Carnegie

ANNUAL REPORT 2020

CARNEGIE HOLDING AB

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This is Carnegie's annual report for the 2020 financial year. The formal annual report comprises pages 43–83. The annual report also comprises Carnegie's sustainability report for 2020 as required under the Swedish Annual Accounts Act, ch 6 s 10, (1995:1554).

6

The pandemic is accelerating existing megatrends like digitalisation, automation and climate and sustainability efforts.

28

Carnegie acted as adviser in capital raises for Cleantech companies in 2020 corresponding to USD 1 billion (SEK 9 billion).

19

Carnegie participated in 86 ECM transactions during the year, more than any other bank in Europe.

CARNEGIE IN 5 MINUTES

Carnegie is the foremost financial adviser in the Nordics. We bring investors together with entrepreneurs and companies to enable clients, owners and society to grow sustainably. Simply put, Carnegie is where knowledge and capital meet.

OUR MISSION

We enable companies, capital and communities to grow sustainably.

OUR CLIENTS

We work with companies, their owners, institutions and high net-worth individuals.

OUR BUSINESS

Investment Banking
Carnegie Investment Banking offers professional advisory in mergers and acquisitions (M&A) and equity capital market (ECM) transactions. The Debt Capital Markets (DCM) unit also provides advisory related to capital acquisition via corporate bonds and fixed income instruments. With unique understanding of sectors and capital markets in the Nordic region, Carnegie is a leading Nordic adviser in corporate finance.

Operations in Denmark, Finland, Norway and Sweden.

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

Operations in Denmark, Finland, Norway, Sweden, the UK and the US.

Private Banking
Carnegie Private Banking provides comprehensive financial advisory to high net worth individuals, small businesses, institutions and foundations. The 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 and Sweden.

KEY DATA

The year in brief

Carnegie's leading position in the Nordic market combined with high market activity generated income growth of 26 percent. We are reporting good financial performance for the entire business, with the strongest development in the ECM market. Carnegie also solidified its position as a market leader in all main business areas, according to independent client surveys and rankings.

Operating income 2020
Total operating income SEK 3,284m (2,613), +26%

3,284

Profit before tax 2020
SEK 836m (501 excluding capital gain of SEK 171m), +67%

836

Responsible advisory
Percentage of listed companies for which the ESG perspective is included in equity research.

100%

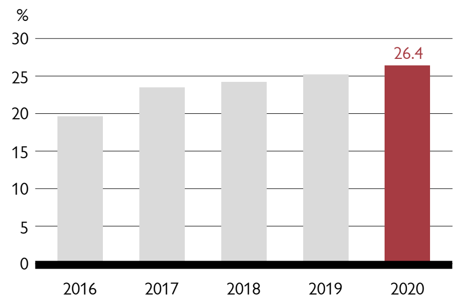
Responsible advisory
Percentage of discretionary management covered by ESG screening.

100%

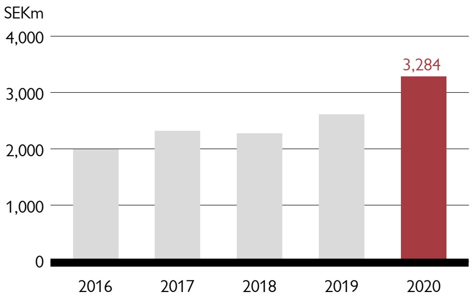
Responsible employer
Percentage of employees who expressed high engagement with their jobs.

95%(+2%)

Common equity Tier 1 capital ratio



Operating income



Carnegie #1
Carnegie Investment Bank received several top rankings and awards in 2020:

Kantar Sifo Prospera

#1 Domestic Equity Sweden, Finland & Nordic
#1 Corporate Finance ECM Nordic & Sweden
#1 Corporate Finance M&A Adviser Sweden
#1 Private Banking Sweden & Nordic
#1 Back-Office Equity Nordic, Sweden & Finland

Mergermarket

#1 Sweden M&A Adviser

EuroMoney

#1 Private Banking Sweden

High employee engagement is critical to Carnegie's success.

Gender distribution, women/men
Among 600 employees in six countries, 27 percent are women and 73 percent are men.

Companies covered
The number of listed companies covered by Carnegie and their combined share of total market capitalisation in the Nordic countries.

360 (93%)

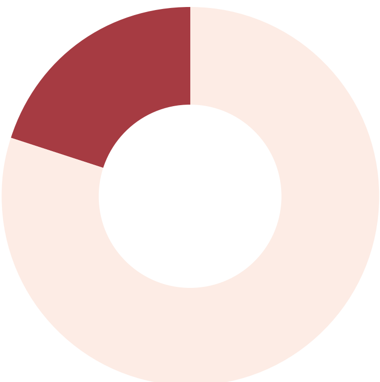
Assets under management
Carnegie's total assets under management and growth in 2020, SEKbn.

166 bn (+30%)

ECM transactions
Number of ECM transactions executed in the European market.

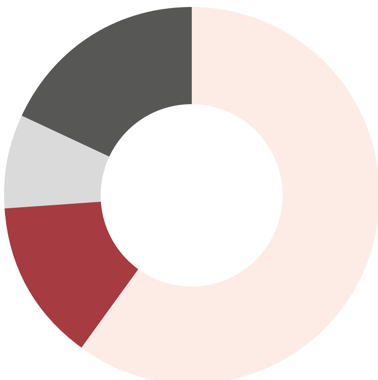
86 (47)

Income
by business area



- Investment Banking & Securities 80%
- Private Banking 20%

Geographical distribution
of income



- Sweden 60%
- Norway 14%
- Denmark 8%
- Other 18%

Employees
per unit

- Securities 26%
- Support & Group 24%
- Investment Banking 23%
- Private Banking 16%
- IT 16%

CEO'S MESSAGE

Higher demand for our services

2020 was a turbulent year, and a dramatic one. We quickly reorganised our working methods at Carnegie to continue providing outstanding service to our clients. Client loyalty, higher market shares and our financial performance indicate that we accomplished that goal even under the unique circumstances.

2020 was a year that will have impact on people and companies for a long time to come. We might not see the beginning of the end of the pandemic that has swept across the world until 2021. The pandemic also had profound impact on Carnegie, mainly affecting how we interact with our clients and each other. The economic sector in which we operate proved to be relatively resilient, even in a pandemic. The swift and powerful actions taken by governments and central banks around the world are an important reason that the consequences on the real economy and, by extension, the financial market, were less serious than initially feared. Viewed across the entire year, activity in our business was very good, although it varied over time and from one segment to the next.

Higher demand for our services

Activity was high in the equity market during the year and demand for Carnegie's services rose. Institutions and individuals were very active in the financial markets, while numerous companies were seeking capital. In total, we participated in 86 ECM transactions during the year, more than any other bank in Europe. Of these, 16 were IPOs, double the number in 2019. There was initial negative impact on the M&A market when the pandemic hit, but the market recovered towards the end of the year.

There was strong inflow of clients and assets under management to Private Banking. When the pandemic made face-to-face meetings impossible, we quickly switched to digital communication with our clients, which proved successful. There was a huge thirst for knowledge and the digital seminars were well-attended.

Operating income rose by 26 percent to SEK 3.3 billion while profit after net financial items grew by 67 percent to SEK 836 million. Our strong performance can be attributed to factors including higher market activity and our investments over several years in solidifying Carnegie's position as the most full-coverage provider in Nordic equities, research and corporate finance.

Digital adoption gave us new opportunities

For much of 2020, contact with our clients was almost exclusively digital and we will take away important digital lessons when the pandemic is over. The digital platforms have provided opportunities including channels to reach new clients and new markets, along with the possibility to enhance interaction between our offices in the Nordics, New York and London.

It was important to us during the past year to not let important long-term initiatives fall by the wayside during the pandemic. We are therefore continuing to modernise our digital infrastructure. This is a comprehensive, future-oriented initiative that will be key to the development of our business in the years ahead.

Top scores in market and client surveys

As in previous years, we are top-ranked among essentially all target groups in most client and market surveys, in all areas of operation. This illustrates the high trust we enjoy from our clients, which was especially important in a year like 2020 when so much took place digitally and remotely.

Strong company culture

We also received praise in the employee survey. The employee engagement score went up since last year to 95 percent. In challenging years like this one, it is particularly important to be rated highly as an employer. It states that our company culture is strong and our infrastructure is resilient when tested. Committed employees are essential to Carnegie's success. We are especially proud that the percentage of women who believe Carnegie provides equal opportunities for personal and professional development, regardless of gender, is rising. We still have a lot to do, but things are moving in the right direction.

Sustainability remains a priority

Our sustainability work remains high on the agenda. ESG has been an important factor within our advisory for a long time. This has been driven in particular by the research team, where we have been considering ESG an

BJÖRN JANSSON
CEO and President

Years with the Group
Employed since 2009

We are continuing to raise our ambitions in the areas of sustainability and diversity. This is critical to maintaining our position as the leading financial adviser in the Nordics.

important factor in all 360 Nordic companies we cover for several years. We have also devoted considerable time to understanding the effects of the EU Taxonomy. In 2020 we established the position Head of Sustainability Research & Strategy in order to gear up efforts with ESG in our client advisory. As a financial adviser, we have an important role in building a sustainable society, and our task is to give our clients access to the best possible information and enable them to make decisions that are sustainable for world.

Steadfast trust in a new world

As 2020 ends, I would like to express heartfelt thanks to all of our clients and employees. Together, we were able to not only keep the business going, but to further improve the meeting place between capital, knowledge and companies that is the core of Carnegie.

As I look ahead, our long-term vision and ambition to be the most competent and respected financial adviser in the Nordics holds firm. We will accomplish that by continuing to build and develop our business. We are also continuing to raise our ambitions in the areas of sustainability and diversity. This is crucial to maintaining our position as the leading financial adviser in the Nordics. We have no control over market conditions, of course. But considering the high trust of our clients combined with competent and committed employees, there is every reason to be optimistic about Carnegie's continued growth and development.

Björn Jansson
CEO and President

MARKET AND BUSINESS ENVIRONMENT

A post-pandemic world is taking shape

The Covid pandemic will continue to affect the world economy in 2021 and 2022. Focus will be on economic recovery, while underlying megatrends will be reinforced.

According to the IMF, the outcome for the global economy in the wake of Covid-19 2020 was a GDP contraction of about 3.5 percent. Vaccination has already begun worldwide, which will enable faster normalisation than expected. The IMF is projecting global growth of 5.5 percent in 2021, although this will depend on how rapidly the vaccines can be distributed.

Successful economic stimulus packages

"Things look basically good for economies and markets. Swift and substantial monetary and fiscal policy support has been an important and largely successful strategy during the pandemic. This was a lesson learnt during the earlier financial crisis. Several central banks and governments have also recently increased and extended the stimulus and relief programmes", says Helena Haraldsson, business intelligence analyst at Carnegie who focuses on the economic conditions and prospects of countries, sectors and companies.

Things look basically good for economies and markets.

Although GDP may approach pre-pandemic levels in 2021, the trend is fragile. A dangerous virus mutation or policy error in which stimulus support is withdrawn too soon and causes a large wave of bankruptcies and job losses would damage the economic outlook again. At present, the trends are pointing in the opposite direction. At the same time, surprisingly swift vaccination programmes combined with continued and substantial economic stimulus and relief could generate faster recovery than expected."

The Nordic economy

"The risks of overheating and rising inflation are further away, especially because the labour markets are soft. But long rates have begun to rise and are something to keep an eye on. The central banks are struggling to push up inflation, are giving no signs of austerity and are not forecasting rate hikes in 2021 or 2022. As well, inflation in Europe is very subdued. An upturn in long-term rates from record-low levels will not necessarily be a problem for the economy or the stock market, as long as it occurs under controlled conditions", says Haraldsson.

In general, the Nordic economies have generally weathered the pandemic better than others, partly due to less drastic lockdowns and restrictions, and because our economies are more dependent upon exports and industry than on the service sector and tourism. Industrial supply chains have not broken down, which was essential to keeping activity up. Strong public finances in the Nordic countries have provided good opportunities for fiscal policy support and economic stimulus. It is also a relief that there is now, four years after Brexit, an agreement between the EU and the UK, as the UK is an important trading partner for the Nordic countries."

Megatrends

The pandemic is accelerating existing megatrends like digitalisation, automation and climate and sustainability efforts. Remote working and digital communication have also taken giant leaps forward, which is probably subduing business travel and has by extension also affected the

"Long rates have begun to rise and are something to keep an eye on", says Helena Haraldsson, business intelligence analyst at Carnegie.

The pandemic is accelerating existing megatrends like digitalisation, automation and climate and sustainability efforts.

Stockholm	Copenhagen	Oslo	Helsinki
Performance of OMXS30 in Stockholm during 2020.	Performance of OMXC20CAP in Copenhagen during 2020.	Performance of OBX in Oslo during 2020.	Performance of OMXH25 in Helsinki during 2020.
+6%	+35%	+2%	+12%

structure of the real estate market. Global supply chains are being reviewed and if companies become more inclined to insource production, in spite of higher costs at home, this will further drive automation.

"Retail stores, travel, hotels, air travel and offices will all come back. The question is how far the pendulum will swing in the other direction. Sustainability and renewable energy are the really big trends and they are picking up speed, driven by more urgent awareness of the climate situation, but also by technological progress and cost advantages. Especially in the EU, an important market for the Nordic countries, the post-pandemic fiscal policy measures are to a great extent more future-oriented than those taken after the financial crisis, with investments in digitalisation and more sustainable societies, which is positive", says Haraldsson.

Transformation pressure on established companies is increasing, which is also creating fertile ground for new enterprises in areas including cleantech, gaming, technology, fintech and new energy. This is creating a need for growth financing and there is a lively IPO market on the Nordic stock exchanges for small and high-growth companies that has few equivalents in the rest of Europe.

At the other end, the EU, US and China are pressuring the major platform companies on matters related to taxation and market dominating positions. Ultimately, this may lead to new regulations or to the forced break-up of large, dominant companies.

"Perhaps a bit surprisingly, China seems like it is moving the fastest. These processes take time, but increased competition often promotes economic productivity and development. If new standards and regulations were to come, it could create entirely new opportunities and exciting changes like those happening in the banking system with fintech and the digitalisation of healthcare", says Haraldsson.

STRATEGIC FRAMEWORK

Where knowledge and capital meet

Our business principles and focus areas combined with the trust of our clients are the foundation of our success. Our vision, to be the leading financial adviser in the Nordics, is governed by our mission: working together to create the conditions that enable companies, capital and communities to grow sustainably.

Client focus

- We do our utmost to ensure products and services of the highest quality.
- Every meeting with Carnegie shall provide new knowledge to our clients.
- We guide our clients towards sustainable investments.

Commitment

- Earning our stakeholders' trust is a joint effort.
- Our professionalism goes all the way down to the last detail.
- We nurture a culture of high integrity, moral principles, diversity and respect.

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.

Responsible advisory

In all units, Carnegie advisory aims to supply knowledge to companies working towards a sustainable world.

Responsible business

Via its business and advisory, Carnegie works actively to provide small companies and entrepreneurs access to the financing, advice and knowledge they need to grow and develop.

Responsible employer

Carnegie's business is based on knowledge, trust and client relationships, which makes our employees our most important asset. Ensuring a high level of engagement among everyone who works at Carnegie is a priority.

VISION

To be the most competent and respected financial adviser in the Nordics.

MISSION

We enable companies, capital and communities to grow sustainably.

BUSINESS PRINCIPLES

Our business principles inform our corporate culture and promote the development of a sustainable financial market and economic growth. The interaction between our guiding business principles is therefore the foundation of our business in all markets.

- Client focus
- Competence
- Commitment

FOCUS AREAS

Our focus areas secure competitiveness and further develop the strong trust we enjoy among clients, employees, the market, owners and society.

- Responsible advisory
- Responsible business
- Responsible employer

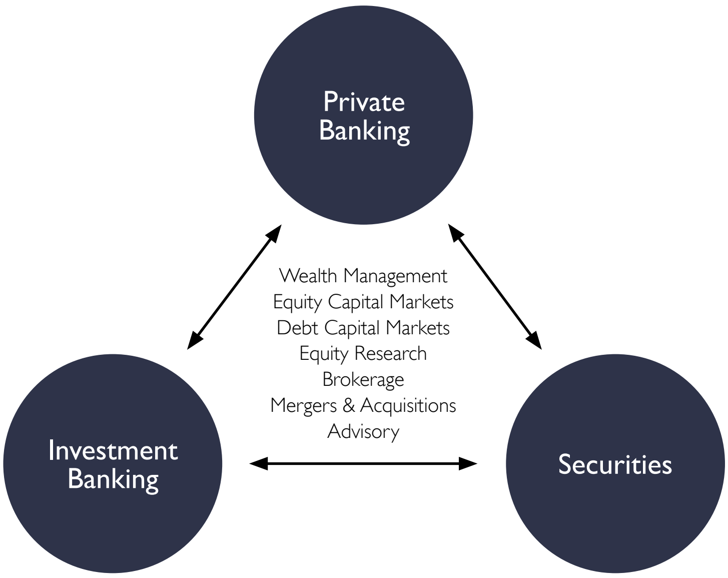
BUSINESS MODEL

With knowledge as a value creator

Carnegie's business model is based on the capacity to translate our expertise into relevant advisory and economic growth for our clients. In addition, we aim to guide our clients towards decisions that are sustainable for business and society. We bring together people, companies, ideas and capital through advisory that creates value.

KNOWLEDGE
Knowledge of Nordic enterprise, markets and business environment.

ADVISORY



VALUE CREATION AND SUSTAINABLE GROWTH

For clients
Advisory and products of the highest quality to generate optimal returns and outcomes for clients.

For shareholders
Sustainable and long-term returns at low risk.

For employees
An engaging, secure and rewarding workplace. Attractive employment conditions and substantial opportunities for career development.

For society
Companies and capital that grow unleash purchasing power, increase prosperity and drive the economy.

Carnegie also has a critical role to play in the transition to a more sustainable society. We can contribute knowledge and advisory to guide our clients towards long-term and sustainable decisions.

With its unique platform where capital and investors can meet companies and markets, Carnegie is the leading financial adviser in the Nordics. Our knowledge, experience and professional advisory, along with high operational capacity, help ensure that capital ends up where it can do the most good and generate the best returns. Efficiently, transparently and sustainably.

Carnegie's business rests on three pillars: Investment Banking, Securities and Private Banking. Professional advisory, unique expertise and networks are the common denominators among them. We are the market leader in all areas and are proud of having the most satisfied clients.

Carnegie's various business areas cross-pollinate each other and hold vast potential for synergies and joint value creation for all stakeholders. Our large base of private and institutional investors is valuable to both small, unlisted companies in need of financing and larger companies seeking a market listing.

We bring high net-worth individuals and institutions together with unlisted companies that need capital to grow, while private clients are looking for private placements - attractive investment opportunities outside the public markets.

Likewise, we help companies that want to issue bonds or carry out an IPO, for example, find the right investors and approach. Our international network of investors and leading research capacity are crucial in this context.

Business synergies

In the group of companies and owners, we act as advisers for corporate deals, successions and major transactions in the public market, where in-depth knowledge of the market is critical.

Likewise, we work with institutional investors and Private Banking clients, where our leading research ensures that investment decisions can be made on the best possible basis.

Carnegie's analysis of Nordic companies is the broadest in the market and ranked the highest by professional investors and institutions. The research is an invaluable tool for investors all over the world who are looking for Nordic equities. It is also a critical competitive factor for Carnegie in relation to evaluating and executing corporate transactions with the optimal outcome.

In other words, Carnegie works in the intersection between investors and companies or owners. We consider our activities a vital part of a company's life cycle and growth journey, where Carnegie can assist with advisory, capital and expertise at several stages along the way.

Effective and transparent capital allocation is also crucial to competitive and successful business and enterprise while ensuring persistent and attractive returns to investors, regardless of size.

Carnegie also has a critical role to play in the transition to a more sustainable world. We can contribute knowledge and advisory to guide our clients towards sustainable and long-term decisions. We are also supporting innovative capacity and our entrepreneurs with knowledge and networks in order to be involved and contribute to making a better world.

Balanced revenues

Carnegie has operations and presence in all four Nordic markets, which assures local networks and local expertise. At the same time, there is considerable international interest in Carnegie's offering and the offices in New York and London play a key role in capturing, channelling and addressing this demand.

Carnegie enjoys a strong position in the Nordic market as well as the international transactions market, which is important to our business.

Carnegie's business model has generated steady growth and good profits over the years, while being streamlined in the process. Revenues from Carnegie's three business areas are well-balanced, which reduces the risk of impact from negative external factors. Carnegie has a strong financial position and sound risk culture with good control, underpinned by active corporate governance.

We expect long-term and underlying growth in the future and see further potential for efficiency improvements. This is laying the foundation for a sustainable and profitable future - for Carnegie as well as our clients and other stakeholders.

BUSINESS OBJECTIVES

Long-term governance secures our position

Carnegie has clear long-term and short term business objectives, both financial and non-financial. The objectives are meant to secure Carnegie's leading position in the financial market by maintaining and strengthening the trust of clients, employees, the market and society.

Carnegie's long-term strategy to secure competitiveness and further develop the strong trust in us from our clients, employees, the market, owners and society, is based on several long-term business objectives.

Carnegie's core skill, assisting clients with sustainable financial advisory, and being responsible stewards of Carnegie's role in the financial ecosystem, are central.

Through being an effective meeting place for capital and companies, Carnegie can contribute to the sustainable development of business and infrastructure, driven by innovation and focus on sustainable investments.

Through advisory in connection with investments and corporate transactions, we can be an active and positive force in corporate efforts to implement sustainable methods and integrate sustainability disclosures in their reporting. That also applies to how companies can help fight climate change and improve their resilience against and adaptability to climate-related risks.

Our focus on small and medium-sized companies and active role in supplying capital to growing, unlisted companies are contributing to economic growth, diversified and innovative business and industry, new technology and new business models.

A prerequisite for this is that we are on a solid financial footing ourselves, with healthy and sustainable growth and profitability. The entire business must be run responsibly, with a healthy and prudent risk culture.

We must create the optimal conditions for enhancing employee engagement and work to achieve greater diversity and equal opportunity.

The objectives are in harmony with the UN global Sustainable Development Goals (SDGs) with focus on sustainable economic development and Agenda 2030. Carnegie has identified six of the 17 SDGs as particularly relevant to our business.

Long-term business objectives

Responsible advisory

Description	Target	Outcome 2019	Outcome 2020	Remarks
Proportion of listed companies for which the ESG perspective is included in equity analysis	100%	100%	100%	Carnegie covered 360 listed Nordic companies during the year, all analysed with sustainability metrics taken into account.
Proportion of discretionary management covered by ESG screening.	100%	100%	100%	Clear investment policies ensure that environment-related, ethical and social aspects are carefully considered.
Top-ranked advisory in core markets	1-3	✓	✓	Carnegie received top scores from private clients, companies and institutions according to independent client surveys.
Next Generation Academy training sessions	Qualitative	✓	✓	Carnegie is continuing to educate the children and other relatives of its clients in areas pertaining to responsibility and management of the family's long-term wealth and ownership.

Responsible business

Description	Target	Outcome 2019	Outcome 2020	Remarks
CET capital ratio	>18%	25.2%	26.4%	Carnegie has secured a good financial position and a liquidity position of about three times the legal requirement.
Profit margin	20%	24%	25%	The improved profit margin is a result of a faster rate of income growth compared to cost increases.
KPI for internal risk culture measurement	>70	82	85	Carnegie performs an annual risk culture measurement among employees that shows persistently high risk awareness, which increased this year.
Support entrepreneurship through Junior Achievement Sweden, Entrepreneurs of Tomorrow, Social Initiative	Qualitative	✓	✓	Carnegie is continuing to broaden its social engagement to stimulate the growth of new businesses.

Responsible employer

Description	Target	Outcome 2019	Outcome 2020	Remarks
Employee engagement	>85	93%	95%	Engagement among Carnegie employees remains very strong according to the annual employee survey.
Employee turnover	<15%	13%	10%	Carnegie's long-term target should reflect prudent employee turnover over time. Turnover fell for the second consecutive year in 2020.
Gender distribution, women/men	50/50	27/73	27/73	The long-term gender-balance target has still not been met and Carnegie intends to implement additional measures up to 2022.
Perception of equal opportunity among women/men	>70	65/90	70/89	We have seen an improvement in the perception of equal opportunity among women, whereby we have met our target of >70%. This provides scope to raise the level of ambition in future years.

Our work with Sustainable Development Goals

As a responsible company and part of the financial industry and business community, contributing to sustainable development and transition to a climate-neutral economy is a priority for Carnegie. Supported by the company's collective expertise in analysis, management and entrepreneurship, Carnegie's employees are working with Agenda 2030 and the 17 UN SDGs.

