie Private Banking.

Adjusting to the new regulations has been a comprehensive effort in which there was strong emphasis on ensuring that all clients understand what is happening and why. The closer the relationship between a bank and its clients, the better the conditions for implementing changes without losing client trust.

"The opportunity to build further on my life's work"

It was in connection with the sale of his company that Maarten de Château realised he needed professional help with asset management. He chose Carnegie, where the collective expertise, personal service and the breadth of the Family Office offering were appealing.

"As an entrepreneur, I appreciate the understanding of my needs and interests. That includes the opportunity to build further on my life's work, but also the chance to pass on knowledge to the next generation. Carnegie helped with by providing Next Generation Academy, which my three children participated in.

I also appreciate the collective expertise in all areas relevant to managing my assets, such as straightening out tax issues, family law, invitations to participate in IPOs and trading in corporate bonds – and, not least importantly, the high level of service and availability in all aspects that are important to me."

## New offerings for Family Office

Carnegie established a Family Office offering in 2016 to meet client demand. Family Office provides a combination of family and tax lawyers, equity and pension specialists and investment strategies. Demand was high from the outset and the venture is already profitable.

Carnegie gives clients access to unlisted stocks, allotments in IPOs and the opportunity to be anchor investors.

A competitive offering. Carnegie tailors a team that includes the expertise the client needs and provides closer access to specialists, ranging from consultations with a family lawyer to an analyst from Securities.

This expertise and the tailored teams are Carnegie's strength. Coordinating the offer in this way delivers added value to existing clients and, as can already be seen, attracts new clients to the bank.

RESPONSIBILITY & SUSTAINABILITY

## Educating the next generation is an important mission

Taking over a large fortune entails significant responsibility. Carnegie strives to provide support and give clients knowledge that is useful to the family's long-term ownership. Part of the long-term mission has always been to facilitate succession by helping clients' children or other loved ones take over the family business or assets.

A six-month education initiative, Next Generation Academy, was introduced in 2017. The aim is to provide structured education to clients' children and prepare heirs for future generational succession.

The first group of about forty young heirs aged 18-30 were educated in a wide spectrum of subjects that can have impact on family assets, from entrepreneurship and tax law to property ownership, investments and digital security.

After the course, the participants were invited to join a network that regularly offers opportunities to meet and continue to benefit from Carnegie's leading-edge expertise. The course is only the beginning: the network is permanent and is augmented every year with a new group of alumni.

Private Banking

# "Carnegie gets more out of its collective knowledge"

Time spent with clients is critical in Private Banking, which was the starting point of a successful change process during the year. Customer satisfaction and profitability were both increased as advisory services and the organisation were more closely aligned with clients.

Jonas, Predikaka, Global Head of Private Banking

2017 was a year of successful change for Carnegie Private Banking. Income rose by 19 percent year-on-year while customer satisfaction increased. A more efficient organisational structure and a clearer client offering in both the Swedish and Danish markets are advancing the positive trend.

"Things have worked out beyond our expectations, and we set the bar very high. Still, the general feeling is that the most positive aspects are yet to come, with new services that will further enhance the client experience," says Jonas Predikaka, Head of Carnegie Private Banking.

In the meantime, Private Banking has leveraged earlier efficiency improvements to reduce operational complexity and sharpen focus on the advisory services business.

The changes have shaped an organisation that gets more out of its collective knowledge than it used to. The competence and the building blocks of the offering have existed for a long time, but have now been integrated into a more distinct unit.

"Clients feel that we have many new services where we can more clearly explain the value we are adding through the breadth of our knowledge.

And they like it." Carnegie topped the rankings in both client and market surveys during the year, which also contributed to higher income.

### Increased new client attraction

Client communications during the year were also characterised by greater clarity. The offering successfully reached a wider audience through a digital multi-channel strategy, which has generated a markedly swifter flow of client interest.

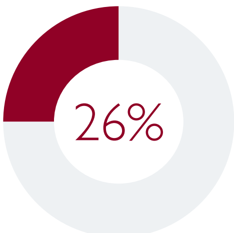
"Under normal circumstances, it is fairly difficult to persuade clients to switch banks when the economy is booming. The natural flows come when the economy turns down. But even though the economy is doing very well indeed, we have increased our client base and the number of people who are getting in touch to find out more has multiplied several times over. That is a remarkable difference."

### Advisory services with growth potential

Family Offices and Entrepreneurs represent some of the client adaptations and target groups that have distilled the offering and enhanced attractiveness during the year.

The need for customised advice and flexible solutions is still increasing as private financial matters are becoming increasingly complex and subject to new regulations. Knowledge and flexibility are therefore, and will remain, two of Carnegie's primary competitive advantages. There is a great deal of growth potential.

**Share of total operating income 2017**




Income in Private Banking rose by 19 percent, driven by positive inflows of assets under management and new clients.

## "I like being given the tools I need to make my own decisions"

Cecilia Carlsson has been a client of Carnegie Private Banking for six years. Her family had always been clients of Carnegie, which meant something from the very beginning: her firmly rooted trust in the bank went back a long way.

"The most important thing was that I trusted my advisers. I am personally interested in the stock market, attended the Stockholm School of Economics and have worked in corporate advisory services at another bank. I appreciate that Carnegie's advisers do not only advise me as to what I should do, they explain the basis for the advice and give me the tools I need to make my own investment decisions. I also like the client events and the people I meet there."

## The best private bank in Sweden - again

The investments in Carnegie Private Banking in recent years are now generating dividends. Private banking clients have had their say for 2017 and the results are clear.

For the second straight year, private individuals in Sweden have named Carnegie the number one Private Banking institution in its category. That also applies to wealth management advice.

Carnegie delivers the best advice overall and in most categories that private clients consider most important, including expertise in investment advice, personal relationships with a high level of service and ongoing reporting and market information.

According to this year's surveys by Kantar Sifo Prospera and Euromoney, Carnegie has the most satisfied private banking clients in the market.

RESPONSIBILITY & SUSTAINABILITY

## Sustainable portfolios mitigate risk

"We believe it is essential to factor in ESG (environmental, social and corporate governance) when considering an investment. Companies that take sustainability into account tend to have good control over the business and to not take unnecessary risks."

So says Johan Voss-Schrader, Carnegie's Head of Discretionary Portfolio Management, noting that the impact of investments on environmental, social and corporate governance has become increasingly important.

Sustainable investment can be approached in various ways: excluding entire industries, selecting companies assessed as being the best in their industries at managing sustainability, or actively influencing the companies in which investors have a stake. Excluding entire industries has been shown to have negative impact on risk-adjusted returns.

Carnegie has therefore chosen to actively exert influence on companies and managers based on Carnegie's own investment philosophies and standards. In addition, screening filters are augmented in consultation with ISS-Ethix.

"If the manager is engaged in ongoing dialogue with company management, it may still be acceptable to invest. After all, exerting influence is more effective than exclusion," says Johan Voss-Schrader.

100%

Percentage of assets under discretionary management in Sweden included in screening in 2017

# EQT bought mortgage pioneer BlueStep Bank

BlueStep Bank is playing an important role in the Nordic mortgage market by helping customers who cannot secure a loan from high street banks. BlueStep Bank has almost 19,000 mortgage customers and a total lending portfolio of about SEK 13 billion, of which mortgages add up to nearly 12 billion. When the bank was sold to the venture capital firm EQT in 2017, Carnegie acted as adviser to the shareholders of BlueStep Bank.


# Sustainable companies and capital markets

Access to capital is a prerequisite for economic growth. That applies to companies preparing for expansion, entrepreneurs at the beginning of their growth journeys and society as a whole. This growth is powered by investor capital. Bringing capital and investment opportunities together is Carnegie's main role.

With a key function in the capital market, Carnegie provides a meeting place for companies in need of capital and for investors, private and institutional, seeking interesting investment opportunities in the Nordics.

Carnegie intends to leverage this position to continue generating value. For clients, for an effective and sustainable capital market and for a sustainable society. The financial industry plays an essential role, in securing effective capital allocation, bringing technology, sustainable products and capital together. This also involves being an expert adviser, assisting in difficult-to-navigate issues associated with a sustainable transition. And making sure clients have sound and sustainable finances.

Carnegie believes our responsibility proceeds from our core business and our ability to make a difference. In other words, it is all about the advice we give. We consider financial, environmental and social aspects from both the risk and value-generating perspectives. This is accomplished within the framework of our established business and due diligence processes. Competent and committed employees are absolutely critical to maintaining the high trust of our clients.

Through its knowledge about companies and enterprise in the Nordics, Carnegie guides investors and funnels capital to investments where the growth is, to projects that are building a stronger society. In this way, Carnegie is facilitating sustainable financial development for private individuals, companies, institutions, the capital market and society in general.

### Carnegie's key sustainability topics

Carnegie has taken several concrete steps during the year to expand and improve sustainability management. We have performed a significance assessment in which stakeholders have identified Carnegie's most important issues related to sustainability. For the first time, Carnegie is also reporting its sustainability work in a clear and transparent manner in accordance with the Global Reporting Initiative.

In order to clarify the outcome of the significance assessment, the most important topics have been categorised in three areas:

- Responsible advisory
- Responsible business
- Responsible employer

→ Read more about this year's initiatives on the following pages.

Responsible advisory

# Trust at a high level

Over many years, Carnegie has delivered consistently relevant advice, building up rock-solid trust among institutions, companies and private individuals. Being an industry leader entails a responsibility to continue providing sound advice based on the standards imposed on a responsible financial adviser.

12

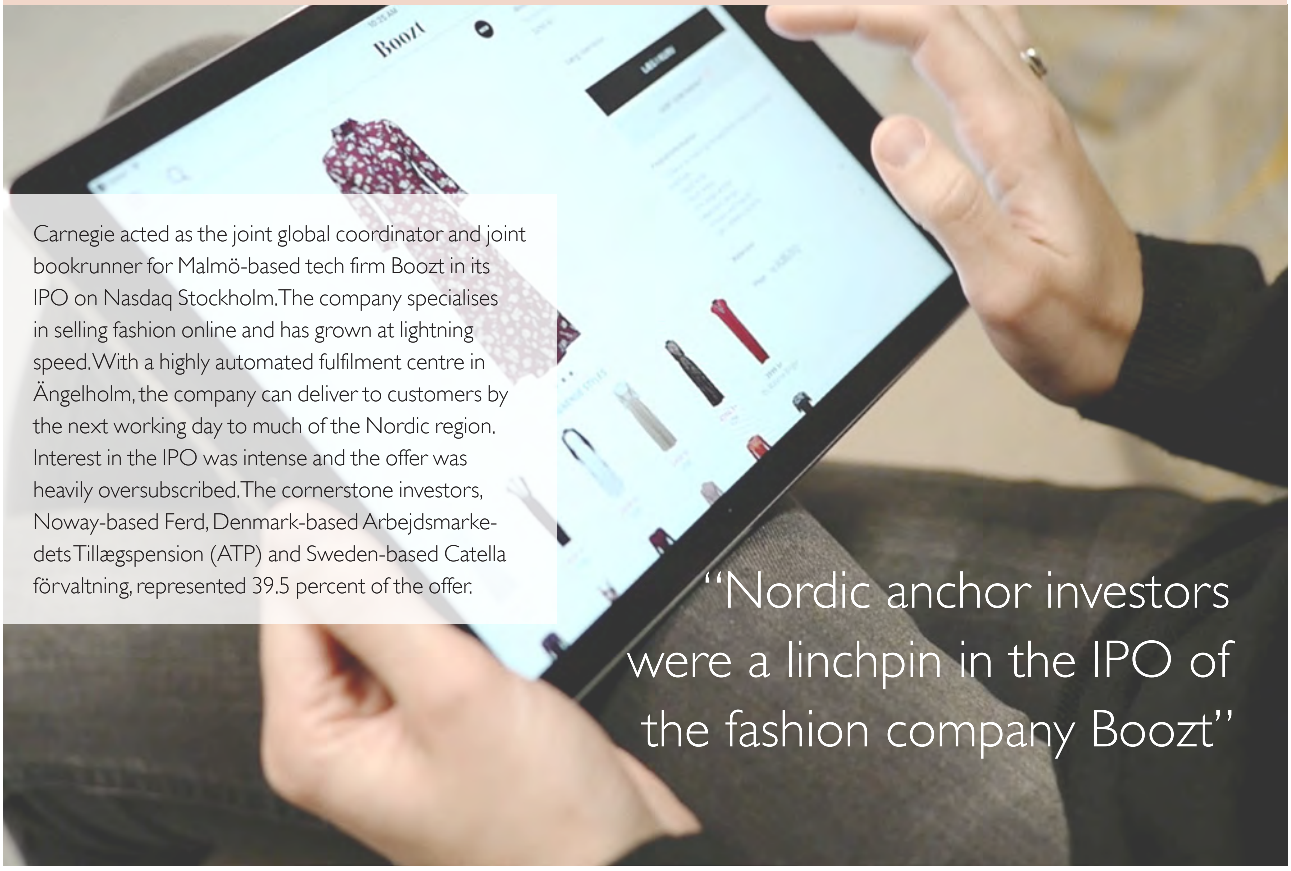
Number of awards in 2017 in which clients named Carnegie the leading provider. Applies to all markets and all client categories.

Carnegie takes responsibility. We do this in a carefully structured manner, both in our own operations and from our clients' perspective. The advice looks at both the risks and the business opportunities through clear investor's glasses. The ESG perspective is also an unquestioned aspect of our advice, enabling our clients to create value in society. At the end of the day, it is always about client satisfaction.

For several years, Carnegie has enjoyed the highest trust in the market - in all client categories. That is reflected once again in the client surveys conducted during the year and in that Carnegie has more advisory mandates than anyone else. The continued trust of our clients is a key value measurement and critical to our success.

As clients turn to Carnegie for help navigating a dynamic and changeable world, we must constantly update our knowledge. About laws and regulations. About ethics and morals. About our clients' circumstances. All relevant Carnegie employees were trained on these issues in 2017, in response to the new laws and regulations applicable to the financial services industry.

Clear guidelines and processes with adopted mandates are an obvious foundation for preserving external trust: guidelines that show employees how they should act to promote good business ethics and a high level of professionalism. They provide support for making transparent and




Carnegie acted as the joint global coordinator and joint bookrunner for Malmö-based tech firm Boozt in its IPO on Nasdaq Stockholm. The company specialises in selling fashion online and has grown at lightning speed. With a highly automated fulfilment centre in Ängelholm, the company can deliver to customers by the next working day to much of the Nordic region. Interest in the IPO was intense and the offer was heavily oversubscribed. The cornerstone investors, Noway-based Ferd, Denmark-based Arbejdsmarkedets Tillægspension (ATP) and Sweden-based Catella förvaltning, represented 39.5 percent of the offer.

"Nordic anchor investors were a linchpin in the IPO of the fashion company Boozt" thoroughly supported risk assessments, as well as the grounds for eliminating transactions from consideration. This is the foundation upon which Carnegie structures its social responsibility. It is also the basis for the high level of trust we continue to enjoy.

### Satisfied clients - our most important value measurement

Carnegie exists to help our clients. That is our mission. Our vision - recognised and recommended by our clients - is one way of evaluating whether we have succeeded. Building long-term and close client relationships is the key to gaining client trust.

Carnegie's success is measured primarily through satisfied clients. Among other things, it is demonstrated through the continued growth of our assets under management, as well as how our clients rank us in client and market surveys.

Carnegie continued to strengthen client satisfaction in 2017. This is shown by Nordic and international client surveys in which Carnegie is held up as the foremost institution in the market by all client groups. The subtleties of what builds trust differ from one group to the next, but the common denominator is that they perceive Carnegie's advice as relevant.

### Institutional clients

In relation to equity research and equity sales services, for example, Swedish institutional clients seek close client relationships, knowledge about stocks and companies, continuous sector analysis, competitive fees and access to company management. That, according to Kantar Sifo Prospera's annual survey, clients rank Carnegie at the top both overall and for research, execution and corporate access (investor meetings) is yet further evidence.

### Corporate clients

When companies select a Nordic transaction adviser, the aspects related to execution of the transaction are the primary concern. The 2017 TNS Sifo Prospera survey shows that companies put a premium on expertise, accessibility, placement capacity, ethical conduct and efficient execution of the transaction. Carnegie has become the preferred choice of many companies for corporate transactions in the Nordics by delivering the parameters that clients value most highly.

### Private clients

The bank that wins the trust of private banking clients must be able to offer expertise in investment advice, personal relationships with a high level of service and accessibility and ethical conduct. According to the year's TNS Sifo Prospera and Euromoney surveys, Carnegie ranks highest among all market players in its category in Sweden.

With the highest client satisfaction ratings in the industry, Carnegie will continue to develop the business to remain relevant over the long term to both new and existing clients.


"Nel makes an acquisition to produce hydrogen gas through electrolysis"

Hydrogen gas is a potential solution to one of the great challenges of our time: stable energy supply without negative climate impact. Hydrogen gas can, for example, replace combustion engines in vehicles and discharge nothing but water. The Norwegian company Nel ASA is one of the world's biggest operators in production, storage and distribution of hydrogen gas from renewable energy. Carnegie acted as adviser to Nel in the financing and execution of its acquisition of American hydrogen gas company Proton OnSite for USD 70m. The transaction created the world's largest producer of hydrogen gas through electrolysis.


The Nordic Entrepreneurship initiative was touted on Times Square in New York City when Carnegie rang the closing bell at the stock exchange, along with several high-growth Nordic companies.

Responsible enterprise

# Commitment to enterprise and entrepreneurship

During the year, Carnegie continued developing its commitment to enterprise and entrepreneurship through initiatives that foster the growth of new companies in the Nordic market.

95%

Percentage of listed companies in the Nordics covered by Carnegie in relation to total market capitalisation on the Nordic main markets.

In recent years, Carnegie has consistently leveraged its position and meeting place to promote the emergence of new companies. We are convinced that enterprise is a cornerstone of a dynamic business sector and a sustainable national economy.

Every year, companies in the early stages are given opportunities for wider exposure to investors and the rest of the world through initiatives including the Entrepreneurs of the Future in the Swedish market. In addition, Carnegie supports organisations and activities that are in other ways stimulating entrepreneurship and innovations that contribute to a better society, such as Junior Achievement Sweden and the Carnegie Social Initiative.

### Nordic startups on Broadway

The Nordic startup scene is growing. And, quite often, it is characterised by tech-oriented innovations and scalable business models aimed at a global market. Accordingly, Carnegie took further initiatives during the year to make the journey easier for a number of Nordic entrepreneurs by offering contact with foreign investors in the American market. Eight entrepreneurs from the Nordic countries were offered the opportunity to make their case to about a hundred investors in New York via Carnegie's wide network of investors and global presence. Prior to the event, the companies had been given pitch training at Carnegie's offices in Stockholm and Oslo.

Nasdaq demonstrated its support for Carnegie's engagement and covered the initiative in connection with the closing of the market at Times Square in New York.

## “Long-term, Foodflow has the potential to be a good listing candidate”

"There have been a lot of people along the way who didn't believe in our idea. It felt great to get external validation of what we are doing," says Christopher Jonsson, one of the founders of Foodflow, the company named Entrepreneur of the Future for 2017.

Foodflow has developed a coordination site for external orders placed by grocery stores, in other words, merchandise orders shipped directly to stores rather than via the chains' central warehouses. This involves about 25-30 percent of the merchandise in a typical store, orders that are currently dealt with by phone, fax and email.

The founders, Christopher Jonsson and Jesper Jannesson got to know each other in secondary school when they both joined Junior Achievement Sweden. They conducted interviews in the food products industry and identified a major challenge that they could overcome with technology.

The next service Foodflow offers is digital support for vendors by coordinating deliveries, which reduces the number of delivery trips and thus lowers costs for all parties. International expasion is waiting in the wings for 2018.

"Long-term, the company has the potential to be a good listing candidate," says Christopher Jonsson.

# Supporting social entrepreneurs since 2002

Starting work early in life and long distances to school limit the opportunities of many children to get an education in deprived areas of India. As a counterweight to high absence from school, social entrepreneur Bina Lashkari founded Door Step School, an organisation dedicated to providing education in children's local communities. She started in the late 1980s with a class of 25 children. Today, the organisation reaches more than 100,000 children a year.

Carnegie has been donating to social entrepreneurship all over the world for fifteen years through the Carnegie Social Initiative. The support is directed to innovators who are fostering positive changes in their communities by creating the conditions to improve the lives of children and young people.

Since the initiative began in 2002, individual Carnegie employees have chosen to reinforce the engagement by sending a monthly donation to benefit the entrepreneurs working in countries including India, Uganda, Lithuania and Latvia. Employee donations make up half the total donation that Carnegie gives each year.