We consider six of these goals particularly important and relevant to our business. We are contributing in various ways to attaining the selected goals that harmonise with our own business objectives. The main contribution is made through assisting clients with sustainable advisory, as well as collaborating with others in the industry and in society at large.

SDG 5: Gender Equality

Target 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.

Carnegie:
Carnegie is acting to ensure an inclusive work environment with equal conditions for all. We ensure that everyone has equal opportunities for development by striving for gender balance in nominations for managerial training, further training and succession planning. We also make every effort to ensure that both genders are represented on the candidate shortlist in recruitment contexts and we work actively to market Carnegie to women as an attractive employer. We also participate in industry-wide activities aimed at promoting gender equality. When we recommend directors, we always endeavour to recommend both women and men.

SDG 8: Decent Work and Economic Growth

Target 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation and encourage the formalisation and growth of micro- small- and medium-sized enterprises, including through access to financial services.

Carnegie:
Carnegie has been working actively for several years to highlight and stimulate the growth of new companies in the market. This is being accomplished by Carnegie's own initiatives aimed at entrepreneurs in early phases as well as ongoing commitment and financial support to Junior Achievement Sweden and social entrepreneurs around the world. 83 percent (+7) of Carnegie employees believe the company is actively working to support entrepreneurs.

SDG 9: Industry, Innovation and Infrastructure

Target 9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.

Carnegie:
The Entrepreneurs of Tomorrow competition was arranged in 2020 for the seventh consecutive year in partnership with Svenska Dagbladet. The initiative is aimed at facilitating the development of companies in early phases that are seeking capital. We also presented the Svenska Dagbladet Business Achievement Award that recognises outstanding entrepreneurs.

SDG 12: Responsible Consumption and Production

Target 12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

Carnegie:
All companies covered are analysed from a sustainability perspective within the framework of equity research at Carnegie. This is key decision input for retail and institutional investors. We also published a report in 2020 covering the EU Taxonomy and its impact on business. Ahead of IPOs, we are involved from the outset and include sustainability risks and opportunities in the investment case. After IPOs, we monitor and analyse the companies and ensure that investors are provided information and data about corporate sustainability work.

SDG 13: Climate Action

Target 13.2 Integrate climate change measures into national policies, strategies and planning

Carnegie:
Carnegie integrates ESG perspectives, including environmental impact, into its investment process within asset management, as we believe it contributes to attaining the objective of generating good risk-adjusted returns. This applies to all discretionary management.

SDG 17: Partnerships for the Goals

Target 17.3 Mobilise additional financial resources for developing countries from multiple sources.

Carnegie:
Carnegie and its employees have been donating to social enterprises around the world for the past fifteen years. The support is given to social enterprises in India and Uganda aiming to make positive change in the community by improving living conditions for children and young people.

MARKET POSITION

Trusting client relationships

Carnegie's clear position as the leading financial adviser in the Nordics is the product of long-term and trusting client relationships combined with high scores in client evaluations.

Clients rate Carnegie the Nordic market leader in all areas of business. Globally, international institutions and advisers consider Carnegie the foremost adviser in Nordic equities.

For several years running, Carnegie has been ranked number one in client and market surveys conducted by market research firms and Carnegie defended its positions again this year.

Kantar Sifo Prospera (Prospera) is a leading independent client survey that measures client satisfaction in all areas in which Carnegie operates. Year after year, the results show that private investors, institutions and companies rank Carnegie as the leading financial adviser.

For the fifth consecutive year, Private Banking defended its top ranking in private wealth management advisory and lengthened its average score lead over other industry providers, according to Prospera. The personal interaction, ongoing advisory, management results, news and market information are the aspects clients value the most. Clients give Carnegie top ratings in an impressive 10 out of 13 categories.

Two of the key categories in which Carnegie received the highest scores are sustainable investments and ethical standards. This ranking is important because it shows that Carnegie's initiative to incorporate ESG in advisory is aligned with the demand from clients. In terms of market share and brand recognition, Carnegie's scores were lower. Combined with the popularity of Carnegie and its offering among existing clients, this indicates continued potential for increasing market shares.

Carnegie also topped the EuroMoney Private Banking ranking for the fourth straight year.

For the second year running, Carnegie's Back-Office capacity was ranked highest by clients in the Nordics overall, according to Prospera, as well as individually in Sweden and Finland.

Most ECM transactions in Europe

Prospera recognised Investment Banking as the number one Corporate Finance Adviser in the Nordics for the fifth consecutive year in its survey of companies and institutions. Carnegie also topped the rankings in Sweden in all three sub-categories: M&A, Corporate Finance and ECM (capital raises). Carnegie retained its position as the market leader in 2020 as well, when the bank participated in 16 IPOs. Carnegie was the financial adviser that participated in the most ECM transactions in the European market, a total of 86. At the end of the year, Mergermarket recognised Carnegie as Sweden M&A Financial Adviser of the Year. The award was based on transaction complexity and Carnegie's innovative capacity combined with transaction volume.

The Adviser of the Year award was based on transaction complexity and Carnegie's innovative capacity combined with transaction volume.

CASE

Focus on strategy for Bang & Olufsen

In early 2020, Danish consumer electronics group Bang & Olufsen (B&O) started to implement a new strategy to reverse a negative sales trend. The first positive effects of the strategy had just begun to show when Bang & Olufsen was hit by the global Covid-19 crisis and the lockdowns imposed in most countries across the world.

To secure the balance sheet and enable the company to continue to execute on its new strategy, B&O raised DKK 409 million through a rights Issue that was completed in July 2020, for which Carnegie acted as joint global co-ordinator and joint bookrunner. The offering was well received and fully subscribed.

With new capital in place, B&O was able to maintain its focus on strategy execution. B&O's financial situation has since improved significantly and in December B&O issued a reversed profit warning at the end of the year. Performance was better than expected and the company raised its forecasts for the financial year 2020/21. After a turbulent year, the share had by the end of the year traded up to almost the same level as in the beginning of the year.

Bang & Olufsen is a luxury audio brand founded in 1925 in Struer, Denmark. Bang & Olufsen's products are characterised by the unique combination of beautiful sound, timeless design and unrivalled craftsmanship. The company's products are sold worldwide in more than 70 markets and the company employs approximately 900 people. Bang & Olufsen's shares are listed on Nasdaq Copenhagen A/S.

Institutional investors rank Carnegie highest

For the fourth year running, Carnegie topped the rankings in Nordic equity analysis, execution and corporate access. This year, Carnegie received a score of 4.0 for the overall ranking, improving its score compared to previous years while lengthening its lead over other providers.

Carnegie was assessed as best in class for research and advisory, execution and corporate access.

INVESTMENT BANKING – CORPORATE ADVISORY

Number one Nordic adviser

Despite a turbulent market, Investment Banking reported yet another record year in 2020. Once again, adaptability, product breadth, satisfied clients and strong networks solidified Carnegie's position as the best investment banking adviser in the Nordics.

2020 began with a strong market, characterised by generally high activity in corporate transactions in both the private and public markets. The stock market was vibrant, financing opportunities good and transaction flow strong. The market situation changed abruptly in March 2020, however, when it became clear that Covid-19 was developing into a serious global pandemic.

The pandemic had significant impact on Investment Banking operations in the second quarter of 2020. Heightened uncertainty about the financial performance of numerous Nordic companies and generally lower transaction certainty brought many transaction processes to a halt. In addition, there were fewer new business initiatives among our clients regarding IPOs and major company sales, for example, which had adverse impact on transaction volume overall. On the other hand, many Carnegie clients responded to the uncertainty by choosing to strengthen their balance sheets through private placements in the equity market. As a result, transaction volumes remained high despite the challenging market during the first wave of the pandemic, especially for Carnegie, which has a particularly strong position in private placements.

Carnegie was able to deftly manage the high level of activity even during the pandemic, partly due to the outstanding flexibility of the staff, and partly because we were already accustomed to working with digital meetings in various forms.

In another trend that accelerated in 2020, more companies raised financing through private placements rather than IPOs. Carnegie has achieved a unique position in the market through its full-spectrum distribution capacity, ranging from large institutions to small private investors. In this respect, our strong Private Banking is a key distribution channel, while Private Banking clients benefit from being offered unique and attractive investment opportunities in unlisted companies. This reciprocity strengthens both business areas.

The first wave of the pandemic subsided after the summer and many M&A and IPO processes resumed and the business mix in Investment Banking normalised. Credit operations, which were weak during the first half, also ended on a strong note in pace with general market recovery.

A high level of flexibility and strong capacity to allocate resources to the types of transactions and markets where activity is highest enable us to mitigate short-term volatility in individual markets The power of this capacity was clearly demonstrated in 2020, when Carnegie Investment Banking was able to report its best year ever in terms of both income and profit, in spite of turbulent markets and intermittent total shutdowns for certain types of transactions.

At the end of the day, however, client trust is the critical factor in our success and it is therefore gratifying that our clients named us the best Investment Banking adviser in the Nordics for the fifth year running. We also came in first in all three subcategories (ECM/M&A/DCM) in Sweden. At the end of the year, Mergermarket recognised Carnegie as the Sweden M&A Financial Adviser of the Year.

Development was varied for our four offices in the Nordics, due mainly to the differences in the business mix among the units. Sweden, our biggest unit, had the best momentum, but we also advanced our positions in other markets. The Euronext Growth marketplace (formerly Merkur) in Norway has taken off in earnest and, thanks to our expertise and experience in IPOs and secondary offerings, Carnegie has established a strong position in the Norwegian market for high-growth companies. Going forward, we believe there is still great potential in the segment in Norway. We participated in several major transactions in Finland. The first half of the year was weak in Denmark, which is more focused on private M&A, but this was followed by a strong end to the year.

The performance of our various product classes varied. Equity capital market transactions (ECM) were very strong, with a high number of private placements in the first half and more normalised operations in the second half. Corporate transactions (M&A) were softer in the first half, but there was marked volume growth after the summer. There is an ongoing change in the credit financing market, with a shift from traditional bank loans towards financing via direct lending funds. This increases the complexity of negotiating loans and thus creates a greater need for advisory. This is a growing segment in which Carnegie has gained ground and we see promising potential ahead.

Investment Banking is reporting its best year ever in terms of both income and profit.

ULF VUCETIC
Head of Investment Banking

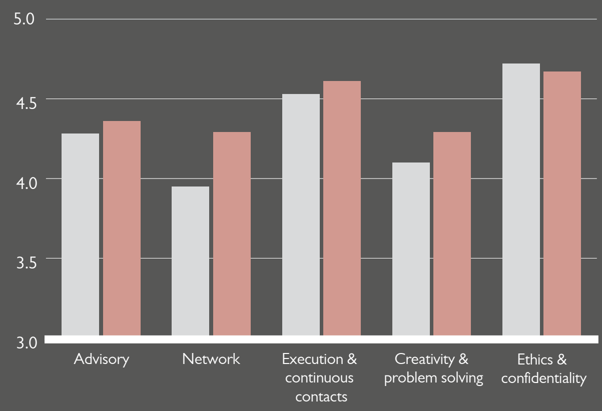
How does Investment Banking integrate sustainability?
ESG and sustainability are essential elements of client advisory in Investment Banking. For Carnegie, this is about working with clients who have come a long way in terms of ESG, but is also about showing the potential for creating value through ESG. Companies that run their businesses well with regards to aspects such as the environment, business ethics and diversity are valued more highly, which our clients profit by, of course.

What is driving market growth in private placements?
Demands for immediate liquidity after share issues have subsided in recent years, which opens the door to a large market that we call private placements, investments in unlisted companies, where Carnegie has unique distribution capacity in the Nordics. We reach the full range, from major institutional investors in the Nordic region and abroad to foundations, institutions and private investors that are smaller, but where there is an appetite for transactions. This is an excellent example of how the entire bank works together.

86

86 ECM transactions
Carnegie participated in more equity capital market transactions than any other investment bank in Europe.

Trust factors among companies
The chart illustrates investment banking clients' scores for Carnegie's performance in relation to the five factors they value most highly in advisers.
Source: Kantar Sifo Prospera



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Adviser of the Year
Carnegie was recognised as Sweden M&A Financial Adviser of the Year by Mergermarket.

16

IPOs in the Nordic market
Carnegie participated in 16 IPOs in the Nordic market.

Nordic corporate advisory
Advisory in relation to corporate transactions is offered primarily in the Nordic countries.

SECURITIES – EQUITY RESEARCH AND SALES

Sharper focus on sustainability

The number of companies covered is continuously growing as a consequence of Carnegie's high market share in IPOs and in response to growing client demand for independent, well-informed and insightful analysis.

Despite a global pandemic that led to lockdowns in many countries and dramatic drops in GDP, the stock markets ended the year in the black, especially in the Nordic countries. The year was characterised by uncertainty, turbulence and volatility as well as the high number of companies that chose to strengthen their balance sheets with capital injections via private placements.

For the fifth year running, Carnegie took first place in Prospera's annual ranking. Carnegie was ranked the best adviser overall and in every sub-category, one being ESG research, which confirms the merit of the long-term initiative to integrate ESG in equity research. We were also number one in Nordic equities overall and in several sub-categories in the unified Extel/Institutional Investor Survey Europe.

Carnegie is the Nordic leader in equity sales and trading for institutions and offers the widest research capacity, especially in the small- and medium-cap segments. The position was solidified in 2020 and volumes increased in all segments, equities, DCM and ECM. Supported by Carnegie's long-term and goal-oriented focus on wide-ranging expertise in Nordic research combined with wide expertise in brokerage, we were ready to meet the demand for services and advisory from our 1,000 institutional clients and our Private Banking clients. Our switch to a more digital approach during the year entailed further work to improve and develop the digital platform. In turn, this made it possible for us to improve the links between Securities operations in all offices, regardless of geographical location.

Increased income and operating profit

On the strength of intense collaboration with corporate finance in relation to IPOs and other ECM transactions during the year, Carnegie maintained or advanced its market positions. Securities is reporting higher income and operating profit during the year.

Carnegie has been dominant in block trading in shares in small- and medium-cap companies for a long time, and further increased its market share in 2020. Carnegie's capacity to also provide liquidity in these shares in a volatile market delivered especially well in 2020.

In total, Carnegie covers more than 360 companies. The portfolio of covered companies includes the majority of all Nordic Large Cap and a very large number of small- and medium-cap companies.

Securities is reporting higher income and operating profit.

Research is a key cornerstone for both institutional and Private Banking clients. The number of companies covered is continuously growing as a consequence of Carnegie's high market share in IPOs as well as in response to clients' increasing demand for independent, well-informed and insightful analysis.

ESG – an integrated component of every analysis

Focus on ESG and sustainability accelerated in 2020 and is now an integrated and central component of all research. A large project was also completed to survey Nordic companies in preparation for the new EU Taxonomy and Carnegie published a taxonomy report during the year. The results of the analysis show that several companies that the market previously considered green did not perform as well, while others that had been overlooked suddenly became green darlings. This is due to the Taxonomy, which rewards companies that are investing in the green transition, meaning that these companies earn high scores through future-oriented initiatives.

For the second year running, Carnegie presented its annual Sustainability Award, which is based on the 360 companies covered by the Carnegie research team. The award is intended to put the spotlight on sustainability metrics that create shareholder value and present good examples to inspire companies and investors. First place in the Large Cap category went to Finnish Neste. Norwegian Scatec Solar won the Small Cap category and Swedish housing developer K2A was the Best Newcomer of the year.

Preparations for Brexit, the British withdrawal from the EU, were ongoing in 2020. Actions included relocation, until further notice, of teams that address various Continental European markets from London to Copenhagen. Exactly how Brexit will affect Securities operations will become clear when praxis and details surrounding the withdrawal fall into place in 2021, but our assessment is that the impact on Carnegie will be limited.

The Merkur Market in Norway, operated by the Oslo Stock Exchange/Euronext, picked up speed with a high number of new listings and increased activity. Merkur also passed the milestone of NOK 100 billion in market value. Carnegie has reaped a large share of listings and trades on Merkur on the strength of its institutional network and its research capacity.

HENRIC FALKENBERG
Head of Securities

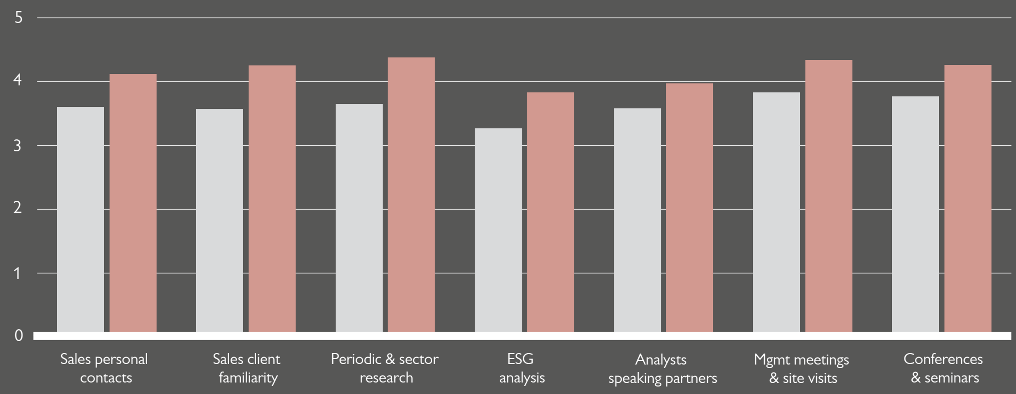
How does high stock market activity affect research?
We already deliver the most comprehensive research in the market and the number of companies we cover is constantly increasing, especially because with every IPO in which we act as an adviser, a new company is added, which we then continue to follow. The proportion of small- and medium-cap companies on the market is also increasing, and we have the strongest coverage in the market by far in that segment.

There is currently a debate in Europe on cutting the opening hours of stock exchanges. How would that affect Securities?
As long as everyone is playing on the same field and under the same conditions, there may be positive aspects. After all, it has been shown that liquidity in large cap companies is often concentrated to opening and closing. Shorter opening hours would most likely also make it easier for people to combine work and family life in our industry too.

Trust factors among institutions

The chart illustrates institutional investors' rankings of Carnegie's performance in relation to the seven factors they value most highly in advisers.

Source: Kantar Sifo Prospera



Industry mean
Carnegie

46

Number of analysts
Carnegie has the most analysts in the Nordics.

Global reach
Carnegie's top-ranked research and brokerage enjoy a globally leading position in Nordic equities. The team is located in the offices in Stockholm, Oslo, Helsinki, Copenhagen, London and New York.

Percentage of covered companies 93%

Carnegie covers 360 companies (350), which is 93% (91%) of total Nordic market capitalisation.

For the fourth consecutive year, institutional investors rank Carnegie highest in the Nordic market. 4

PRIVATE BANKING

Digital meetings and sustainable investments

Carnegie topped the ranking for client satisfaction in private wealth management advisory for the fifth year. Digital meetings, sustainable development and unlisted investments were at the top of the agenda.

The market was defined by turbulence and uncertainty in 2020, which generated a greater need for knowledge and information among clients. When face-to-face meetings were no longer possible, Private Banking benefited from investments in digital platforms in past years and was therefore able to rapidly switch to digital communications with clients. In parallel, there was a significant increase in client activities to meet client needs.

Customer satisfaction

Carnegie came first in client satisfaction with private wealth management advisory for the fifth straight year, according to the Kantar Sifo Prospera survey. With a higher average score, Carnegie has now lengthened its lead over other providers. Carnegie also won the categories of sustainable investment and ethical standards in the Prospera client survey, which are important factors in the green transition in which the financial sector is involved.

Demand for sustainable investments accelerated

ESG and sustainability were in focus for Private Banking and the trend accelerated in 2020, despite the pandemic. Several new products were launched and proactive themed portfolios in areas including renewable energy, sustainable food and water were enthusiastically received by both discretionary management and advisory clients. They were also highly successful in terms of profit. The renewable energy portfolio, for example, rose by 90 percent.

Carnegie Private Banking also became a signatory to the UN Principles for Responsible Investment (UNPRI) in 2020. UNPRI is a well-known framework that results in greater transparency surrounding ESG efforts. Carnegie checks and evaluates all funds and fund managers that are included on the bank's recommendation list and are the basis for discretionary management, combined with Carnegie's own products. Carnegie's wide-ranging and leading equity research is a tool used to evaluate fund managers and to develop new products in-house with focus on sustainability and ESG.

Lessons learnt during the pandemic will affect how Carnegie Private Banking meets, communicates and interacts with its clients.

Focus on unlisted companies

The successful venture in unlisted investments continued and several popular and successful investment rounds were carried out during the year, including fund units from EQT and Nordic capital and new issues in Babyshop.se and Storskogen. Carnegie has full-coverage distribution capacity, from major institutions to small, private investors, which creates good opportunities in unlisted investments. The collaboration between Investment Banking and Private Banking gives Carnegie's private clients unique access to attractive investments in unlisted companies. This benefits clients in both business areas.

Focus was also intensified during the year on client categories such as small institutions, foundations and family offices, where Carnegie's offering and expertise are a particularly good fit, not least so within sustainable investments.

Digitalisation

Lessons learnt during the pandemic will affect how Carnegie Private Banking meets, communicates and interacts with its clients. The personal encounter remains central to the building of trusting and long-term relationships. Going forward, however, there will likely be more digital meetings combined with face-to-face meetings. The bank's popular seminars and conferences will also more often have both a digital and physical audience. This provides an opportunity for more clients to attend simultaneously and from geographically widespread locations.

The collaboration with Investment Banking gives Carnegie's private clients unique access to attractive investments in unlisted companies.

JONAS PREDIKAKA
Head of Private Banking

What was it like to do business in a fully digital environment?

We were able to swiftly change course to digital meetings and webinars. At the same time, we also increased the volume of information during the spring of 2020. At peak, we were issuing newsletters every day and podcasts five times a week. Overall, we communicated twice as much as usual, which clients appreciated.

When we presented unlisted investments, we had five or six hundred listeners to a web conference and subsequently invested SEK 2 billion, without a single face-to-face meeting, on behalf of both new and existing clients.

What trends do you see for 2021?

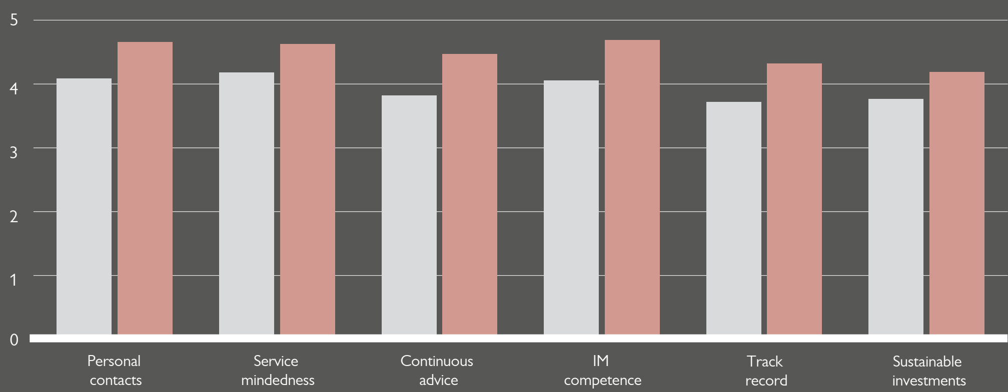
Sustainability and ESG are still accelerating, with keen interest from clients and rising inflows in sustainable investments. Carnegie is expanding in the area and we will be launching several new products in 2021. These include an ESG version of our active Nordic portfolio, along with several ESG-themed investments.

Trust factors among private wealth management clients

The chart illustrates private wealth management clients' rankings of Carnegie's performance in relation to the six factors they value most highly in advisers.

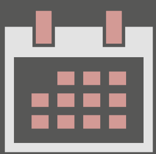
Source: Kantar Sifo Prospera

Industry mean
Carnegie



Communications

Client communications increased in 2020. A total of 25 digital client events were held.



ESG

Assets under management

AuM increased by 30 percent to SEK 166 billion (128).

SEK 166Bn

Geographical reach

The Linköping office, opened in 2018, doubled its income during the year. The other offices are located in Stockholm, Gothenburg, Malmö and Copenhagen.

Best in ESG

Carnegie received the highest scores in the client survey in two key categories, sustainable investments and ethical standards. The ranking is particularly important because positioning in ESG aspects is becoming increasingly important to clients.

Best private bank in Sweden

Carnegie was ranked highest by high net worth private clients for the fifth consecutive year.

1

DIGITAL DEVELOPMENT

Our clients' needs always come first

Further developing our digital infrastructure is a priority at Carnegie. It is business-critical and will determine our continued growth.

Our advisory to companies, private individuals and institutions is critical to our success, as is our capacity to position ourselves in relation to long-term strategic issues like ESG and digitalisation. Further developing our digital infrastructure is a high priority at Carnegie. It is business-critical and will determine our continued growth. Carnegie worked with several projects during the year aimed at digitalising the company from the ground up and in doing so streamline current processes and create the conditions for new business opportunities.

"We're in an exciting phase right now, modernising most of our IT infrastructure while digitalising certain aspects of our working methods. We also want to look forward by moving into new technologies to enhance our client offering", says Elisabeth Erikson, CIO at Carnegie.

Attracting the right employees is critical to achieving our ambition.

"We have to work close to the business to make sure our digitalisation journey delivers optimal results for our clients. In so doing, we can create the conditions for client satisfaction. The work we are doing now is creating both long- and short-term digital improvements."

The goal of the Carnegie IT team is to digitalise the company from the ground up. This will create more efficient processes and more client-friendly interaction.

"Attracting new colleagues with a clear IT/Tech profile is critical to achieving our ambition. We are constantly looking for new people who want to be part of integrating a digital dimension at Carnegie through new technical platforms", says Elisabeth Erikson.

Elisabeth Erikson, CIO.

CASE

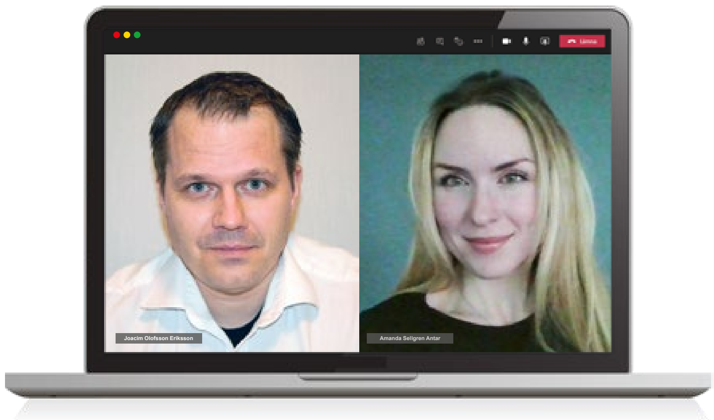
Growth financing for digital healthcare

Carnegie acted as adviser when the digital healthcare platform Doktor.se, founded in 2016 and one of the largest digital healthcare provides in Sweden, raised SEK 480 million in new capital in May 2020 via a private placement.

The financing was used to reinforce the digi-physical care offering by establishing physical medical centres and continuing the development of digital patient consultations. This involved, among else, scaling up the Doktor.se platform internationally through existing platform partnerships with Vivabem, a Brazilian digital health tech company and AniCura, a veterinary care app available in Sweden. Doktor.se is also engaged in discussions about a launch in four major foreign markets in 2020/2021. The company had about ten physical medical centres in Sweden by early 2021 and the number is steadily growing.

Private Banking's client network is a key distribution channel when unlisted companies are seeking capital, which also gives Private Banking clients a unique opportunity to make attractive investments. Doktor.se was the first capital raise for Carnegie Private Banking in the wake of Covid, in which the entire chain of presentation, tracking and close was managed digitally. Turbulent market conditions did not dampen the keen interest among Private Banking clients.

A total of SEK 480 million was invested, with the majority of the capital coming from Carnegie Private Banking. Demand for digi-physical care alternatives is growing in pace with the challenges of our time and Carnegie is looking forward to following Doktor.se in its future growth plans.



JOACIM OLOFSSON ERIKSSON
Full Stack Developer & Scrum Master, Stockholm

On what a scrum master does at Carnegie...
"I make sure the project keeps moving and that there are no barriers along the way. As a full stack developer, I build both user interfaces and system components."

...and the agile approach.
"At Carnegie, developers are involved in the entire design and development flow for both new development and maintenance of systems and applications. The approach is agile, so we are constantly working to re-evaluate our understanding of the problems and build the solutions iteratively. It is important to maintain frequent dialogue with the users to find solutions on an ongoing basis, where systems emerge gradually. Working with entire flows this way is often complex, which creates fascinating challenges and problems."

...and the team's high ambitions.
"It provides an opportunity to work on a broad front with fast-paced development and programming. Carnegie is an interesting and challenging workplace where you are given a lot of freedom and influence. There is a strong sense of community and fighting spirit where we support each other, which is incredibly motivating."

AMANDA SELLGREN ANTAR Technician & System Manager

...on Carnegie as a workplace.
"Carnegie is a high-performance workplace that puts demands on me in my role at Technical Services. It is an international setting with colleagues in several different countries and we handle numerous different systems, devices and technologies.

...on career development opportunities.
"Everyone in the group is encouraged to contribute ideas and suggestions for improvement and my feeling is that there are good opportunities for advancing internally for ambitious people. I feel my development and well-being are high priorities for supervisors and managers."

...on the past year.
"The last year has been very challenging for those of us who work at Technical Services, in terms of the job itself, but also highly rewarding. We have made it possible for almost all of Carnegie to work remotely. I am very proud of how the group handled the challenge and of how well colleagues in other departments quickly adopted this new way of working."

SUSTAINABLE ADVISORY

Knowledge for sustainable decisions

Carnegie is engaged in active and targeted ESG efforts across all business areas. As of 2021, Lena Österberg is taking on the role of Head of Sustainability Research & Strategy.

You were previously the Head of Nordic Equity Research at Carnegie and have been named the best individual company analyst in Sweden several times. What will you be doing in your new role as Head of Sustainability Research & Strategy?
"We are now accelerating the work with sustainability in our business. I will be working with all units relating to their client advisory. Our focus on sustainability is a critical element of being a knowledge-driven bank and providing the best advisory in the market. To a great extent, ESG is about communication, information and education that equip us to make the right long-term decisions. There is much to be done, and through our sustainability expertise, we can be involved and influence companies and investors - and really make a difference. It is important to us that our clients have access to the best available information so that they can make decisions that are socially sustainable in the long run. That is where we and our knowledge come in."

What are clients asking for?
"There is a huge interest and need for knowledge, as the inflow of capital to sustainability funds has exploded. Things have quickly moved from 'nice to have' to 'need to have'. Alongside this, demands on companies are increasing with regard to both their transition work and reporting. In this area, we help new companies looking to enter the stock market by providing advisory and knowledge. As far as investments go, among both institutions and private clients, focus is increasingly on the opportunities, rather than the risks. The point is no longer what one should avoid owning, but rather which companies and sectors will profit by a climate transformation and thus have a bright future ahead. We can help our clients by always being one step ahead and working to find the next investment theme within sustainability."

The spotlight has landed on the new EU Taxonomy for green investments and the Green Deal. How important are they?
"This will be a central theme in the next few years. The Green Deal involves a huge green stimulus package that will be spent to revamp EU economies so that they get greener, more competitive and, eventually, climate-neutral. The EU also wants to bring about a dramatic shift of institutional capital to green investments. That is where the Taxonomy comes in - it is meant to show which investments can be considered green and must be used to calculate the proportion of a fund that is green to make it easier for consumers to choose among

In this area, we help new companies looking to enter the stock market by providing advisory and knowledge.

Lena Österberg, Head of Sustainability Research & Strategy since January 2021.

different investment funds. It will be a challenge to help companies and fund managers understand the regulations and what they should do. Our role as a knowledge bank is key in that context and we published a comprehensive report in the autumn of 2020 on how this will affect Nordic companies."

What did the report conclude?
"It surprised us internally at the bank, as well as our clients. A few companies that the market previously considered green did not perform as well according to the Taxonomy, while others that had been overlooked suddenly became green darlings. Investments in climate transition were counted and that means that companies that are investing in greener production processes, like SSAB, for example, with its fossil-free steel project, are given high scores."

How will this affect corporate finance and IPOs?
"Sustainability and ESG aspects are included early in the process as part of the research and are important to our assessment of the company. Awareness has risen rapidly among investors, which is controlling the demand for sustainable companies. We come in early in a process to educate about sustainability and the regulations, review how well the strategy aligns with sustainability goals and the impact on various stakeholder groups. We try to identify both the positive forces and the need for transition. Most companies have both risks and opportunities related to sustainability and it is important that these are included in an investment case. After the IPO, we continuously track how companies are delivering on their sustainability targets and provide relevant and reliable data to investors."

Is this is a relatively new way of managing and reporting corporate climate risks?
"The next step in the company analysis is to look at how their business, customers and market are impacted by climate change. The financial risk, which will be covered extensively in future research, varies widely from one company to the next and is an important aspect to cover."

Where does sustainability fit into Carnegie's research?
"It is a big, important and unquestioned component of all the research we do these days. In the past, we often lacked data for small- and medium-cap companies. We have carried out a long-term project in which we included the sustainability perspective in research by building up knowledge and gathering data. We now have sustainability data for all 360 Nordic companies we cover, which is also the basis for the sustainability ranking we have developed. The sustainability ranking then serves as the basis for our ESG portfolio, which includes Nordic companies with attractive valuations and good sustainability scores. We are also working to make the data available to our clients in a flexible way."

Has the pandemic affected sustainability efforts?
"ESG is the biggest trend going and it affects all investments. The pandemic has had serious impact on how we live our lives and has given us new perspectives, which also apply to corporate executives and decision-makers. We have realised that we can in fact change course and change our behaviour very quickly if we have to. For that reason, I believe that the understanding that companies must have a sustainable business model has grown during the pandemic. If you have a business model that is not currently sustainable, it will take profound change for the company to remain relevant to its customers in the future."

How does Carnegie fit in there?
"Our ambition is to create opportunities for companies and capital to grow sustainably. By contributing knowledge about ESG, the EU Taxonomy and the green transition, we can help our clients make the right investments. Not least importantly, we are helping to finance the transition by funnelling capital to sectors like Cleantech, where we have recently carried out numerous transactions. During 2020, we helped about 20 Cleantech companies finance their expansion by raising SEK 9 billion in new capital."

FACTS:

SUSTAINABLE INVESTMENT:
Sustainable (and responsible) investment is a general term covering several different methods applied by investors to take environmental and social responsibility in their investments.

THE EU TAXONOMY:
An EU-wide classification system and framework intended to facilitate sustainable investments. An economic activity is defined as environmentally sustainable if it makes a substantial contribution to one of six specified environmental objectives, does no significant harm to any of the environmental objectives, and avoids violation of social safeguards, such as labour conventions.

ESG:
ESG stands for Environmental, Social & Governance and is a common acronym used to refer to sustainable investments. The investor takes ESG aspects into account in their investment decisions.

THE EU GREEN DEAL:
The EU Green Deal is a set of policy initiatives including an action plan meant to promote efficient use of resources by transitioning to a clean, circular economy, restoring lost biodiversity and reducing pollution. The plan specifies what investments are necessary and which financing tools are available. It explains how a fair and inclusive transition can be ensured.

SUSTAINABLE ADVISORY

Growing interest in Cleantech

Interest in Cleantech is growing among our clients. Demand from institutions and private investors is driven by keener focus on ESG combined with the commercial viability of the products derived from green technology.

Cleantech companies are growing in the market and many are on the verge of or have just begun commercialising their products, meaning there is a substantial need for capital.

With Carnegie as financial adviser, a total of SEK 9 billion was raised in 2020, directly related to Cleantech companies. In addition, Carnegie acted as adviser in about 20 transactions in the sector, and it looks like there will be higher activity in 2021.

Carnegie arranged several Cleantech seminars during the year for clients of the bank, aimed at sharing knowledge about the new technologies being developed in the market and giving clients an opportunity to better understand the investments that will be available going forward. Supplying knowledge to our clients is a key component of Carnegie's strategy of being a meeting place for knowledge and capital, aimed at stimulating sustainable growth and giving our clients the knowledge they need to make well-founded investment decisions.

There is a strong flow of new companies in Cleantech. Combined with the rising interest in ESG, this indicates significant growth potential for the sector. In response, Carnegie will be increasing its focus on further developing advisory in the Cleantech sector to support its clients.

Carnegie will be increasing its focus on further developing Cleantech advisory.

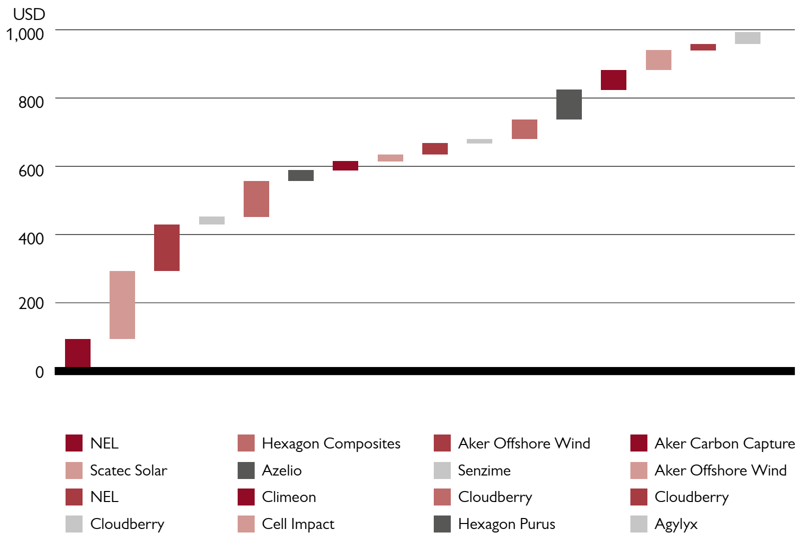
FACTS: CLEANTECH

Cleantech, or "environmental technologies", is defined in the Environmental Technologies Action Plan (ETAP). According to ETAP, these are all technologies where their use is less environmentally harmful than relevant alternatives. These include technologies and processes that mitigate pollution, are less polluting and use less resource-intensive goods and services, as well as methods for more efficient resource management. The ETAP definition implies that environmental technologies apply to all economic activities and sectors.

Sweden is a world leader in the development, implementation and export of Cleantech.

Source: Swedish Agency for Economic and Regional Growth

Carnegie raised USD 1 billion (SEK 9 billion) in capital for Cleantech companies in 2020.



CASE

Attracting investors – Swedish Stirling

The Swedish Cleantech company Swedish Stirling approached Carnegie in the autumn of 2020 to review its capital structure and long-term financing and evaluate the company's prospects for listing on Nasdaq Stockholm Main Market in 2021.

In December, Swedish Stirling came to an agreement with major holders of KV2 and KV3 convertible bonds on the conversion of their bonds corresponding to 69 percent of outstanding convertibles in KV2 and 100 percent in KV3. This reduced outstanding convertibles by around SEK 106 million and strengthened equity by the same amount. In connection with the agreement, Swedish Stirling executed a directed share issue of SEK 67.5 million that was managed by Carnegie.

There was huge interest in Swedish Sterling and its pioneering technology, attracting investors including French BNP Paribas Energy Transition and Spotify founder Daniel Ek. New capital could be raised quickly and cost-effectively by using a directed share issue instead of a traditional rights issue for existing shareholders. The issue also widened the shareholder base with new Swedish and international investors in a process that was supported and facilitated by Carnegie's investor network.

The net proceeds will finance the continued commercialisation of the company's main product PWR BLOK through investments in production, product development and marketing. Founded in 2008, Swedish Stirling develops solutions for converting heat energy into electricity. The company has a proprietary solution for recovering energy from flare and industrial residual gas combustion and efficiently converting it to 100% carbon-neutral electricity.

RESPONSIBLE ADVISORY

We supply knowledge

In all business units, Carnegie advisory aims to supply knowledge to companies working towards a sustainable world. Companies that are living up to society's expectations and demands for sustainability are also in a better position to become good investments.

Sustainability, climate transition and ESG are front and centre and included in all aspects of Carnegie's advisory. We are convinced that responsible investments are closely linked with attractive return on investments while contributing to a sustainable economy.

Economic growth is essential to sustainable development. This depends on access to capital for companies and other stakeholders so that they can grow, develop new technologies and innovations and compete in an international market. That is particularly true for rapidly growing segments like Cleantech and renewable energy, where Carnegie has a leading position in financing and advisory.

Carnegie has unique knowledge about companies and entrepreneurs in the Nordics and guides capital to where it will do the most good and thus can generate the best returns. In this way, Carnegie is facilitating sustainable financial development for private individuals, companies, institutions, the capital market and society in general.

An effort that characterises our business and our advisory

We work in a responsible and carefully structured manner, both in our own operations and from our clients' perspective. Our advisory considers both risks and business opportunities from a distinct investor perspective. The point of it all? Empowering our clients to create value in society.

Carnegie signed the UN initiative Principles for Responsible Investment (UNPRI) in 2020. The six principles are meant to make it easier for investors and their clients to systematise their efforts with responsible investment. Within our asset management, the implications are that we avoid exposure to companies that produce or distribute weapons that are banned under international conventions, such as chemical and biological weapons, cluster bombs, nuclear weapons and landmines. We also avoid investments in companies that repeatedly violate human rights or commit serious environmental crimes.

Even before becoming a signatory, Carnegie applied the principles in its work with responsible advisory, and is also a member of the UN Global Compact.

Alignment is also in progress to the new EU Sustainable Finance Taxonomy, which will go into effect in 2021.

In portfolios where Carnegie invests directly in individual securities - mainly in the Nordic markets - investments in alcohol, tobacco, pornography and weapons are excluded and the policy towards commercial gambling operations is restrictive. Carnegie also provides tailored solutions for larger clients that have specific requirements for exclusions.

Signatory of:

PRI Principles for Responsible Investment

Clients value proactivity

A large share of Carnegie's investments are managed by external fund managers. In this area, we ensure that the fund managers we engage understand the value of considering both the risks and the opportunities that can be related to sustainability. The funds' exposure from a sustainability perspective is also reviewed in partnership with our external consultant, ISS-Ethix.

In addition to internal screening of companies, we work proactively to prepare recommendations for sustainable investments that could interest our clients. This might involve, for example, companies with technologies or businesses that encourage reduced usage of fossil fuels or otherwise address the challenges of climate transition.

Carnegie offers the best and most comprehensive analysis of Nordic listed companies. This includes quantitative and qualitative sustainability metrics in all companies. Equity research gives preference to companies that integrate sustainability in their strategy to drive growth and that actively avoid risks related to sustainability and climate change. Our fundamental view is that such companies often deliver better returns, which has direct bearing on our actions within asset management.

CASE

Aker puts climate companies on the market

The Norwegian Aker Group, whose main shareholder is businessman Kjell Inge Røkke, carried out a complex restructuring in 2020. Carnegie acted as the adviser in critical parts of the process. The group introduced three firms in the clean energy and climate transition segment to the market, but remained as the main shareholder in all three. In parallel, the group's operations in traditional oil and gas extraction were merged.

Aker Carbon Capture and Aker Offshore Wind were both listed on Euronext Growth Oslo (formerly Merkur Market) in November 2020. Two private placements of NOK 500 million in each company were executed prior to the IPOs. Other shares were subsequently distributed to existing shareholders in Aker Solutions as part of the spin-off. As well, the listings went remarkably well for the companies, which both more than doubled their share price by the end of the year. By the end of the year, the share price had gone up 600 percent.

The next step came in January 2021, when Carnegie assisted Aker with the listing of the investment firm Aker Horizons on Euronext Growth following a private placement of NOK 4.6 billion and a convertible bond issue of NOK 1.5 billion.

Aker Horizon raised an additional NOK 3.45 billion in March with a private placement for Aker Clean Hydrogen, which was subsequently listed on Euronext Growth Oslo, with Carnegie acting as the adviser.

Aker Horizons invests in companies whose technologies are making a positive contribution to mitigating climate change.

Aker Carbon Capture is helping to mitigate global warming by developing and selling carbon capture technologies. Aker Offshore Wind builds, finances and operates offshore wind farms.

Carnegie Sustainability Award 2020

Carnegie established a sustainability award in 2019. The winners in three categories are chosen from among all companies we cover. The award is intended to put the spotlight on sustainability metrics that create shareholder value and present good examples to inspire companies and investors. When capital is reallocated, the pressure on corporate transition efforts is increased. The 2020 winners in the three categories were:

Large Cap: Neste

Finnish Neste has successfully transitioned from conventional oil refinery to global market leader in renewable diesel. In 2019, Neste's renewable products helped its customers reduce their carbon emissions by 0.6 million metric tons, equal to the annual carbon footprint of 1.5 million average EU citizens.

Small Cap: Scatec Solar

Norwegian Scatec Solar develops and owns solar power plants and delivers green energy to regions with electric power deficits and a shortage of industrial expertise, primarily in developing countries. The company has a documented history of financing and development of greenfield projects in politically challenging markets, providing the capacity to benefit from the accelerating growth of solar energy.

Best Newcomer: K2A

Carnegie also highlights strong sustainability work among companies that are new to the market, hoping to encourage them to include sustainability in their long-term strategies from an early stage of their development. Housing developer K2A was listed on Nasdaq Stockholm in 2019 and has come a long way in its efforts to integrate a strong ESG focus in its business model. Offering rental housing units built of wood that are almost exclusively produced in its own factories, K2A's production has been marked with the Nordic Swan Ecolabel.

RESPONSIBLE EMPLOYER

High level of engagement

Carnegie's business is based on knowledge, trust and client relationships, which makes our employees Carnegie's most important asset. Ensuring a high level of engagement among everyone who works at Carnegie is a particular priority.

Recruiting, retaining and developing the most driven, competent and committed individuals in a world where the competition for talent and ability is becoming ever fiercer is a top priority at Carnegie.

Carnegie performs annual employee surveys to ensure employee commitment and satisfaction. The signals from the 2020 survey remained positive. Response frequency was high, at 92 percent, which indicates stronger employee engagement. Of all employees who answered the survey, 86 percent gave positive answers to all questions, which is a significant upturn from 82 percent in 2019. Carnegie's scores are well above the average for its peers in most sub-categories.

The global pandemic

The global pandemic impacted the work situations of all employees. The employee survey conducted in the autumn shows that overall, employees approve of how Carnegie has handled the pandemic and think Carnegie has provided good conditions for working from home with regard to technology, communication and support. This is a clear result of meticulous continuity planning and previous investments in digital infrastructure, which became critical to our business this year.

Attract and recruit

In spite of the unique circumstances in 2020, Carnegie carried out several successful recruitments in 2021. Carnegie's popular internship programme, which accepts applicants twice a year, is an important recruitment channel in Sweden. The number of applicants rose in 2020 compared to 2019 and, on a positive note, the proportion of women applicants rose to 40 percent, well on the way to achieving our target of 50/50. The process was updated this year, when Carnegie implemented a tool for a bias-free recruitment in relation to the internship programme and we are actively using objective tools rather than relying on personal judgement.

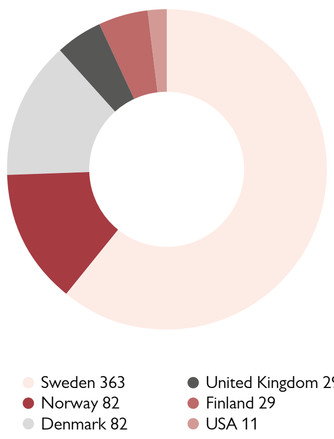
Digital development demands the right skills

Our digital infrastructure is a key factor in Carnegie's continued success and growth. The ambition to modernise and further develop the IT infrastructure is a central element of our strategy and we are working to remain on the forefront of development. The capacity to attract and retain people with the right IT/Tech skills who want to be involved in building our digital business is essential to achieving our ambition.

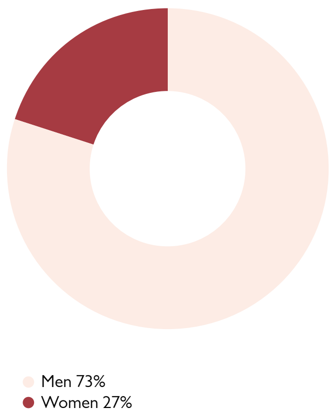
Skills development

It is important to support employee development and attract people who are motivated by high ambitions and a knowledge-oriented work environment. Professional Development is an internal training programme that offers employees training in areas that are not directly connected to their ordinary jobs, such as courses in Russian, Chinese, self-management or mindfulness. The programme is a much-appreciated opportunity for employees that broadens their horizons while promoting continued individual development.

Average number of employees
by country 2020



Gender distribution
within the Carnegie Group



Recruiting, retaining and developing the most driven, competent and committed individuals is a top priority at Carnegie.

Employee engagement
Proportion of employees who expressed high engagement with their jobs.

95%

Trust in management
Percentage of employees who expressed high trust in management.

92%

Courses
Number of courses offered within the framework of Carnegie Professional Development in 2020.

>200

Recommendation:
Percentage of employees who would recommend Carnegie as an employer.

93%

Diversity delivers

We are harnessing the varied experiences, skills and characteristics of our people to shape a creative and rewarding work environment that enhances the conditions for Carnegie's continued development.

Equal opportunity and diversity are high-priority matters in the Carnegie organisation and our ambition is to include them as an expected and integrated part of the business. Towards that end, we have a clear equal opportunity and diversity policy that applies to all employees. Managers are responsible for policy implementation and compliance in the organisation.