Responsible employer

# A bank of knowledge built by employees

Competent and committed employees are the foundation of Carnegie's success. Creating a stimulating, rewarding work environment where employees want to stay and the next generation's stars want to begin is critical to longevity and retaining the role of Nordic market leader.

›200

Employees were offered more than 200 course meetings in 2017 in the Carnegie Professional Development programme.

41

Average age of employees in 2017.

Carnegie has a strong employer brand and appeals to many gifted economists and lawyers, as shown in regular surveys of university students.

Being an attractive employer is not enough, however. Carnegie also strives to be a responsible employer. In this respect as well, being responsible requires a long-term perspective. In concrete terms, this involves encouraging personal development and providing the tools necessary to manage periods of intensive activity on the job. But it involves a great deal else as well. Skills development, diversity, compensation and health are high-priority issues.

### Continuous skills development

Each year, Carnegie allocates funds to a foundation, Carnegie Professional Development, that makes it possible for all employees to attend courses twice a year in an area that is different to their ordinary tasks. Carnegie Professional Development is about widening perspectives, cross-pollinating ideas and developing as a human being. Several employees have studied rhetoric, project management or time management, for example.

In addition, employees are continuously trained in operations-related subjects in order to maintain leading-edge skills. Remaining the market leader also requires continuous skills development in relation to issues involving external and regulatory changes. Clients turn to Carnegie for help navigating a dynamic and changeable world, which means we must constantly update our knowledge. Training provided in 2017 included courses on the new anti-money laundering rules and the forthcoming MiFID II regulations.

### Taking care of employees' health

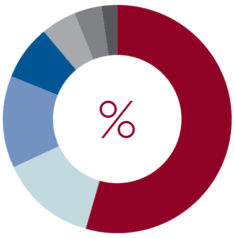
Taking care of our employees' health is another cornerstone of our ambition to be a responsible employer. Carnegie offers a stimulating work environment, but it is also a demanding one and many employees are personally driven by high ambitions.

Carnegie helps make employees' lives easier by, for example, offering cleaning services and tutoring in a salary swap

27%

Percentage of women in average number of employees om 2017.

**Employees per country at year-end**




- Sweden 54%
- Norway 14%
- Denmark 13%
- Luxembourg 8%
- United Kingdom 5%
- Finland 4%
- United States 2%

scheme and through generous, gender-neutral parental leave benefits. In addition, Carnegie has an active sports club that offers perks like running coaches and ski trips. The fitness and wellness benefits are generous, and employees are offered health insurance for fast access to medical care when it is needed.

## The value of diversity

In order to create a dynamic hotbed, it is important to let people with different experience, knowledge and perspectives meet.

Carnegie's highly sought-after internships are one way of doing that. Every year, Investment Banking in Sweden offers a ten-week programme, in which students are involved in ongoing operations full-time. This might involve learning to analyse companies and industries or preparing prospectuses and other documentation. The internships are offered during five periods spread across the year. On several occasions, Carnegie has chosen to hire interns even before they finish their degrees.

Because the financial services industry generally appeals to fewer women than men, identifying women talents is a key aspect when Carnegie approaches selected universities with a view to attracting outstanding students.

## Winning the next generation

Our current employees are Carnegie's most important tool for attracting the most promising talents of all. The best advisers of the future look for places where they can learn the most and be inspired by the most respected, most luminous stars in the industry. They, like Lena Österberg, named the best individual analyst in Sweden for three years running, are at Carnegie.

The combination of motivated, top-ranked employees, an outstanding and inspiring workplace where they will develop and want to stay, and the power to attract the stars of the next generation - that is the long-term strategy for maintaining a market leading position. Competence breeds competence.

Henrik Drusebjerg, chief strategist at Carnegie Private Banking in Denmark since 2014.

# "Freedom to do what I do best"

"I joined Carnegie a little over three years ago, inspired to work with colleagues who often are considered leading experts within their respective fields. Carnegie has a reputation for being one of the most professional investment banks in the Nordics. We are the best at what we do, but small relative to other major banks. That gives us an opportunity to be agile when it comes to finding the right solutions for our customers in an ever- changing world."

"Prior to Carnegie, I had been in the financial industry for nineteen years. I have had the privilege to work with several different clients, individuals as well as corporate and institutional clients, during some of the financial industry's best and worst times. That has given me the experience and knowledge that is needed to help clients that are, in my view, becoming increasingly sophisticated in their choice of financial advisors and tailor-made solutions."

"At Carnegie, there is a flat organization, strong belief in the employees, and focus on results. As an employee, this inspires me to do my best and, in that way, deliver results. The confidence from management gives me the freedom to do what I do best."

# TCM reignited the Danish market for mid-cap IPOs

Carnegie was the adviser for Danish TCM Group on its IPO in November 2017. TCM Group is one of the Nordic region's largest manufacturers of kitchens and furniture for bathrooms, with leading brands such as Svane Køkkenet, Tvis Køkkener, Kitchn and Nettoline, all produced from Danish facilities. The transaction amounted to DKK 714m. Through initial public offerings of companies like TCM Group and other offerings in Denmark during 2017, the Danish market for

# 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, the 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 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, among else through 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 2017. 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 is presented on page 33.

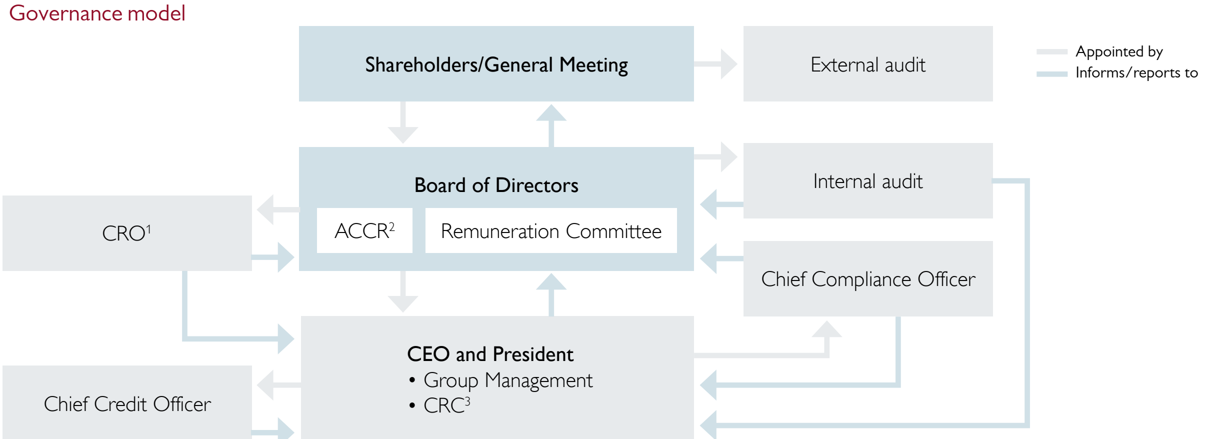
The Board of Directors has overall responsibility for the business conducted in the Group. The Board establishes the general objectives and strategy for business operations, regularly monitors and evaluates operations based on the objectives and guidelines it has adopted, appoints the CEO, and continuously 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




1) Chief Risk Officer
2) Audit, Compliance, Capital and Risk Committee
3) Capital, Risk and Credit Committee

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 12 meetings in 2017.

### 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 meetings, 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 from the business operations and reports directly to the Board of Directors. The principles that govern the work of the internal audit function 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 ICLAAP. 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 2017

Allocations of variable remuneration to staff in 2017 amounted to SEK 346 million (288) 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 2017, 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 AB, employees of the Carnegie Group own 24.7 percent of equity in the parent company, Carnegie Holding AB, as of 31 December 2017. 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.

# Board of Directors

| | Bo Magnusson | Ingrid Bojner | Klas Johansson |
|---|---|---|---|
| Position | Chairman since 2013 | Director since 2015 | Director since 2016 |
| Committee | Chair of ACCR and Remuneration Committee | | ACCR |
| Born: | 1962 | 1973 | 1976 |
| Education | Internal Higher Banking Education (SEB). | MSc, Stockholm School of Economics. Studies at Georgia State University and UCLA Anderson School of Management. | MSc, Stockholm School of Economics. |
| Other significant assignments | Chairman of the boards of SBAB Bank AB, Sveriges Säkerställda Obligationer AB, Rikshem AB, Rikshem Intressenter AB and director of KBC Bank NV. | Chairman of the board of New Republic PR AB, director of Movestic Livförsäkring AB and CCO of Storytel AB. | Partner of Altor Equity Partners AB. Chairman of the board of BTI Studios AB. Director of Transcom WorldWide AB, Gelato AS and Advinans AB. |
| Previous experience | Acting President and CEO of SEB; other leading positions with SEB. | Deputy CEO and Head of Marketing at Stockholm School of Economcics IFL Executive Education. Senior positions with TeliaSonera and McKinsey & Company. | Employed by McKinsey & Company. |

| | Harald Mix | Andreas Rosenlew | Anders Johnsson |
|---|---|---|---|
| Position | Director since 2009 | Director since 2015 | Director since 2016 |
| Committee | RemCom | | ACCR |
| Born: | 1960 | 1962 | 1959 |
| Education | MBA, Harvard Business School, BSc, Applied Mathematics and Economics, Brown University. | MSc in Economics & Business Administration, Hanken School of Economics, Helsinki. | St Mikaelskolan, Mora. |
| Other significant assignments | Founding partner of Altor Equity Partners. Director of CARAM AB, C Asset Management Partners Holding and Carnegie Fonder AB. | Chairman of the boards of Grow Partner AB (Group), Grow Holding and Grow AB and director of Cabonline Group (Fågelviksgruppen/HIG Capital) and KVD. | Chairman of the board of SealFX AB and director of Ambrosia Asset Management. |
| Previous experience | Deputy CEO of Industri Kapital, First Boston Corporation and Booz,Allen & Hamilton. | Senior partner at Lowe & Partners Worldwide and executive chairman of Lowe Bindfors. Director of Acne Holding and Avanza Bank. | Many years with SEB, most recently as head of the Life and Wealth Management Division and member of executive management. |

# Group management

## Björn Jansson
President and Chief Executive Officer since 2015

Born: 1963

Previous experience: Head of Investment Banking & Securities. Co-head of the Securities business area at Carnegie. Global head of research and co-head of SEB Enskilda Securities and global head of research at Alfred Berg.

## Anders Antas
Chief Operating Officer (COO) since 2013

Born: 1975

Previous experience: A number of positions with Carnegie, including head of Treasury and most recently as COO of Investment Banking & Securities. Formerly an analyst with SEB Enskilda Securities.

## Jacob Bastholm
Head of Carnegie Denmark since 2017

Born: 1970

Previous experience: Head of Corporate Finance, Handelsbanken Capital Markets. Formerly, executive positions within ABN AMRO.

## Christian Begby
Head of Carnegie Norway since 2012

Born: 1963

Previous experience: Leading positions in analysis and Corporate Finance. Former head of Corporate Finance at SEB Enskilda, Norway. Head of Equity Research at SEB Enskilda, 1996-2000.

## Elisabeth Erikson
Chief Information Officer (CIO) since 2017

Born: 1974

Previous experience: Head of Business Development, Skandiabanken. Formerly Business Area Manager, Banking Services and Mortgages, Skandiabanken.

Previous experience: Head of Business Development, Skandiabanken. Formerly Business Area Manager, Banking Services and Mortgages, Skandiabanken.

## Henric Falkenberg
Global Head of Securities since 2009

Born: 1960

Previous experience: Head of Securities at SEB Enskilda and Alfred Berg. Prior to that, broker at Öhman and Consensus.

## Fredrik Leetmaa
Chief Risk Officer (CRO) since 2010

Born: 1971

Previous experience: Group credit manager at Carnegie, credit manager at SEB Luxembourg, BOS Bank of Poland and senior positions within the SEB Group.

## Helena Nelson
Chief Legal Counsel since 2013

Born: 1965

Previous experience: Compliance manager and head of operational risk for Swedbank Group. Chief legal counsel and corporate counsel at Skandia.

## Jonas Predikaka
Global Head of Private Banking since June 2016

Born: 1971

Previous experience: Head of Wealth Management and Private Banking at Danske Bank. Prior to that, global head of sales for SEB Private Banking.

## Henrik Rättzén
Chief Financial Officer (CFO) since 2014

Born: 1965

Previous experience: Group CFO for PostNord and CFO for Codan/Trygg-Hansa. Formerly a partner with KPMG.

## Ulf Vucetic
Head of Carnegie Investment Banking since 2015

Born: 1971

Previous experience: Executive responsibility within Carnegie Investment Banking in Sweden. Prior to that, a Carnegie adviser in M&A and ECM, primarily in Sweden.

# Contents

# Board of directors' report

The Board of Directors and CEO of Carnegie Holding AB (reg. no. 556780-4983) hereby present the annual report of operations in the parent company and the Group for the financial year 2017.

## OPERATIONS

Carnegie Holding is the parent company in the Carnegie Group, which in turn comprises the wholly-owned subsidiary Carnegie Investment Bank AB (publ) and subsidiaries. All business operations within the Carnegie Group take place within the entities Carnegie Investment Bank AB and subsidiaries.

## OWNERSHIP

Carnegie Holding AB was owned by Altor Fund III (75.3 percent) and employees of Carnegie (24.7 percent), as of 31 December 2017.

## MARKET & POSITION

The investment climate in 2017 remained characterised by favourable conditions, as inflation, interest rates and market volatility remained low. This had positive impact on investment appetite among retail and institutional investors, as well as an active transaction market during the year.

### Corporate transactions market

#### Equity capital market transactions (ECM)

Persistent high activity in ECM transactions in the Nordics was characterised by factors including an active listing market. A record-setting number of IPOs were registered on the Nordic stock exchanges in 2017 (Thomson Reuters).

Carnegie maintained its leading position in the Nordic capital market during the year, both in the role of adviser in ECM transactions and in its capacity to execute transactions. Carnegie participated in more ECM transactions than any other institution in the Nordic market and was ranked highest among all market providers in most client surveys during the year with regard to corporate advisory services as well as equity research, equity trading and execution (Extel, Institutional Investors, Financial Hearings, Kantar Sifo Prospera).

Carnegie was involved in a clear majority of all major IPOs in the Nordics. Of the year's 27 major Nordic IPOs, each valued in excess of USD 50 million, Carnegie had a leading role in 20 transactions. The Swedish market was again singled out for the highest activity and Carnegie participated in 14 of the 16 major IPOs in the country (Thomson Reuters). Notable Nordic IPOs in which Carnegie participated included private healthcare services provider Terveystalo (FI), construction equipment dealer Ferronordic (SE), kitchen manufacturer TCM Group (DK) and software company Crayon (NO).

#### Mergers, acquisitions & sales (M&A)

The global M&A market continued to demonstrate robust growth in 2017 (Mergermarket). However, slightly lower transaction activity was recorded during the year in the Nordic market for corporate transactions in which financial advisers were engaged (Thomson Reuters).

Carnegie participated in a total of 21 transactions in the Nordic market during the year, including the acquisition by Norwegian Nels of the American turbine manufacturer Proton, as adviser in connection with McDonald's divestment of its Nordic operations, the sale of Finnish Evac to Bridgepoint and the sale of lift supplier Cibes Lift to Nalka Invest (Thomson Reuters).

During the year, Carnegie was ranked the top adviser in the Nordic corporate transactions market in mergers and acquisitions (Kantar Sifo Prospera, Mergermarket).

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

The Nordic corporate bonds market demonstrated persistent strong growth in 2017 and Carnegie's investments in this area of operations delivered results in both Sweden and Norway. Total issued volume in which Carnegie was involved in the High Yield segment increased by about 250 percentyear-on-year.

Carnegie acted as the adviser in a total of 22 transactions during the year, including bond issues from Stillfront, Cabonline, Coastal Holding, European Energy and Ovako. In parallel, Carnegie strengthened its market position and was number one in the DCM High Yield category in the Swedish market, according to the client survey performed by Kantar Sifo Prospera during the year.

### Wealth management market

The aggregate financial net worth of Swedish households was still rising at the end of the third quarter of 2017 (Statistics Sweden, SCB), driven mainly by growth in equity and real estate assets, while household financial savings declined from mid-year.

Carnegie's strategic assessment of the investment climate during the year motivated a neutral equity weight in asset allocation for Private Banking clients, with greater focus on active management. The persistently strong economy, with low interest rates and rising corporate profits, was balanced against a nascent upturn in interest rates and political turbulence.

The inflow of new clients remained positive in Carnegie's Private Banking business during 2017 in both the Swedish and Danish markets. At year-end, total client assets under management at Carnegie amounted to SEK 110 billion (100), an increase of 10 percent year-on-year.

Carnegie advanced during the year to first place among Swedish Private Banking providers in the annual Euromoney survey and defended its leading position in Kantar Sifo Prospera's annual market survey.

## GROUP FINANCIAL PERFORMANCE

Group operating income amounted to SEK 2,472 million (2,157) for the full year of 2017, an increase of 15 percent year-on-year. Operating expenses for the year amounted to SEK 1,571 million (1,465). The Group is reporting operating profit of SEK 901 million (692), an increase of 30 percent year-on-year. Profit before tax was SEK 463 million (342), an increase of 35 percent year-on-year and the strongest performance in eight years.

| Operating income statement<br>January–December, SEKm | 2017 | 2016 |
|---|---|---|
| **Continuing operations** | | |
| Investment Banking & Securities | 1,822 | 1,610 |
| Private Banking | 650 | 547 |
| **Operating income** | **2,472** | **2,157** |
| Personnel expenses before variable remuneration | -1,037 | -1,033 |
| Other expenses | -534 | -432 |
| **Operating expenses** | **-1,571** | **-1,465** |
| **Operating profit** | **901** | **692** |
| Financing expenses, variable remuneration, etc. | -438 | -350 |
| **Profit before tax** | **463** | **342** |
| Tax | -124 | -76 |
| **Profit for the year from continuing operations** | **339** | **266** |
| **Discontinued operations** | | |
| Profit for the year from discontinued operations | 7 | 120 |
| **Net profit for the year** | **346** | **386** |
| **Employees** | | |
| Average number of employees | 590 | 609 |
| Number of employees at the end of the year | 598 | 610 |

See page 93 for definitions.

### Income

#### Investment Banking & Securities

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

Investment Banking & Securities is reporting a 13 percent increase in income to SEK 1,822 million (1,610) for the full year of 2017. In terms of percentages, income growth is strongest in ECM transactions and in corporate bond trading and issues, but all income streams and geographies are making positive contributions.

#### 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 650 million (547) in 2017, an increase of 19 percent year-on-year. The strong performance is characterised by positive net inflows of assets under management and strong inflow of new clients. Growth is occurring under favourable market conditions, including an active transaction market that is encouraging high client activity.

The improvement in profitability should also be considered against the background of the actions taken in relation to the Swedish operations last year, with more distinct client segmentation, sharpened offerings and a more efficient organisation. The Danish operations also made a positive contribution to income growth during the year, with a strong inflow of new clients and higher assets under management.

### Costs

Operating expenses amounted to SEK 1,571 million (1,465), an increase of seven percent year-on-year. The cost increase is primarily due to selective recruitments in equity research, equity sales and corporate advisory services, as well has high business activity. The increase was also affected by regulatory implementations and investments in IT during the year. The effects of previous reductions in force and substantially lower provisions for restructuring costs had positive impact on the cost base.

### Profit

Profit before tax for 2017 was SEK 463 million (342), an increase of 35 percent year-on-year and the strongest performance in eight years.

Operating profit rose to SEK 901 million (692), an increase of 30 percent year-on-year. Profitability, driven primarily by growth of 15 percent, improved in six out of seven countries in both established areas of business and focus areas where growth potential is higher.

Provisions for the costs of variable remuneration increased as a result of the profit improvement. Profit after tax for the year increased by 27 percent in relation to last year to SEK 339 million (266).

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

## INVESTMENTS

Consolidated investments in fixed assets amounted to SEK 8 million (24) in 2017.

## 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 23.5 percent (19.6) and the capital adequacy ratio was 23.5 percent (22.1). Further information and comparative figures are 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 and bonds account for 16 percent (14), deposits from the public account for 73 percent (67) and other debt accounts for 11 percent (19) of the balance sheet total. The Group's outstanding debenture of SEK 162 million was repaid during the year.