Equal opportunity - a vital issue

One of our goals is to increase the proportion of women who work at Carnegie, both generally and in managerial positions. Long-term, the target is for about half of Carnegie's employees to be women, in all areas of operations including executive positions. We are working continuously with various activities to reach our target.

- We ensure that everyone enjoys equal opportunities for career advancement. We aim for equal gender distribution in nominations for training, managerial training and succession planning.
- We aim to ensure that both genders are represented on the short-list of candidates for all vacant positions.
- We put particular focus on Employer Branding to market Carnegie as an attractive employer for women.

According to the 2020 employee survey, 89 percent of male employees and 70 percent of female employees believe that everyone at Carnegie has equal opportunities for career advancement. This is an increase by 5 percent in the female response group since 2019 (65 percent), meaning that we have met our target that more than 70 percent of employees, regardless of gender, should perceive Carnegie as an equal opportunity employer. Nonetheless, we believe that over the long term, 100 percent of employees, regardless of gender, should perceive Carnegie as a workplace that provides equal opportunities for advancement, regardless of gender. Carnegie carried out an in-depth study in 2019 intended to shed light on equal opportunity between men and women at the company. The result provided valuable insights and concrete suggestions that have already been implemented and clarified in parts of the company.

More women in the financial services industry

Women are under-represented in the financial services industry in general, and it is therefore important to Carnegie to help make the industry more attractive to women.

Towards that end, Carnegie supports and participates in the Women in Finance programme in Sweden, which is part of the Sweden House of Finance. In partnership with Women in Finance, Carnegie has arranged targeted student events to reach out to women university students. Lena Österberg, Head of Sustainability Research and Strategy took part in a panel discussion in December, arranged by Women in Finance, on how the industry should go about attracting more women.

In Norway, Carnegie has become involved in Femme Forvaltning, an investment club for women students connected to the NHH, Norwegian School of Economics. The aim is to generate interest and knowledge about the financial services industry among women students.

In addition to our internal efforts, it is a high priority at Carnegie to participate in ongoing discussions of gender equality and equal opportunity, diversity and inclusion in order to enhance the capacity of companies in the industry to become attractive, modern employers.

Work/family life balance

The use of parental leave or time off to care for a sick child is unevenly distributed among men and women in our society. It is important to us that Carnegie provides the conditions that make it easy to combine working for Carnegie with family life - for both women and men. We also want to encourage both women and men to take parental leave. Carnegie is generally given high scores in the employee survey for being accommodating and creating good conditions for combining work and parenthood.

The people of Carnegie

EIRIK VARDØY
Investment Banking, Oslo

Eirik started at Carnegie through an internship in 2017, and has been an employee in Investment Banking since 2018, where he works with ECM.

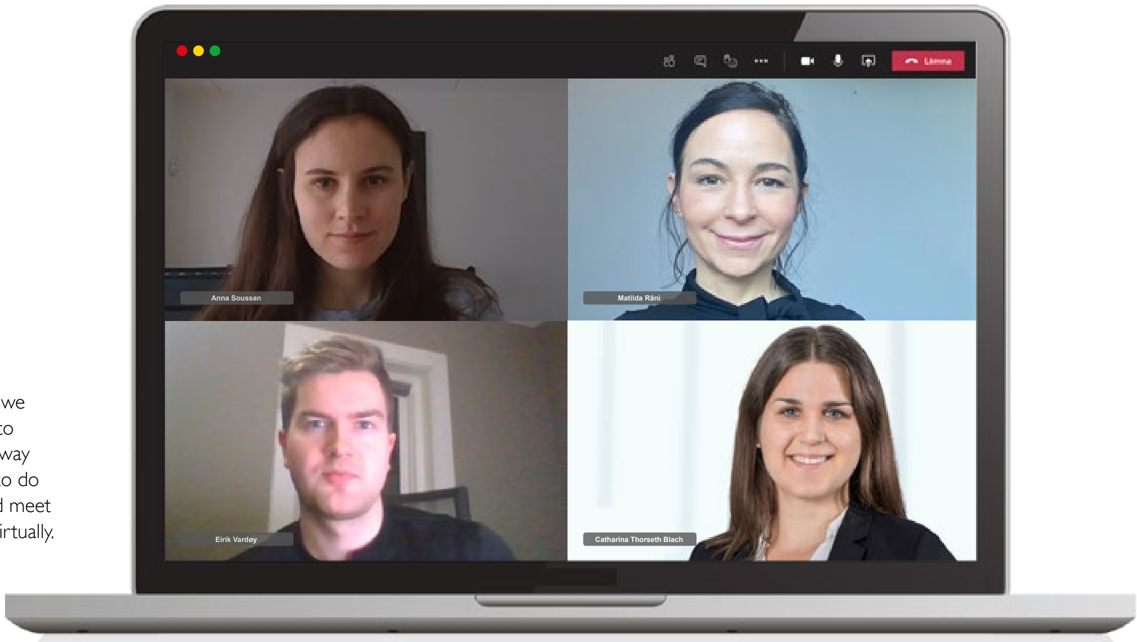
"I started at Investment Banking in 2018, and also spent six months in Stockholm as part of an internship. I've been part of the ECM team in Oslo since 2020. We help companies with financing through IPOs, new issues or expansion of the shareholder base, for instance."

How did the pandemic affect your ability to provide good advisory?

"The travel restrictions have forced us to fundamentally reassess how our processes should be designed, and have accelerated a digital transformation. The IPO of Pepix on the Oslo Stock Exchange in May 2020 marked the end of the IPO slump and was also the first completely digitally marketed IPO. All communication between our analysts, company management and potential investors was digital, carried out via Pepix's own video conferencing software. All listings since Pepix have primarily used digital communications to interact with investors, and I believe virtual listing processes are here to stay, because they really are a win-win, resulting in less travel, the ability to reach a wider audience and more efficient processes."

Norway broke the IPO record in the middle of the pandemic. What can you tell us about the year?

"In Norway, Euronext Growth, formerly Merkur Market, delivered explosive growth as a company listing destination. The equity trading market is operated by the Oslo Stock Exchange, which is part of Euronext. The listing requirements are somewhat less extensive than for the main stock exchange, which is attracting a lot of exciting, high-growth companies that otherwise might have been hesitant about a conventional IPO. In 2020 alone, nearly 50 new companies began to be traded on Euronext Growth Oslo, compared to about 10 the year before. Within ECM, we generally had a very high volume of transactions in 2020 and, happily, Carnegie took its rightful share. We participated in or led 86 ECM deals in Europe in 2020, more than any other investment bank."



In February we rapidly had to change our way of working to do business and meet colleagues virtually.

ANNA SOUSSAN
Equity Sales, London/ Copenhagen

Anna has worked at Carnegie London for three years. As a consequence of Brexit, she has been working at the Copenhagen office for some time now.

"Working in Equity Sales entails a steep learning curve and every day is different. I work closely with our clients and it is a pleasure to see how client trust grows over time. It feels like I am helping clients make good decisions in a stressful and rapidly changing world. I am learning a great deal and have gained a deep understanding over the years of the companies we cover, which is rewarding."

The financial services industry is struggling with diversity and inclusion, although significant progress has been made in recent years. What is your take on the situation today?

"I would say the industry has come a long way and there is progress being made every day to improve diversity and inclusion. So far, I've had a positive experience at Carnegie, but the challenges the industry is facing have as much to do with how to attract women graduates as with how to keep them. We are still seeing a lot of ambitious women leaving the industry due to a lack of flexibility or feeling like they have hit the glass ceiling. I've never felt discriminated against or that I've been given less responsibility based on my gender. Instead, I feel that my opinions as a women add something to the mix, that diversity is a strength and often a competitive advantage. But I also believe that is down to my team and our mutual trust and shared work ethic."

MATILDA RÄNI
Operations/Client Management, Stockholm

Matilda has been with Carnegie for more than 20 years, which has given her experience from several departments at Carnegie.

"My first job at Carnegie was in 2000, in Settlements, within Operations. After two years, I moved to Middle Office, where I reconciled Trading's positions. Two years after that, i moved on to Trading and Securities. In that department, my responsibilities included listing of Carnegie's warrants. When Trading was discontinued six years later, I started at Structured Finance. I worked outside Carnegie between 2017 and 2020, but none of the workplaces could compete with Carnegie, so I came back. Today, I am responsible for Client Management in Operations."

What do you like the most about your job?

"It is particularly rewarding to work with a wide range of projects, all of which are highly significant to clients. I am also entrusted with great responsibility and am given ongoing opportunities to expand my toolbox. Being part of a strong team, in which everyone works closely together and aims to deliver the best advice and solutions to our clients is hugely motivating."

CATHARINA THORSETH BLACH
Investment Banking, Copenhagen

Catherine from Denmark started at Carnegie when she was still at university. Today, she is on secondment in Stockholm, working with the Investment Banking ECM team.

"When I finished my master's degree in Copenhagen, I started working part-time at Carnegie, which later became full-time. That was three and a half years ago, and now I'm in Stockholm on secondment within Investment Banking, where I'm part of Equity Capital Market & Syndication."

What does being on secondment entail?

"A secondment is a type of exchange programme, which is helping me build my skills and an internal network. I've worked with a large number of ECM transactions across the Nordics during my time in Stockholm, including IPOs, capital raises and sales of large blocks of shares. I've had the chance to work with colleagues in all departments and offices at Carnegie, which has been very exciting."

I've had the chance to work with colleagues in all departments and offices at Carnegie, which has been very exciting.

RESPONSIBLE BUSINESS

Entrepreneurs are shaping the future

The future is being built by companies that are sustainable and inclusive. They are also the cornerstone of a dynamic business community and the foundation of Carnegie's business. Commitment to the entrepreneur is everything.

Via its business and advisory, Carnegie works actively to ensure that small companies and entrepreneurs are given access to the financing, advice and knowledge they need to grow and develop.

Our society is facing huge challenges: climate change, pandemics and social disparities among them. Entrepreneurship and innovativeness are essential to finding new and sustainable solutions. It is important to Carnegie to be involved and contribute to the entrepreneur with our collective knowledge of companies and enterprise.

In recent years, Carnegie has gradually increased its initiatives aimed at stimulating the emergence of new companies. This has long-term importance for our business and it is one of the best ways we can use our knowledge to contribute to society. According to the employee survey, 83 percent of Carnegie employees believe that the company is actively taking responsibility for being involved in developing entrepreneurship in our society by stimulating business and entrepreneurship. Carnegie is engaged in several different initiatives to support the entrepreneur: The Entrepreneurs of Tomorrow, the Svenska Dagbladet Business Achievement Award, Junior Achievement Sweden, Restart the Future and Social Initiative. We contribute our knowledge, exposure and networks through these initiatives to help businesses that are on their growth journeys.

The challenges we are currently facing demand innovative solutions. This is why the entrepreneur has become increasingly important in our society.

Svenska Dagbladet Business Achievement Award

We sponsor the "SvD Affärsbragd" Business Achievement Award, an initiative that puts the spotlight on successful entrepreneurs whose outstanding achievements in business have inspired others to start a new business. The SvD Affärsbragd went to Erik Gatenholm and Cellink in 2020.

Cellink has developed one of the world's first universal bioinks, which is now used by many highly regarded research institutions. A bioink can be mixed with living cells to print functional human tissue and, if future research is successful, eventually complete human organs in 3D Bioprinters.

Cellink was founded in 2016 by Erik Gatenholm, Hector Martinez and Gusten Danielsson. The company's products are now found in almost 1,000 laboratories in more than 55 countries all over the world.

Junior Achievement Sweden

Carnegie sponsors Junior Achievement Sweden to encourage young people to start businesses. Hundreds of thousands of primary and secondary school students in Sweden have made their first contact with entrepreneurship through the Junior Achievement organisation, which gives them the opportunity and support to develop and test a business idea.

The Entrepreneurs of Tomorrow

The Entrepreneurs of Tomorrow is a competition and a meeting place for innovative entrepreneurs and investors. Each year, about a hundred entrepreneurial companies apply to the Entrepreneurs of Tomorrow. Ten entrepreneurs progress to pitch training and are given the opportunity to present their ideas to an experienced jury of prominent individuals. In the second round, the jury selects four finalists and a fifth finalist is selected in a vote by Svenska Dagbladet's readers. The finalists are then given the opportunity to persuade an audience of investors, who vote to decide the winner. Due to the risk of coronavirus transmission, the finale was a digital event in 2020.

In addition to valuable contacts with investors, the winning company receives a knowledge package from Carnegie including several advisory sessions with relevant experts at their service. Around 700 companies have applied since the competition began in 2014. Several of the winners in previous years have gone on to further growth and success. The 2017 winner, Foodflow, and its Stockfiller platform that connects grocery retailers and suppliers now has more than 700 grocery stores registered on its platform.

Karma, the 2016 winner, has experienced comparable development. Their app to reduce restaurant food waste has rapidly grown in popularity and the company has expanded to both the UK and France.

Children's book app Boksnok took first prize in Entrepreneurs of Tomorrow 2020

Boksnok is an app-based subscription service for digital, interactive children's books started by a group of four university pals at the Swedish Royal Institute of Technology, KTH. Kids can use the app to read books featuring famous characters like Peppa Pig, Elsa and Anna from Frost and Peter-No-Tail. The children can look at pictures, read, or have the book read to them aloud by a narrator.

Boksnok offers more than 1,000 well-known children's books from established publishers. The service is offered in partnership with the publishers and the business model is based on revenues from subscription fees. There is a large market, considering that there are 650 million people in the world living in households with young children and international expansion may be of interest in the future.

"We can create an international library with high margins and thus double our customer base several times over every year", says Monica Fagraeus Lundström, co-founder of Boksnok.

Shortly after the Entrepreneurs of Tomorrow was decided, Boksnok raised its first financing of SEK 3 million from well-known Swedish business angels in the tech sector.

"Winning the Entrepreneurs of Tomorrow is massively important. In addition to the exposure to future customers and investors, it is also a confirmation that there are others out there who believe in what we are doing. Our focus at Boksnok is on growth", says Fagraeus Lundström.

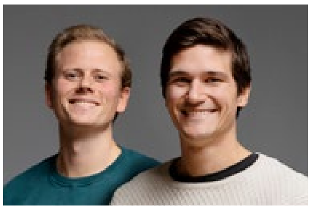
Cancelling the competition due to the pandemic was really never an option, and there was as much interest and commitment from participants, jury members and investors as usual.

"It was important to us to hold the competition this year. The capacity of entrepreneurs to overcome the challenges faced by society will be critical to our way of life in the future, whether we are talking about the climate, medicine, gender equality or securing good, safe childhoods for our kids", says Carnegie CEO Björn Jansson.

Boksnok was recognised as the Entrepreneur of Tomorrow at the finale on 19 November. Monica Fagraeus Lundström, CEO of Boksnok, accepted the Carnegie knowledge prize.

2020 FINALISTS

Rymla
Rymla is a platform that matches people looking for storage space with people who have storage space available. "Think of it as an Airbnb for self-storage."



Vinden
Vinden stores the things you do not have space for at home. You can use an app to order collection and delivery of your items.

Pihr
Pihr offers automated and rapid equal pay audits using licensed software that works anywhere in the world. Already used by most large companies in Sweden.

GreenIron
For a more climate-smart metals industry. GreenIron offers fossil-free iron to metal producers and recycling of steel.

RESPONSIBLE BUSINESS

Changing society through education

Carnegie and its employees have been supporting social entrepreneurs around the world since 2002. In partnership with Social Initiative, Carnegie is contributing knowledge and capital to the Door Step School in India and URDT in Uganda so that they can further develop their activities and reach even more people.

For almost 20 years, the employees of Carnegie have joined with the company in supporting social entrepreneurs around the world to create better conditions for disadvantaged children and young people. The work is based on Carnegie's commitment to enterprise and entrepreneurship and has become an important element of the company culture.

Employees are personally involved through the non-profit Carnegie Social Initiative, making regular monthly donations and participating in recurring activities to benefit the activities of the social entreprises. In 2020, 64 percent of all employees at Carnegie's offices across the world participated in activities arranged by Carnegie Social Initiative as a way of contributing to the organisations. Employee donations make up about half of Carnegie's annual donations to the social enterprises. Through its partnership with Social Initiative, Carnegie ensures that donations reach the intended beneficiaries and do the greatest possible good.

The Door Step School in Mumbai has used digital tools and outdoor classrooms to continue teaching.

Door Step School, Mumbai

Carnegie currently supports two organisations, both in the education segment: the Door Step School in Mumbai, India and the Uganda Rural Development Training Programme (URDT) in western Uganda. Door Step School was started by social entrepreneur Bina Lashkari to provide educational opportunities to children in the slums of Mumbai. The organisation is accomplishing this by operating preschools, tutoring, computer centres, science labs and mobile libraries. Donations from Carnegie have been used for purposes including establishing the first computer centre in the Colaba slum.

During 2020, the Door Step School quickly reorganised its activities based on the new conditions brought by the Covid pandemic. The school has been able to continue reaching children and maintaining learning by teaching outdoors and using digital tools.

Uganda Rural Development Training Programme

In Uganda, the support is directed at social entrepreneur Mwalimu Musheshe and his organisation, Uganda Rural Development and Training Centre (URDT). URDT educates girls from extremely poor families, who then inspire and teach their families and other villagers to change their own lives. This has significantly improved conditions for poor families in rural western Uganda. URDT's activities include a school for girls, a university for women, a vocational college with an entrepreneurial spirit and a radio station. The schools in Uganda were closed to most students in 2020 due to the Covid pandemic. URDT has continued reaching students with school assignments, teaching and workshops delivered through home visits and the URDT radio station.

URDT, Uganda

1,600
family members gained knowledge to help rise from poverty thanks to their 274 daughters who attended the URDT school for girls in 2020.

44
young women participated in URDT university education in 2020.

140
young women and men gained new knowledge and skills at the URDT vocational school in 2020.

Door Step School, India

104,557
children taught in 2020.

346
children attended preschool in 2020.

779
children gained IT skills thanks to the support of Carnegie Social Initiative.

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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, a Diversity Policy and assessment of the suitability of directors. Governance within the Group is also regulated by internal policy documents adopted by the Board and the CEO, respectively. The policy documents adopted by the Board include the board charter, instructions to the CEO, the Group governance policy, 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 company'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 April 2020. 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 41.

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, 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 (CRO) 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

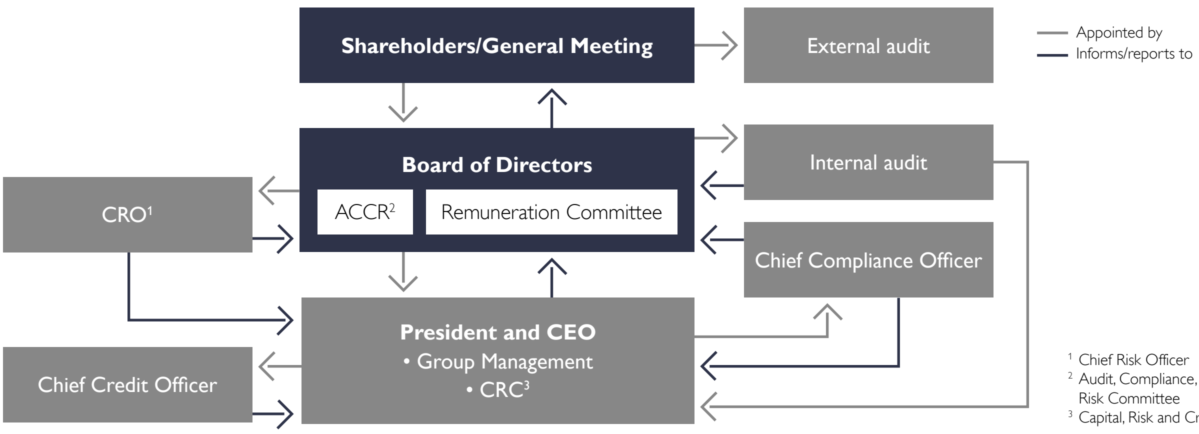
The Board carries out its work according to an annual plan, by which the Board regularly follows up and evaluates operations based on the objectives and guidelines adopted by the Board. This work also includes monitoring risks, capital and liquidity in ongoing operations as well as the Internal Capital 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 15 meetings in 2020.

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. The ACCR's duties

Governance model



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

include 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 these 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. The CEO reports to the Board and presents a CEO's report at every board meeting, which covers matters including development of operations based on the objectives and guidelines established 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, the 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.

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. The Group Compliance Officer has global functional responsibility and the GCO's activities are governed by a policy adopted by the Board.

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 of the business operations and reports directly to the Board. The principles that govern the work of the internal audit function are reviewed and approved annually by the ACCR and adopted by the Board.

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 has adopted a remuneration policy that covers all employees. The policy is based on a risk analysis performed annually by the risk management function under the direction of the CRO. The policy is revised annually. Further information concerning Carnegie's remuneration policy is available on www.carnegie.se.

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, industry standards and risk-taking and risk management, including consideration of sustainability risks.

The proposed provision and allocation to the business areas and units is prepared by the Remuneration Committee. Particular consideration is given to any risks that may be associated with the proposal, including sustainability risks. The committee also analyses the impact on Carnegie's present and future financial position. This assessment is based on the forecasts used in the ICAAP. 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 Remuneration Committee's recommendation forms the basis of the Board's final decision on variable remuneration.

Individual performance assessment

Carnegie applies a group-wide annual process to assess 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 so-called 'identified staff,' who are employees whose professional activities have material impact on the institution's risk profile and which could lead to material impairment of earnings or financial position. Identified staff include executive management, employees in leading strategic positions, employees responsible for control functions and material risk-takers, as defined by regulations. For each member of staff, 40-60 percent of variable remuneration is deferred for three to five years as required under applicable regulations. The deferred portion may be withheld if predefined criteria are not met. In addition, variable remuneration to such staff 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 2020

Allocations of variable remuneration to staff in 2020 amounted to SEK 534 million (336) excluding social insurance fees. For more information about remuneration in 2020, see Note 13 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 no later than in conjunction with approval of the annual accounts.

Partnership

Employees of the Carnegie Group, through various companies, owned around 30 percent of equity in the parent company as of 31 December 2020. 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.

Board of directors



	Anders Johnsson	Ingrid Bojner	Anna-Karin Celsing
Position	Chairman since 2019	Director since 2015	Director since 2020
Committee	ACCR, RemCom		ACCR
Born:	1959	1973	1962
Education	St Mikaelskolan, Mora.	MSc, Stockholm School of Economics. Studies at Georgia State University and UCLA Anderson School of Management.	MBA, Stockholm School of Economics.
Other significant assignments	Director of Carnegie since 2016. Chairman of the board of Hemma Bolån AB.	Chairman of the board of New Republic PR AB, director of DHS Venture Partners and SWEMA AB and CCO of Storytel AB.	Director of Landshypotek Bank AB, Lannebo Fonder AB, Volati AB, Peas Industries and OX2 AB.
Previous experience	Many years with SEB, most recently as head of the Life and Wealth Management Division and member of executive management.	Deputy CEO and Head of Marketing at SSE IFL Executive Education. Senior positions with TeliaSonera and McKinsey & Company.	Chairman of the board of SVT AB, director of Finans-inspektionen and senior positions with companies including Ratos and Föreningssparbanken.



	Klas Johansson	Harald Mix	Andreas Rosenlew
Position	Director since 2016	Director since 2009	Director since 2015
Committee	ACCR	RemCom	
Born:	1976	1960	1962
Education	MSc, Stockholm School of Economics.	MBA, Harvard Business School, BSc, Applied Mathematics and Economics, Brown University.	MSc in Economics & Business Administration, Hanken School of Economics, Helsinki.
Other significant assignments	Partner of Altor Equity Partners AB. Director of Transcom World Wide, IYUNO Group, Ludvig o Co, Gelato Group and Advinans.	Founding partner of Altor Equity Partners. Chairman of Altor Holding AB. Director of Carneo.	Chairman of the boards of Digitalist Group Oy Plc and Grow AB. Director of Cabonline Group Holding AB (Fågelviksgruppen/HIG Capital).
Previous experience	McKinsey & Company.	CEO of Industri Kapital, First Boston Corporation and Booz Allen & Hamilton.	Senior partner at Lowe & Partners Worldwide.

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 Financial Officer (CFO) since 2018
Born: 1975
Previous experience: A number of positions with Carnegie, including head of Treasury and most recently as COO. 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.

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.

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.

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 2020.

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 (70.2 percent) and employees of Carnegie (29.8 percent), as of 31 December 2020.

MARKET & POSITION

Corporate transactions market

Equity capital market transactions (ECM)

After a strong start to the year, the opportunity to close ECM deals was significantly impeded by the global spread of Covid-19 and its effect on the financial markets at the end of the first quarter. The stock market recovered quickly thereafter, which created favourable conditions for ECM deals for the rest of the year.

Carnegie solidified its market-leading position in the Nordics and in the European ECM market as the investment bank that participated in the highest number of ECM transactions, a total of 86.

In another trend that accelerated in 2020, more companies raised financing through private placements rather than IPOs. Carnegie has achieved a unique position in the market through its full-spectrum distribution capacity, ranging from large institutions to small private investors.

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

The corporate bonds market was adversely affected during the first half but regained strength by the end of the second quarter. In these extraordinary circumstances, Carnegie is reporting income growth in this market compared to the preceding year.

Mergers, acquisitions & sales (M&A)

The M&A market was characterised by a softer business climate during the year. Nevertheless, Carnegie executed the most transactions of any provider and reinforced its position as the market leader.

Investment Banking cemented its position as the leading financial adviser in corporate transactions when Kantar Sifo Prospera published its client survey and ranked Carnegie number one based on client opinion.

At the end of the year, Carnegie was recognised as the Sweden M&A Financial Adviser of the Year by market intelligence firm Mergermarket. The award was based on the complexity of the transactions and Carnegie's innovative capacity combined with transaction volume.

Nordic equity market (Equity Research & Trading)

Carnegie is the Nordic leader in equity sales and trading for institutions and offers the widest research capacity, especially in the small- and medium-cap segments. The position was cemented in 2020 and volumes in all segments increased due to high client activity.

Research is an important cornerstone for both institutional clients and Private Banking clients. The number of companies covered is continuously growing as a consequence of Carnegie's high market share in IPOs as well as in response to clients' increasing demand for independent, well-informed and insightful analysis.

For the fifth year running, Carnegie took first place in Prospera's annual ranking. Carnegie was ranked as the best adviser overall and in every sub-category, as well as number one in the ESG research category, confirming the merit of Carnegie's long-term initiative in the area.

We were also number one in Nordic equities overall and in several sub-categories in the unified Extel/Institutional Investor Survey Europe in 2020.

Capital and wealth management market

In an unsettled market, capital and wealth management clients had a greater than usual need for information about market developments. Having already begun its digitalisation journey, the Private Banking team was able to rapidly switch over to digital communications with clients and continue to offer advisory, despite the pandemic.

Carnegie was therefore able to cement its position as the best and most successful private bank in the Nordics. For the fifth consecutive year, Carnegie topped the Kantar Sifo Prospera ranking for client satisfaction in Private Banking. Carnegie received the highest scores in the client survey in two key categories, sustainable investments and ethical standards. The ranking is particularly important because positioning in ESG matters is becoming increasingly important to clients.

GROUP FINANCIAL PERFORMANCE

Group operating income amounted to SEK 3,284 million (2,613) for the full year of 2020, an increase of 26 percent compared to income in the preceding year and the highest level achieved in ten years.

Operating income statement

January–December, SEKm	2020	2019
Continuing operations		
Investment Banking & Securities	2,631	2,018
Private Banking	653	595
Operating income	**3,284**	**2,613**
Personnel expenses before variable remuneration	-1,200	-1,114
Other expenses	-535	-592
Operating expenses	**-1,735**	**-1,706**
Operating profit	**1,549**	**907**
Financing expenses, variable remuneration, etc.	-713	-407
Profit before tax	**836**	**501**
Tax	-197	-78
Profit for the year from continuing operations	**639**	**422**
Profit from assets held for sale[1)]	–	171
Net profit for the year	**639**	**593**
Employees		
Average number of employees	597	569
Number of FTE employees at end of year	609	585

[1] Refers to Banque Carnegie Luxembourg (BCL).
The comparative figures in the operating income statement have been adjusted for items attributable to BCL. 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 and charges related to equity research.

Investment Banking & Securities is reporting income of SEK 2,631 million (2,018) representing a 30 percent increase over last year, driven mainly by equity capital market transactions. The highest growth in terms of percentage occurred in the Swedish, British, American and Norwegian units.

Private Banking

Income in Private Banking is generated mainly from discretionary management, advisory, net interest income and charges related to securities transactions.

Income in Private Banking amounted to SEK 653 million (595), an increase of 10 percent compared to 2019. The income growth was driven partially by high client activity in conjunction with investment opportunities in the corporate transactions market. In addition, savings capital is increasing in our advisory and discretionary services.

Costs

Operating expenses amounted to SEK 1,735 million (1,706), an increase of 2 percent in relation to 2019. Proactive IT investments, higher personnel and rent expenses were offset by lower costs in other areas.

Profit

Profit before tax was SEK 836 million (501[1]), up 67 percent from the same period last year. Operating profit before tax was SEK 1,549 million (907), up 71 percent compared with the same period last year and profit after tax for the year was SEK 639 million (422[1]).

INVESTMENTS

Consolidated investments in non-current assets amounted to SEK 33 million (10) during the period.

FINANCIAL POSITION

The Group's financial position remains 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 one percent of consolidated risk-weighted assets.

In the light of the Covid-19 pandemic, Carnegie reviewed the IFRS 9 model that is used as the basis for allocating allowances for statistically expected credit losses. Risk parameters in the model were adjusted upwards despite the lack of actual credit losses or defaults. This has had no material impact on the loss allowance due to the strong collateral coverage that characterises the credit exposures.

The Group's liquidity investments continue to have a low risk profile, including low duration, wich means exposure to institutions and and instruments with low credit risk.

The Common Equity Tier 1 capital ratio (CET1) and the capital adequacy ratio were both 26.4 percent (25.2). Further information and comparative figures are presented in Note 6. A more detailed description of Carnegie's capital adequacy and liquidity is available online at www.carnegie.se.

The Group's financing comprises equity and deposits from the public. Equity accounts for 16 percent (15), deposits from the public account for 67 percent (71) and other debt accounts for 17 percent (14) of the balance sheet total.

[1] Excluding profit from the sale of Banque Carnegie Luxembourg.

DIVIDEND PROPOSAL

The Board of Directors of Carnegie is proposing that the 2020 annual general meeting endorse a cash dividend of SEK 138.354 per share, corresponding to a total dividend of SEK 300 million.

Carnegie's dividend policy is that capital exceeding the desired and appropriate level of capital adequacy shall be distributed to shareholders. The Board's proposed dividend must take into account factors such as distributable funds, market situation and other capital requirements. The Board 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	890,690,645
Net profit for the year	272,846,398
Total	**1,846,702,043**
The Board of Directors proposes the following allocation of profit:	
Dividend to shareholders	300,000,000
To be carried forward	1,546,702,043
Total	**1,846,702,043**

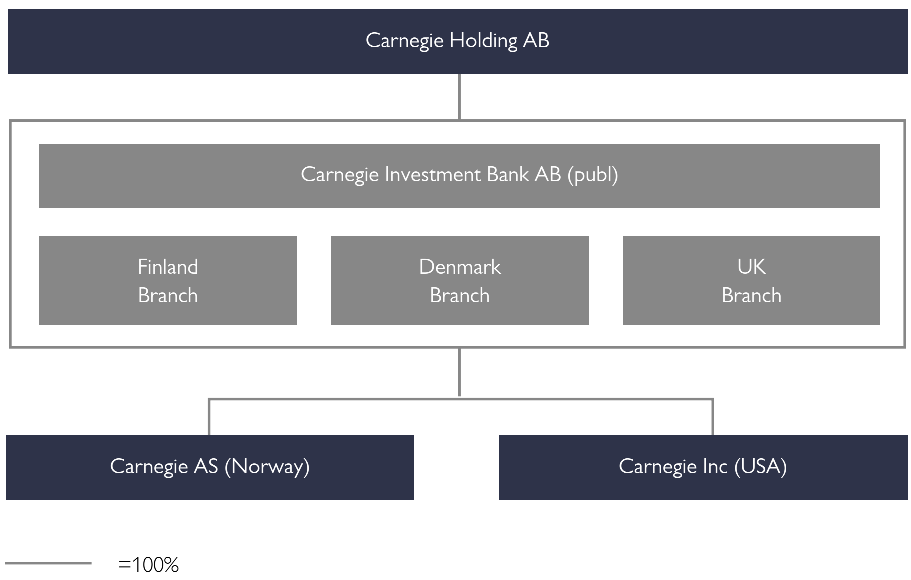
GENERAL INFORMATION ABOUT RISKS AND UNCERTAINTIES

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 47-50, and Note 6 Risk, liquidity and capital management.

EMPLOYEES

The Carnegie Group had a total of 609 (585) employees in six countries at year-end 2020. 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 13 Personnel expenses.

Legal structure as of 31 December 2020



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 2020 as a separate report, not incorporated in the Board of Directors' report. The sustainability report, which is found on pages 87-94 of Carnegie's Annual Report 2020, 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. Unless otherwise specified, the disclosures refer to the Carnegie Group, which consists of the wholly owned subsidiary Carnegie Investment Bank AB (publ) and its subsidiaries in which all business is conducted.

AWARDS IN 2020

Carnegie is persistently strengthening and solidifying its position as the market-leading financial services provider. Carnegie received several awards and top rankings in independent client surveys during the year.

For the fourth year running, Carnegie defended its top ranking among ECM transaction advisers in both the Nordic and Swedish markets, according to Kantar Sifo Prospera. Carnegie also enjoys an outstanding reputation among advisers in the Nordic M&A market, including a leading position in the Swedish market. Carnegie was also recognised as the M&A Financial Adviser of the Year Sweden by Mergermarket.

In parallel, Carnegie strengthened its reputation within equity research, brokerage and execution in 2020 according to most client surveys (Extel, Institutional Investors, Financial Hearings, Kantar Sifo Prospera). In addition, institutional clients in the Nordic market assessed Carnegie's Back Office capacity as the highest among all firms in the market, according to Kantar Sifo Prospera.

Carnegie defended its position as a market leader in Private Banking in 2020, as confirmed by Euromoney's annual market survey. Carnegie also has maintained the highest client satisfaction among Swedish private banking clients, according to Kantar Sifo Prospera's annual evaluation.

OVERVIEW OF THE PARENT COMPANY

Net sales in the parent company amounted to SEK 0 million (0). Net financial income amounted to SEK 305 million (650) and the net profit for the year was SEK 273 million (677).

There were no investments in fixed assets during the period (-). Liquidity, defined as cash and bank balances, was SEK 2 million (1) as of 31 December 2020. Equity amounted to SEK 2,086 million (1,813) as of 31 December 2020.

Risk, liquidity and capital management

Carnegie attaches great importance to meeting society's expectations for socially responsible business practices. This includes maintaining a sound risk culture characterised by high risk awareness, ongoing dialogue concerning the risks to which the bank is exposed and robust methods for systematic risk management. 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 business. Carnegie's business model 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 material losses in 2020.

Carnegie's operations during the year were characterised by the Covid pandemic. Exposure to certain types of risk has risen slightly, particularly the operational risks associated with remote working. There were no material losses or incidents during the year.

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 model rests on the fundamental principle that responsibility for risk management and control always resides where the risk arises. 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 to staff in front and back office and support functions.

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.

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 sound risk control, 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 division of responsibility and tasks in processes and procedures.

Risk management and compliance

The control functions in the second line of defence are responsible for establishing group-wide processes and procedures to ensure that risks are managed in a systematic way. Risk management rules and procedures as well as regulatory compliance are described in policies and instructions that are adopted by management and the Board.

The risk management function is responsible for monitoring 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. The risk management function is headed by the Chief Risk Officer (CRO) who reports directly to the CEO and the Board. The risk management function develops processes and methods for risk management and monitors their application. The risk management 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 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.

The compliance function's responsibility includes verifying operational compliance with laws, regulations and internal rules. The regulatory areas that are particularly time-consuming include the Markets in Financial Instruments Directive (MiFID) and regulations intended to prevent market abuse, money laundering and terrorist financing. 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. The compliance function also comprises compliance officers at each subsidiary and branch. The local functions report to the CRO as well as local management and boards.

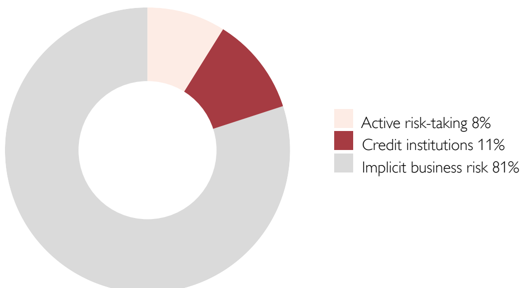
Internal audit

Internal Audit represents the third line of defence. Its responsibility is to systematically assess and verify the adequacy and effectiveness of internal control and risk management from a regulatory perspective and risk-based approach. Their 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 of the business operations and reports directly to the Board. The principles that govern the work of the Internal Audit function are reviewed and approved annually by the Board Audit Committee and adopted by the Board.

RISK AREAS

Risk represents uncertainty that may adversely impact Carnegie, for example in the form of financial loss or damaged reputation. Carnegie's business primarily entails exposure to the following types of risk: operational risk, compliance risk, sustainability risk, reputational risk, business risk, strategic risk, market risk, credit risk and liquidity risk.

Risk profile



As shown on the chart below, a small fraction, 8 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, corresponding to 81 percent, are risks that arise in banking operations, such as operational risks and structural currency risks in the equity of the bank's subsidiaries.

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 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. This type of risks can be difficult to identify and assess.

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.

To manage the operational risks of the business, Carnegie has established a group-wide framework that encompasses policies and standardised procedures 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.

Sustainability risk

Sustainability risk is the risk of impact in areas such as human rights, the environment, climate, corruption and money laundering. Sustainability risk could arise in any area of the bank's operations in its capacity as an asset manager, service provider, lender, employer and buyer.

Managing sustainability risks is important from the financial and legal perspectives, but also from the reputational perspective. As with other operational risks, responsibility for managing sustainability risks lies where the risk arises. This means that each employee is responsible for identifying and managing sustainability risks within their area of responsibility with the support of the risk management function.

Carnegie has a whistle-blowing procedure through which employees can make an anonymous report if they discover any non-compliances with internal or external regulations. Reports made in the whistle-blower system are managed confidentially the Head of Internal Audit.

Further information about Carnegie's sustainability work is provided in the Sustainability Report, which is published on pages 87-94.

Compliance risk

Compliance risk is the risk of regulatory sanctions, financial losses or damaged reputation due to non-compliance 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:

- AML/KYC: Rules on measures against money laundering and terrorist financing, including maintaining good customer knowledge and effective transaction monitoring.
- 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.
- GDPR: Common data protection regulations within the EU.
- IFRS 9 and BCBS d350: Accounting standard and guidance on credit risk practices.

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, among else, the following:

- A 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 Markets Association and SwedSec.
- Carnegie works proactively to prevent market abuse, money laundering and terrorist financing.
- Carnegie regularly identifies its conflicts of interests and makes every effort to ensure that action is taken to manage these in a way that is not detrimental to the interests of clients.
- Carnegie drafts and adopts 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.

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 making prices for 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. The risk that has arisen and its management are monitored by the financial risk department.

2020 was characterised by dramatic price movements and events not previously observed. There was a period of increased volatility in the portfolio, but there was no significant profit impact, despite the market stress.

The bank is exposed to four main types of market risk: equity risk, volatility risk, currency risk and interest rate risk. In order to gain an overall picture, Carnegie applies several complementary risk measures and limits.

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 underlying instrument's volatility. Volatility risk arises in positions in held and issued options that arise after activities within client facilitation or market making activities.

Currency risk

Carnegie's currency risk can be divided into operational risk and structural risk. 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 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, residential mortgage 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 and residential mortgages account for the majority of other exposure.

In most cases, margin lending is part of an investment strategy. The counterparties in this portfolio are mainly private individuals with a strong financial position and capacity to repay, which also applies to mortgages. Accordingly, the credit risk in this segment is low, which is further reinforced by the high-quality collateral portfolio in the pledged securities custody accounts and homes. The quality of the collateral portfolio reflects the Group's policies and instructions, which cover matters such as loan-to-value and liquidity requirements.

The percentage of unsecured margin loans is low and the loan agreements are primarily valid until further notice. Credit risk in the margin lending portfolio is regularly stress-tested for market volatility and, as needed, in connection with major price movements in the securities markets.

In some cases, credit risk may also arise in connection with transactions in Investment Banking. These are characterised by short maturities and collateralised exposures.

Exposure to credit risk within Carnegie for 2020 was essentially on par with 2019. 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, housing bonds with the highest rating and municipal certificates. The collateral portfolio for margin lending is well-diversified and no credit losses arose during the year other than those due to statistical changes within the forward-looking credit loss allowances required under IFRS 9.

Credit policy

Carnegie's credit policy sets the frameworks for managing credit risk, concentration risk and settlement risk and reflects the risk appetite established by the Board. 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, prospective 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 certain 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.

LIQUIDITY AND FINANCING

At year-end, 16 (15) percent of Carnegie's financing was comprised of equity, while deposits from the public accounted for 68 (71) percent and other debt accounts for 16 (14) percent of the balance sheet total.

Financing in the form of equity and deposits and borrowing from the public was considerably greater at year-end than Carnegie's total lending. The loan-to-deposit ratio for the Group was 33 (34) 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 set 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 26.4 percent (25.2) and capital adequacy of 26.4 percent (25.2).

Pillar 1 – Minimum capital requirements

Carnegie must at all times maintain 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 various methods for calculating the 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 Group's current and prospective risk exposures. As part of the ICAAP, an extensive risk analysis is performed, encompassing all potential risks that may arise within Carnegie. The Board 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 2020 are provided in the Capital Adequacy and Liquidity Report, available at www.carnegie.se.

Five-year review

Group

Income statement, SEKm	2020	2019	2018	2017	2016
Continuing operations					
Total income	3,289	2,830	2,448	2,472	2,153
Personnel expenses	-1,901	-1,541	-1,480	-1,473	-1,396
Other expenses	-553	-612	-582	-538	-441
Expenses before credit losses	-2,454	-2,153	-2,062	-2,011	-1,837
Profit before credit losses	**834**	**677**	**386**	**461**	**316**
Credit losses, net	2	-5	4	2	26
Profit before tax	**836**	**672**	**390**	**463**	**342**
Tax	-197	-78	-90	-124	-76
Profit for the year from continuing operations	**639**	**593**	**300**	**339**	**266**
Discontinued operations					
Profit for the year from discontinued operations	–	–	–	7	120
Net profit for the year	**639**	**593**	**300**	**346**	**386**
Whereof profit from assets held for sale	–	171	13	–	–
Profit for the year excluding profit from assets held for sale	**639**	**422**	**287**	**346**	**386**

Financial key data, continuing operations	2020	2019	2018	2017	2016
C/I ratio, %	75	76	84	81	85
Income per employee, SEKm	5.5	5.0	4.1	4.2	3.5
Expenses per employee, SEKm	4.1	3.8	3.4	3.4	3.0
Profit margin, %	25	24	16	19	16
Assets under management , SEKbn	166	128	110	110	100
Return on equity, %[1]	33	32	16	22	21
Total assets, SEKm	14,322	11,285	12,611	12,254	11,195

Capital base, SEKm	2020	2019	2018	2017	2016
Common Equity Tier 1 capital ratio, %	26.4	25.2	24.2	23.0	19.6
Equity, SEKm	2,332	1,725	2,024	1,917	1,677

Employees, continuing operations	2020	2019	2018	2017	2016
Average number of employees	597	569	600	590	609
Number of employees at the end of year	609	585	606	598	610

The historical overview is based on legal income statements. Discontinued operations include the fund operations for 2016 and operations within third-party distribution of structured products for 2016-2017.

[1] Profit for 2018 and 2019 is adjusted for profit from assets held for sale.

Consolidated statements of comprehensive income

SEK 000s	Note	Jan–Dec 2020	Jan–Dec 2019
Commission income	8	3,258,834	2,592,848
Commission expenses		-12,533	-9,860
Net commission income	9	**3,246,300**	**2,582,988**
Interest income	8	74,697	71,536
Interest expenses		-27,113	-42,916
Net interest income	10	**47,584**	**28,620**
Net profit from financial transactions	8, 12	-5,241	32,520
Other operating income	8	0	186,080
Total operating income		**3,288,643**	**2,830,207**
Personnel expenses	13	-1,900,672	-1,541,472
Other administrative expenses	14	-478,619	-539,649
Depreciation and amortisation of tangible and intangible assets	15	-74,875	-72,239
Total operating expenses		**-2,454,166**	**-2,153,360**
Profit before credit losses		**834,477**	**676,847**
Credit losses, net	16	1,943	-4,965
Profit before tax		**836,420**	**671,882**
Tax	17	-197,358	-78,427
Net profit for the year		**639,061**	**593,455**
Other comprehensive income from continuing operations			
Items that may subsequently be reclassified to the income statement			
Translation of foreign operations		-32,123	8,356
Total comprehensive income for the year		**606,939**	**601,811**

The profit is attributable in its entirety to the owners of the parent company.

Consolidated statements of financial position

SEK 000s	Note	31 Dec 2020	31 Dec 2019
Assets			
Cash and bank deposits with central banks	19	14,004	83,135
Negotiable government securities	6, 19	3,959,922	2,289,621
Loans to credit institutions[1]	6	3,709,606	2,225,721
Loans to the general public	6, 18	3,147,921	2,662,894
Bonds and other interest-bearing securities	6, 19, 20	1,827,419	2,481,510
Shares and participations	19, 20	534,936	595,147
Derivative instruments	19	14,593	11,446
Intangible assets	22	26,230	0
Tangible fixed assets	23	255,934	272,391
Current tax assets		117,986	34,951
Deferred tax assets	24	148,086	165,252
Other assets	25	492,489	349,782
Prepaid expenses and accrued income	26	72,471	112,663
Total assets	30	**14,321,597**	**11,284,513**
Liabilities and equity			
Liabilities			
Liabilities to credit institutions	6	136,653	49,362
Deposits and borrowing from the general public[1]	6	9,748,965	8,007,440
Short positions, shares	19	24,248	69,695
Derivative instruments	19	32,789	89,562
Current tax liabilities		220,076	32,364
Deferred tax liabilities	24	0	3,650
Other liabilities	27	653,896	542,511
Accrued expenses and prepaid income	28	1,110,890	731,817
Other provisions	29	61,753	32,724
Total liabilities	30	**11,989,270**	**9,559,125**
Equity, SEKm			
Share capital		238,811	238,811
Other capital contributions		683,165	683,165
Provisions		-122,830	-90,708
Retained earnings		1,533,182	894,119
Total equity		**2,332,327**	**1,725,388**
Total liabilities and equity		**14,321,597**	**11,284,513**
Pledged assets and contingent liabilities	31		
Assets pledged for own debt		294,462	463,412
Other pledged assets		772,769	603,560
Contingent liabilities and guarantees		503,569	454,134

[1] Whereof client funds 216,470 (193,897)

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 2019	**238,811**	**683,165**	**-99,064**	**1,200,664**	**2,023,576**
Net profit for the year				593,455	593,455
Other comprehensive income:					
Translation differences relating to foreign operations			8,356		8,356
Total comprehensive income (net after tax)			**8,356**	**593,455**	**601,811**
Initial effect of transition to IFRS 9					
Dividends paid				-900,000	-900,000
Equity - closing balance 2019	**238,811**	**683,165**	**-90,707**	**894,119**	**1,725,388**
Net profit for the year				639,061	639,061
Other comprehensive income:					
Translation differences relating to foreign operations			-32,123		-32,123
Total comprehensive income (net after tax)			**-32,123**	**639,061**	**606,939**
Dividends paid				–	–
Equity - closing balance 2020	**238,811**	**683,165**	**-122,830**	**1,533,182**	**2,332,327**

Parent company income statement

SEK 000s	Note	Jan-Dec 2020	Jan-Dec 2019
Net sales	8	–	–
Other external costs	14	-803	-1,205
Personnel expenses	13	-970	-713
Operating loss		**-1,773**	**-1,918**
Interest expenses and similar expenses	10	-2	28
Profit from participations in subsidiaries	11	305,000	650,000
Profit from financial items		**304,998**	**650,028**
Profit before tax		**303,225**	**648,110**
Tax	17	-30,379	29,352
Profit for the year		**272,846**	**677,463**

Parent company statement of other comprehensive income

SEK 000s	Jan-Dec 2020	Jan-Dec 2019
Profit for the year	272,846	677,463
Other comprehensive income	–	–
Total comprehensive income for the year	**272,846**	**677,463**

The profit is attributable in its entirety to the owners of the parent company.