## DIVIDEND PROPOSAL

The Board of Directors of Carnegie is proposing that the 2018 annual general meeting endorse a cash dividend of SEK 92.236 per share. This corresponds to a total dividend of SEK 200 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 | |
|---|---|
| Share premium reserve | 683,165,000 |
| Retained earnings | 861,878,477 |
| Net profit for the year | 198,861,655 |
| **Total** | **1,743,905,132** |

| The Board of Directors proposes the following disposition of profit: | |
|---|---|
| Dividend to shareholders | 200,000,000 |
| To be carried forward | 1,543,905,132 |
| **Total** | **1,743,905,132** |

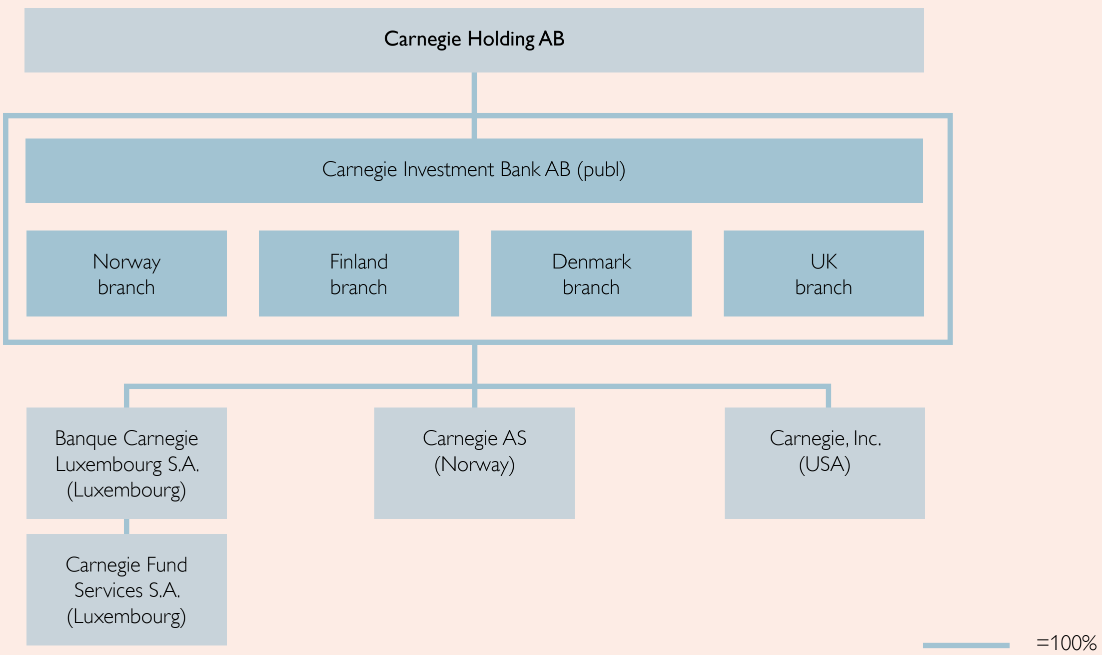
## GENERAL INFORMATION ABOUT RISKS AND UNCERTAINTIES

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 40-44, and Note 28 Risk, liquidity and capital management

## EMPLOYEES

The Carnegie Group had a total of 598 (610) employees in seven countries at year-end 2017. 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.

Legal structure as of 31/12/2017



## 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.

As provided under the Swedish Annual Accounts Act (ch 6, s 11), Carnegie has elected to prepare its sustainability report for 2017 as a separate report, not incorporated in the board of directors' report. The sustainability report, which is found on pages 84-89 of Carnegie's Annual Report 2017, has been approved by the board of directors and was submitted to the auditor for review at the same time as the rest of the Annual Report.

The sustainability report describes Carnegie's approach to social conditions and employees, anti-corruption and respect for human rights and the environment and reports the sustainability initiatives taken during the year.

## SIGNIFICANT EVENTS IN 2017

### Changes in Group management

Elisabeth Erikson took on the role of CIO during the year and is a member of Group management. Jacob Bastholm was appointed Country Head of Carnegie Denmark and member of Group management. Annika Agri Larsson, former head of HR, left the company.

### Legal claims by institutional investors

A number of Danish and global institutional investors raised a suit for damages during the year connected to the bankruptcy of OW Bunker in 2014. Carnegie maintains that there is no legal foundation for the claims and intends to contest the suit.

## AWARDS IN 2017

Carnegie can sum up 2017 with a leading position in all areas of operations and geographies.

### Investment Banking & Securities

In June 2017, Carnegie was ranked highest in relation to the bond market in the High Yield category, acording to Kantar Sifo Prospera. Euromoney also named Carnegie Best Nordic Investment Bank. These successes were followed up in December, when Mergermarket named Carnegie Financial Adviser of the Year in M&A in Sweden. Carnegie topped the adviser rankings in the Nordic corporate transactions market, both overall and in mergers and acquisitions and equity capital market transactions, according to Kantar Sifo Prospera.

In February, Global institutions ranked Carnegie number one in Nordic equity research, according to Institutional Investors All-Europe. This was followed by new victories in June, when global investors rated Carnegie the highest among all firms in the market with regard to equity research, equity sales and corporate access, according to Extel. Swedish institutions also ranked Carnegie number one in the market for equity research, with Lena Österberg named the best individual analyst, according to Financial Hearings. In July, Nordic portfolio managers named Carnegie the best equity house in the Nordics. The year ended with institutional investors in Sweden and Norway both naming Carnegie best equity house, overall as well as wihin research and equity trading, according to Kantar Sifo Prospera.

### Private Banking

Carnegie placed first among Swedish Private Banking providers in February 2017 in the annual Euromoney survey. Carnegie was ranked highest among Swedish Private Banking providers and topped the list in eight out of twelve assessed categories according to Kantar Sifo Prospera.

## SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

### External awards

Carnegie was once again ranked first among Swedish Private Banking providers in February 2018 in the annual Euromoney survey. Institutional investors named Carnegie the best equity house in the Nordics, overall as well as in research and equity trading, according to the January 2018 survey by Kantar Sifo Prospera. In addition, global investors ranked Carnegie number one in Nordic equity research, according to Institutional Investors All-Europe in February.

### Changes in ownership structure

In order to further reinforce the joint commitment between owners and employees of Carnegie, Altor sold 4.6% of its shares in Carnegie Holding to employees of Carnegie in January 2018. After the transaction, Altor owns a 70.7% interest in Carnegie Holding and the remaining share of 29.3% is owned by employees of Carnegie.

## OVERVIEW OF THE PARENT COMPANY

Total income in the parent company amounted to SEK 0 million (5). The CEO's employment was transferred to Carnegie Investment Bank AB in July 2016, which accounts for the reduction in personnel expenses. Net financial income amounted to SEK 201 million (299) and the net profit for the period was SEK 199 million (294).

There were no investments in fixed assets in either 2017 or 2016. Liquidity, defined as cash and lending to credit institutions, was SEK 2 million (1) as of 31 December 2017. Equity amounted to SEK 1,983 million (1,884) as of 31 December 2017.

# 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 Group sustained no losses of material size in 2017.

As regards non-financial risks, 2017 was characterised by an intensive project to implement comprehensive changes, primarily in regulations applicable to investment firms, MiFID II, which went into effect 3 January 2018, and the IFRS 9 reporting standard, which went into effect on 1 January 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 downwards.

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 function consists of risk managers at Group and local levels. The risk management function at the Group level is headed by the Chief Risk Officer (CRO) who reports directly to the CEO and the Board of Directors. The Group function performs corporate risk management. This includes developing the risk process and risk management methods and monitoring their application. The Group 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.

In addition to the Group functions, there are local risk management functions that are responsible for local risk management within the business areas. The local risk management functions perform independent risk assessments, control limits and ensure satisfactory operational controls and risk management. The local functions report to the CRO as well as local management, presidents and boards of directors.

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. In alignment with the risk management function, there are 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

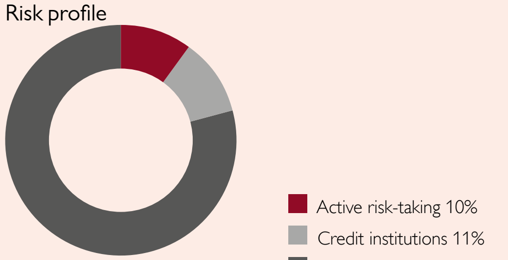
Risk represents uncertainty that may adversely impact Carnegie, for example in the form of financial loss or damaged reputation. Carnegie's operations primarily entail exposure to the following risk categories: market risk, credit risk, liquidity risk, operational risk, compliance risk, reputational 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, 10 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 11 percent, of which the majority is comprised of risks against credit institutions. Other risk-weighted assets of 79 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 acting as price maker in 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. Risk and risk management are also monitored by the Market Risk Department.

Volatility declined in 2017, while share prices continued to rise. Some individual stocks had a more dramatic 2017, with wide movements in share prices. There were no significant earnings hits to the bank's trading book in 2017.

The bank is exposed to four main types of market risk: equity risk, volatility risk, currency risk and interest rate risk. For each category, Carnegie applies complementary risk measures and limits based on sensitivities to changes in various market prices.

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 instrument's price 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 is of an operational and structural nature. 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 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 low, 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.

Credit risk may also arise in certain cases in connection with transactions in Investment Banking. These are characterised by short maturities and collateralised exposures.

Exposure to credit risk within Carnegie for 2017 was essentially on par with 2016. 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. 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, however, a continuing process. This work is driven by the Group Operational Risk Manager at the Group level in close cooperation with local risk management functions in each Group entity. 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.

### 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:

- 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.
- PRIP: Harmonised regulations on standardised information about structured products.
- 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.
- Proactive efforts to prevent market abuse and money laundering.
- Regularly identifying conflicts of interests and making every effort to ensure that action is taken to manage these in a way that is not detrimental to the interests of clients.
- Drafting and adopting 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, 16 (14) percent of Carnegie's financing was comprised of equity, while deposits from the public accounted for 73 (67) percent and other debt accounts for 11 (19) 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. The loan-to-deposit ratio for the Group was 35 (41) percent.

### 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 group's financial position remains strong with a common equity Tier 1 capital ratio of 23.5 percent (19.6) and capital adequacy of 23.5 percent (22.1).

### 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 2017 are provided in the Capital Adequacy and Liquidity Report, available at www.carnegie.se.

# Five-year review

GROUP

| INCOME STATEMENT, SEKm | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Total income | 2,472 | 2,153 | 1,908 | 1,732 | 1,405 |
| Personnel expenses | -1,473 | -1,396 | -1,278 | -1,147 | -977 |
| Expenses | -538 | -441 | -441 | -437 | -397 |
| Expenses before credit losses | -2,011 | -1,837 | -1,719 | -1,584 | -1,374 |
| **Profit before credit losses** | **461** | **316** | **190** | **148** | **31** |
| Credit losses, net | 2 | 26 | 4 | 25 | 25 |
| **Profit before tax** | **463** | **342** | **194** | **173** | **56** |
| Tax | -124 | -76 | -88 | -49 | 47 |
| **Profit for the year from continuing operations** | **339** | **266** | **106** | **124** | **103** |
| **Discontinued operations** | | | | | |
| Profit for the year from discontinued operations | 7 | 120 | 108 | 111 | 91 |
| **Net profit for the year** | **346** | **386** | **214** | **235** | **194** |

| FINANCIAL KEY DATA, CONTINUING OPERATiONS | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| C/I ratio, % | 81 | 85 | 90 | 91 | 98 |
| Income per employee, SEKm | 4.2 | 3.5 | 3.2 | 3.0 | 2.4 |
| Expenses per employee, SEKm | 3.4 | 3.0 | 2.9 | 2.7 | 2.4 |
| Profit margin, % | 19 | 16 | 10 | 10 | 4 |
| Assets under management , SEKbn | 110 | 100 | 92 | 80 | 69 |
| Return on equity, % | 22 | 21 | 5 | 7 | 6 |
| Total assets, SEKm | 12,254 | 11,195 | 10,896 | 11,007 | 10,336 |

| CAPITAL BASE | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Common Equity Tier 1 capital ratio (CET1), % | 23 | 20 | 18 | 20 | 15 |
| Equity, SEKm | 1,917 | 1,677 | 2,088 | 2,369 | 2,136 |

| EMPLOYEES, CONTINUING OPERATIONS | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Average number of employees | 590 | 609 | 591 | 580 | 581 |
| Number of employees at the end of the year | 598 | 610 | 607 | 584 | 573 |

The historical overview is based on legal financial reports. For all years, the fund business and operations within third-party distribution of structured products are presented as discontinued operations.

# Consolidated statements of comprehensive income

| SEK 000s | Notes | Jan–Dec 2017 | Jan–Dec 2016 |
|---|---|---|---|
| **Continuing operations** | | | |
| Commission income | 1 | 2,421,395 | 2,065,988 |
| Commission expenses | | -26,575 | -24,810 |
| **Net commission income** | 2 | **2,394,820** | **2,041,178** |
| Interest income | 1 | 85,730 | 86,833 |
| Interest expenses | | -42,297 | -42,094 |
| **Net interest income** | 3 | **43,433** | **44,739** |
| Net profit from financial transactions | 1, 5 | 34,613 | 67,261 |
| **Total operating income** | | **2,472,866** | **2,153,178** |
| Personnel expenses | 6 | -1,473,054 | -1,395,416 |
| Other administrative expenses | 7 | -513,226 | -413,257 |
| Depreciation and amortisation of tangible and intangible assets | 8 | -25,377 | -28,068 |
| **Total operating expenses** | | **-2,011,657** | **-1,836,740** |
| **Profit before credit losses** | | **461,209** | **316,439** |
| Credit losses, net | 9 | 1,719 | 25,546 |
| **Profit before tax** | | **462,928** | **341,985** |
| Tax | 10 | -123,837 | -75,937 |
| **Profit for the year from continuing operations** | | **339,091** | **266,048** |
| **Discontinued operations** | | | |
| Profit for the year from discontinued operations | 32 | 7,228 | 119,713 |
| **Net profit for the year** | | **346,319** | **385,761** |
| **Other comprehensive income from continuing operations** | | | |
| Items that may subsequently be reclassified to the income statement: | | | |
| Translation of foreign operations | | -5,653 | 27,341 |
| **Total comprehensive income for the year** | | **340,666** | **413,102** |

# Consolidated statements of financial position

| SEK 000s | Notes | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|---|
| **Assets** | | | |
| Cash and bank deposits with central banks | | 533,682 | 1,244,761 |
| Negotiable government securities | 11, 12 | 1,834,136 | 523,445 |
| Loans to credit institutions[1] | 11 | 2,721,669 | 2,829,818 |
| Loans to the general public | 11 | 2,660,509 | 2,901,160 |
| Bonds and other interest-bearing securities | 11, 12, 13 | 2,511,509 | 2,080,469 |
| Shares and participations | 12, 13 | 820,036 | 309,709 |
| Derivative instruments | 12 | 57,224 | 129,903 |
| Intangible assets | 15 | 8,076 | 13,661 |
| Tangible fixed assets | 16 | 52,104 | 65,297 |
| Current tax assets | | 35,640 | 33,982 |
| Deferred tax assets | 17 | 297,793 | 383,598 |
| Other assets | 18 | 623,852 | 579,337 |
| Prepaid expenses and accrued income | 19 | 97,421 | 99,340 |
| Assets held for sale | 32 | 109,085 | 525,059 |
| **Total assets** | 23 | **12,362,736** | **11,719,539** |
| | | | |
| **Liabilities and equity** | | | |
| **Liabilities** | | | |
| Liabilities to credit institutions | 11 | – | 27,761 |
| Deposits and borrowing from the general public[1] | 11 | 8,984,235 | 7,872,904 |
| Short positions, shares | 12 | 36,807 | 144,875 |
| Derivative instruments | 12 | 46,501 | 76,850 |
| Current tax liabilities | | 15,935 | 23,741 |
| Deferred tax liabilities | 17 | 10,321 | 12,260 |
| Other liabilities | 20 | 343,254 | 444,099 |
| Accrued expenses and prepaid income | 21 | 789,016 | 663,075 |
| Other provisions | 22 | 110,110 | 89,990 |
| Subordinated liabilities | 30 | – | 162,119 |
| Liabilities held for sale | 32 | 109,085 | 525,059 |
| **Total liabilities** | 23 | **10,445,264** | **10,042,733** |
| | | | |
| **Equity** | | | |
| Share capital | 34 | 238,811 | 238,811 |
| Other capital contributions | | 683,165 | 683,165 |
| Provisions | | -115,597 | -109,944 |
| Retained earnings | | 1,111,093 | 864,774 |
| **Total equity** | | **1,917,472** | **1,676,806** |
| | | | |
| **Total liabilities and equity** | | **12,362,736** | **11,719,539** |
| | | | |
| **Pledged assets and contingent liabilities** | 24 | | |
| Assets pledged for own debt | | 670,643 | 870,074 |
| Other pledged assets | | 1,085,816 | 1,122,066 |
| Contingent liabilities and guarantees | | 444,747 | 540,134 |

1) Whereof client funds 478,520 (135,797)

# Consolidated statements of changes in equity

| | ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS | | | | |
|---|---|---|---|---|---|
| SEK 000s | Share capital | Other capital contributions | Translation reserve | Retained earnings | Total |
| **Equity – opening balance 2016** | **238,811** | **683,165** | **-137,285** | **1,303,219** | **2,087,911** |
| Net profit for the year | | | | 385,761 | 385,761 |
| Other comprehensive income: | | | | | |
| Translation differences relating to foreign operations | | | 27,341 | | 27,341 |
| **Total comprehensive income (net after tax)** | | | **27,341** | **385,761** | **413,102** |
| Dividends paid | | | | -824,206 | -824,206 |
| **Equity – closing balance 2016** | **238,811** | **683,165** | **-109,944** | **864,774** | **1,676,806** |
| Net profit for the year | | | | 346,319 | 346,319 |
| Other comprehensive income: | | | | | |
| Translation differences relating to foreign operations | | | -5,653 | | -5,653 |
| **Total comprehensive income (net after tax)** | | | **-5,653** | **346,319** | **340,666** |
| Dividends paid | | | | -100,000 | -100,000 |
| **Equity – closing balance 2017** | **238,811** | **683,165** | **-115,597** | **1,111,093** | **1,917,472** |

# Parent company income statement

| SEK 000s | Notes | Jan-Dec 2017 | Jan-Dec 2016 |
|---|---|---|---|
| Net sales | 1 | – | 5,100 |
| Other external costs | 7 | -597 | -1,299 |
| Personnel expenses | 6 | -1,093 | -8,797 |
| **Operating loss** | | **-1,690** | **-4,996** |
| Interest income and similar income | 1, 3 | 0 | 1 |
| Interest expenses and similar expenses | 3 | -4,355 | -8,470 |
| Profit/loss from investments in subsidiaries | 4 | 205,000 | 307,260 |
| **Net financial income/expenses** | | **200,645** | **298,791** |
| **Profit before tax** | | **198,955** | **293,795** |
| Tax | 10 | -93 | 142 |
| **Net profit for the year** | | **198,862** | **293,937** |

# Parent company statement of other comprehensive income

| SEK 000s | Notes | Jan–Dec 2017 | Jan–Dec 2016 |
|---|---|---|---|
| Net profit for the year | | 198,862 | 293,937 |
| Other comprehensive income: | | – | – |
| **Total comprehensive income for the year** | | **198,862** | **293,937** |

# Parent company balance sheet

| SEK 000s | Notes | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|---|
| **Assets** | | | |
| Shares and participations in group companies | 14 | 1,780,084 | 1,780,084 |
| Deferred tax assets | 17 | 1,739 | 1,832 |
| Total non-current financial assets | | 1,781,823 | 1,781,916 |
| Receivables from group companies | 26 | 205,000 | 310,000 |
| Current tax assets | | 1,397 | 1,566 |
| Other current receivables | | 7,994 | 8,326 |
| Cash and bank balances | | 1,605 | 1,457 |
| Total current assets | | 215,996 | 321,348 |
| **Total assets** | | **1,997,819** | **2,103,264** |
| **Equity and liabilities** | | | |
| Share capital | 34 | 238,811 | 238,811 |
| Share premium reserve | | 683,165 | 683,165 |
| Retained earnings | | 861,878 | 667,942 |
| Net profit for the year | | 198,862 | 293,937 |
| **Total equity** | | **1,982,716** | **1,883,854** |
| Pension provisions | | 7,826 | 8,326 |
| Other provisions | 22 | – | 1,944 |
| Total provisions | | 7,826 | 10,270 |
| Subordinated liabilities | 30 | – | 162,119 |
| Total non-current liabilities | | – | 162,119 |
| Accounts payable, trade | | – | 0 |
| Liabilities to group companies | | 6,927 | 37,692 |
| Other current liabilities | | 14 | 666 |
| Accrued expenses and prepaid income | 21 | 336 | 8,662 |
| Total current liabilities | | 7,277 | 47,021 |
| **Total liabilities** | | **15,103** | **219,410** |
| **Total equity and liabilities** | | **1,997,819** | **2,103,264** |
| **Pledged assets and contingent liabilities** | 24 | | |
| Assets pledged for own debt | | – | – |
| Other pledged assets | | – | – |
| Contingent liabilities and guarantees | | 112,509 | 112,509 |

# Parent company statement of changes in equity

| SEK 000s | Share capital | Share premium reserve | Retained earnings | Total |
|---|---|---|---|---|
| **Equity – opening balance 2016** | **238,811** | **683,165** | **1,492,147** | **2,414,123** |
| Net profit for the year | | | 293,937 | 293,937 |
| **Total income and expenses for the year** | | | **293,937** | **293,937** |
| Dividends paid | | | -824,206 | -824,206 |
| **Equity – closing balance 2016** | **238,811** | **683,165** | **961,878** | **1,883,854** |
| Net profit for the year | | | 198,862 | 198,862 |
| **Total income and expenses for the year** | | | **198,862** | **198,862** |
| Dividends paid | | | -100,000 | -100,000 |
| **Equity – closing balance 2017** | **238,811** | **683,165** | **1,060,740** | **1,982,716** |

# Cash flow statements

| | GROUP[1] | | PARENT COMPANY | |
|---|---|---|---|---|
| SEK 000s | 2017 | 2016 | 2017 | 2016 |
| **Operating activities** | | | | |
| Profit before tax | 465,656 | 460,617 | 198,955 | 293,795 |
| Adjustments for items not affecting cash flow | 55,752 | -120,928 | -205,000 | -309,144 |
| Paid income tax | -41,435 | -27,399 | 1,293 | – |
| Cash flow from operating activities before changes in working capital | 479,973 | 312,290 | -4,752 | -15,349 |
| Changes in working capital | -594,220 | 152,782 | 4,900 | 10,407 |
| Cash flow from operating activities | -114,247 | 465,072 | 148 | -4,942 |
| **Investing activities** | | | | |
| Sale of subsidiaries | – | -32,188 | – | – |
| Acquisitions of fixed assets | -8,351 | -24,069 | – | – |
| Cash flow from investing activities | -8,351 | -56,257 | – | – |
| **Financing activities** | | | | |
| Dividends paid | -100,000 | – | – | – |
| Amortisation of subordinated liabilities | -162,119 | – | – | – |
| Cash flow from financing activities | -262,119 | – | – | – |
| **Cash flow for the year** | **-384,717** | **408,815** | **148** | **-4,942** |
| Cash and cash equivalents at beginning of year[2] | 4,129,229 | 3,619,787 | 1,457 | 6,399 |
| Translation differences in cash and cash equivalents | 53,330 | 100,627 | – | – |
| **Cash and cash equivalents at end of year[2]** | **3,797,842** | **4,129,229** | **1,605** | **1,457** |

1) The consolidated statements of cash flows include discontinued operations up to and including the date of divestment. Cash flow statements for discontinued operations are presented in Note 32.
2) Excluding cash and cash equivalents pledged as collateral.