Parent company balance sheet

SEK 000s	Note	31 Dec 2020	31 Dec 2019
Assets			
Shares and participations in group companies	21	1,780,084	1,780,084
Deferred tax asset	24	–	30,379
Total financial non-current assets		**1,780,084**	**1,810,463**
Receivables from group companies	25	–	28
Current tax assets		–	1,397
Other current receivables		305,079	498
Cash and bank balances		1,906	1,423
Total current assets		**306,985**	**3,346**
Total assets		**2,087,069**	**1,813,809**
Equity and liabilities			
Restricted equity			
Share capital		238,811	238,811
Total restricted equity		**238,811**	**238,811**
Non-restricted equity			
Share premium reserve		683,165	683,165
Retained earnings		890,691	213,228
Net profit for the year		272,846	677,463
Total non-restricted equity		**1,846,702**	**1,573,856**
Total equity		**2,085,513**	**1,812,667**
Pension provisions		0	0
Total provisions		**0**	**0**
Liabilities to group companies		773	–
Other current liabilities	27	669	366
Accrued expenses and prepaid income	28	114	776
Total current liabilities		**1,556**	**1,142**
Total liabilities		**1,556**	**1,142**
Total equity and liabilities		**2,087,069**	**1,813,809**
Pledged assets and contingent liabilities	31		
Assets pledged for own debt		–	–
Other pledged assets		–	–
Contingent liabilities and guarantees		112,509	112,509

Parent company statement of changes in equity

	Restricted equity	Non-restricted equity		
SEK 000s	Share capital	Share premium reserve	Retained earnings	Total
Equity - opening balance 2019	238,811	683,165	1,113,228	2,035,204
Net profit for the year			677,463	677,463
Total income and expenses for the year			677,463	677,463
Dividends paid			-900,000	-900,000
Equity - closing balance 2019	238,811	683,165	890,691	1,812,667
Net profit for the year			272,846	272,846
Total income and expenses for the year			272,846	272,846
Dividends paid			–	–
Equity - closing balance 2020	238,811	683,165	1,163,537	2,085,513

The number of shares outstanding at 31 December 2020 was 2,168,350 with a quotient value of SEK 110.135 per share.
All outstanding shares are ordinary shares.

Cash flow statements

	GROUP[1]		PARENT COMPANY	
SEK 000s	2020	2019	2020	2019
Operating activities				
Profit before tax	836,420	671,882	303,225	648,110
Adjustments for items not affecting cash flow	105,321	42,078	0	–
Paid income tax	-78,397	-2,795	1,487	1
Cash flow from operating activities before changes in working capital	**863,344**	**711,165**	**304,712**	**648,111**
Changes in working capital	2,305,057	-144,321	-304,228	251,786
Cash flow from operating activities	**3,168,401**	**566,844**	**484**	**899,897**
Investing activities				
Acquisition and sales of fixed assets	-32,702	-10,291	–	–
Cash flow from investing activities	**-32,702**	**-10,291**	**–**	**–**
Financing activities				
Dividends paid	–	-900,000	–	-900,000
Amortisation of lease liabilities	-65,432	-66,298	–	–
Cash flow from financing activities	**-65,432**	**-966,298**	**–**	**-900,000**
Cash flow for the year	**3,070,267**	**-409,745**	**484**	**-103**
Cash and cash equivalents at beginning of year [2]	4,116,866	4,467,916	1,422	1,526
Translation differences in cash and cash equivalents	-55,730	58,694	–	–
Cash and cash equivalents at end of year [2]	**7,131,403**	**4,116,866**	**1,906**	**1,422**

[1] The consolidated cash flow statement for 2019 includes assets held for sale up to and including the date of sale.
[2] Excluding loans to credit institutions that are not payable on demand, cash and cash equivalents pledged as collateral and client funds.

For further disclosures concerning cash flow statements, see Note 33.

Notes

Notes related to the Consolidated statements of financial position exclude Carnegie Banque Luxembourg S.A. for 2018. Information on assets held for sale is presented in Note 31.

Note 1 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 six countries: Sweden, Denmark, Norway, Finland, the UK and the US.

Carnegie Holding AB is owned by the fund Altor Fund III and employees of Carnegie. Carnegie Holding AB is not included in any consolidated financial statements through the above and there are thus no references to such consolidated financial statements.

Note 2 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 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 financial statements for the group and the parent company are presented in thousands of Swedish kronor rounded to the nearest thousand (SEK 000s). As a result, amounts in thousands of SEK may not agree in all cases when summed.

The parent company's functional currency is the Swedish krona (SEK). Accounting principles for the parent company are presented below under "Parent company accounting policies".

Note 3 New and amended accounting standards and interpretations

Amendments to IFRS 9, IAS 39 and IFRS 7 based on the interest rate benchmark reform have had no impact on Carnegie's financial statements.

Note 4 Critical assessment parameters

In connection with application of Group accounting principles, 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. Estimations and judgements related to expected credit loss allowances are stated in Note 18.

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 6.

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.

Leases

In the measurement of future lease payments, Carnegie has reviewed all of the Group's lease contracts to ensure completeness as regards agreements. For Carnegie, this includes leases for premises and leases for cars. Carnegie does not consider other contracts material. Leases with terms of 12 months or less have been excepted. All lease contracts specify the term of the lease and the terms and conditions applicable to extension of the lease. Leases for cars run for a period of three years. Carnegie has elected to use an estimated financing cost as the basis for determining the interest rate for leases for premises. A variable interest rate is specified in the leases for cars.

Recognition of deferred tax assets

Carnegie recognises deferred tax assets attributable to timing differences and tax-deductible deficits. 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 24 Deferred tax assets/liabilities.

Note 5 Applied accounting policies

Consolidated financial statements

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 wit 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 principles of subsidiaries are modified in order to achieve greater agreement with Group accounting principles.

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.

Income recognition

Income refers primarily to various types of commission income from services provided to clients. The type of income governs how income is recognised. Income classified as commission income refers to Revenue from Contracts with Customers as per IFRS 15. Income is recognised at a specific point in time or as the performance obligation is satisfied, which is normally when control of the good or service is passed to the customer. The revenues reflect the consideration expected in exchange for these goods or services.

Commission income mainly includes brokerage fees and advisory income within Private Banking and Investment Banking. Ongoing charges are recognised in income in the period when the obligations are satisfied. Brokerage fees are usually recognised in income on the transaction date. Other commission income and fees such as for advisory and research are recognised in income as the performance obligations are satisfied.

Commission expenses are transaction based and directly attributable to commission income. These costs are recognised in the period in which the services were received.

Interest income and interest expenses are recognised as income or expense in the period to which they refer.

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 postemployment 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 Finansinspektionen's regulations regarding remuneration systems in credit institutions, investment firms and fund management companies, guaranteed variable remuneration (sign-on bonus) is paid only in connection with new recruitments and the service period is limited to one year.

Remuneration policies for the Group are described in the Corporate governance section, pages 38-40.

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.

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. 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 tax-deductible 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 accounted in net amounts 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 for 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 a financial instrument is determined based on the company's business model and whether or not the cash flows constitute solely payment of principal or interest.

Financial assets are classified as belonging to one of the following categories:

- Amortised cost
- Financial assets at fair value through profit or loss
  - Obligatory measurement at fair value through profit or loss
  - Measurement at fair value through profit or loss from initial recognition
- Financial assets at fair value through other comprehensive income

Financial liabilities are classified as belonging to one of the following categories:

- Amortised cost
- Financial liabilities at fair value through profit or loss
  - Obligatory measurement at fair value through profit or loss
  - Measurement at fair value through profit or loss from initial recognition

Financial assets with cash flows that are not solely payments of principal and interest are classified at fair value through profit or loss. All other assets are classified according to the business model. If the objective of holding the financial instrument is to collect contractual cash flows, classification and measurement are at amortised cost. If the objective of the holding is instead achieved by collecting contractual cash flows and selling the asset, classification and measurement are at fair value through other comprehensive income. If the objective of the holding is neither of these two alternatives but rather according to another business model, classification and measurement are at fair value through profit or loss.

All financial assets and liabilities are recognised at fair value at initial recognition. Thereafter, this classification is the basis for how the instrument is subsequently measured in the balance sheet and the recognition of changes in the fair value of the instrument. The categories applied by Carnegie are amortised cost and fair value through profit and loss.

Fair value
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.

Expected and actual credit losses
Impairments due to credit risk are applied to financial instruments classified in either the "Amortised cost" or "Fair value through other comprehensive income" category. For assets measured at amortised cost, the loss allowance is accounted for as a debit item together with the asset. For exposures that are not recognised in the balance sheet, the loss allowance is accounted for as a provision on the liability side. Changes in the loss allowance are recognised in profit or loss as "Credit losses, net". Refer to Note 28 for calculation and recognition of allowances for expected credit losses. The principle for what is classed as an actual credit loss is that they are losses established through bankruptcy procedures or composition agreements.

Cash and bank deposits with central banks
Cash and balances with central banks are categorised as financial assets measured at amortised costs and are 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.

Loans to the general public
Lending to the general 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 extend loans for consumption. 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.

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. The categorisation is at amortised cost and they are measured, subsequent to acquisition date, at amortised cost using the effective rate method.

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 measured at fair value through profit and loss. Changes in fair value are recognised as "Net profit/loss from financial transactions." 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 measured at amortised cost 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 general public. These liabilities are categorised as measured at amortised cost and are 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 connection with short selling, a liability is recognised corresponding to the fair value of the sold security. Received collateral in the form of cash is recognised under "Liabilities to credit institutions." Pledged collateral in the form of cash is recognised on the balance sheet under "Lending to credit institutions."

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.

Leases
Under the application of IFRS 16 Leases, all leases that meet the definition of a lease contract must be recognised as a right-of-use asset and as a corresponding liability on the balance sheet. A cost for depreciation of the leased asset and an interest expense for the financial liability are recognised on the income statement. In the statement of cash flow, lease payments are divided between interest paid in cash flow from operating activities and repayments of lease liabilities within financing activities.

The standard permits exceptions for the recognition of leases with a term of twelve months or less (short-term leases) and leases of low-value assets. Short-term and low-value leases are recognised as an expense directly in the income statement. The ROU asset and the liability are initially measured at the present value of future lease payments.

Carnegie is also a lessor through the sub-letting of parts of office premises. The sub-letting has only immaterial effect on the financial statements.

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.

Parent company accounting policies
The parent company's annual accounts were prepared 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 principles 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, by which acquisition costs are included in the recognised value and the assets are subject to impairment testing.

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.

Note 6 Risk, liquidity and capital management

Credit risks
Reported amounts refer to the Group. Ratings from recognised rating institutes are 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 2020, SEK 000s	AAA, AA–	A+, A–	BBB+, BBB–	No external rating available	Past due but not reserved	Provisions
Governments and central banks	3,973,925	–	–		–	–
Institutional exposures	3,022,130	2,296,152	–	820	–	1,455
Corporate exposures	–	–	–	2,481,447	–	190,888
Retail exposures	–	–	–	667,929	–	5,942
Total	6,996,055	2,296,152	–	3,150,196	–	198,284

Group, 31 Dec 2019, SEK 000s	AAA, AA–	A+, A–	BBB+, BBB–	No external rating available	Past due but not reserved	Provisions
Governments and central banks	2,372,756	–	–	–	–	–
Institutional exposures	2,539,173	1,870,657	619	102,200	–	685
Corporate exposures	–	360	1,090	2,139,591	–	198,368
Retail exposures	–	–	–	522,539	–	9,048
Total	4,911,929	1,871,018	1,709	2,674,330	–	208,102

Pledged assets
Carnegie's corporate and retail exposures are primarily collateralised with pledged liquid financial securities (known as custodian account loans). Of total corporate and retail exposures, SEK 126 million is unsecured (in blanco).

Margin lending exposures are secured by a diversified portfolio of financial collateral. Clients in this category have assets whose worth far exceeds the utilised credit amount. No margin lending client had credit exposure exceeding the market value of pledged assets. However, there are large differences in loan-to-value amongst individual clients. Equities are the most common form of collateral used in margin. No individual security accounts for more than 2 percent of utilised collateral.

'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 closing balance for 2020 includes an allowance for expected credit losses of SEK 10 million, in accordance with the IFRS 9 standard.

As of 31 December 2020, the value of collateral the Group is holding for loans where the value has been impaired was SEK - million (-).

No receivables have been renegotiated due to repayment difficulties.

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 - (-) at the end of the period.

Note 6 Risk, liquidity and capital management, cont.

Liquidity risk

The table below provides a maturity analysis of the contracted maturity of financial assets and liabilities. Deposits and borrowing from the public are reported as payable on demand. However, this borrowing has a longer behavioural maturity in that a significant portion of deposits are covered by the Swedish government's deposit insurance scheme. Carnegie calculates and stress tests the liquidity reserve from an operational perspective and an LCR perspective 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 2020

Group, 31 Dec 2020, SEK 000s	Upon demand	<3 months	>3 months but <1 year	>1 but < 2 years	>2 but less than <5 years	> 5 years	Interest effect	N/A	Total
Negotiable government securities	459,459	2,000,133	1,500,330	–	–	–	–	–	3,959,922
Loans to credit institutions	3,585,506		–	–	–	–	–	124,101	3,709,606
Loans to the general public	2,321,665	6,487	125,879	–	–	561,280	–	132,610	3,147,921
Bonds and other interest-bearing securities	0		611,062	1,214,307	1,411	–	639	–	1,827,419
Shares and participations	–		–	–	–	–	–	534,936	534,936
Total financial assets	**6,366,630**	**2,006,620**	**2,237,271**	**1,214,307**	**1,411**	**561,280**	**639**	**791,647**	**13,179,804**
Liabilities to credit institutions	136,653	–	–	–	–	–	–	–	136,653
Deposits and borrowing from the general public	9,748,965	–	–	–	–	–	–	0	9,748,965
Short positions, shares	–	–	–	–	–	–	–	24,248	24,248
Lease liability		19,346	58,037	73,089	72,823	11,753	-25,109	–	209,938
Other liabilities	–	443,958	–	–	–	–	–	–	443,958
Accrued interest expenses	–	1,392	–	–	–	–	–	–	1,392
Total financial liabilities	**9,885,618**	**464,696**	**58,037**	**73,089**	**72,823**	**11,753**	**-25,109**	**24,248**	**10,565,154**
Derivatives									
Assets at market value	–	10,398	3,968	227	–	–	–	–	14,593
Liabilities at market value	–	4,829	27,960	–	–	–	–	–	32,789

Contracted maturities of financial assets and liabilities, 31 Dec 2019

Group, 31 Dec 2019, SEK 000s	Upon demand	<3 months	>3 months but <1 year	>1 but < 2 years	>2 but less than <5 years	> 5 years	Interest effect	N/A	Total
Negotiable government securities	289,306	1,900,280	100,034	–	–	–	–	–	2,289,621
Loans to credit institutions	2,225,721	–	–	–	–	–	–	–	2,225,721
Loans to the general public	2,165,717	24,144	99,717	–	–	373,317	–	–	2,662,894
Bonds and other interest-bearing securities	21,965	701,923	1,750,918	3,148	4,223	1,279	-1,944	–	2,481,510
Shares and participations	–	–	–	–	–	–	–	595,147	595,147
Total financial assets	**4,702,709**	**2,626,347**	**1,950,668**	**3,148**	**4,223**	**374,595**	**-1,944**	**595,147**	**10,254,893**
Liabilities to credit institutions	49,362	–	–	–	–	–	–	–	49,362
Deposits and borrowing from the general public	8,007,440	–	–	–	–	–	–	0	8,007,440
Short positions, shares	–	–	–	–	–	–	–	69,695	69,695
Lease liability		16,309	48,926	59,482	105,036	22,120	-32,206	–	219,666
Other liabilities	–	322,845	–	–	–	–	–	–	322,845
Accrued interest expenses	–	1,590	–	–	–	–	–	–	1,590
Total financial liabilities	**8,056,802**	**340,743**	**48,926**	**59,482**	**105,036**	**22,120**	**-32,206**	**69,695**	**8,670,597**
Derivatives									
Assets at market value	–	7,754	3,692	–	–	–	–	–	11,446
Liabilities at market value	–	3,597	85,965	–	–	–	–	–	89,562

Note 6 Risk, liquidity and capital management, cont.

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 gross value of these assets and liabilities amounted to SEK 552 million (766). Of that amount, SEK 507 million (655) related to shares and SEK 45 million (101) to derivative instruments. The net value at year-end was SEK 438 million (447).

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 -0.7 million (-0.6) at year-end. A +3% price change at the same date would have had an effect on earnings of SEK 1.0 million (0.6) in the Group. Derivative positions consist of held or issued forward contracts, swaps, call options and put options.

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 (0.1). The exposure in the Group represents the net of positions with negative or positive Vega exposure.

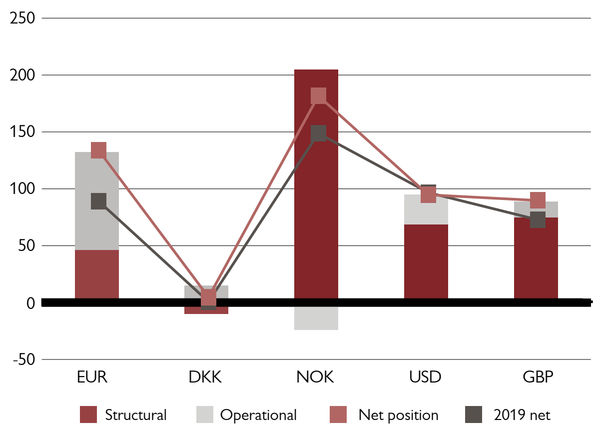
Scenario analysis
Market risk exposure in operations where risk-taking is an element of the business, consist manily by equity price risk and volatility risk. These risks are measured by simulating the effect on earnings of a combined change of share prices and volatility. Carnegie focuses on and has 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 0.9 million (0.8). 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 1.8 million (3.0) 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 0.1 million (0.3) for MML and SEK 0.3 million (1.0) 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 2020 (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 -0.3 million (-0.3). 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
The bank places portions of its liquidity in bonds with varying tenors. Average duration is kept short, in line with risk appetite. The holdings entail exposure to interest rate 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 41.2 million (28.4).

Note 6 Risk, liquidity and capital management, cont.

SEK 000s	31 Dec 2020	31 Dec 2019
Capital adequacy		
Capital base	1,997,725	1,678,159
Risk exposure amount	7,560,553	6,659,001
Capital requirements	604,844	532,720
Surplus capital	1,392,880	1,145,439
Common Equity Tier 1 capital ratio (CET1), %	26.4%	25.2%
Tier 1 capital ratio, %	26.4%	25.2%
Capital adequacy ratio, %	26.4%	25.2%
Capital buffer requirement		
Institution-specific CET 1 requirement including buffer requirement.	7.1%	9.3%
Whereof: capital conservation buffer, %	2.5%	2.5%
Whereof: Countercyclical capital buffer, %	0.1%	2.3%
CET1 available as buffer, %	18.4%	17.2%
Other capital base requirements (Pillar 2)	2.5%	2.0%
Total capital base requirement	13.1%	14.8%
Capital buffer requirement		
Institution-specific CET 1 requirement including buffer requirement.	534,312	619,095
Whereof capital conservation buffer	189,014	166,475
Whereof countercyclical capital buffer	5,073	152,965
CET1 available as buffer	1,392,880	1,145,439
Other capital base requirements (Pillar 2)	189,014	133,180
Total capital base requirement	987,945	985,341
Capital base		
Equity instruments and associated premium reserve	921,976	921,976
Retained earnings and reserves	1,482,491	904,432
Planned dividend	-300,000	–
Goodwill and intangible assets	-26,230	0
Deferred tax assets	-7,763	-46,439
Further value adjustments	-610	-790
Other comprehensive income	-72,140	-101,020
Total common equity Tier 1 capital	**1,997,725**	**1,678,159**
Additional Tier 1 capital		
Preference shares	–	–
Total Tier 1 capital	**1,997,725**	**1,678,159**
Tier 2 capital		
Perpetual convertible debentures	–	–
Total capital base	**1,997,725**	**1,678,159**

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 2020	31 Dec 2019
Capital requirements from exposures to:		
Central counterparties	3,085	80
Institutional exposures	53,778	29,588
Corporate exposures	24,216	23,766
Retail exposures	13,469	10,444
Exposures secured by real estate property	15,716	10,453
Exposures in the form of covered bonds	14,593	19,598
Equity exposures	0	0
Other items	68,654	62,039
Total capital requirement for credit risks	**193,511**	**155,967**
Capital requirement for market risks		
Settlement risk	35	30
Total capital requirement for settlement risks	**35**	**30**
Equity price risk		
Specific risk	4,817	11,188
General risk	1,095	2,753
Non-delta risk	1,201	–
Total capital requirement for equity risks	**7,114**	**13,942**
Interest rate risk		
Specific risk	213	976
General risk	107	274
Total capital requirement for interest risks	**320**	**1,250**
Currency risk	40,825	32,539
Total capital requirements for currency risks	**40,825**	**32,539**
Capital requirement from credit valuation adjustment risk		
Credit valuation adjustment risk	1,606	851
Total capital requirement for credit valuation adjustment risk	**1,606**	**851**

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.

Income indicator	2,409,553	2,187,080
Capital requirement for operational risks	**361,433**	**328,062**

Note 7 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. The division by country aligns with the legal structure of the Group.

GROUP			2020				2019			
Country	Business[1]	Geographical territory	Average number of employees	Operating income, SEK 000s	Profit/loss before tax, SEK 000s	Tax, SEK 000s	Average number of employees	Operating income, SEKm	Profit/loss before tax, SEKm	Tax, SEKm
Denmark	IB, SEC, PB	Denmark	82	305,698	9,277	-2,434	79	340,366	11,848	-3,392
Norway	IB, SEC	Norway	82	461,493	135,511	-46,889	85	384,275	76,951	-17,276
Sweden	IB, SEC, PB	Sweden	363	2,127,158	602,500	-151,487	337	2,463,695	558,283	-51,525
Other	IB, SEC, PB	UK, USA, Finland, Luxembourg	70	567,672	118,962	-22,219	69	453,709	46,015	-4,383
Eliminations			–	-173,379	-29,831	25,671	–	-811,838	-21,214	-1,851
Total			**597**	**3,288,643**	**836,420**	**-197,358**	**569**	**2,830,207**	**671,882**	**-78,427**

[1] IB=Investment Banking, SEC=Securities, PB=Private Banking

Note 8 Geographical distribution of income

GROUP	COMMISSION INCOME		INTEREST INCOME		NET PROFIT FROM FINANCIAL TRANSACTIONS		OTHER OPERATING INCOME		TOTAL INCOME	
SEK 000s	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Denmark	311,229	340,437	3,057	2,867	-4,114	586	–	–	310,172	343,890
Norway	453,436	374,169	9,363	15,769	150	-107	–	–	462,949	389,830
Sweden	2,089,395	1,588,545	63,743	57,467	-3,709	33,495	–	186,080	2,149,429	1,865,587
Other	568,326	455,496	–	31	-577	-1,648	–	–	567,748	453,879
Eliminations	-163,551	-165,799	-1,466	-4,598	3,009	194	–	–	-162,008	-170,202
Total	**3,258,834**	**2,592,848**	**74,697**	**71,536**	**-5,241**	**32,520**	–	**186,080**	**3,328,290**	**2,882,984**

Income in the parent company refers to Sweden.

Note 9 Net commission income

	GROUP	
SEK 000s	2020	2019
Commission income	775,015	625,870
Advisory services income	2,518,724	1,986,652
Other income	19,577	20,974
Marketplace fees	-54,483	-40,648
Total commission income	**3,258,834**	**2,592,848**
Total commission expenses	**-12,533**	**-9,860**
Net commission income	**3,246,300**	**2,582,988**

Note 10 Net interest income

SEK 000s	GROUP 2020	GROUP 2019	PARENT COMPANY 2020	PARENT COMPANY 2019
Interest income				
Interest income from loans to credit institutions	580	3,877	–	–
Interest income from loans to the general public	69,764	64,726	–	–
Interest income from interest-bearing securities	2,336	460	–	–
Other interest income	2,016	2,473	–	–
Total interest income	**74,697**	**71,536**	**–**	**–**
Interest expenses				
Interest expenses related to liabilities to credit institutions	-11,060	-16,310	-2	28
Interest expenses related to deposits/borrowing from the general public	-1,409	-1,793	–	–
Interest expenses related to interest-bearing securities	-1,646	-9,962	–	–
Interest expenses, finance leases (IFRS 16)	-12,837	-14,851	–	–
Other interest expenses	-161	–	–	–
Total interest expenses	**-27,113**	**-42,916**	**-2**	**28**
Net interest income	**47,584**	**28,620**	**-2**	**28**
Whereof amounts for balance sheet items not measured at fair value:				
Interest income	74,697	71,356	–	–
Interest expenses	-27,113	-42,916	-2	28
Total	**47,584**	**28,620**	**-2**	**28**

Note 11 Profit/loss from investments in subsidiaries

SEK 000s	PARENT COMPANY 2020	PARENT COMPANY 2019
Dividends from subsidiaries	–	650,000
Anticipated dividends from subsidiaries	161,100	–
Group contribution received	143,900	–
Total profit from investments in subsidiaries	**305,000**	**650,000**

Note 12 Net profit/loss from financial transactions

2020

Group, SEK 000s	Realised changes in value	UNREALISED CHANGES IN VALUE[1] Market price (Level 1)	Observable market data (Level 2)	Non-observable market data (Level 3)	Effect of exchange rate changes	Total
Bonds and other interest-bearing securities and attributable derivatives	-1,335	–	102	–		-1,232
Shares and participations and attributable derivatives	380	36,063	-37,433	–		-990
Other financial instruments and attributable derivatives	383	–	–	–		383
Exchange-rate changes					-3,401	-3,401
Net profit/loss from financial transactions	**-571**	**36,063**	**-37,331**	**–**	**-3,401**	**-5,241**

2019

Group, SEK 000s	Realised changes in value	UNREALISED CHANGES IN VALUE[1] Market price (Level 1)	Observable market data (Level 2)	Non-observable market data (Level 3)	Effect of exchange rate changes	Total
Bonds and other interest-bearing securities and attributable derivatives	6,178	–	694	–		6,872
Shares and participations and attributable derivatives	23,835	80,961	-83,026	–		21,770
Other financial instruments and attributable derivatives	1,150	–	-37	–		1,113
Exchange-rate changes					2,765	2,765
Net profit or loss from financial transactions	**31,163**	**80,961**	**-82,369**	**–**	**2,765**	**32,520**

[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.