For further disclosures concerning cash flow statements, see Note 29.

# Accounting policies

## General information

Carnegie Holding AB, corporate registration number 556780-4983, has its registered office in Stockholm, at Regeringsgatan 56. The company's business is to directly or indirectly own, manage, pledge collateral to and provide loans to the banking operations and other Group companies related to financial activities and to conduct related business. All business in Carnegie Holding takes place in Carnegie Investment Bank AB and its subsidiaries. The Group also included Carnegie Fonder AB up to the end of April 2016, after which the company was sold.

Carnegie is a Nordic investment and private bank with operations in three business areas: 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 Holding AB is owned by the fund 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 the 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.

The sale of Carnegie Fonder AB was executed in late April 2016 as decided by the Board of Directors in September 2015. In December 2016, the Board of Directors decided that operations within third party distribution of structured products (below: Structured Products) would be divested during 2017. Carnegie Fonder and Structured Products are thus presented as discontinued operations in accordance with IFRS 5 Non-current assets held for sale and discontinued operations. Consequently, the results of Carnegie Fonder AB, including related consolidated items, and Structured Products are presented separately in the Consolidated Statements of Comprehensive Income for both 2017 and 2016. Assets and liabilities attributed to Carnegie Fonder AB, including related consolidated items, and Structured Products are presented separately in the Consolidated Statements of Comprehensive Income for both 2017 and 2016. Additional disclosures pertaining to Carnegie Fonder AB 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 policies for the parent company are presented below under "Parent company accounting policies."

## New and amended accounting standards and interpretations

There are no new standards or amendments of existing standards issued by the International Accounting Standards Board (IASB) effective as of 2017 that have had any effect on the consolidated financial statements.

## Standards, amendments and interpretations that have not yet taken effect

A number of new and revised standards are not mandatorily effective until the 2018 reporting period or later and there was no early application for these financial statements.

*IFRS 9, Financial Instruments* will supersede *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. IFRS 9 retains a mixed measurement approach, but simplifies it in certain respects. There will be three measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. How an instrument should be classified depends upon the entity's business model and the characteristics of the instrument. The classification and measurement of financial liabilities is not changed except when a liability is reported at fair value through profit or loss based upon the fair value option. Value changes attributable to changes in own credit risk must be recognised in other comprehensive income. *IFRS 9* also introduces a new model for estimating loss allowances for financial assets measured at amortised cost or at fair value through other comprehensive income. The allowance must be based on lifetime expected losses. The requirement in *IAS 39* that a default event must have occurred has been eliminated. The new model introduces a three-step approach based on whether a significant increase in credit risk has occurred. If the credit risk for the financial asset has not increased significantly since initial recognition, a loss allowance is recognised that is equal to the 12-month expected credit losses. For financial assets where the credit risk has increased significantly and for those in default, a loss allowance is recognised that is equal to expected losses over the life of the financial instrument. When assessing changes in credit risk and estimating expected losses, the entity should consider all available relevant information, including information about past events, current economic conditions at the reporting date and forecasts of future economic conditions. *IFRS 9* further reduces the requirements for application of hedge accounting and documentation requirements pertaining to hedge accounting have also been changed compared with *IAS 39*.

IFRS 9 has been endorsed by the EU and must be applied for reporting periods beginning on or after 1 January 2018. The new rules on impairments, based on expected credit losses as opposed to previously sustained credit losses, are expected to reduce consolidated equity by SEK 13 million. The effect on the Carnegie Group's common equity Tier 1 capital is therefore limited and entails a good margin to the financial stability targets set by the Group. As regards classification of financial assets, the following changes to classification will apply to the Group:

**Classification of financial assets at 31 December 2017, 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 2018, SEKm**

| | |
|---|---|
| Amortised cost | 10,977 |
| Fair value through comprehensive income | – |
| 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* supersedes current standards and interpretations on revenue recognition but does not apply to financial instruments, leases or insurance contracts. A five-step model is introduced to determine how and when revenue must be recognised. New disclosure requirements are introduced to provide more useful information to users of financial statements about the entity's revenues. *IFRS 15* has been endorsed by the EU and takes effect on 1 January 2018. No effect on the consolidated financial statements is expected.

*IFRS 16 Leases* 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 timer period and a concurrent obligation to pay for that right. Accounting for the lessor will remain unchanged in all material respects. IFRS 16 was adopted in November 2017 and is effective for annual reporting periods beginning on or after 1 January 2019. Early application is permitted. The Group has not yet assessed the effects of *IFRS 16*.

### 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 intra-group 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 policies. 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 calculated 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 calculated in a reliable manner. 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 calculated reliably.

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 calculated reliably.

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 post-employment 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 30–32.

#### 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.

### Leasing

Financial leases are contracts according to which the economic benefits and risks associated with ownership of the leased object 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.

Leasing fees 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 into 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 taxdeductible 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 net 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 to 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 IAS 39 applied by Carnegie are as follows:

- Financial assets measured at fair value through profit or loss
- Financial assets available for sale
- Loan receivables and accounts receivable
- Financial liabilities measured at fair value through profit or loss
- Other financial liabilities

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 held to maturity are measured at amortised cost using the effective rate method.

Financial assets and financial liabilities held for trading are measured after acquisition date at fair value in the balance sheet, while changes in value are recognised in 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 bank deposits with central banks

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. Provisions are allocated for probable credit losses after individual assessment. Provisions are made where the likelihood 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, provisions are made for probable credit losses where the likelihood of default is significant and where pledges, obligations or other guarantees are not estimated to cover the claim amount.

The principle for classifying actual credit losses 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 either categorised as assets held for trading measured at amortised cost or as assets held for trading and measured at fair value, with changes in fair value recognised in profit and loss under "Net profit/loss from financial transactions."

#### 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 classified as assets held for trading. Derivative instruments are measured at fair value. Changes in fair value are recognised in profit and loss as "Net profit/loss from financial transactions at fair value." 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 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 cases in which a borrowed security is sold in a process known as short-selling, a liability is recognised corresponding to the divested security's fair value. Received collateral in the form of cash is recognised under "Liabilities to credit institutions" or "Deposits and borrowing from the general public," depending on the counterparty. Pledged collateral in the form of cash is included on the balance sheet under "Loans to credit institutions" or "Loans to the general public," depending on the counterparty.

### 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 estimated in a reliable manner. 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 policies, 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 POLICIES

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 policies 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.

# Notes

Notes related to the Consolidated statements of comprehensive income exclude Carnegie Fonder AB and operations within third-party distribution of structured products for both 2017 and 2016. Information about discontinued operations is presented in Note 32.

## Note 1 Geographical distribution of income

| GROUP | COMMISSION INCOME | | INTEREST INCOME | | NET PROFIT FROM FINANCIAL TRANSACTIONS | | TOTAL INCOME | |
|---|---|---|---|---|---|---|---|---|
| **SEK 000S** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| Denmark | 260,988 | 221,962 | -246 | -638 | 3,523 | 7,097 | 264,265 | 228,421 |
| Norway | 316,810 | 287,067 | 21,470 | 19,962 | -361 | 2,198 | 337,919 | 309,227 |
| Sweden | 1,486,456 | 1,230,337 | 53,756 | 53,045 | -1,366 | 18,273 | 1,538,846 | 1,301,655 |
| Other | 488,544 | 375,366 | 16,313 | 19,287 | 34,057 | 45,403 | 538,914 | 440,056 |
| Eliminations | -131,403 | -48,744 | -5,563 | -4,823 | -1,240 | -5,710 | -138,206 | -59,277 |
| **Total** | **2,421,395** | **2,065,988** | **85,730** | **86,833** | **34,613** | **67,261** | **2,541,738** | **2,220,082** |

The parent company had no income in 2017. All income in the parent company for 2016 refers to Sweden.

## Note 2 Net commission income

| | GROUP | |
|---|---|---|
| **SEK 000s** | **2017** | **2016** |
| Commission income | 706,039 | 653,612 |
| Advisory services income | 1,684,161 | 1,397,621 |
| Other income | 61,634 | 47,208 |
| Marketplace fees | -30,439 | -32,453 |
| **Total commission income** | **2,421,395** | **2,065,988** |
| **Total commission expenses** | **-26,575** | **-24,810** |
| **Net commission income** | **2,394,820** | **2,041,178** |

## Note 3 Net interest income

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| **SEK 000s** | **2017** | **2016** | **2017** | **2016** |
| **Interest income** | | | | |
| Interest income from lending to credit institutions | 121 | 317 | – | 1 |
| Interest income from lending to the general public | 84,926 | 86,256 | – | – |
| Interest income from interest-bearing securities | 19 | 260 | – | – |
| Other interest income | 664 | – | 0 | – |
| **Total interest income[1)]** | **85,730** | **86,833** | **0** | **1** |
| **Interest expenses** | | | | |
| Interest expenses related to liabilities to credit institutions | -23,569 | -18,667 | -162 | -215 |
| Interest expenses related to deposits/borrowing from the general public | -4,755 | -5,241 | – | – |
| Interest expenses related to interest-bearing securities | -9,455 | -7,336 | – | – |
| Other interest expenses[2)] | -4,518 | -10,850 | -4,193 | -8,255 |
| **Total interest expenses** | **-42,297** | **-42,094** | **-4,355** | **-8,470** |
| **Net interest income** | **43,433** | **44,739** | **-4,355** | **-8,469** |
| Whereof amounts for balance sheet items not measured at fair value: | | | | |
| Interest income | 85,730 | 86,833 | 0 | 1 |
| Interest expenses | -36,051 | -42,094 | -4,355 | -8,470 |
| **Total** | **49,679** | **44,739** | **-4,355** | **-8,469** |
| 1 Whereof interest on doubtful receivables | – | – | – | – |

2) Refers primarily to subordinated liabilities; see Note 30

## Note 4 Profit/loss from participations in subsidiaries

| | PARENT COMPANY | |
|---|---|---|
| **SEK 000s** | **2017** | **2016** |
| Anticipated dividends from subsidiaries | 205,000 | 310,000 |
| Cost of supplementary purchase consideration related to the acquisition of Carnegie Investment Bank AB[1)] | – | -2,740 |
| **Total profit from investments in subsidiaries** | **205,000** | **307,260** |

1) The cost refers to additional purchase consideration paid to the Swedish National Debt Office.

## Note 5 Net profit/loss from financial transactions

| 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 | 4,894 | -7,792 | -1,850 | – | – | | -4,748 |
| Other financial instruments and attributable derivatives | 36,218 | – | – | – | – | | 36,218 |
| Exchange-rate changes | | | | | | -1,363 | -1,363 |
| **Net profit from financial transactions** | **46,214** | **-9,028** | **-1,210** | – | – | **-1,363** | **34,613** |

| 2016 | | 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 | 1,485 | 1,294 | -67 | – | – | | 2,712 |
| Shares and participations and attributable derivatives | 24,828 | -1,115 | -3,176 | – | – | | 20,537 |
| Other financial instruments and attributable derivatives | 24,484 | 21,541 | – | – | – | | 46,025 |
| Exchange-rate changes | | | | | | -2,013 | -2,013 |
| **Net profit from financial transactions** | **50,797** | **21,720** | **-3,243** | – | – | **-2,013** | **67,261** |

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

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| **SEK 000s** | **2017** | **2016** | **2017** | **2016** |
| Salaries and fees | -737,335 | -723,889 | -1,095 | -4,327 |
| Social insurance fees | -153,797 | -149,895 | -135 | -1,283 |
| Allocation to variable remuneration[1] | -436,000 | -362,500 | – | -2,287 |
| Pension expenses for Board of Directors and CEO | -2,315 | -2,334 | 18 | -869 |
| Pension expenses for other employees | -112,226 | -117,117 | – | – |
| Other personnel expenses | -31,381 | -39,681 | 119 | -30 |
| **Total personnel expenses** | **-1,473,054** | **-1,395,416** | **-1,093** | **-8,797** |

1) Including social insurance fees.

**Salaries and fees specified by category**

| **SEK 000s** | **2017** | **2016** | **2017** | **2016** |
|---|---|---|---|---|
| Salaries and fees to directors, CEO and members of Group management | -50,328 | -45,644 | -1,095 | -4,327 |
| Salary and remuneration to other employees not included in the Board of Directors or Group management | -687,007 | -678,245 | – | – |
| **Total salaries and fees** | **-737,335** | **-723,889** | **-1,095** | **-4,327** |

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

| | **2017** | **2016** | **2017** | **2016** |
|---|---|---|---|---|
| Denmark | 77 (18) | 85 (21) | – | – |
| Finland | 22 (6) | 19 (5) | – | – |
| Luxembourg | 45 (10) | 44 (10) | – | – |
| Norway | 81 (12) | 76 (11) | – | – |
| UK | 31 (12) | 35 (14) | – | – |
| Sweden | 324 (105) | 339 (107) | – (–) | 0 (–) |
| USA | 10 (3) | 11 (3) | – | – |
| **Total** | **590 (166)** | **609 (171)** | **– (–)** | **0 (–)** |

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

| **Remuneration to the Board of Directors** | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| **SEK 000s** | **2017** | **2016** | **2017** | **2016** |
| Bo Magnusson, chairman[1] | 800 | 800 | 333 | 600 |
| Ingrid Bojner[2] | 350 | 303 | 150 | 217 |
| Klas Johansson[3] | 250 | 175 | 104 | 131 |
| Anders Johnsson[4] | 500 | 350 | 217 | 245 |
| Harald Mix[5] | 250 | 250 | 104 | 188 |
| Andreas Rosenlew[6] | 350 | 303 | 150 | 217 |
| Mårten Andersson[7] | – | 135 | – | 90 |
| Fredrik Strömholm[8] | – | 74 | – | 56 |
| **Total** | **2,500** | **2,390** | **1,058** | **1,744** |

1) Whereof SEK 467 thousand (200) in fees for assignments for Carnegie Investment Bank AB.
2) Whereof SEK 200 thousand (86) in fees for assignments for Carnegie Investment Bank AB.
3) Whereof SEK 146 thousand (44) in fees for assignments for Carnegie Investment Bank AB. The fee for 2016 refers to the period of 20 April–31 December.
4) Whereof SEK 283 thousand (105) in fees for assignments for Carnegie Investment Bank AB. The fee for 2016 refers to the period of 20 April–31 December.
5) Whereof SEK 146 thousand (63) in fees for assignments for Carnegie Investment Bank AB.
6) Whereof SEK 200 thousand (86) in fees for assignments for Carnegie Investment Bank AB.
7) Whereof SEK - thousand (45) in fees for assignments for Carnegie Investment Bank AB. The fee for 2016 refers to the period of 1 January–19 April.
8) Whereof SEK - thousand (18) in fees for assignments for Carnegie Investment Bank AB. The fee for 2016 refers to the period of 1 January–19 April.

**Remuneration to the CEO and other senior executives[1]**

| 2017<br>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[2] | 39,965 | 22,929 | 4,710 | – |

1) No fees were paid in the parent company, Carnegie Holding AB
2) 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.

## Note 6 Personnel expenses, cont.

**Remuneration to the CEO and other senior executives**

| 2016<br>SEK 000s | Gross salary and benefits | Variable remuneration | Pensions and comparable benefits | Severance pay |
|---|---|---|---|---|
| CEO Björn Jansson[1] | 8,034 | 7,609 | 2,334 | – |
| Other senior executives[2] | 35,220 | 17,333 | 4,932 | – |

1) During the first half of 2016, Björn Jansson was employed by and paid salary and benefits by Carnegie Holding AB. Thereafter, his employment contract was transferred to Carnegie Investment Bank AB. Information concerning remuneration refers to the full year of 2016; paid by Carnegie Holding AB for January–June and paid by Carnegie Investment Bank AB for July–December.
2) 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: Annika Agri Larsson, Anders Antas, Christian Begby, Claus Gregersen, Henric Falkenberg, Fredrik Leetmaa, Helena Nelson, Jonas Predikaka, Henrik Rättzén and Ulf Vucetic. All senior executives were members of executive management for the entire year except Jonas Predikaka, whose appointment began on 1 June.

**Gender distribution**
The current Board of Directors consists of 17% (17) women and 83% (83) men. The current management group consists of 20% (18) women and 80% (82) 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. Other 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 13 percent (15) 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 thee market value of the endowment insurance policies. The total market value amounts to SEK 420,430 thousand (411,024) in the Group and SEK 7,826 thousand (8,326) in the parent company. Premiums paid during the year amounted to SEK 3,136 thousand (4,890) in the Group, whereof SEK - thousand (1,247) in the parent company.

Report on remuneration expensed by the Carnegie Holding Group in 2017 pursuant to the Capital Requirements Regulation for Credit Institutions and Investments Firms and Finansinspektionen's Regulation FFFS 2014:12. The table excludes discontinued operations.

| Remuneration expensed in 2017 | 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 | 855,665 | 694 | 346,172 | 499 |

| | 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] | 94,013 | 144,470 | 617,182 | 855,665 |
| Number of employees | 26 | 82 | 586 | 694 |
| Variable remuneration[1] | 48,210 | 59,451 | 238,511 | 346,172 |
| Number of employees | 26 | 80 | 393 | 499 |
| Whereof: | | | | |
| Cash-based variable remuneration | 48,210 | 59,451 | 238,511 | 346,172 |
| Share-based variable remuneration | N/A | N/A | N/A | N/A |
| Deferred remuneration[3] | 28,926 | 24,105 | – | 53,031 |
| Committed and paid remuneration[4] | 113,297 | 179,816 | 855,693 | 1,148,806 |
| Severance pay (paid out) | 632 | 4,873 | 16,362 | 21,867 |
| Number of employees | 1 | 7 | 33 | 41 |
| Committed severance pay (not yet paid) | – | – | 3,274 | 3,274 |
| Number of employees | – | – | 9 | 9 |
| Highest individual severance pay (not yet paid) | – | – | 640 | 640 |

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 2017 that was paid during 2018 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 2017 are related to cost savings.

## Note 7 Other administrative expenses

| SEK 000s | GROUP 2017 | GROUP 2016 | PARENT COMPANY 2017 | PARENT COMPANY 2016 |
|---|---|---|---|---|
| Other administrative expenses include the following amounts paid to elected auditors: | | | | |
| **Statutory auditing** | | | | |
| PwC | -5,439 | -4,913 | – | 99 |
| Regen, Benz & MacKenzie | -427 | -428 | – | – |
| **Total statutory auditing** | **-5,866** | **-5,341** | **–** | **99** |
| **Other auditing** | | | | |
| PwC | -513 | -552 | -443 | – |
| **Total other auditing** | **-513** | **-552** | **-443** | **–** |
| **Tax advice** | | | | |
| PwC | -176 | -356 | – | – |
| **Total tax advice** | **-176** | **-356** | **–** | **–** |
| **Other consultant assignments** | | | | |
| PwC | -784 | -669 | – | – |
| Regen, Benz & MacKenzie | -131 | -137 | – | – |
| **Total other consultancy assignments** | **-915** | **-806** | **–** | **–** |

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. 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

| SEK 000s | GROUP 2017 | GROUP 2016 |
|---|---|---|
| Computer equipment and other equipment | -12,041 | -8,102 |
| Renovations | -7,581 | -13,759 |
| Recognised negative goodwill/adjustment of acquisition analysis | – | -2,740 |
| Other intangible assets | -5,755 | -3,467 |
| **Total depreciation and amortisation of tangible fixed assets and intangible assets** | **-25,377** | **-28,068** |

## Note 9 Net credit losses and provisions for doubtful receivables

| SEK 000s | GROUP 2017 | GROUP 2016 |
|---|---|---|
| Provisions for doubtful receivables on the opening date | -210,308 | -229,695 |
| Effect on income of individually evaluated credits recognised in profit and loss (minus is increased provision): | | |
| Reversals of previous provisions | 1,719 | 25,546 |
| **Total net credit losses** | **1,719** | **25,546** |
| Translation differences | -57 | 466 |
| **Total items affecting income** | **1,662** | **26,012** |
| Previously reported as doubtful receivable, now eliminated as actual | – | 15,617 |
| Previously eliminated as actual, now reversed and recognised as income | 5,697 | -11,472 |
| Translation differences | 4,437 | -10,770 |
| **Provisions for doubtful receivables on the closing date** | **-198,512** | **-210,308** |

Credit losses and doubtful receivables originated with provisions made before 2009.

## Note 10 Taxes

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| **SEK 000s** | **2017** | **2016** | **2017** | **2016** |
| **Current tax expense** | | | | |
| Tax expense for the year | -27,510 | -36,338 | – | – |
| Adjustment of tax attributable to previous years | -6,868 | 127 | – | – |
| **Total current tax expense** | **-34,378** | **-36,211** | **–** | **–** |
| | | | | |
| **Deferred tax expense (-) / tax income (+)** | | | | |
| Deferred tax related to timing differences | 3,308 | 14,691 | -93 | 142 |
| Tax effect of changed tax rate | -2,330 | -196 | – | – |
| Deferred tax in the tax value of loss carryforwards capitalised during the year | – | 1,706 | – | – |
| Deferred tax expense in the tax value of loss carryforwards capitalised during the year | -85,937 | -54,847 | – | – |
| Effect on deferred tax expense of discontinued operations[1] | -4,500 | -1,081 | – | – |
| **Total deferred tax expense/income** | **-89,459** | **-39,726** | **-93** | **142** |
| **Total recognised tax expense/income** | **-123,837** | **-75,937** | **-93** | **142** |

| **Reconciliation of effective tax** | 2017 | | 2016 | |
|---|---|---|---|---|
| **Group, SEK 000s** | **Tax rate, %** | **Amount** | **Tax rate, %** | **Amount** |
| Profit before tax | | 462,928 | | 341,985 |
| Tax according to prevailing tax rate for the parent company | 22.0 | -101,844 | 22.0 | -75,237 |
| | | | | |
| **Tax effects in respect of:** | | | | |
| Other tax rates for foreign companies | 0.5 | -2,386 | 1.2 | -4,123 |
| Non-deductible expenses[2] | 4.6 | -21,286 | 1.8 | -6,220 |
| Non-taxable income | -1.1 | 5,113 | -1.6 | 5,336 |
| Increase in loss carryforwards without corresponding capitalisation of deferred tax | 0.1 | -374 | 0.7 | -2,545 |
| Utilisation of non-capitalised loss carryforwards | -1.7 | 7,956 | -2.3 | 7,875 |
| Capitalisation of loss carryforwards in previous years | 0.0 | -5 | 0.0 | 9 |
| Revaluation of deferred tax | 1.2 | -5,619 | 1.1 | -3,821 |
| Tax attributable to previous years | 1.5 | -6,868 | 0.0 | 127 |
| Adjustment of taxable profit | -0.3 | 1,476 | -0.8 | 2,661 |
| **Recognised effective tax[3]** | **26.8** | **-123,837** | **22.2** | **-75,937** |

| **Reconciliation of effective tax** | 2017 | | 2016 | |
|---|---|---|---|---|
| **Parent company, SEK 000s** | **Tax rate, %** | **Amount** | **Tax rate, %** | **Amount** |
| Profit before tax | | 198,955 | | 293,794 |
| Tax according to prevailing tax rate for the parent company | 22.0 | -43,770 | 22.0 | -64,635 |
| | | | | |
| **Tax effects in respect of:** | | | | |
| Non-deductible expenses | 0.5 | -959 | 0.3 | -1,022 |
| Non-taxable income | -22.7 | 45,100 | -23.2 | 68,202 |
| Increase in loss carryforwards without corresponding capitalisation of deferred tax | 0.2 | -371 | 0.9 | -2,545 |
| Revaluation of deferred tax | 0.0 | -93 | 0.0 | 142 |
| **Recognised effective tax** | **0.0** | **-93** | **0.0** | **142** |

1) Effect on deferred tax expense of discontinued operations affects the income statement but not the balance sheet (Note 17).
2) Non-deductible expenses refers mainly the provisions for the year and translation differences relating to branches.
3) The weighted average tax rate for the Group is 22.5 percent (23.5).

## Note 11 Maturity information

| GROUP, 31 DEC 2017, SEK 000s | Upon demand | <3 months | >3 months but <1 year | >2 but less than <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 | 2,721,669 | – | – | – | – | – | – | – | 2,721,669 |
| Loans to the general public | 2,151,517 | 346,293 | 115,513 | – | – | 47,186 | – | – | 2,660,509 |
| 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** | **6,129,756** | **1,282,154** | **2,255,279** | **4,967** | **15,251** | **47,186** | **-6,770** | **–** | **9,727,823** |
| 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** |

| GROUP, 31 DEC 2016, SEK 000s | Upon demand | <3 months | >3 months but <1 year | >2 but less than <2 years | >2 but less than <5 years | > 5 years | Interest effect | N/A | Total |
|---|---|---|---|---|---|---|---|---|---|
| Negotiable government securities | 72,173 | 415,057 | 36,215 | – | – | – | – | – | 523,445 |
| Loans to credit institutions | 2,783,790 | – | – | 46,028 | – | – | – | – | 2,829,818 |
| Loans to the general public | 2,484,553 | 341,621 | 74,985 | – | – | – | – | – | 2,901,160 |
| Bonds and other interest-bearing securities | – | 661,059 | 1,306,355 | 33,966 | 11,490 | 63,249 | – | 4,349 | 2,080,469 |
| **Total financial assets** | **5,340,516** | **1,417,737** | **1,417,555** | **79,995** | **11,490** | **63,249** | **–** | **4,349** | **8,334,892** |
| Liabilities to credit institutions | 16,743 | 11,018 | – | – | – | – | – | – | 27,761 |
| Deposits and borrowing from the general public | 7,823,960 | 48,944 | – | – | – | – | – | – | 7,872,904 |
| **Total financial liabilities** | **7,840,703** | **59,962** | **–** | **–** | **–** | **–** | **–** | – | **7,900,665** |

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

| Valuation method 2017[1] | HELD FOR TRADING | | | INVESTMENTS HELD TO MATURITY | |
|---|---|---|---|---|---|
| GROUP, 31 DEC 2017, SEK 000s | Quoted fair value (Level 1) | Valuation technique using observable inputs (Level 2) | Valuation technique using non-observable inputs (Level 3) | | Total |
| Negotiable government securities | 449,163 | – | – | 1,384,973 | 1,834,136 |
| Bonds and other interest-bearing securities | 2,416,863 | 22,140 | – | 72,506 | 2,511,509 |
| Shares and participations | 814,744 | 5,292 | – | – | 820,036 |
| Derivative instruments | 52,561 | 4,663 | – | – | 57,224 |
| **Total financial assets** | **3,733,331** | **32,095** | **–** | **1,457,479** | **5,222,905** |
| Short positions, shares | 36,807 | – | – | – | 36,807 |
| Derivative instruments | 45,225 | 1,276 | – | – | 46,501 |
| **Total financial liabilities** | **82,032** | **1,276** | **–** | **–** | **83,308** |

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 2016[1] | HELD FOR TRADING | | | INVESTMENTS HELD TO MATURITY | |
|---|---|---|---|---|---|
| GROUP, 31 DEC 2016, SEK 000s | Quoted fair value (Level 1) | Valuation technique using observable inputs (Level 2) | Valuation technique using non-observable inputs (Level 3) | | Total |
| Negotiable government securities | 50,609 | – | – | 472,836 | 523,445 |
| Bonds and other interest-bearing securities | 1,085,162 | 105,164 | – | 890,143 | 2,080,469 |
| Shares and participations | 297,951 | 11,758 | – | – | 309,709 |
| Derivative instruments | 122,013 | 7,890 | – | – | 129,903 |
| **Total financial assets** | **1,555,735** | **124,812** | **–** | **1,362,979** | **3,043,526** |
| Short positions, shares | 144,875 | – | – | – | 144,875 |
| Derivative instruments | 74,829 | 2,021 | – | – | 76,850 |
| **Total financial liabilities** | **219,703** | **2,021** | **–** | **–** | **221,725** |

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 2016, SEK 000s | Gross amounts | Offset | Net amounts in balance sheet |
|---|---|---|---|
| **Assets** | | | |
| Trade and client receivables | 1,367,832 | -1,105,751 | 262,081 |
| **Liabilities** | | | |
| Trade and client payables | 1,228,164 | -1,104,166 | 123,998 |

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 | |
|---|---|---|
| SEK 000s | 31 Dec 2017 | 31 Dec 2016 |
| **Bonds and other interest-bearing securities** | | |
| Listed | 2,511,509 | 2,080,469 |
| Unlisted | – | – |
| | **2,511,509** | **2,080,469** |
| Swedish government bodies | – | – |
| Other Swedish issuers | 2,421,472 | 1,636,876 |
| Foreign government bodies | 72,506 | – |
| Other foreign issuers | 17,531 | 443,593 |
| | **2,511,509** | **2,080,469** |
| **Shares and participating interests** | | |
| Listed | 814,972 | 303,941 |
| Unlisted | 5,064 | 5,768 |
| | **820,036** | **309,709** |

## Note 14 Shares and participations in Group companies

| | PARENT COMPANY | |
|---|---|---|
| **SEK 000s** | **31 Dec 2017** | **31 Dec 2016** |
| Cost of shares and participations in Group companies, 1 January | 1,780,084 | 2,604,290 |
| Divestment of Carnegie Fonder AB (see Note 32) | – | -824,206 |
| **Cost of shares and participations in Group companies, 31 December** | **1,780,084** | **1,780,084** |

| 2017 | Corporate Reg. No. | Reg. office | No. of shares | Carrying amount 2017 | Equity 2017[1)] |
|---|---|---|---|---|---|
| **Carnegie Investment Bank AB (publ)[2)]** | 516406-0138 | Stockholm | 400,000 | 1,780,084 | 1,823,972 |
| *Branches of Carnegie Investment Bank AB* | | | | | |
| Carnegie Investment Bank AB, Norway branch | 976928989 | Oslo | | | |
| Carnegie Investment Bank, filial af Carnegie Investment Bank AB (publ), Sweden | 35521267 | Copenhagen | | | |
| Carnegie Investment Bank AB, Finland Branch | 1439605-0 | Helsinki | | | |
| Carnegie Investment Bank AB, UK Branch | 3022 (FC 018658) | London | | | |
| *Subsidiaries of Carnegie Investment Bank AB* | | | | | |
| Carnegie, Inc. | 13-3392829 | Delaware | 100 | | |
| Carnegie AS[2)] | 936310974 | Oslo | 20,000 | | |
| Carnegie Ltd | 2941368 | London | 1 | | |
| Familjeföretagens Pensionsredovisning i Värmland AB | 556636-7776 | Karlstad | 1,000 | | |
| Carnegie Properties AB | 556680-5288 | Stockholm | 1,000 | | |
| Carnegie AB | 556946-9355 | Stockholm | 50 | | |
| Carnegie Fastigheter AB | 556946-9371 | Stockholm | 50 | | |
| Banque Carnegie Luxembourg S.A[2)] | 1993-2201863 | Luxembourg | 349,999 | | |
| Subsidiary of Banque Carnegie Luxembourg S.A. | | | | | |
| Carnegie Fund Services S.A. | | Luxembourg | | | |
| **Total** | | | | **1,780,084** | **1,823,972** |

1) Equity in subsidiaries is recognised less anticipated dividends to the parent company. All of the above shares are unlisted and owned 100%.
2) Entities classified as credit institutions.

## Note 15 Intangible assets

| SEK 000s | GROUP 31 Dec 2017 | GROUP 31 Dec 2016 |
|---|---|---|
| **Goodwill** | | |
| Cost on the opening date | – | 421,823 |
| Attributable to divested subsidiaries | – | -421,823 |
| Translation differences | – | – |
| **Cost on the closing date** | **–** | **–** |
| Impairments on the opening date | – | – |
| Translation differences | – | – |
| Impairments during the year | – | – |
| **Impairments on the closing date** | **–** | **–** |
| **Recognised goodwill** | **–** | **–** |

| SEK 000s | GROUP 31 Dec 2017 | GROUP 31 Dec 2016 |
|---|---|---|
| **Other intangible assets[1)]** | | |
| Cost on the opening date | 49,427 | 369,156 |
| Translation differences | 338 | 486 |
| Acquisitions during the year | 165 | 6,034 |
| Attributable to divested subsidiaries | – | -325,841 |
| Sale/scrapping | – | -408 |
| **Cost on the closing date** | **49,930** | **49,427** |
| Amortisation on the opening date | -35,766 | -131,351 |
| Translation differences | -333 | -441 |
| Sale/scrapping | – | 408 |
| Attributable to divested subsidiaries | – | 99,085 |
| Amortisation for the year | -5,755 | -3,467 |
| **Amortisation on the closing date** | **-41,854** | **-35,766** |
| **Carrying amount of other intangible assets** | **8,076** | **13,661** |

1) Consists of systems developed in-house, client relationships and distribution agreements. At year-end 2016, only systems developed in-house remained. The client relationships and distribution agreements were attributable to Carnegie Fonder, which was divested in 2016.

## Note 16 Tangible fixed assets

| SEK 000s | GROUP 31 Dec 2017 | GROUP 31 Dec 2016 |
|---|---|---|
| **Computer equipment and other equipment** | | |
| Cost on the opening date | 207,328 | 192,170 |
| Translation differences | -3,923 | 7,658 |
| Acquisitions during the year | 7,222 | 14,038 |
| Sale/scrapping | -3,371 | -6,538 |
| **Cost on the closing date** | **207,256** | **207,328** |
| Amortisation on the opening date | -170,981 | -161,469 |
| Translation differences | 2,367 | -7,670 |
| Sale/scrapping | 2,914 | 6,260 |
| Amortisation for the year | -12,041 | -8,102 |
| **Amortisation on the closing date** | **-177,741** | **-170,981** |
| **Carrying amount** | **29,515** | **36,347** |
| **Renovation of leased premises** | | |
| Cost on the opening date | 93,824 | 105,711 |
| Translation differences | -661 | 2,147 |
| Acquisitions during the year | 964 | 8,135 |
| Sale/scrapping | – | -22,169 |
| **Cost on the closing date** | **94,127** | **93,824** |
| Amortisation on the opening date | -64,874 | -70,926 |
| Translation differences | 917 | -2,358 |
| Sale/scrapping | – | 16,339 |
| Amortisation for the year | -7,581 | -7,929 |
| **Amortisation on the closing date** | **-71,538** | **-64,874** |
| **Carrying amount** | **22,589** | **28,950** |
| **Total carrying amount of tangible fixed assets** | **52,104** | **65,297** |

## Note 17 Deferred tax assets/liabilities

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| **SEK 000s** | **31 Dec 2017** | **31 Dec 2016** | **31 Dec 2017** | **31 Dec 2016** |
| **Deferred tax assets** | | | | |
| Pensions | 93,945 | 90,137 | 1,739 | 1,832 |
| Capitalised loss carryforwards[1)] | 172,375 | 259,731 | – | – |
| Other | 31,473 | 33,730 | – | – |
| **Total deferred tax assets** | **297,793** | **383,598** | **1,739** | **1,832** |
| **Deferred tax liabilities** | | | | |
| Intangible assets | 2,763 | 2,710 | – | – |
| Other | 7,558 | 9,550 | – | – |
| **Total deferred tax liabilities** | **10,321** | **12,260** | **–** | **–** |

| **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, 2017, SEK 000s** | | | | |
| Pensions | 90,137 | 3,808 | 0 | 93,945 |
| Capitalised loss carryforwards[1)] | 259,731 | -86,174 | -1,182 | 172,375 |
| Other | 33,730 | -4,818 | 2,561 | 31,473 |
| **Total** | **383,598** | **-87,184** | **1,379** | **297,793** |
| **Changes for the year – deferred tax liabilities** | | | | |
| **GROUP, 2017, SEK 000s** | | | | |
| Intangible assets | 2,710 | -15 | 68 | 2,763 |
| Other | 9,550 | -2,211 | 219 | 7,558 |
| **Total** | **12,260** | **-2,226** | **287** | **10,321** |
| **Changes for the year – deferred tax assets** | | | | |
| **PARENT COMPANY, 2017, SEK 000s** | | | | |
| Pensions | 1,832 | -93 | – | 1,739 |
| **Total** | **1,832** | **-93** | **–** | **1,739** |

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 161,301 thousand (245,303). Total loss carryforwards in the Group at 31 December amounted to SEK 1,042,325 thousand (1,444,055), whereof SEK 138,284 thousand (135,119) 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 | |
|---|---|---|
| **SEK 000s** | **2017** | **2016** |
| Trade and client receivables | 298,872 | 262,082 |
| Accounts receivable, trade | 250,823 | 229,836 |
| Other | 74,157 | 87,419 |
| **Total other assets** | **623,852** | **579,337** |

Other assets have a remaining maturity of less than one year.

## Note 19 Prepaid expenses and accrued income

| | GROUP | |
|---|---|---|
| **SEK 000s** | **31 Dec 2017** | **31 Dec 2016** |
| Accrued interest | 5,703 | 6,263 |
| Rent | 15,683 | 15,051 |
| Personnel-related | 1,953 | 11,018 |
| Pensions | 2,508 | – |
| Accrued income | 28,847 | 32,904 |
| Prepaid expenses | 42,727 | 34,104 |
| **Total prepaid expenses and accrued income** | **97,421** | **99,340** |

Prepaid expenses and accrued income have a remaining maturity of less than one year.

## Note 20 Other liabilities

| | GROUP | |
|---|---|---|
| SEK 000s | 31 Dec 2017 | 31 Dec 2016 |
| Trade and client payables | 73,868 | 123,999 |
| Accounts payable, trade | 105,822 | 99,374 |
| Issue proceeds | 77,382 | 113,037 |
| Other | 86,182 | 107,690 |
| **Total other liabilities** | **343,254** | **444,099** |

Other liabilities have a remaining maturity of less than one year.

## Note 21 Accrued expenses and deferred income

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| SEK 000s | 31 Dec 2017 | 31 Dec 2016 | 31 Dec 2017 | 31 Dec 2016 |
| Accrued interest | 2,993 | 11,118 | – | 8,011 |
| Fees | 23,927 | 10,091 | – | – |
| Personnel-related | 659,100 | 559,026 | 10 | – |
| Pensions | 17,121 | 20,172 | -121 | – |
| Accrued expenses | 32,592 | 39,505 | 447 | – |
| Other | 53,283 | 23,163 | – | 651 |
| **Total accrued expenses and prepaid income** | **789,016** | **663,075** | **336** | **8,662** |

Accrued expenses and prepaid income have a remaining maturity of less than one year.