Note 13 Personnel expenses

	GROUP		PARENT COMPANY	
SEK 000s	2020	2019	2020	2019
Salaries and fees	-845,423	-771,860	-752	-517
Social insurance fees	-187,230	-171,906	-159	-146
Allocation to variable remuneration, including social insurance fees	-700,700	-427,662	–	–
Pension expenses for Board of Directors and CEO	-2,334	-2,334	–	–
Pension expenses for other employees	-133,873	-122,028	–	–
Other personnel expenses	-31,112	-45,682	-59	-51
Total personnel expenses	**-1,900,672**	**-1,541,472**	**-970**	**-713**

Salaries and fees specified by category

SEK 000s	2020	2019	2020	2019
Salaries and fees to directors, CEO and members of Group management	-49,752	-49,693	-752	-517
Salary and remuneration to other employees not included in the Board of Directors or Group management	-795,671	-722,167	–	–
Total salaries and fees	**-845,423**	**-771,860**	**-752**	**-517**

Average number of employees (of whom women)

	2020	2019	2020	2019
Denmark	82 (21)	79 (18)	–	–
Finland	29 (9)	28 (8)	–	–
Luxembourg	0 (0)	- (-)	–	–
Norway	82 (13)	85 (15)	–	–
UK	29 (12)	30 (12)	–	–
Sweden	363 (102)	337 (100)	–	–
USA	11 (4)	12 (4)	–	–
Total	**597 (159)**	**569 (155)**	**–**	**–**

Remuneration to the Board of Directors

SEK 000s	2020	2019	2020	2019
Anders Johnsson, chairman[1]	800	673	200	179
Bo Magnusson, chairman	–	337	–	84
Ingrid Bojner[2]	350	350	100	100
Klas Johansson[3]	250	250	63	63
Harald Mix[4]	250	250	63	63
Andreas Rosenlew[5]	350	350	100	100
Anna-Karin Celsing[6]	355	–	107	–
Total	**2,355**	**2,210**	**632**	**589**

[1] Whereof SEK 600 thousand (494) in fees for assignments for Carnegie Investment Bank AB.
[2] Whereof SEK 250 thousand (250) in fees for assignments for Carnegie Investment Bank AB.
[3] Whereof SEK 188 thousand (188) in fees for assignments for Carnegie Investment Bank AB.
[4] Whereof SEK 188 thousand (188) in fees for assignments for Carnegie Investment Bank AB.
[5] Whereof SEK 250 thousand (250) in fees for assignments for Carnegie Investment Bank AB.
[6] Whereof SEK 249 thousand (–) in fees for assignments for Carnegie Investment Bank AB.

Remuneration to the CEO and other senior executives[1]

2020 SEK 000s	Gross salary and benefits	Variable pay	Pensions and comparable benefits
CEO Björn Jansson	8,564	10,805	2,334
Other senior executives[2]	38,833	27,520	3,807

[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 nine individuals: Anders Antas, Jacob Bastholm, Christian Begby, Elisabeth Erikson, Henric Falkenberg, Fredrik Leetmaa, Helena Nelson, Jonas Predikaka and Ulf Vucetic. All senior executives were part of executive management for the entire year.

2019 SEK 000s	Gross salary and benefits	Variable pay	Pensions and comparable benefits	Severance pay
CEO Björn Jansson[1]	8,068	6,772	2,334	–
Other senior executives[2]	39,380	14,971	3,737	–

[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 nine individuals: Anders Antas, Jacob Bastholm, Christian Begby, Elisabeth Erikson, Henric Falkenberg, Fredrik Leetmaa, Helena Nelson, Jonas Predikaka and Ulf Vucetic. All senior executives were part of executive management for the entire year.

Note 13 Personnel expenses, cont.

Gender distribution
The current Board of Directors consists of 33 percent (33) women and 67 percent (67) men. The current management group consists of 20 percent (20) women and 80 percent (80) 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 11 percent (13) 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 424,627 thousand (447,423) in the Group and SEK - thousand (-) in the parent company. Premiums paid during the year amounted to SEK 2,574 thousand (2,722) in the Group, whereof SEK - thousand (-) in the parent company.

Report on remuneration expensed by the Carnegie Holding Group in 2020 pursuant to the Capital Requirements Regulation for Credit Institutions and Investments Firms and Finansinspektionen's Regulation FFFS 2014:22.

Remuneration expensed in 2020

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	859,777	623	534,010	570	570

SPECIFICATION OF REMUNERATION BY CATEGORIES

	Particularly regulated employees[2]			
SEK 000S	Executive management	Other employees identified to the category	Other employees	Total
Fixed remuneration[1]	86,628	173,356	599,794	859,777
Number of employees	19	72	532	623
Variable remuneration[1]	59,515	100,357	374,139	543,010
Number of employees	18	70	482	570
Whereof:				
Cash-based variable remuneration	59,515	100,357	374,139	534,010
Share-based variable remuneration	N/A	N/A	N/A	N/A
Deferred remuneration[3]	4,106	1,212	34,983	40,301
Committed and paid remuneration [4]	146,142	273,713	973,933	1,393,787
Severance pay (paid out)	–	1,430	7,427	8,857
Number of employees	–	1	21	22
Committed severance pay (not yet paid)			4,370	4,370
Number of employees			7	7
Highest individual severance pay (not yet paid)			1,671	1,671

[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 particularly regulated employees in question.
[4] Committed variable remuneration arising from 2019 that was paid during 2020 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.

Note 14 Other administrative expenses

	GROUP		PARENT COMPANY	
SEK 000s	2020	2019	2020	2019
Other administrative expenses include the following amounts paid to elected auditors:				
Statutory auditing	-4,673	-3,691	-65	-160
Other auditing	-126	-253	–	–
Tax advice	-788	-701	–	–
Other consultancy assignments	-334	-7	–	–
Total	**-5,921**	**-4,652**	**-65**	**-160**

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 15 Depreciation and amortisation of tangible fixed assets and intangible assets

	GROUP	
SEK 000s	2020	2019
Computer equipment and other equipment	-5,641	-5,962
Renovations	-3,973	-6,475
Right-of-use assets	-65,261	-57,157
Other intangible assets	0	-2,645
Total depreciation and amortisation of tangible fixed assets and intangible assets	**-74,875**	**-72,239**

Note 16 Credit losses, net and loss allowances

	GROUP	
SEK 000s	2020	2019
Loss allowance on the opening date	-208,103	-210,430
Adjustment of opening balance of loss allowance attributable to Banque Carnegie Luxembourg S.A.	–	3,204
Adjusted opening balance	**-208,103**	**-207,226**
Effect on income of individually evaluated credits recognised in profit and loss	–	-262
Reversals of previous provisions	–	–
Total net credit losses	**–**	**-262**
Changes for the year in the loss allowance per IFRS 9[1)]	1,943	-4,705
Translation differences	–	2
Total items affecting income	**1,943**	**-4,965**
Actual credit loss	–	7,491
Translation differences	7,875	-3,403
Loss allowance on the closing date	**-198,285**	**-208,103**

[1] The distribution of changes in ECL related to margin lending among Stages 1-3 is specified in Note 18. For other categories, ECL is attributable to Stage 1.

In addition to ECL as required under IFRS 9, the closing balance of provisions for doubtful receivables includes an additional provision of SEK 188.716 thousand attributable to impairments of receivables during the 2007/2008 financial crisis.

Note 17 Taxes

SEK 000s	GROUP 2020	GROUP 2019	PARENT COMPANY 2020	PARENT COMPANY 2019
Current tax expense				
Tax expense for the year	-185,065	-29,690	–	–
Adjustment of tax attributable to previous years	-1,454	1,568	–	–
Total current tax expense	**-186,518**	**-28,122**	**–**	**–**
Deferred tax expense (-) tax income (+)				
Deferred tax, change for the year	20,468	-6	–	-1,027
Deferred tax, previous years	5,067	3,626	–	-1,027
Tax effect of changed tax rate	–	3,579	–	–
Deferred tax in the tax value of loss carryforwards capitalised during the year	–	30,379	–	30,379
Deferred tax expense in the tax value of loss carryforwards capitalised during the year	-36,375	-87,889	-30,379	0
Total deferred tax expense/income	**-10,840**	**-50,305**	**-30,379**	**29,352**
Total recognised tax expense/income	**-197,358**	**-78,427**	**-30,379**	**29,352**

Reconciliation of effective tax

Group, SEK 000s	2020 Tax rate, %	2020 Amount	2019 Tax rate, %	2019 Amount
Profit before tax		836,420		671,882
Tax according to prevailing tax rate for the parent company	21.4	-178,994	21.4	-143,783
Tax effects in respect of:				
Other tax rates for foreign companies	0.9	-7,227	0.5	-3,430
Non-deductible expenses	1.5	-12,133	1.6	-10,538
Non-taxable income	-0.5	4,021	-6.4	43,060
Increase in loss carryforwards without corresponding capitalisation of deferred tax	–	–	0.1	-412
Utilisation of non-capitalised loss carryforwards	0.7	-5,996	-1.4	9,582
Capitalisation of loss carryforwards in previous years	–	–	-4.5	30,379
Deferred tax, previous years	-0.6	5,067	0.8	-5,130
Tax attributable to previous years	0.2	-1,454	-0.2	1,568
Adjustment of taxable profit	0.1	-643	0.0	277
Recognised effective tax[1]	**23.6**	**-197,358**	**11.8**	**-78,427**

Reconciliation of effective tax

Parent company, SEK 000s	2020 Tax rate, %	2020 Amount	2019 Tax rate, %	2019 Amount
Profit before tax		303,225		648,110
Tax according to prevailing tax rate for the parent company	21.4	-64,890	21.4	-138,696
Tax effects in respect of:				
Non-deductible expenses	0.0	0	0.0	-1
Non-taxable income	-11.4	34,475	-21.5	139,108
Increase in loss carryforwards without corresponding capitalisation of deferred tax	0.0	0	0.0	-411
Capitalisation of loss carryforwards in previous years	0.0	0	-3.2	30,379
Deferred tax, previous years	0.0	0	0.1	-1,027
Adjustment of taxable profit	0.0	36	0.0	277
Recognised effective tax	**10.0**	**-30,379**	**-4.5**	**29,352**

[1] The weighted average tax rate for the Group is 22.0 percent (21.8).

Note 18 Expected credit loss allowances per IFRS 9

IFRS 9 contains rules for recognition, classification and measurement, write-offs, impairments and hedge accounting. Expected credit losses and underlying principles are reported below.

Total expected credit loss (ECL) allowance SEK 000s	2020	2019
Loans at amortised cost		
Allowance – Stage 1	-7,793	-4,974
Allowance – Stage 2	-118	-3,533
Allowance – Stage 3	-1,085	-2,896
Allowance – acquired or issued bad debt	–	–
Total	**-8,996**	**-11,403**
Write-offs	–	–
Recoveries	–	–
Total	**-8,996**	**-11,403**
Financial guarantees		
Allowance – Stage 1	-573	-108
Allowance – Stage 2	–	–
Allowance – Stage 3	–	–
Total	**-573**	**-108**
Write-offs	–	–
Total financial guarantees	-573	-108
Total ECL	**-9,569**	**-11,512**

The loss allowances are based on statistical quantitative models based on Group data, assumptions and methods manifested in policies and instructions, as well as frequent assessments by management. Due to the Group's composition of credit portfolios, the following factors have material impact on the allowances:

- Equity market volatility
- Individual credit decisions
- General default rate and recovery rate
- Forward-looking macro economic scenarios
- The measurement of 12-month expected credit losses (ECL) as well as lifetime ECL

Assessment of expected credit losses

Separate models have been prepared for margin loans, mortgages and the portion of loans unsecured by collateral. Margin loans are handled using the general approach. The others are handled using the simplified approach. All models are based on the same logic, where the probability of default (PD) is multiplied by the loss given default (LGD) and the outstanding exposure at default (EAD). The models were developed internally but with external support to generate assurance that they are consistent with industry practice and applicable regulations.

The Group bases its analysis of PD on a scale of 1 to 10. On this scale, 1 represents the lowest risk and 10 represents bankruptcy. This analysis is based on a quantitative risk classification model, which can be adjusted based on a qualitative and quantitative credit analysis. The qualitative parameters include account management statistics and risk appetite, while the quantitative parameters are focused on financial indicators used to analyse and forecast financial stability and forward-looking repayment capacity.

The PD and LGD models are forward looking and take macroeconomic changes into account.

There are PD curves in this structure that make estimation in accordance with the IFRS 9 standard possible for the full spectrum of a PD from day 1 to a lifetime perspective. Macrostatistics including GDP, consumption and unemployment are used for these models. These factors were selected following single-factor analysis and multi-factor analysis of various parameters such as GDP, unemployment, consumer price index, exports, imports, consumption and house price index. Usage of these models as based mainly on data and forecasts from public sources. The forecast subsequently used in calculating the shape of the PD curves is projected through the use of a weighting of three scenarios: a base scenario, a growth scenario and a recession scenario. Given the composition of the credit portfolio, where a very high share of lending to private individuals is secured with strong collateral and that the exposure to financial institutions is to institutions classified within ECAI 1 and ECAI 2, according to the Capital Requirements Regulation, this forward-looking model is permitted to have only marginal effect on the expected credit losses.

The Group also uses forward-looking models to estimate LGD. These models are based on financial indices and their implicit volatility to estimate LGD for each financial instrument pledged in clients' margin lending portfolios. These indices were selected based on portfolio composition in order to arrive at the highest correlation with historical outcomes. The volatility from the historical periods in which different weights are given between the indices is used to control the forward-looking volatility, along with the choice of various durations of perspectives in order to capture changes in volatility. The Group's internal market analysis is used to guide the weighting among the three different scenarios within this model.

Significant increase in credit risk

The definition of significant increase in credit risk is based on factors included in the composition of the models. These are based on both qualitative and quantitative factors. They are used to assess a significant increase in credit risk. As an example, a migration down to risk class 9 occurs or a period of 90 days in which the client/counterparty fails to meet obligations is reached, this will result in a transfer to Stage 3 of the model for estimating expected credit losses. A transfer to Stage 2 requires a corresponding transfer to risk class 8 or a negative risk transfer by 270 percent in the probability of default.

As regards margin loans, there are additional parameters included in the assessment of significant increase in credit risk. These take into consideration the explicit and forecast market volatility of the pledged financial instruments included in the margin loan basis.

PD (Probability of Default)

The model for PD addresses the probability of default expected to occur within the next 12 months and for the full remaining term to maturity. PD is based on statistical models for assessing credit risk that are forward-looking and based on information as of the reporting date. The models are differentiated based on counterparty category. If there is a deterioration in the macro-forecasts and statistics included, the PD curves used by the models will change shape, increase the loss allowances and change the composition of the number of counterparties in Stage 1 and Stage 2.

LGD (Loss Given Default)

The estimated expected loss given default is calculated taking into account the expected value of disposal of collateral, future recoveries, when in time the recoveries are expected to occur and the time value of money. The estimation of LGD is based on type of counterpart and type of collateral, which is based on underlying loan agreements. The estimation models applied to collateral are based on historical information and statistical models pertaining to the volatility of relevant financial instruments and applicable recovery processes. Forward-looking factors are reflected in the LGD estimations through their effect on the market volatility of the financial instruments included in the margin loan. Various scenarios are used, which is affected by the macro-forecast in effect at the close of books. Deterioration in macro outlooks generate higher LGD, which affects the loss allowances.

EAD (Exposure at Default)

Exposure at default is estimated based on expected maturity and the exposure trend for all exposure categories. This is controlled based on the underlying terms of loan agreements and the observed behaviour of counterparties. This also includes off-balance sheet commitments. The final EAD estimation shows the forecast credit exposure for a future date of potential default.

The expected maturity is different for different exposure categories. For the Group's margin lending product, which has a mix of fixed maturities and revolving maturity clauses, the expected maturity is thus controlled by observed behaviour, the term of the contract and whether or not early termination is possible. The Group applies a behavioural maturity model to its mortgage loan exposure. The Group applies a general model to other products, where the expected maturity is limited by the contractual maturity.

Individual assessment of significant bad debts

The Group has further developed its management of bad debt to correlate with the definitions provided in IFRS 9 regarding treatment of significant increases in credit risk. The current loss allowance is assessed individually for significant bad debts within Stage 3.

This assessment is based on various factors for the relevant exposure category. An estimation is made for the margin loan product based on EAD and possible recovery based on the most probable scenario. The cash flows derived are discounted to estimate the current loss allowance at the reporting date. Factors that affect this estimation include counterparty-specific factors that affect repayment capacity as well as collateral-specific aspects, which may include e.g. portfolio volatility, liquidity in underlying instruments and forecasts regarding the future development of these parameters. In addition to these exposure-specific parameters, the Group considers potential recovery costs that may be affected by factors such as contract structure, jurisdiction and counterparty structure. As the recovery process may vary based on the unique circumstances of each case, new assessments are made as the recovery process progresses.

Margin loans

The Group's exposure to margin loans is reported according to the general approach and is presented below. The estimations are based on the logic presented above. Transfers between the stages are based mainly on the performance of client margin lending portfolios.

Note 18 Expected credit losses per IFRS 9, cont.

MARGIN LOANS – Exposure, SEK 000s	Step 1	Step 2	Step 3
Opening balance, 1 Jan 2020	**2,185,412**	**100,206**	**217,610**
Transfers:			
From Stage 1 to Stage 2	-97,366	97,366	0
From Stage 1 to Stage 3	-32,040	0	32,040
From Stage 2 to Stage 3	0	0	0
From Stage 3 to Stage 2	0	0	0
From Stage 2 to Stage 1	22,793	-22,793	0
From Stage 3 to Stage 1	26,935	0	-26,935
Write-offs/Amortisation	-18,676	-2,525	-2,647
New assets	138,813	28	97,366
Renegotiations			
Change in accrued interest			
Impairments			
FX and other changes	43,258	-50,436	76,715
Closing balance, 31 Dec 2020	**2,269,129**	**121,846**	**393,951**

MARGIN LOANS – Loss allowance, SEK 000s	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL
Opening balance, 1 Jan 2020	**3,735**	**4,408**	**1,249**
Transfers:			
From Stage 1 to Stage 2	-99	99	0
From Stage 1 to Stage 3	-16	0	16
From Stage 2 to Stage 3	0	0	0
From Stage 3 to Stage 2	0	0	0
From Stage 2 to Stage 1	36	-36	0
From Stage 3 to Stage 1	318	0	-318
Write-offs/Amortisation	-100	-38	-10
New assets	44	0	99
Renegotiations			
Change in accrued interest			
Impairments			
FX and other changes	83	-4,315	49
Closing balance, 31 Dec 2020	**4,000**	**118**	**1,085**

Accounts receivable
Total accounts receivable amounted to SEK 165 million (182). Based on the counterparty risk and loss recovery percentage applied by the Group, the loss allowance for accounts receivable is very low. At the end of 2020, accounts receivable past due by more than 30 days amounted to less than SEK 0 million.

ACCOUNTS RECEIVABLE – Loss allowance, SEK 000s	2020	2019
Opening balance	**654**	**561**
Change of loss allowance recognised in profit and loss	1,078	93
Receivables written off during the year		
Reversal unutilised amounts		
Closing balance	**1,733**	**654**

Central governments and financial institutions
The Group's exposure to central governments and financial institutions is within the absolute majority of exposures to counterparties that have external credit assessments within ECAI 1 and ECAI 1 as defined in the Capital Requirements Regulation (No 575/2013). Total exposure amounted to SEK 9.511 million (6,723m). Due to the low credit risk attached to the counterparties, the Group's loss allowance for this exposure category is low compared to the exposure volume. Exposure arises as a result of the Group's liquidity management. As expected credit losses are low, ECL is reported according to the simplified approach.

CENTRAL GOVERNMENTS & FINANCIAL INSTITUTIONS – Loss allowance, SEK 000s	2020	2019
Opening balance	**686**	**756**
Change of loss allowance recognised in profit and loss	196	-70
Receivables written off during the year		
Reversal unutilised amounts		
Closing balance	**882**	**686**

Guarantees
A very large proportion of the Group's guarantees are covered by collateral with large surplus values, which affects the calculation of the size of the loss allowance. Changes in the loss allowance based on the size of the underlying guarantee volume and its counterparty risk and loss recovery percentage are presented below.

GUARANTEES – Loss allowance, SEK 000s	2020	2019
Opening balance	**108**	**268**
Change of loss allowance recognised in profit and loss	465	-160
Receivables written off during the year		
Reversal unutilised amounts		
Closing balance	**573**	**108**

Mortgages
The Group's exposure to mortgages consists of financing of homes in Sweden. The customer base is made up of private individuals with extremely strong repayment capacity and the loan to value ratio is below 50 percent for the absolute majority of the exposure. This results in a very low loss allowance, which is consequently reported according to the simplified approach. Total exposure to loans secured by liens against residential property amounted to SEK 561 million (373).

MORTGAGES – Loss allowance, SEK 000s	2020	2019
Opening balance	**670**	**108**
Change of loss allowance recognised in profit and loss	507	562
Receivables written off during the year		
Reversal unutilised amounts		
Closing balance	**1,177**	**670**

Other
In addition to the credit loss allowances reported above, the company has an additional provision amounting to SEK 188,716 thousand attributable to impairments of receivables during the 2007/2008 financial crisis.

Note 19 Financial assets and liabilities – valuation methods and disclosures on offsetting

Valuation method 2020[1)]

Group, 31 Dec 2020, SEK 000s	FAIR VALUE THROUGH PROFIT AND LOSS Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	AMORTISED COST	Total
Cash and bank deposits with central banks				14,004	14,004
Negotiable government securities	–	–	–	3,959,922	3,959,922
Loans to credit institutions				3,709,606	3,709,606
Loans to the general public				3,147,921	3,147,921
Bonds and other interest-bearing securities	–	3,246	–	1,824,173	1,827,419
Shares and participations	493,380	41,557	–	-	534,936
Derivative instruments	–	14,593	–	-	14,593
Total financial assets	**493,380**	**59,396**	**–**	**12,655,625**	**13,208,401**
Liabilities to credit institutions				136,653	136,653
Deposits and borrowing from the general public				9,748,965	9,748,965
Short positions, shares	24,248	–	–	–	24,248
Derivative instruments	–	32,789	–	–	32,789
Total financial liabilities	**24,248**	**32,789**	**–**	**9,885,618**	**9,942,655**

[1] For information on measurement methods, see Note 12 Net profit/loss from financial transactions.
Financial assets for which fair value is stated for purposes of disclosure: Negotiable government securities SEK 3,960 million (Level 2), Bonds and other interest-bearing securities SEK 1,825 million (Level 1).

Financial assets and liabilities subject to offsetting

Group, 31 Dec 2020, SEK 000s	Gross amounts	Offset	Net amounts in balance sheet
Assets			
Trade and client receivables	1,686,282	-1,464,563	221,719
Liabilities			
Trade and client payables	1,533,928	-1,464,563	69,365

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.