## Note 22 Other provisions

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| SEK 000s | 31 Dec 2017 | 31 Dec 2016 | 31 Dec 2017 | 31 Dec 2016 |
| **Restructuring provisions** | | | | |
| Opening balance | 74,437 | 30,523 | – | – |
| Translation differences | 6 | 11 | – | – |
| Utilised amounts | -19,716 | -7,359 | – | – |
| Reversal, unutilised amounts | – | -3,000 | – | – |
| Provisions for the year | 6,000 | 54,263 | – | – |
| **Closing balance, restructuring reserve** | **60,727** | **74,437** | **–** | **–** |
| **Other provisions** | | | | |
| Opening balance | 15,553 | 35,284 | 1,944 | 1,735 |
| Translation differences | -22 | -108 | – | – |
| Utilised amounts | -8,857 | -3,476 | – | – |
| Reversal, unutilised amounts | 209 | -16,148 | -1,944 | 209 |
| Provisions for the year | 42,500 | – | – | – |
| **Closing balance, provisions** | **49,383** | **15,553** | **–** | **–** |
| **Total other provisions** | **110,110** | **89,990** | **–** | **1,944** |

Most of the provisions are expected to be utilised during 2018.

## Note 23 Classification of financial assets and liabilities

| GROUP, 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 | | | 533,682 | | | 533,682 |
| Negotiable government securities | 449,163 | 1,384,973 | | | | 1,834,136 |
| Loans to credit institutions | | | 2,721,669 | | | 2,721,669 |
| Loans to the general public | | | 2,660,509 | | | 2,660,509 |
| Bonds and other interest-bearing securities | 2,439,003 | 72,506 | | | | 2,511,509 |
| Shares and participations | 820,036 | | | | | 820,036 |
| Derivative instruments | 57,224 | | | | | 57,224 |
| Intangible assets | | | | | 8,076 | 8,076 |
| Tangible fixed assets | | | | | 52,104 | 52,104 |
| Current tax assets | | | | | 35,640 | 35,640 |
| Deferred tax assets | | | | | 297,793 | 297,793 |
| Other assets | | | 623,852 | | | 623,852 |
| Prepaid expenses and accrued income | | | 5,703 | | 91,718 | 97,421 |
| Assets held for sale | | | 109,085 | | | 109,085 |
| **Total assets** | **3,765,426** | **1,457,479** | **6,654,500** | **–** | **485,331** | **12,362,736** |
| Deposits and borrowing from the general public | | | | 8,984,235 | | 8,984,235 |
| Short positions, shares | 36,807 | | | | | 36,807 |
| Derivative instruments | 46,501 | | | | | 46,501 |
| Current tax liabilities | | | | | 15,935 | 15,935 |
| Deferred tax liabilities | | | | | 10,321 | 10,321 |
| Other liabilities | | | | 257,072 | 86,182 | 343,254 |
| Accrued expenses and prepaid income | | | | 2,993 | 786,023 | 789,016 |
| Other provisions | | | | | 110,110 | 110,110 |
| Liabilities held for sale | | | | 109,085 | | 109,085 |
| **Total liabilities** | **83,308** | **–** | **–** | **9,353,385** | **1,008,571** | **10,445,264** |
| **Equity** | | | | | **1,917,472** | **1,917,472** |
| **Total liabilities and equity** | **83,308** | **–** | **–** | **9,353,385** | **2,926,043** | **12,362,736** |

| GROUP, 31 DEC 2016, 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 | | | 1,244,761 | | | 1,244,761 |
| Negotiable government securities | 50,609 | 472,836 | | | | 523,445 |
| Loans to credit institutions | | | 2,829,818 | | | 2,829,818 |
| Loans to the general public | | | 2,901,160 | | | 2,901,160 |
| Bonds and other interest-bearing securities | 1,190,326 | 890,143 | | | | 2,080,469 |
| Shares and participations | 309,709 | | | | | 309,709 |
| Derivative instruments | 129,903 | | | | | 129,903 |
| Intangible assets | | | | | 13,661 | 13,661 |
| Tangible fixed assets | | | | | 65,297 | 65,297 |
| Current tax assets | | | | | 33,982 | 33,982 |
| Deferred tax assets | | | | | 383,598 | 383,598 |
| Other assets | | | 579,337 | | | 579,337 |
| Prepaid expenses and accrued income | | | 6,263 | | 93,077 | 99,340 |
| Assets held for sale | | | 525,059 | | | 525,059 |
| **Total assets** | **1,680,547** | **1,362,979** | **8,086,398** | – | **589,615** | **11,719,539** |
| Liabilities to credit institutions | | | | 27,761 | | 27,761 |
| Deposits and borrowing from the general public | | | | 7,872,904 | | 7,872,904 |
| Short positions, shares | 144,875 | | | | | 144,875 |
| Derivative instruments | 76,850 | | | | | 76,850 |
| Current tax liabilities | | | | | 23,741 | 23,741 |
| Deferred tax liabilities | | | | | 12,260 | 12,260 |
| Other liabilities | | | | 336,408 | 107,691 | 444,099 |
| Accrued expenses and prepaid income | | | | 11,117 | 651,958 | 663,075 |
| Other provisions | | | | | 89,990 | 89,990 |
| Subordinated liabilities | | | | 162,119 | | 162,119 |
| Liabilities held for sale | | | | 525,059 | | 525,059 |
| **Total liabilities** | **221,725** | – | – | **8,935,368** | **885,640** | **10,042,733** |
| **Equity** | | | | | **1,676,806** | **1,676,806** |
| **Total liabilities and equity** | **221,725** | – | – | **8,935,368** | **2,562,446** | **11,719,539** |

## Note 24 Pledged assets and contingent liabilities

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| SEK 000s | 31 Dec 2017 | 31 Dec 2016 | 31 Dec 2017 | 31 Dec 2016 |
| **Assets pledged for own debt** | | | | |
| Pledged assets for: | | | | |
| Deposited securities | 325,400 | 340,118 | – | – |
| whereof own pledged securities | – | – | – | – |
| whereof pledged cash | 325,400 | 340,118 | – | – |
| Derivative instruments | 316,750 | 499,661 | – | – |
| whereof own pledged securities | 155,257 | 220,619 | – | – |
| whereof pledged cash | 161,493 | 279,042 | – | – |
| Other liabilities | 28,493 | 30,294 | – | – |
| whereof own pledged securities | – | – | – | – |
| whereof pledged cash | 28,493 | 30,294 | – | – |
| **Total pledged assets for own liabilities** | **670,643** | **870,074** | **–** | **–** |
| **Other pledged assets** | | | | |
| Pledged assets for: | | | | |
| Deposited securities on clients' account | 265,800 | 230,973 | | – |
| whereof own pledged securities | – | – | | – |
| whereof pledged cash | 265,800 | 230,973 | | – |
| Derivative instruments on clients' account | 213,717 | 298,244 | | – |
| whereof own pledged securities | 195,800 | 270,065 | | – |
| whereof pledged cash | 17,917 | 28,179 | | – |
| Trade in securities on clients' and own account | 606,299 | 592,849 | | – |
| whereof own pledged securities | 139,982 | 214,175 | | – |
| whereof pledged client securities | 354,917 | – | | – |
| whereof pledged cash | 111,400 | 378,674 | | – |
| **Total other pledged assets** | **1,085,816** | **1,122,066** | | – |
| **Contingent liabilities and guarantees** | | | | |
| Contingent liabilities | 123,518 | 142,704 | 112,509 | 112,509 |
| Guarantees | 321,229 | 397,430 | – | – |
| **Total contingent liabilities and guarantees** | **444,747** | **540,134** | **112,509** | **112,509** |

## Note 25 Operational leasing

| | GROUP | |
|---|---|---|
| SEK 000s | 31 Dec 2017 | 31 Dec 2016 |
| **Contracted payments relating to land and buildings** | | |
| Within one year | 55,501 | 63,708 |
| Later than one year but within five years | 210,175 | 124,169 |
| Later than five years | – | 7,711 |
| **Other contracted payments** | | |
| Within one year | 4,113 | 9,433 |
| Later than one year but within five years | 3,419 | 4,132 |

The amounts in the table primarily relate to rent for premises.

## Note 26 Related-party transactions

The following disclosures are presented from Carnegie Holding's perspective, that is, how Carnegie Holding'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 2017** | **31 Dec 2016** | **31 Dec 2017** | **31 Dec 2016** |
| **Related-party transactions with the CEO, board of directors and group management** | | | | |
| Deposits/liability | 6,498 | 3,640 | – | – |
| Interest expenses | 7 | 7 | – | – |
| Lending/assets | – | 978 | – | – |
| Interest income | – | 30 | – | – |
| Pledged assets and guarantees | 19,751 | 33,474 | – | – |
| **Related-party transactions with Group companies** | | | | |
| Deposits/liability | | | 6,927 | 37,692 |
| Interest expenses | | | 162 | 216 |
| Lending/assets | | | 205,000 | 310,000 |
| Interest income | | | – | – |
| Sales | | | – | 5,100 |
| **Related-party transactions with the owners** | | | | |
| Deposits/liability | 4,313 | 173,181 | – | 170,130 |
| Interest expenses | 4,194 | 8,050 | 4,192 | 8,012 |
| Purchases | 157 | 120 | – | – |
| Sales | – | – | – | – |

For other transactions with owners, see "Consolidated statements of changes in equity" (page 48) and "Parent company statements of changes in equity" (page 51).

| | | | | |
|---|---|---|---|---|
| **Related-party transactions with others** | | | | |
| Deposits/liability | 6,800 | 1,165 | – | – |
| Interest expenses | – | – | – | – |
| Lending/assets | 1,000 | 1,000 | – | – |
| Interest income | – | 431 | – | – |
| Purchases | 1,685 | 2,482 | – | – |
| Sales | 59,574 | 55,171 | – | – |

Other related parties are Carnegie Fonder AB, Carnegie Holding Danmark A/S, CAM Fondmeglerselskap A/S, Carnegie Personal AB and Stiftelsen D. Carnegie & Co.

## Note 27 Significant events after 31 December 2017

**Changes in ownership structure**
In order to further reinforce the joint commitment between owners and employees of Carnegie, Altor sold 4.6% of its shares in Carnegie Holding to employees of Carnegie in January 2018. After the transaction, Altor owns a 70.7% interest in Carnegie Holding and the remaining share of 29.3% is owned by employees of Carnegie.

The annual report was approved for publication by the Board of Directors on 23 March 2018.

## Note 28 Risk, liquidity and capital management

Credit risks
Reported amounts refer to the Group. Standard & Poor's long-term credit rating is used to report the credit quality of assets not yet due for payment and whose value has not been impaired.

**Carnegie's total credit risk exposure per exposure class**

| GROUP, 31 DEC 2017, SEK 000s | AAA, AA– | A+, A– | BBB+, BBB– | No external rating available | Past due but not reserved | Provisions |
|---|---|---|---|---|---|---|
| Governments and central banks | 2,369,893 | – | – | – | – | – |
| Institutional exposures | 3,807,961 | 1,662,688 | 3,117 | 7,412 | – | – |
| Corporate exposures | 3,367 | 196 | 12,635 | 3,639,734 | – | 194,796 |
| Retail exposures | – | – | – | 626,185 | | 3,716 |
| **Total** | **6,181,221** | **1,662,884** | **15,752** | **4,273,331** | **–** | **198,512** |

| GROUP, 31 DEC 2016, SEK 000s | AAA, AA– | A+, A– | BBB+, BBB– | No external rating available | Past due but not reserved | Provisions |
|---|---|---|---|---|---|---|
| Governments and central banks | 1,695,749 | – | – | – | – | – |
| Institutional exposures | 3,394,587 | 2,175,709 | 1,887 | 17,604 | – | – |
| Corporate exposures | 105,555 | 682 | 33,383 | 3,582,877 | 11,699 | 182,569 |
| Retail exposures | – | – | – | 693,903 | – | 27,739 |
| **Total** | **5,195,892** | **2,176,391** | **35,271** | **4,294,384** | **11,699** | **210,308** |

**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 custodian account loans. 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 2017, 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.

**Liquidity risk**
The table below provides a maturity analysis of the contracted maturity of financial assets and 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 2017**

| GROUP, 31 DEC 2017, SEK 000s | Upon demand | <3 months | >3 months but <1 year | >2 but less than <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 |
| Bonds and other interest-bearing securities | 72,506 | 935,861 | 1,489,694 | 4,967 | 15,251 | – | -6,770 | – | 2,511,509 |
| Shares and participations | – | – | – | – | – | – | – | 820,036 | 820,036 |
| **Total financial assets** | **1,256,570** | **935,861** | **2,139,766** | **4,967** | **15,251** | **–** | **-6,770** | **820,036** | **5,165,681** |
| Deposits and borrowing from the general public | 8,952,262 | 31,973 | – | – | – | – | – | – | 8,984,235 |
| Short positions, shares | – | – | – | – | – | – | – | 36,807 | 36,807 |
| Other liabilities | – | 343,254 | – | – | – | – | – | – | 343,254 |
| Accrued interest expenses | – | 2,993 | – | – | – | – | – | – | 2,993 |
| **Total financial liabilities** | **8,952,262** | **378,220** | **–** | **–** | **–** | **–** | **–** | **36,807** | **9,367,289** |
| **Derivatives** | | | | | | | | | |
| Assets at market value | – | 48,272 | 8,921 | 31 | – | – | – | – | 57,224 |
| Liabilities at market value | – | 39,193 | 7,308 | – | – | – | – | – | 46,501 |

## Note 28 Risk, liquidity and capital management, cont.

Contracted maturities of financial assets and liabilities, 31 Dec 2016

| GROUP, 31 DEC 2016, SEK 000s | Upon demand | <3 months | >3 months but <1 year | >2 but less than <2 years | >2 but less than <5 years | > 5 years | Interest effect | N/A | Total |
|---|---|---|---|---|---|---|---|---|---|
| Negotiable government securities | 72,173 | 415,057 | 36,215 | – | – | – | – | – | 523,445 |
| Bonds and other interest-bearing securities | – | 661,059 | 1,306,355 | 33,966 | 11,490 | 63,249 | – | 4,349 | 2,080,469 |
| Shares and participations | – | – | – | – | – | – | – | 309,709 | 309,709 |
| **Total financial assets** | **72,173** | **1,076,116** | **1,342,570** | **33,966** | **11,490** | **63,249** | **–** | **314,059** | **2,913,623** |
| Liabilities to credit institutions | 16,743 | 11,018 | – | – | – | – | – | – | 27,761 |
| Deposits and borrowing from the general public | 7,823,960 | 48,944 | – | – | – | – | – | – | 7,872,904 |
| Short positions, shares | – | – | – | – | – | – | – | 144,875 | 144,875 |
| Other liabilities | – | 444,099 | – | – | – | – | – | – | 444,099 |
| Accrued interest expenses | – | 11,117 | – | – | – | – | – | – | 11,117 |
| **Total financial liabilities** | **7,840,703** | **515,178** | – | – | – | – | – | **144,875** | **8,500,756** |
| **Derivatives** | | | | | | | | | |
| Assets at market value | – | 116,809 | 12,642 | 452 | – | – | – | – | 129,903 |
| Liabilities at market value | – | 69,483 | 6,937 | 429 | – | – | – | – | 76,850 |

**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 960 million (661). Of that amount, SEK 856 million (454) related to shares and SEK 104 million (207) to derivative instruments. The net exposure at year-end was SEK 794 million (213).

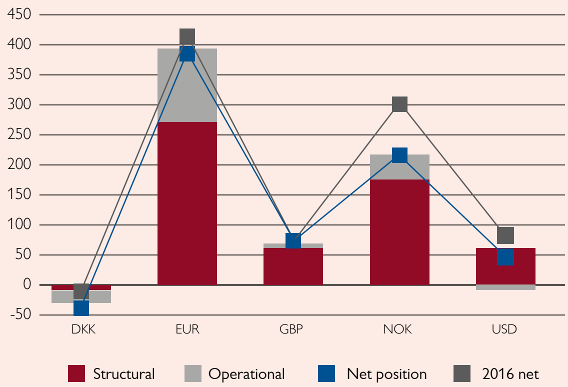
Assets and liabilities are measured at fair value, which corresponds to the carrying amount. Equity positions consist of both long and short positions in shares and share-based derivative instruments, primarily listed in Sweden and other Nordic marketplaces. A simultaneous price change of -3% of all equity holdings in the Group's trading book would have had an effect on earnings of SEK 0.8 million (-0.5) at year-end. A +3% price change at the same date would have had an effect on earnings of SEK 0.3 million (0.2) in the Group. Derivative positions consist of held or sold contracts for forward call options, put options and warrants.

**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 0.1 million (0.4). 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 1.1 million (1.0). 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 (3.2) 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 0.2 million (0.9) for MML and SEK 1.0 million (3.0) for SML.

**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 2017 (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 0.6 million (0.5). 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 outcome from such an upward shift of 200 basis points was SEK 32.6 million (24.3).

## Note 28 Risk, liquidity and capital management, cont.

| SEK 000s | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| **Capital adequacy** | | |
| Capital base | 1,533,173 | 1,463,630 |
| Risk exposure amount | 6,535,877 | 6,635,491 |
| Capital requirement | 522,870 | 530,839 |
| Surplus capital | 1,010,302 | 932,791 |
| Common Equity Tier 1 capital ratio (CET1), % | 23.5% | 19.6% |
| Tier 1 capital ratio, % | 23.5% | 19.6% |
| Capital adequacy ratio, % | 23.5% | 22.1% |
| **Capital buffer requirement** | | |
| Total CET1 requirement including buffer requirement, % | 8.6% | 8.3% |
| whereof: Capital conservation buffer, % | 2.5% | 2.5% |
| whereof: Countercyclical capital buffer, % | 1.6% | 1.3% |
| CET1 available as buffer, % | 19.0% | 15.1% |
| **Capital base** | | |
| Equity instruments and associated premium reserve | 921,976 | 921,976 |
| Retained earnings and reserves | 1,111,093 | 864,774 |
| Other comprehensive income: | -115,597 | -109,944 |
| Planned dividend | -200,000 | -100,000 |
| Goodwill and intangible assets | -8,076 | -13,661 |
| Deferred tax assets | -172,375 | -259,731 |
| Direct and indirect holdings | – | – |
| Further value adjustments | -3,848 | -1,902 |
| **Total common equity Tier 1 capital** | **1,533,173** | **1,301,511** |
| **Additional Tier 1 capital** | | |
| Preference shares | – | – |
| **Total Tier 1 capital** | **1,533,173** | **1,301,511** |
| **Tier 2 capital** | | |
| Perpetual convertible debentures | – | 162,119 |
| **Total capital base** | **1,533,173** | **1,463,630** |

**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.

| SEK 000s | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| **Capital requirements from exposures to:** | | |
| Central counterparties | 65 | 167 |
| Governments and central banks | – | – |
| Municipalities and comparable public bodies and authorities | – | – |
| Institutional exposures | 37,701 | 54,996 |
| Corporate exposures | 24,018 | 34,333 |
| Retail exposures | 13,983 | 13,167 |
| Exposures secured by real estate property | 1,370 | – |
| High-risk items | – | – |
| Exposures to funds | 17 | 1 |
| Exposures in the form of covered bonds | 19,907 | 15,725 |
| Equity exposures | – | – |
| Other items | 51,277 | 54,199 |
| **Total capital requirement for credit risks** | **148,338** | **172,586** |
| **Capital requirement for market risks** | | |
| Settlement risk | 5 | 363 |
| **Total capital requirement for settlement risks** | **5** | **363** |
| **Equity price risk** | | |
| Specific risk | 6,989 | 10,276 |
| General risk | 1,807 | 4,950 |
| Non-delta risk | – | – |
| **Total capital requirement for equity risks** | **8,796** | **15,226** |
| **Interest rate risk** | | |
| Specific risk | 881 | 2,121 |
| General risk | 409 | 411 |
| **Total capital requirement for interest risks** | **1,290** | **2,533** |
| Currency risk | 57,613 | 68,002 |
| **Total capital requirements for currency risks** | **57,613** | **68,002** |
| **Capital requirement from credit valuation adjustment risk** | | |
| Credit valuation adjustment risk | 2,921 | 1,690 |
| **Total capital requirement for credit valuation adjustment risk** | **2,921** | **1,690** |

**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.

| | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Income indicator | 2,025,621 | 1,801,811 |
| **Capital requirement for operational risks** | **303,843** | **270,272** |

## Note 29 Information on statements of cash flows

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| **SEK 000s** | **2017** | **2016** | **2017** | **2016** |
| Interest paid | -39,694 | -29,262 | -4,355 | -8,434 |
| Interest received | 87,515 | 89,285 | – | 9 |
| **Adjustments for items not affecting cash flow** | | | | |
| Anticipated dividends from subsidiaries | – | – | -205,000 | -310,000 |
| Capital gain/loss from sale of subsidiaries | – | -143,280 | – | – |
| Depreciation, amortisation and impairment of assets | 25,377 | 25,328 | – | – |
| Change in provisions for balance sheet items | 20,136 | 24,279 | – | 856 |
| Share of profit/loss in associates | – | -107 | – | – |
| Capital gain/loss from sale of associates | – | -8,547 | – | – |
| Unrealised changes in value of financial instruments | 10,239 | -18,601 | – | – |
| **Total adjustments for items not affecting cash flow** | **55,752** | **-120,928** | **-205,000** | **-309,144** |

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| **SEK 000s** | **2017** | **2016** | **2017** | **2016** |
| **Cash and cash equivalents[1)]** | | | | |
| Cash and bank deposits with central banks | 533,682 | 1,244,761 | – | – |
| Negotiable government securities | 1,834,136 | 523,445 | – | – |
| Loans to credit institutions | 2,352,234 | 3,214,538 | 1,605 | 1,457 |
| Loans to credit institutions, not payable on demand | -32,661 | -34,343 | – | – |
| Less, pledged cash | -889,549 | -819,172 | – | – |
| **Cash at end of year** | **3,797,842** | **4,129,229** | **1,605** | **1,457** |

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 30 Subordinated liabilities

The parent company issued 204,486 convertibles in 2010, which were purchased by Investment AB Öresund. The nominal and settled amount per convertible was SEK 2,003.57. Total nominal amount: SEK 409,702,015. Investment AB Öresund later transferred all convertibles to Carhold Holding AB, which in turn transferred 120,769 convertibles to Creades AB and the remaining 83,717 convertibles to Investment AB Öresund in 2013.

Parts of the convertible debenture were repaid in mid-December 2015: 123,571 convertibles at face value of SEK 247,583,148 plus accrued interest of SEK 12,035,292. Simultaneously, the remaining 80,915 convertibles were transferred to Altor AM Group Holding 1 S.a.r.l.

The balance of SEK 162,118,866.55 was repaid in June 2017. Interest calculated at 5 percent amounts to SEK 4,192 thousand during the period of January to June (8,264).

## Note 31 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 | | | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 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 | 77 | 264 | -13 | 2 | 85 | 227 | -10 | 2 |
| Norway | IB, SEC | Norway | 81 | 332 | 62 | -16 | 76 | 302 | 95 | -25 |
| Sweden | IB, SEC, PB | Sweden | 323 | 1,477 | 397 | -85 | 340 | 1,256 | 314 | -46 |
| Other | IB, SEC, PB | London, New York, Finland, Luxembourg | 109 | 532 | 70 | -15 | 108 | 435 | 48 | -11 |
| Eliminations | | | – | -133 | -53 | -10 | – | -67 | -105 | 5 |
| **Total** | | | **590** | **2,472** | **463** | **-124** | **609** | **2,153** | **342** | **-75** |

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

## Note 32 Discontinued operations

The sale of Carnegie Fonder AB was executed in late April 2016 as decided by the Board of Directors in September 2015. 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.

**Profit/loss from discontinued operations[1)]**

| | GROUP | |
|---|---|---|
| **SEK 000s** | **2017** | **2016** |
| Operating income | 56,007 | 151,937 |
| Operating expenses | -53,279 | -166,152 |
| **Operating loss** | **2,728** | **-14,215** |
| Net financial income/expense | – | -528 |
| **Profit before tax** | **2,728** | **-14,743** |
| Income tax | 4,500 | -8,824 |
| **Profit/loss from discontinued operations after tax** | **7,228** | **-23,567** |
| Profit from sale of subsidiary | – | 143,280 |
| **Profit from discontinued operations** | **7,228** | **119,713** |

1) Includes profit/loss, group items and capital gain upon sale with regard to Carnegie Fonder AB (2016) and profit/loss with regard to the parts of Structured Products to be sold (2016 and 2017).

**Cash flow from discontinued operations**

| | GROUP | |
|---|---|---|
| **SEK 000s** | **2017** | **2016** |
| Cash flow from operating activities | -411,432 | 95,352 |
| Cash flow from investing activities | – | -587 |
| Cash flow from financing activities[1)] | – | -156,617 |
| **Cash flow for the period** | **-411,432** | **-61,852** |
| Cash at beginning of year | 520,517 | 582,369 |
| **Cash at end of year** | **109,085** | **520,517** |

1) Group contribution paid.

**Disclosures on the divestment of Carnegie Fonder AB**

Profit/loss upon sale

| | GROUP |
|---|---|
| **SEK 000s** | **30 April 2016** |
| Consideration received | |
| Cash | – |
| Shares in CARAM AB[1)] | **824,206** |
| **Total consideration** | **824,206** |
| Carrying amount of sold net assets | -680,926 |
| **Profit before tax** | 143,280 |
| Income tax | – |
| **Profit/loss after tax** | **143,280** |

1) After the divestment of Carnegie Fonder AB, the shares in CARAM AB (formerly C Asset Management Partners AB) were distributed to the owners of Carnegie Holding AB.

**Carrying amounts of assets and liabilities at time of sale**

| | GROUP |
|---|---|
| **SEK 000s** | **30 April 2016** |
| Intangible assets[1)] | 648,579 |
| Tangible fixed assets | 2,595 |
| Current receivables | 221,658 |
| Cash | 32,188 |
| **Total assets** | **905,020** |
| Current liabilities | 174,092 |
| Deferred tax liabilities[1)] | 50,002 |
| **Total liabilities** | 224,094 |
| **Net assets** | 680,926 |

1) Refers to consolidated surplus values.

**Assets and liabilities held for sale[1)]**

| | GROUP | |
|---|---|---|
| **SEK 000s** | **31 Dec 2017** | **31 Dec 2016** |
| Loans to the general public | – | 4,542 |
| Cash | 109,085 | 520,517 |
| **Total assets** | **109,085** | **525,059** |
| Deposits and borrowing from the general public | 109,085 | 525,059 |
| **Total liabilities** | **109,085** | **525,059** |

1) Assets and liabilities held for sale refers to the parts of Structured Products to be sold for 2016 and to Carnegie Fonder for 2015.

## Note 33 Potential 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 770 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 530 million plus interest and costs. 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 will accordingly vigorously contest 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 34 Disclosures concerning number of shares

The number of shares outstanding at 31 December 2017 was 2,168,350 with a quotient value of SEK 110.135 per share.

## Note 35 Disposition of profit

**Disposition of profit**

| | |
|---|---|
| At the disposal of the annual general meeting, SEK | |
| Share premium reserve | 683,165,000 |
| Retained earnings | 861,878,477 |
| Net profit for the year | 198,861,655 |
| **Total** | **1,743,905,132** |

| | |
|---|---|
| The Board of Directors proposes the following disposition of profit: | |
| Dividend to shareholders | 200,000,000 |
| To be carried forward | 1,543,905,132 |
| **Total** | **1,743,905,132** |

The Board of Directors is proposing that the 2018 AGM endorses a dividend of SEK 92.236 per share for a total distribution to shareholders of SEK 200,000,000 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 (ÅRL), 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; the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (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, 23/03/2018

Bo Magnusson
Chairman

Ingrid Bojner

Klas Johansson

Anders Johnsson

Andreas Rosenlew

Harald Mix

Björn Jansson
President and CEO

Our audit report was submitted 23/03/2018
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 Holding AB, corporate registration number 556780-4983.

## Report on the Annual Accounts and Consolidated Financial Statements

### Opinions

We have audited the annual accounts and consolidated financial statements of Carnegie Holding AB for the 2017 financial year. The company's annual accounts and consolidated financial statements are presented on pages 36–80 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and of its financial performance and its cash flows for the year in accordance with the Annual Accounts Act. 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 2017 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 Opinion

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 for the Audit of the Financial Statements section of our report. We are independent of the parent company and the group in accordance with the ethical requirements relevant to our audit of the financial statements in Sweden and we have fulfilled our other ethical responsibilities in accordance with 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 have disregarded internal control procedures and have, inter alia, considered whether there is evidence of systematic departures 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.

Entities 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 entities, even though these entities 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.<br>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.<br>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.<br>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 key controls in income recognition processes and substantive testing.<br>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, which included the following:<br>• Examination of policies and instructions<br>• Evaluation of control function tests in relevant areas<br>• Review of general controls in relevant IT systems<br>• Testing of controls for calculation of management commissions<br>• Checking of reconciliations of transfers between systems<br>• Evaluation of the bank's supervisory controls<br>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 in the course of business. The outcome of claims and disputes is determined by the circumstances of the case and through negotiations between the parties.<br>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 33 Potential 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 magnitude of the risk exposure and possible impact on the bank's financial position.<br>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 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.<br>Finally, we have read the description provided in Note 33 Potential disputes. |

### Information other than the annual accounts and consolidated accounts and the auditor's report thereon

This document also contains information other than the annual accounts and consolidated accounts and is found on pages 1–35 and 84–86. The board of directors and the CEO are responsible for the other information.

Our opinion on the annual accounts and consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts and consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the annual accounts and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### 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, in respect of the consolidated financial statements, in accordance with IFRSs as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. 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 irregularities 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 must 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 irregularities 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 ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from irregularities 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 financial statements and consolidated financial statements, we have conducted an audit of the management of Carnegie Holding AB by the Board of Directors and CEO in 2017 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 Opinion

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 for the Audit of the Financial Statements section of our report. We are independent of the parent company and the group in accordance with the ethical requirements relevant to our audit of the financial statements in Sweden and we have fulfilled our other ethical responsibilities in accordance with 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:

- undertaken any action or committed a negligent breach that may result in liability to the company
- in any other way, acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts 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 result in liability to the company or that a proposed disposition of the company's profit or loss is inconsistent 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 Holding AB by the 2017 annual general meeting and has been the company's auditor since 2009.

Stockholm, 23 March 2018
PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorised Public Accountant
Auditor in Charge

Martin By
Authorised Public Accountant

# Sustainability notes

**The sustainability report is an integrated part of Carnegie's annual report because our responsibility proceeds from the core business and the capacity to make a difference. The sustainability report describes how Carnegie is working with key sustainability topics.**

Carnegie's general ambition for the sustainability report is that it should be transparent and relevant and that our stakeholders must be able to easily access information about our sustainability efforts and a gain good understanding of our performance. This part of the sustainability report presents management, events and outcomes for the year and provides in-depth explanations, context and details about topics that have also been addressed earlier in the annual report. The sustainability notes should be understood as part of Carnegie's sustainability report for 2017. The notes that follow are structured according to Carnegie's key sustainability topics and areas.

## Note 1 Information about the sustainability report

Carnegie's sustainability report, as required by the Annual Accounts Act (1995:1554), consists of the Carnegie Annual Report for 2017 and these sustainability notes. Carnegie's business model is described on page 10–11 and significant risks on page 40–44 of the Carnegie Annual Report for 2017.

This is Carnegie's first sustainability report and covers the calendar year of 2017. Carnegie intends to present an annual sustainability report. Carnegie applies Global Reporting Initiative (GRI) Standards and reports at the "Core" level as well as GRI G4 Sector Disclosure, Financial Services. The GRI Index provided below shows where disclosures according to GRI are found in the Carnegie Annual Report for 2017.

### Reporting profile and boundaries

The sustainability report describes the areas in which Carnegie has significant influence. Unless otherwise specified, the disclosures refer to the Carnegie Group, which consists of the wholly owned subsidiary Carnegie Investment Bank AB (publ) and subsidiaries, in which all business is conducted. The boundaries of the report are described in each section or in remarks on charts and tables. The figures reported refer to the 2017 financial year.

### Accounting policies

The accounting policies applied to financial reporting are provided in the section on Group accounting policies on page 53–59. The employee data presented are based on verified figures and reported within the framework of regular reporting.

## Note 2 Stakeholder engagement

Carnegie's business affects people, communities and the environment. Open and frequent engagement with the company's stakeholders is critical to understanding their expectations, and it is also a way to improve our company. Engagement is managed in day-to-day operations because Carnegie believes that stakeholder trust is a joint effort.

Carnegie has numerous forms of engagement and paths of communication with clients and other key stakeholders. In addition, we seek to maintain frequent and transparent public disclosure of information.

Carnegie has identified a number of key stakeholder groups who all affect or are affected by the business in various ways. We have identified our key stakeholders as clients, employees and owners.

Carnegie also engages in dialogue with other stakeholder groups, including:

- industry organisations
- trade unions
- non-profit international interest organisations
- politicians
- suppliers
- media
- higher education institutions

### Clients

The most important engagement takes place in all of the client encounters that occur every day by phone and email or in face-to-face meetings. Engagement also takes place through client meetings, distribution of research and reports, talks and other client communications. Carnegie gains better understanding of expectations by maintaining close relationships with our clients. The topics include products and services, customer service and fees. It is increasingly important to clients that Carnegie conducts itself responsibly. In addition to direct engagement, Carnegie monitors the customer satisfaction surveys performed by independent market research firms.

### Employees

Motivated, committed employees are a prerequisite for our success and one of the most important drivers of goal attainment. Regular departmental meetings for the purposes of information and dialogue are held with employees in relation to earnings performance, goals and other topical issues that affect the company. Employee opinions are discovered and considered by means of employee surveys and performance reviews.

### Owners

Carnegie Holding AB is owned by Altor Fund III and employees of Carnegie. The owners exert governance primarily through the general meeting and the board of directors appointed by the general meeting.

### Society

Carnegie engages in ongoing dialogue with, for example, supervisory authorities such as Finansinspektionen and regulatory bodies in the Nordic region and other countries where Carnegie operates. Focus in 2017 was on issues related to the new anti-money laundering law and MiFID II, as well as entrepreneurship and enterprise.

## Note 3 Materiality assessment

In addition to direct engagement on specific topics, Carnegie performed a materiality assessment in 2017. The purpose was to identify the sustainability topics of greatest concern to stakeholders and confirm that the sustainability topics identified by Carnegie aligned with stakeholder opinions.

Representatives of key stakeholder groups were involved in December 2017 and January 2018 by stating their opinions on several topics in an online survey. The dialogue took place with about 40 representatives of clients, employees, the board of directors and owners, the financial market, society, government agencies and the media.

The overall assessment is that the stakeholder groups considered the most important topic to be the customised advisory services, i.e., that Carnegie's advice is based on insight into markets and companies proceeding from understanding of our clients and external changes.

The chosen, prioritised sustainability topics varied somewhat among stakeholders, but there was overall consensus in the responses, including in relation to Carnegie's own assessment. Four topics in addition to customised advice were emphasised as particularly important and of high priority: ethical conduct, privacy and confidentiality, a sound risk culture and good governance and regulatory compliance.

This initial materiality assessment covered stakeholders in Sweden, which is Carnegie's largest market. In the next step, Carnegie intends to include stakeholders in other markets where the company does business.

### Focus areas and key sustainability topics

#### Responsible advisory

- Business ethics
- Privacy and confidentiality
- Service, knowledge and customised advisory services
- Responsible investment

#### Responsible business

- Profitable growth and long-term competitive advantage
- Sound risk culture and good governance
- Regulatory compliance
- Effective capital allocation

#### Responsible employer:

- Skills development
- Diversity and equal opportunity
- Compensation
- Health and safety

## Note 4 Responsible advisory

Carnegie must provide professional advice to guide its clients in a world that is both complex and difficult to predict. Our business principles – client focus, competence and commitment – inform our company culture and foster the development of a sustainable financial market and economic growth.

Carnegie takes responsibility in a carefully structured manner, both in our own operations and from our clients' perspective. Guidelines including the credit policy, instructions for provision of investment services and instructions for AML & KYC provide support for transparent risk assessments based on solid input and for rejecting business that entails risk of damaging trust in Carnegie among employees, clients or in general. These guidelines also indicate how employees should consider economic, environmental and social aspects into account in the context of business evaluations.

### Business ethics and anti-corruption

The banking and financial services industry is heavily regulated and authorisation is mandatory; good organisation and clear processes are essential to maintaining trust and, by extension, be permitted to operate. In order to maintain trust, good business ethics and professionalism must characterise everything that Carnegie does. Our clients' interests must always be put before our own. Carnegie has zero tolerance of discrimination in any form and takes client complaints seriously, which must be managed fairly and expeditiously. No client complaints related to customer privacy or inappropriate handling of client data were reported during the year.

Carnegie's corporate ethics work is based on clear allocation of responsibility, as well as policy documents, such as the conduct and ethics policy and the purchasing policy. The purchasing process and choice of suppliers must always be managed according to a consistently ethical and competition-neutral perspective. Carnegie also has rules for how gifts and employees' outside activities and share ownership must be managed in order to avoid conflicts of interest. Violations of Carnegie's policies, business principles, ethical standards and other irregularities must be reported through a whistleblowing system.

Proactively addressing risks, especially those connected to money laundering and terrorism financing, is an essential component of the responsibility that Carnegie assumes in relation to providing advice to clients. Our work to continuously to minimise these risks in operations is accomplished through supportive systems, KYC processes and regular training.

### Responsible investment

Carnegie considers environmental and social issues in advisory services, company analysis and investment management. We aim to find investment opportunities and financial products that are always based on the client's risk profile and current preferences.

Taking sustainability into account when making investment decisions is a matter of mitigating risks and generating better risk-adjusted return. Our responsible investment policy covers the Swedish operations and applies mainly to actively managed funds

## Note 4 Responsible advice, cont.

and the portfolios and funds in which Carnegie or an external fund manager makes direct investments in equities and corporate bonds.

By supporting the UN Principles for Responsible Investment (UNPRI), Carnegie avoids exposure to companies that produce or distribute weapons banned under international conventions and investments in companies that abuse human rights or commit serious environmental crimes.

Carnegie excludes investments in companies involved in alcohol, tobacco, pornography and weapons from portfolios with direct investments, mainly in the Nordic markets. We are also restrictive with regard to gambling companies.

A large portion of assets under management are managed by external fund managers and Carnegie has a clear and established process in this regard. The primary focus is to ensure that external managers understand the value of considering both risks and opportunities related to sustainability. In addition, Carnegie checks fund exposure from a sustainability perspective in partnership with the external adviser ISS-Ethix. They perform an ESG screening of the funds' holdings and the manager is required to submit an explanation of any non-conformances. When there are shortcomings, engaging in dialogue is Carnegie's first resort, with a view to achieving improvement. If the manager's sustainability work is deemed inadequate or if the manager does not demonstrate willingness to improve, the business relationship may be terminated.

### Indicators: Responsible advice 2017

| | | |
|---|---|---|
| **Business ethics** | | |
| Mandatory training and licensing requirements | | |
| *Sweden* | | |
| Introductory training | % | 100 |
| Annual mandatory AML training | % | 100 |
| Annual mandatory knowledge updates, Swedsec (AKU) | % | 100 |
| *Norway* | | |
| Introductory training | % | 100 |
| Annual mandatory AML training | % | 100 |
| Annual mandatory knowledge updates (AKU) | % | NA |
| *Denmark* | | |
| Introductory training | % | 100 |
| Annual mandatory AML training | % | 100 |
| Annual mandatory knowledge updates (AKU) | % | NA |
| *Luxembourg* | | |
| Introductory training | % | 100 |
| Annual mandatory AML training | % | 100 |
| Annual mandatory knowledge updates (AKU) | % | NA |
| *Finland* | | |
| Introductory training | % | 100 |
| Annual mandatory AML training | % | 100 |
| Annual mandatory knowledge updates (AKU) | % | NA |
| *UK* | | |
| Introductory training | % | 100 |
| Annual mandatory AML training | % | 100 |
| Annual mandatory knowledge updates (AKU) | % | 100 |
| *USA* | | |
| Introductory training | % | 100 |
| Annual mandatory AML training | % | 100 |
| Annual mandatory knowledge updates (AKU) | % | NA |

| | | |
|---|---|---|
| Clients managed within Know Your Customer processes (KYC) | | |
| Sweden | % | 100 |
| Norway | % | 100 |
| Denmark | % | 100 |
| Luxembourg | % | 100 |
| Finland | % | 100 |
| UK | % | 100 |
| USA | % | 100 |
| **Privacy and confidentiality** | | |
| Client complaints | Number | 0 |
| | % | 0 |
| **Service, knowledge and customised advisory services** | | |
| Listed companies in Sweden whose sustainability work has been analysed | Number | 151 |
| | % | 100 |
| **Ranking and awards** | | |
| Best Swedish Private Banking provider (Euromoney) | Rank | 1 |
| Best Nordic equity research (Institutional Investors All-Europe) | Rank | 1 |
| Best equity research, equity sales and corporate access (Extel) | Rank | 1 |
| Best individual analysts, six rankings (Extel) | Rank | 1 |
| Best equity research and best individual analysts (Financial Hearings) | Rank | 1 |
| Best in the bond market in the High Yield category (Kantar Sifo Prospera) | Rank | 1 |
| Best investment bank in Norway (Euromoney) | Rank | 1 |
| Best Nordic equity house (Kantar Sifo Prospera) | Rank | 1 |
| Best Swedish Private Banking provider (Kantar Sifo Prospera) | Rank | 1 |
| Best equity research, equity sales services and corporate access in Sweden (Kantar Sifo Prospera) | Rank | 1 |
| Best Nordic adviser for corporate transactions (Kantar Sifo Prospera) | Rank | 1 |
| Best equity house in Finland (Kantar Sifo Prospera) | Rank | 1 |
| Foremost financial adviser in M&A in Sweden (Mergermarket) | Rank | 1 |
| **Responsible investment** | | |
| Assets under management covered by screening | | |
| Discretionary management | % | 100 |

## Note 5 Responsible business

Based on its essential function in the capital market, Carnegie must create value from a wider perspective: for our clients, for an efficient and sustainable capital market and for a sustainable society. We are convinced that well-managed companies are a cornerstone of a dynamic business sector and a sustainable national economy. This involves looking at ourselves and business from a more expansive perspective. Based on our position, Carnegie must act to promote enterprise and the emergence of new companies.

In supporting the UN initiatives Principles for Responsible Investment (UNPRI) and Global Compact, Carnegie is demonstrating our support and respect for international principles of fundamental human rights and sustainable development, such as the UN Universal Declaration of Human Rights, ILO Fundamental Conventions on Rights at Work, the Rio Declaration and the UN Convention against Corruption.

External suppliers and partners are a key component of the business. Each year, Carnegie purchases supplies and other products and services such as IT systems, office supplies, consultancy services and external management services from numerous suppliers. Several policy documents, including the conduct and ethics policy and the purchasing policy, exist to support careful purchasing and good control over the efficient use of resources.

### Sound risk culture and regulatory compliance

Carnegie believes that a sound risk culture and robust risk management are critical to long-term economic success. Operations are run with a low risk appetite and the company takes only conscious and controlled financial risks that support advisory services operations.

An internal survey was performed in 2017 to measure the risk culture for the first time. The results are considered very good at the individual, departmental and managerial levels. The survey was based on the ABC model, where all three aspects (Activators, Behaviour and Consequences) received high scores. The ambition is to perform the survey annually.

Carnegie has several forums and committees within the board and at the management level that have clear decision mandates and which comply with structured descriptions of business and risk assessments and regulatory compliance. The Risk Management and Compliance functions are both independent of business operations. In order to ensure satisfactory risk control, particular deliberations are escalated naturally to the superior decision forum.

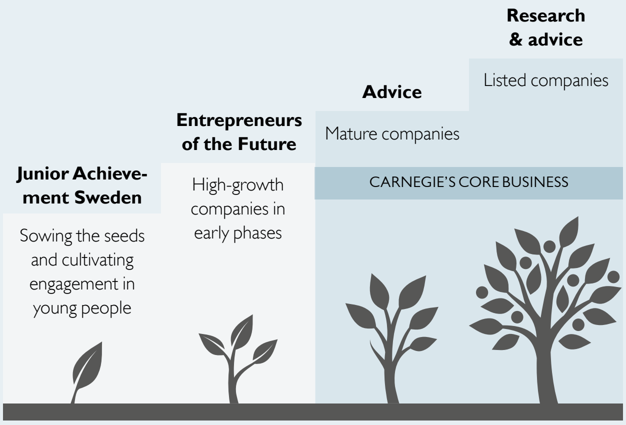
In order to assure a strong compliance culture and minimise the risk of legal sanctions and economic losses due to inadequate compliance, Carnegie works continuously to observe the laws and regulations that apply to our business. This includes ensuring that our policies and processes provide employees the necessary conditions to work in accordance with applicable regulations.

Further information is provided concerning risk management at Carnegie in the Risk, Liquidity and Capital Management section on page 40–44 and concerning regulatory compliance in the Corporate Governance section on page 31.

### Effective capital allocation

An important component of Carnegie's social responsibility is expressed in commitment to enterprise and the growth of new businesses. We lead and engage in several initiatives, such as Junior Achievement Sweden and Entrepreneurs of the Future, to help Swedish entrepreneurs realise their growth potential. This is important to our business over the long term and is a way to use our knowledge to contribute to society, as a complement to our core business.

Like the financial industry as a whole, Carnegie plays an important role in ensuring effective capital allocation, in bringing capital and new technology together to create sustainable solutions to climate and demographic challenges, for example, and in upholding due scrutiny and transparency in relation to listed companies. Our contributions include analysing more than 350 of the listed companies in the Nordic countries every year. At the end of 2017, that corresponded to 95 percent of total market capitalisation of Nasdaq All-Share for Stockholm, Copenhagen and Helsinki and Oslo Bors All Share.




### Indicators: Responsible business 2017

| | 2017 | 2016 |
|---|---|---|
| **Economic value generated and distributed** | | |
| Operating income | 2,472 | 2,153 |
| *Economic value generated* | *2,472* | *2,153* |
| Operating expenses | 513 | 413 |
| Employee pay and compensation | 1,473 | 1,395 |
| Dividends paid | 200 | 100 |
| Tax | 34 | 36 |
| *Economic value distributed* | *2,220* | *1,944* |

| | | |
|---|---|---|
| **Sound risk culture and good governance** | | |
| Risk culture measurement | | |
| Response frequency | % | 86 |
| **Regulatory compliance** | | |
| Fines and incidents | SEK | – |
| | Number | – |
| **Effective capital allocation** | | |
| Analysed companies in the Nordics | Number | 352 |
| – of total market capitalisation in the Nordic countries* | % | 95 |

* Refers to capitalisation of Nasdaq All-Share for Stockholm, Copenhagen and Helsinki and for Oslo Bors All Share at year-end 2017.

## Note 6 Responsible employer

Competent, committed employees are the foundation of Carnegie's success. Creating a stimulating, rewarding work environment where employees want to stay and the next generation's stars want to begin is critical to longevity and retaining the role of Nordic market leader.

Carnegie must be an attractive and responsible employer. Being responsible requires a long-term perspective. Skills development, diversity, compensation and health are high-priority topics.

Our work is governed by applicable laws and regulations in the markets where Carnegie operates, as well as several policy documents such as guidelines for systematic health and safety management and delegation, conduct, ethics and diversity policies.

### Health and safety

The purpose of systematic health and safety management is to prevent accidents, illness and stress. This makes possible the timely discovery and correction of any job-related risks.

If accidents or incidents do occur, the responsible manager must investigate the cause and take action. In accordance with Swedish law requiring occupational injury insurance, all occupational injuries must be reported to the Swedish Social Insurance Office. In addition, the manager must immediately inform the Swedish Work Environment Authority of any serious occupational accidents.

### Skills development

Remaining the market leader also requires continuous skills development in relation to issues involving external and regulatory changes. The Carnegie Professional Development Foundation gives employees in Sweden, Denmark and the UK the opportunity to broaden their skills by taking courses twice a year in subjects outside their area of expertise. In addition, employees are continuously trained in operations-related subjects in order to maintain leading-edge skills. Training provided in 2017 included courses on the new anti-money laundering rules and MiFID II regulations.

Employees and their immediate managers regularly confer to ensure that Carnegie's overall business objectives are in line with the employee's individual development goals. Structured evaluations in the Performance Management Process are performed on a full-year and half-year basis and assessed against both financial and non-financial criteria.

### Diversity and equal opportunity

By embracing people's unique experiences, knowledge and characteristics, Carnegie can shape a creative working environment that fosters personal development and improves the conditions for achieving optimal performance. Carnegie must be a workplace where all employees enjoy equal rights, opportunities and responsibilities in all areas.

Carnegie aligns with the principles of equal treatment and always strives for diversity in various types of work and position in connection with recruitment. In addition, Carnegie does not tolerate any form of harassment or discrimination and we must ensure that this also applies to pay-setting. All employees are treated with respect and consideration for every individual's rightful demands for privacy, regardless of gender, transgender identity or expression, ethnicity, sexual orientation, disability or age.

### Compensation and benefits

Carnegie must offer competitive compensation. The remuneration model is aimed at supporting successful and long-term development of the Group, rewarding individual performance and encouraging long-term value creation combined with balanced risk-taking. Fixed pay is the base of the remuneration model. Each employee's performance is evaluated in an annual process. Eligibility for variable remuneration is governed by the attainment of individual targets and the performance of the unit and the group.

The standard benefits that Carnegie offers its employees may vary somewhat from one country to the next, but usually include various types of insurance, such as pension and medical insurance, life insurance, disability insurance and health insurance. Carnegie also makes pension provisions in various forms. The fitness and wellness benefits are generous and employees are offered a range of medical insurance policies and regular physical examinations.

## Indicators: Responsible employer 2017

| | | |
|---|---|---|
| **Skills development** | | |
| Training within Carnegie Professional Development | | |
| *Sweden* | | |
| Employees who applied | Number | 155 |
| Total number of course days | Number | 293 |
| *UK* | | |
| Employees who applied | Number | 3 |
| Total number of course days | Number | 10 |
| *Denmark* | | |
| Employees who applied | Number | 28 |
| Total number of course days | Number | 60 |

| | | |
|---|---|---|
| **Diversity and equal opportunity** | | |
| Average number of employees | | |
| Women | % | 27 |
| Men | % | 73 |
| Age | | |
| < 30 | % | 14 |
| 30–50 | % | 63 |
| > 50 | % | 23 |
| Compensation | | |
| Employee ownership interest | % | 24.7 |
| Employees as part owners | Number | 220 |
| | % | 35 |
| **Health and safety** | | |
| Absenteeism | % | 2.2 |
| Employee turnover | % | 15.3 |

## Note 6 Responsible employer, cont.

In addition, Carnegie has an active sports club that offers perks like running coaches and ski trips.

Carnegie's ambition is to make it easier for all employees to combine work and family life by providing supplementary parental leave benefits, allowing employees to retain selected benefits while on leave and, to the extent possible, accommodating flexible working hours. We try to make employees' lives easier, for example by offering cleaning services and tutoring in a salary swap scheme. Carnegie provides company cars to employees when the position so requires or when a car benefit is attached to a senior position.

It is important to generate internal commitment to the company's development and to ensure that employees have the same incentives as the owners to create long-term value. Carnegie therefore offers employee ownership schemes.

## Note 7 Environment

As a service company, Carnegie's operations have limited direct environmental impact. Nevertheless, we prioritise the issue because we know it is important to run the business in a way that minimises our ecological footprint. Carnegie has chosen to integrate environmental protection with business and due diligence processes in which all aspects are considered from the risk and added value perspectives.

Internal environmental management involves continuous adaptation of operations, improved procedures and continuous updates of knowledge and information management related to environmental issues. Our car and travel policies have an explicit environmental focus. For example, train travel is required for all business trips of less than four hours travel time. Office premises, IT equipment, supplies and travel are examples of the direct environmental impact resulting from our operations.

The greatest environmental impact is indirect and is linked to our clients' investments in the Private Banking business. Making responsible investments is an important aspect of the management mandate. We take environmental, social and governance aspects into account through an established process for ESG investments. In the investment context, this is a matter of reducing risk. See also the Responsible Investment section on page 85–86.

The environment topic has been assessed internally and by our key stakeholders as less important to Carnegie at this time and no key figures or targets are therefore reported in this area. However, the topic is continuously monitored and evaluated.

## Note 8 Memberships of associations

Carnegie supports international principles of fundamental human rights and sustainable development and intends to actively contribute to global initiatives to foster sustainable transition and development.

Carnegie is a member of several industry organisations including the Swedish Securities Dealers Association and SwedSec.

Carnegie also supports Junior Achievement Sweden, which sows the seeds of interest in entrepreneurship in Swedish schools and, over the long term, promotes the growth of new businesses.

### UN Principles of Responsible Investment

Carnegie supports the UN initiative Principles for Responsible Investment (UNPRI). This means that Carnegie acts in accordance with the initiative's six principles on investment analysis, ownership policies, information disclosure, promotion of acceptance and implementation, cooperation and reporting.

### UN Global Sustainable Development Goals

The United Nations adopted 17 global Sustainable Development Goals (SDGs) in 2015, with the clear expectation that states, public sectors and business should all contribute to solutions to our shared challenges. When the global SDGs were adopted by the UN member states, it provided an opportunity to take on the sustainability challenges the world is confronting in a concrete manner. Business, the financial industry not least importantly, has an important role to play in developing scalable solutions and driving the transformation that is critical to attaining the goals by 2030.

Based upon Carnegie's vision, business principles and role in society, the assessment is that several of the SDGs are relevant to our business and are areas in which Carnegie can make valuable contributions.

### UN Global Compact

Carnegie has been a signatory to the UN Global Compact since 2017. In so doing, Carnegie has committed to supporting and respecting the ten principles of the Global Compact.

#### Human rights

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure they are not complicit in human rights abuses.

#### Labour and employment conditions

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining,
4. the elimination of all forms of forced and compulsory labour,
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect of employment and occupation.

#### Environment

7. Businesses should support a precautionary approach to environmental challenges,
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

#### Anti-corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.

# Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Carnegie Holding AB, corporate registration number 556780-4983

### Engagement and responsibility

It is the board of directors who are responsible for the statutory sustainability report for the year 2017 on pages 84–89 and that it has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The Auditor's Opinion Regarding the Statutory Sustainability Report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

### Opinion

A statutory sustainability report has been prepared.

Stockholm, 23 March 2018
PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorised Public Accountant
Auditor in Charge

Martin By
Authorised Public Accountant

# Contents in accordance with GRI

Carnegie complies with the Global Reporting Initiative guidelines (GRI Standards) and reports according to the "Core option" and GRI G4 Sector Disclosure, Financial Services. Reporting at the Core level means that Carnegie has identified the sustainability topics that are material to the company and reports at least one indicator per topic. The following GRI Index shows where disclosures in accordance with GRI are found in Carnegie's Annual Report for 2017.

| GRI Standard | Disclosure | | Page reference |
|---|---|---|---|
| **General disclosures** | | | |
| GRI 102: General disclosures 2016 | | | |
| Organisational profile | | | |
| | 102-1 | Name of the organization | 1 |
| | 102-2 | Activities, brands, products, and services | 4 |
| | 102-3 | Location of headquarters | 53 |
| | 102-4 | Location of operations | 53 |
| | 102-5 | Ownership and legal form | 36 |
| | 102-6 | Markets served | 4, 14 |
| | 102-7 | Scale of the organization | 5–6 |
| | 102-8 | Information on employees and other workers | 27-28, 62 |
| | 102-9 | Supply chain | 87 |
| | 102-10 | Significant changes to the organization and its supply chain | 79 |
| | 102-11 | Precautionary Principle or approach | 87 |
| | 102-12 | External initiatives | 89 |
| | 102-13 | Membership of associations | 89 |
| Strategy | | | |
| | 102-14 | Statement from senior decision-maker | 7–9 |
| Ethics and integrity | | | |
| | 102-16 | Values, principles, standards and norms of behaviour | 11, 85 |
| Governance | | | |
| | 102-18 | Governance structure | 30-32 |
| Stakeholder engagement | | | |
| | 102-40 | List of stakeholder groups | 84 |
| | 102-41 | Collective bargaining agreements | Carnegie offers terms of employment and benefits at or above the level stipulated in collective bargaining agreements in the financial industry, but has not itself entered into any collective bargaining agreements. |
| | 102-42 | Identifying and selecting stakeholders | 84 |
| | 102-43 | Approach to stakeholder engagement | 84–85 |
| | 102-44 | Key topics and concerns raised | 84–85 |
| Reporting practice | | | |
| | 102-45 | Entities included in the consolidated financial statements | 53 |
| | 102-46 | Defining report content and topic boundaries | 84 |
| | 102-47 | List of material topics | 85 |
| | 102-48 | Restatements of information | 53 |
| | 102-49 | Changes in reporting | 84 |
| | 102-50 | Reporting period | 84 |
| | 102-51 | Date of most recent report | 84 |
| | 102-52 | Reporting cycle | 84 |
| | 102-53 | Contact point for questions regarding the report | 95 |
| | 102-54 | Claims of reporting in accordance with the GRI Standards | 84 |
| | 102-55 | GRI content index | 91–92 |
| | 102-56 | External assurance | 90 |

| GRI Standard | Disclosure | | Page reference | Remarks |
|---|---|---|---|---|
| **Material topic** | | | | |
| **Economic performance** | | | | |
| GRI 103: Management approach 2016 | 103-1 | Explanation of the material topics and its boundaries | 10–11 | |
| | 103-2 | The management approach and its compontents | 10–11 | |
| | 103-3 | Evaluation of the management approach | 10–11 | |
| GRI 201: Economic performance 2016 | 201-1 | Direct economic value generated and distributed | 87 | |
| **Anti-corruption** | | | | |
| GRI 103: Management approach 2016 | 103-1 | Explanation of the material topics and its boundaries | 85 | |
| | 103-2 | The management approach and its compontents | 85 | |
| | 103-3 | Evaluation of the management approach | 85 | |
| GRI 205: Anti-corruption 2016 | 205-2 | Communication and training about anti-corruption policies and procedures | 85–86 | |
| **Employment** | | | | |
| GRI 103: Management approach 2016 | 103-1 | Explanation of the material topics and its boundaries | 27–28, 88 | |
| | 103-2 | The management approach and its compontents | 27–28, 88 | |
| | 103-3 | Evaluation of the management approach | 27–28, 88 | |
| GRI 401: Employment 2016 | 401-2 | Benefits provided to full-time employees | 88 | |
| **Occupational health and safety** | | | | |
| GRI 103: Management approach 2016 | 103-1 | Explanation of the material topics and its boundaries | 27–28, 88 | |
| | 103-2 | The management approach and its compontents | 27–28, 88 | |
| | 103-3 | Evaluation of the management approach | 27–28, 88 | |
| GRI 403: Occupational health and safety 2016 | 403-2 | Injuries, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | 88 | Carnegie reports absente-eism at the group level. |
| **Training and education** | | | | |
| GRI 103: Management approach 2016 | 103-1 | Explanation of the material topics and its boundaries | 27–28, 88 | |
| | 103-2 | The management approach and its compontents | 27–28, 88 | |
| | 103-3 | Evaluation of the management approach | 27–28, 88 | |
| GRI 404: Training and education 2016 | 404-2 | Programs for upgrading employee skills | 88 | |
| | 404-3 | Regular performance and career development reviews | 88 | |
| **Diversity and equal opportunity** | | | | |
| GRI 103: Management approach 2016 | 103-1 | Explanation of the material topics and its boundaries | 28, 88 | |
| | 103-2 | The management approach and its compontents | 28, 88 | |
| | 103-3 | Evaluation of the management approach | 28, 88 | |
| GRI 405: Diversity and equal opportunity 2016 | 405-1 | Diversity of governance bodies and employees | 62–63, 88 | |
| **Product and service labelling** | | | | |
| GRI 103: Management approach 2016 | 103-1 | Explanation of the material topics and its boundaries | 15, 85 | |
| | 103-2 | The management approach and its compontents | 15, 85 | |
| | 103-3 | Evaluation of the management approach | 85 | |
| GRI 417: Marketing and labelling 2016 | 417-1 | Requirements for products and service information and labeling | 86 | |
| **Customer privacy** | | | | |
| GRI 103: Management approach | 103-1 | Explanation of the material topics and its boundaries | 85 | |
| | 103-2 | The management approach and its compontents | 85 | |
| | 103-3 | Evaluation of the management approach | 85 | |
| GRI 418: Customer privacy 2016 | 418-1 | Complaints concerning breaches of customer privacy and losses of customer data | 86 | |
| **Auditing** | | | | |
| GRI 103: Management approach 2016 | 103-1 | Explanation of the material topics and its boundaries | 87 | |
| | 103-2 | The management approach and its compontents | 87 | |
| | 103-3 | Evaluation of the management approach | 87 | |
| GRI FS: Auditing | FS | Risk assessment procedure | 87 | |
| **Socioeconomic compliance** | | | | |
| GRI 103: Management approach 2016 | 103-1 | Explanation of the material topics and its boundaries | 87 | |
| | 103-2 | The management approach and its compontents | 87 | |
| | 103-3 | Evaluation of the management approach | 87 | |
| GRI 419: Socioeconomic compliance 2016 | 419-1 | Fines and non-monetary sanctions for non-compliance with laws and regulations | 87 | |
| **Active ownership** | | | | |
| GRI 103: Management approach 2016 | 103-1 | Explanation of the material topics and its boundaries | 85–86 | |
| | 103-2 | The management approach and its compontents | 85–86 | |
| | 103-3 | Evaluation of the management approach | 85–86 | |
| GRI FS: Active ownership | FS11 | Assets subject to screening | 86 | Refers to the Swedish operations |

# Definitions – alternative performance measures*

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

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

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

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

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

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

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

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

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

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

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

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

**Average number of employees**
Number of employees at the end of each month divided by number of months in the period.

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

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

**Return on equity***
Profit or loss 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 46 and the Operating income statement on page 37 is that SEK 440 million has been moved from Operating costs to a separate line, Financing costs, variable remuneration, etc., and that Credit losses, net of SEK 2 million are included on this line. The net change is SEK -438 million, which comprises variable remuneration of SEK -436 million, financing costs of SEK -4 million and credit recoveries of SEK 2 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.

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