Valuation method 2019[1)]

Group, 31 Dec 2019, SEK 000s	FAIR VALUE THROUGH PROFIT AND LOSS Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	AMORTISED COST	Total
Cash and bank deposits with central banks	–	–	–	83,135	83,135
Negotiable government securities	–	–	–	2,289,621	2,289,621
Loans to credit institutions	–	–	–	2,225,721	2,225,721
Loans to the general public				2,662,894	2,662,894
Bonds and other interest-bearing securities	–	–	–	2,481,510	2,481,510
Shares and participations	589,392	5,755	–	–	595,147
Derivative instruments	–	11,446	–	–	11,446
Total financial assets	**589,392**	**41,107**	**–**	**9,718,975**	**10,349,474**
Liabilities to credit institutions	–	–	–	49,362	49,362
Deposits and borrowing from the general public	–	–	–	8,007,440	8,007,440
Short positions, shares	69,695	–	–	–	69,695
Derivative instruments	–	89,562	–	–	89,562
Total financial liabilities	**69,695**	**89,562**	**–**	**8,056,802**	**8,216,059**

[1] For information on measurement methods, see Note 12 Net profit/loss from financial transactions. Financial assets for which fair value is stated for purposes of disclosure: Negotiable government securities SEK 2,289 million (Level 2), Bonds and other interest-bearing securities SEK 2,456 million (Level 1).

Financial assets and liabilities subject to offsetting

Group, 31 Dec 2019, SEK 000s	Gross amounts	Offset	Net amounts in balance sheet
Assets			
Trade and client receivables	1,425,582	-1,360,901	64,681
Liabilities			
Trade and client payables	1,397,852	-1,357,373	40,480

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 20 Other information on financial assets

SEK 000s	GROUP 31 Dec 2020	31 Dec 2019
Bonds and other interest-bearing securities		
Listed	1,827,419	2,481,510
Unlisted	–	–
	1,827,419	**2,481,510**
Swedish government bodies	–	–
Other Swedish issuers	1,826,607	2,454,331
Foreign government bodies	–	21,965
Other foreign issuers	813	5,214
	1,827,419	**2,481,510**
Shares and participations		
Listed	493,380	589,392
Unlisted	41,557	5,755
	534,936	**595,147**

Note 21 Shares and participations in Group companies

SEK 000s	PARENT COMPANY 31 Dec 2020	31 Dec 2019
Cost of shares and participations in Group companies, 1 January	1,780,084	1,780,084
Cost of shares and participations in Group companies, 31 December	**1,780,084**	**1,780,084**

2020	Corporate Reg. No.	Reg. office	No. of shares	Carrying amount 2020	Equity 2020[1]
Carnegie Investment Bank AB (publ)[2]	516406-0138	Stockholm	400,000	1,780,084	1,748,362
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		
Carnegie Fund Services S.A.	B 158409	Luxembourg	500		
Total				**1,780,084**	**1,748,362**

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 22 Intangible assets

SEK 000s	GROUP 31 Dec 2020	GROUP 31 Dec 2019
Other intangible assets [1]		
Cost on the opening date	39,804	39,542
Translation differences	-344	262
Acquisitions during the year	26,230	–
Sale/scrapping	–	–
Cost on the closing date	**65,690**	**39,804**
Amortisation on the opening date	-39,804	-36,897
Translation differences	344	-262
Sale/scrapping	–	–
Amortisation for the year	–	-2,645
Amortisation on the closing date	**-39,460**	**-39,804**
Total other intangible assets	**26,230**	**0**

1) Consists of systems developed in-house

Note 23 Tangible fixed assets

SEK 000s	GROUP 31 Dec 2020	GROUP 31 Dec 2019
Computer equipment and other equipment		
Cost on the opening date	203,531	197,913
Translation differences	-10,391	4,816
Acquisitions during the year	4,181	11,333
Sale/scrapping	-2,863	-10,531
Cost on the closing date	**194,458**	**203,531**
Amortisation on the opening date	-174,502	-171,703
Translation differences	9,567	-4,409
Sale/scrapping	2,243	7,572
Amortisation for the year	-5,641	-5,962
Amortisation on the closing date	**-168,333**	**-174,502**
Computer equipment and other equipment	**26,125**	**29,029**
Renovation of leased premises		
Cost on the opening date	101,827	100,044
Translation differences	-4,382	2,718
Acquisitions during the year	746	2,703
Sale/scrapping	-35	-3,638
Cost on the closing date	**98,156**	**101,827**
Amortisation on the opening date	-87,359	-82,781
Translation differences	3,789	-1,741
Sale/scrapping	35	3,638
Amortisation for the year	-3,973	-6,475
Amortisation on the closing date	**-87,507**	**-87,359**
Total renovation of leased premises	**10,649**	**14,468**
Right-of-use assets (IFRS 16)		
Cost on the opening date	285,962	274,910
Translation differences	-11,865	4,533
Acquisitions during the year	60,145	6,519
Sale/scrapping	-1,230	–
Cost on the closing date	**333,012**	**285,962**
Amortisation on the opening date	-57,068	–
Translation differences	2,562	89
Sale/scrapping	5,915	–
Amortisation for the year	-65,261	-57,157
Amortisation on the closing date	**-113,852**	**-57,068**
Total right-of-use assets	**219,160**	**228,894**
Total tangible fixed assets	**255,934**	**272,391**

At transition to IFRS 16 on 1 January 2019, right-of-use assets increased by SEK 275 million, allocated as follows: premises and buildings, SEK 273 million and cars SEK 2 million. The closing balance for the items amounted to SEK 226 million and SEK 3 million, respectively.

Note 24 Deferred tax assets/liabilities

	GROUP		PARENT COMPANY	
SEK 000s	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Deferred tax assets				
Pensions	90,870	92,169	–	–
Capitalised loss carryforwards[1]	7,763	46,439	–	30,379
Other	49,454	26,644	–	–
Total deferred tax assets	**148,086**	**165,252**	**–**	**30,379**
Deferred tax liabilities				
Intangible assets	–	2,934	–	–
Other	–	716	–	–
Total deferred tax liabilities	**–**	**3,650**	**–**	**–**

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, 2020, SEK 000s				
Pensions	92,169	-1,299	–	90,870
Capitalised loss carryforwards[1]	46,439	-37,506	-1,170	7,763
Other	26,644	24,330	-1,520	49,454
Total	**165,252**	**-14,476**	**-2,690**	**148,086**
Changes for the year – deferred tax liabilities				
Group, 2020, SEK 000s				
Intangible assets	2,934	-2,937	4	–
Other	717	-699	-18	–
Total	**3,650**	**-3,636**	**-14**	**–**
Changes for the year – deferred tax assets				
Parent company, 2020, SEK 000s				
Capitalised loss carryforwards[1]	30,379	-30,379	–	–
Total	**30,379**	**-30,379**	–	**–**

1) Capitalised loss carryforwards of the Group: The majority of the opening balance of capitalised loss carryforwards is attributable to the parent company, which utilises loss carryforwards during the year. The closing balance of capitalised loss carryforwards in the group refers to Carnegie, Inc.

Note 25 Other assets

	GROUP	
SEK 000s	31 Dec 2020	31 Dec 2019
Trade and client receivables	221,719	64,681
Accounts receivable	167,240	181,547
Issue proceeds	–	44,624
Other	103,531	58,930
Total other assets	**492,489**	**349,782**

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

Note 26 Prepaid expenses and accrued income

	GROUP	
SEK 000s	31 Dec 2020	31 Dec 2019
Accrued interest	458	411
Personnel-related	1,843	2,440
Pensions	707	722
Accrued income	15,317	40,585
Prepaid expenses	54,146	68,505
Total prepaid expenses and accrued income	**72,471**	**112,663**

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

Note 27 Other liabilities

	GROUP		PARENT COMPANY	
SEK 000s	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Trade and client payables	69,365	36,952	–	–
Trade accounts payable	227,291	143,212	669	366
Issue proceeds	118,028	65,443	–	–
Lease liability	209,938	219,666	–	–
Other	29,274	77,238	–	–
Total other liabilities	**653,896**	**542,511**	**669**	**366**

Other liabilities have a remaining maturity of less than one year, except for the lease liability.

Note 28 Accrued expenses and deferred income

	GROUP		PARENT COMPANY	
SEK 000s	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Accrued interest	1,392	1,590	–	–
Fees	16,951	–	–	–
Personnel-related	1,027,967	664,338	–	–
Pensions	56,993	32,103	–	–
Accrued expenses	7,587	33,421	114	776
Other	–	365	–	–
Total accrued expenses and prepaid income	**1,110,890**	**731,817**	**114**	**776**

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

Note 29 Other provisions

	GROUP	
SEK 000s	31 Dec 2020	31 Dec 2019
Restructuring provisions		
Opening balance	11,320	43,420
Translation differences	–	0
Utilised amounts	–	-6,829
Reversal, unutilised amounts	–	-25,271
Provisions for the year	–	0
Closing balance,restructuring reserve	**11,320**	**11,320**
Other provisions		
Opening balance	21,404	20,695
Translation differences	-163	137
Utilised amounts	-6,127	106
Reversal, unutilised amounts	-14	–
Provisions for the year	35,333	466
Closing balance,provisions	**50,433**	**21,404**
Total other provisions	**61,753**	**32,724**

Most of the provisions are expected to be utilised during 2021.

Note 30 Classification of financial assets and liabilities

Group, 31 Dec 2020, SEK 000s	Fair value through profit and loss	Amortised cost	Non-financial assets/ liabilities	Total
Cash and bank deposits with central banks		14,004		14,004
Negotiable government securities		3,959,922		3,959,922
Loans to credit institutions		3,709,606		3,709,606
Loans to the general public		3,147,921		3,147,921
Bonds and other interest-bearing securities		1,827,419		1,827,419
Shares and participations	534,936			534,936
Derivative instruments	14,593			14,593
Intangible assets			26,230	26,230
Tangible fixed assets			255,934	255,934
Current tax assets			117,986	117,986
Deferred tax assets			148,086	148,086
Other assets		492,489		492,489
Prepaid expenses and accrued income		72,471	0	72,471
Total assets	**549,529**	**13,223,832**	**548,236**	**14,321,597**
Liabilities to credit institutions		136,653		136,653
Deposits and borrowing from the general public		9,748,965		9,748,965
Short positions, shares	24,248			24,248
Derivative instruments	32,789			32,789
Current tax liabilities			220,076	220,076
Deferred tax liabilities			0	0
Other liabilities		624,622	29,274	653,896
Accrued expenses and prepaid income		1,110,890	0	1,110,890
Other provisions			61,753	61,753
Total liabilities	**57,037**	**11,567,841**	**364,392**	**11,989,270**
Equity, SEKm			**2,332,327**	**2,332,327**
Total liabilities and equity	**57,037**	**11,567,841**	**2,696,719**	**14,321,597**

Group, 31 Dec 2019, SEK 000s	Fair value through profit and loss	Amortised cost	Non-financial assets/ liabilities	Total
Cash and bank deposits with central banks		83,135		83,135
Negotiable government securities		2,289,621		2,289,621
Loans to credit institutions		2,225,721		2,225,721
Loans to the general public		2,662,894		2,662,894
Bonds and other interest-bearing securities	23,906	2,457,604		2,481,510
Shares and participations	595,147			595,147
Derivative instruments	11,446			11,446
Intangible assets			0	0
Tangible fixed assets			272,391	272,391
Current tax assets			34,951	34,951
Deferred tax assets			165,252	165,252
Other assets		349,782		349,782
Prepaid expenses and accrued income		112,663	–	112,663
Total assets	**606,593**	**10,205,326**	**472,594**	**11,284,513**
Liabilities to credit institutions		49,362		49,362
Deposits and borrowing from the general public		8,007,440		8,007,440
Short positions, shares	69,695			69,695
Derivative instruments	89,562			89,562
Current tax liabilities			32,364	32,364
Deferred tax liabilities			3,650	3,650
Other liabilities		465,289	77,238	542,511
Accrued expenses and prepaid income		731,817	–	731,817
Other provisions			32,724	32,724
Total liabilities	**159,257**	**9,257,420**	**142,449**	**9,559,125**
Equity, SEKm			**1,725,387**	**1,725,387**
Total liabilities and equity	**159,257**	**9,257,420**	**1,867,836**	**11,284,513**

Note 31 Pledged assets and contingent liabilities

	GROUP		PARENT COMPANY	
SEK 000s	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Assets pledged for own debt				
Pledged assets for:				
Deposited securities	252,042	410,780	–	–
whereof pledged cash	252,042	410,780	–	–
Derivative instruments	31,474	41,678	–	–
whereof own pledged securities	31,474	41,678	–	–
whereof pledged cash	–	–	–	–
Other liabilities	10,946	10,954	–	–
whereof pledged cash	10,946	10,954	–	–
Total pledged assets for own liabilities	**294,462**	**463,412**	**–**	**–**
Other pledged assets				
Pledged assets for:				
Deposited securities on clients' account	408,976	289,628	–	–
whereof own pledged securities	347,913	156,564	–	–
whereof pledged cash	61,063	133,065	–	–
Derivative instruments on clients' account	297,617	244,754	–	–
whereof own pledged securities	232,501	166,712	–	–
whereof pledged cash	65,116	78,042	–	–
Trade in securities on clients' and own account	66,176	69,178	–	–
whereof own pledged securities	–	–	–	–
whereof pledged client securities	2,708	19,099	–	–
whereof pledged cash	63,468	50,079	–	–
Total other pledged assets	**772,769**	**603,560**	**–**	**–**
Contingent liabilities and guarantees				
Contingent liabilities[1]	112,509	112,509	112,509	112,509
Guarantees	391,060	341,625	–	–
Total contingent liabilities and guarantees	**503,569**	**454,134**	**112,509**	**112,509**

[1] The parent company has certain commitments to the Swedish National Debt Office that may be paid in particular circumstances.

The assets in endowment insurance plans held for individual pension commitments to employees (see Note 13 for amounts) have been pledged to the benefit of the employees.

Note 32 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 13.

	GROUP		PARENT COMPANY	
SEK 000s	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Related-party transactions with the CEO, board of directors and group management				
Deposits/liability	23,443	4,573	–	–
Interest expenses	8	8	–	–
Lending/assets	10,389	–	–	–
Interest income	–	–	–	–
Pledged assets and guarantees	12,000	–	–	–
Related-party transactions with Group companies				
Deposits/liability			773	–
Interest expenses			1	7
Lending/assets			–	28
Interest income			–	–
Sales			–	–
Related-party transactions with the owners				
Deposits/liability	32	84,450	–	–
Interest expenses	–	–	–	–
Purchases	12,642	56	–	–
Sales	–	–	–	–

For other transactions with owners, see "Consolidated statements of changes in equity" (page 58) and "Parent company statements of changes in equity" (page 61).

Related-party transactions with others				
Deposits/liability	4,514	4,749	–	–
Interest expenses	–	–	–	–
Lending/assets	10,718	4,701	–	–
Interest income	–	–	–	–
Purchases	2,426	1,212	–	–
Sales	40,961	39,663	–	–

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 33 Information on statements of cash flows

	GROUP		PARENT COMPANY	
SEK 000s	2020	2019	2020	2019
Interest paid	-27,310	-43,523	-2	-9
Interest received	74,651	71,451	–	–
Adjustments for items not affecting cash flow				
Anticipated dividends and Group contributions, subsidiaries	–	–	–	–
Depreciation, amortisation and impairment of assets	74,875	72,239	–	–
Change in provisions for balance sheet items	29,029	-31,390	–	–
Unrealised changes in value of financial instruments	1,417	1,229	–	–
Total adjustments for items not affecting cash flow	**105,321**	**42,078**	**–**	**–**

	GROUP		PARENT COMPANY	
SEK 000s	2020	2019	2020	2019
Cash and cash equivalents[1]				
Cash and bank deposits with central banks	14,004	83,135	–	–
Negotiable government securities	3,959,922	2,289,621	–	–
Loans to credit institutions	3,709,606	2,031,824	1,906	1,423
Loans to credit institutions, not payable on demand	-68,138	-80,919	–	–
Less: client funds	-216,470	-193,897	–	–
Less, pledged cash	-267,519	-206,795	–	–
Cash at end of year	**7,131,404**	**4,116,866**	**1,906**	**1,423**

[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, pledged cash and client funds are not included.

Note 34 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. The legal proceedings continued during 2020 and are still ongoing. 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 is vigorously contesting the demands that have been presented or which may be presented in the future.

The Swedish Financial Supervisory Authority (Finansinspektionen) has sued Carnegie in the Stockholm District Court by reason of Carnegie's forced sale of shares pledged by clients as collateral for margin lending. The summons application was preceded by a sanction order of SEK 35 million for the alleged violation of market abuse regulations. Carnegie is contesting Finansinspektionen's claims and contends that the bank acted appropriately based on contractual and statutory obligations as regards forced sale of shares due to the client's over-indebtedness.

Carnegie is otherwise involved in legal disputes to an extent that can be expected in a business of the type operated by Carnegie.

Note 35 Significant events after 31 December 2020

No significant events have occurred after the closing date.

The annual report was approved for publication by the Board of Directors on 26 March 2021.

Note 36 Disposition of profit

Disposition of profit	
At the disposal of the annual general meeting, SEK	
Share premium reserve	683,165,000
Retained earnings	890,690,645
Net profit for the year	272,846,398
Total	**1,846,702,043**
The Board of Directors proposes the following allocation of profit:	
Dividend to shareholders	300,000,000
To be carried forward	1,546,702,043
Total	**1,846,702,043**

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, 26 March 2021

Anders Johnsson
Chairman of the Board

Ingrid Bojner

Klas Johansson

Andreas Rosenlew

Anna-Karin Celsing

Harald Mix

Björn Jansson
President and CEO

Our audit report was submitted 1 April 2021
Ernst & Young AB

Mona Alfredsson
Authorised Public Accountant

Auditor's report

This is a translation of the Swedish original. If there are differences, the Swedish original applies.

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Carnegie Holding AB (publ) for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 43-83 in 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 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts 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 2020 and their financial performance and cash flow 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 the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Commission income in Investment Banking

Detailed disclosures and a description of the matter are provided in the annual report. The accounting policies are described under "Accounting policies – Income recognition." Further disclosures are provided in Note 8 Geographical distribution of income and Note 9 Net commission income. Information is also provided in the Board of Directors' Report.

Description

Commission income amounts to SEK 3,259 million for the Group as of 31 December 2020.

The item consists mainly of income derived from brokerage and advisory services. A large portion of advisory services income refers to income in the Investment Banking business area. This income is based on agreements that are unique to each client and thus not standardised. Carngie often performs the related work over an extended period of time and the right to income depends on fulfilment of certain terms and conditions in the agreements that are not always satisfied at the same time. Management thus assesses whether the terms and conditions have been met at the reporting date. This in turn affects when income is recognised. In the light of the size of advisory services income and that management must make an assessment, we have considered commission income from Investment Banking a key audit matter.

How our audit addressed this key audit matter

In our audit, we have evaluated the company's governance and control environment related to the commission income process. We have applied a substantive-based approach to income within Investment Banking.

We have obtained the bank's policies and instructions and evaluated the control functions reviews related to commission income. We have reviewed a sample of agreements to assess whether Carnegie have met the contractual terms and conditions for recognizing the income and we reviewed subsequent payments. We also assessed whether the income was recognised in the correct period and verified the calculation of the income.

We have also reviewed disclosures in the financial statements regarding commission income.

Legal disputes and claims

Detailed disclosures and a description of the matter are provided in the annual report. The accounting policies are described under "Accounting policies – Provisions" and significant estimates and assumptions are described in Note 4 Critical assessment parameters. Legal disputes are described in Note 34 Disputes.

Description	How our audit addressed this key audit matter
Carnegie is from time to time involved in disputes that arise within the business. The outcome of claims and disputes is determined by the circumstances of the case and through negotiations between the parties or by judicial ruling. In order to determine whether an item should be recognised in the balance sheet, management estimates the probability and consequences of possible outcomes for Carnegie. As described in the annual report, there is a dispute pertaining to advice provided in connection with a prospectus (see Note 34 Disputes). The claims presented by the counterparties are a significant amount to Carnegie. Based on the complexity of the assessment of possible outcomes and the size of the claim, we have considered legal disputes and claims a key audit matter.	In our audit, we evaluated whether Carnegie's method for recognising provisions for legal disputes is in compliance with IFRS. We applied a substantive-based approach to our audit. We have read the claims presented and Carnegie's assessment of the claims made. We have interviewed the bank's senior management personnel and control functions. We have also read the written assessment of the statements of the case expressed by the bank's external legal counsel as a basis for the bank's assessment of the claims. We have assessed the legal dispute based on the audit procedures above. We have also reviewed disclosures provided in Note 34.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–42 and 87–99. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, 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 Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU and the Annual Accounts Act for Credit Institutions and Securities Companies. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of 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 basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also

draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Carnegie Holding AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance 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 actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of the supporting documents for this in order to be able to assess the compatibility of the proposal with the Swedish Companies Act.

Stockholm 1 April 2021
Ernst & Young AB

Mona Alfredsson
Authorized Public Accountant

Sustainability disclosures

The sustainability report is an integrated part of Carnegie's annual report as our responsibility arises from the core business and the opportunity to make a difference. The sustainability report describes how Carnegie is working with the sustainability topics we consider most material to us and our stakeholders.

Carnegie's general ambition for the sustainability report is that it should be transparent and relevant and our stakeholders must be able to easily learn about our sustainability efforts and gain good understanding of our performance. This part of the sustainability report presents governance, 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 disclosures should be read as part of Carnegie's sustainability report for 2020. The disclosures are structured according to our key sustainability topics.

About the sustainability report

Carnegie's sustainability report, as required by the Annual Accounts Act (1995: 1554), consists of the Carnegie Annual Report for 2020 including these sustainability disclosures. Carnegie's business model is described on pages 10-11. Sustainability risks are presented on the following pages and our most significant risks are more fully described in the Risk, liquidity and risk management section on pages 47-50.

This is Carnegie's fourth sustainability report and covers the calendar year of 2020. Carnegie intends to report is sustainability work annually. Carnegie complies with the Global Reporting Initiative guidelines, GRI Standards, and reports according to the "core option". The GRI Index on pages 96-97 shows where disclosures according to GRI are found in the Carnegie Annual Report for 2020.

Reporting profile and delimitations

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 its subsidiaries in which all business is conducted. The delimitations of the report are described in each section or in remarks on charts and tables. The figures reported refer to the 2020 financial year and the comparative year, 2019.

Accounting policies

The accounting policies applied to financial reporting are provided in the section on Group accounting policies on pages 61-66. The employee data are based on verified figures and are reported within the framework of regular reporting.

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 endeavour to maintain frequent and transparent public disclosure of information.

Carnegie has previously 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 the client encounters that occur every day by phone, email or digital meetings and, in isolated cases, face-to-face meetings. Engagement also takes place through digital client meetings, distribution of analyses and reports, talks and other client communications. Carnegie gains better understanding of their 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 its business 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 successful goal attainment. Regular department meetings for information and dialogue are held with employees in relation to profit performance, goals and other current and relevant issues that affect the company. Employee opinions are catered for through 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 meeting.

Society

Carnegie engages in ongoing dialogue with supervisory authorities such as Finansinspektionen and regulatory bodies in the Nordic region and other countries where Carnegie operates. Aspects related to entrepreneurship and enterprise remained the focus of Carnegie's engagement in 2020, aimed at stimulating the growth of new companies in society.

Material topics

Carnegie's capacity to make a difference to sustainable development is found primarily in our advisory services and is based on our market position. Our potential to stimulate responsible investment and ensure effective capital allocation affects both the growth of new companies and economic growth overall.

Issues related to sustainability and responsibility are found in all aspects of our advisory, from allocation of capital to how we invest in discretionary management as well as within equity research. We look at both the risks and the business opportunities through the investor's glasses with the ultimate objective of enabling our clients to create value in society.

Carnegie must stand on solid financial ground, with sound and sustainable growth and profitability. This is prerequisite for our ability to play an active and prominent role in the financial value chain. Our entire business must be operated responsibly, with a sound and prudent risk culture, high ethics, integrity and confidentiality, good governance and regulatory compliance.

As a responsible employer, we must create the optimal conditions for enhancing employee engagement and work to achieve greater diversity and equal opportunity.

We have categorised our most material sustainability topics in three areas: responsible advisory, responsible business and responsible employer.

Focus areas and key sustainability topics

Responsible advisory

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

Responsible business

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

Responsible employer

- Skills development
- Equal opportunity and diversity
- Compensation
- Health and safety

Sustainability risks

Carnegie runs its business with a low risk appetite and surveys show high risk awareness among employees. We are working continuously to further develop risk management and have included a number of sustainability risks in our risk framework.

Actively working with sustainability risks is important from the financial and legal perspectives, but also from a reputational perspective. As with other risks, responsibility for managing sustainability risks lies where the risk arises. This means that every employee is responsible for managing sustainability risks in their own area of responsibility.

Sustainability risks are linked to areas such as business ethics, anti-corruption, human rights, the environment, climate and employees. Sustainability risks could arise in any area of the bank's operations in its capacity as an asset manager, service provider, lender, employer and buyer.

Carnegie's most material risks and how they are managed are described in detail in the Risks, liquidity and risk management section on pages 62-65.

Focus area	Risk description	Risk consequences	Risk prevention
Responsible advisory			
Business ethics and anti-corruption	Risk of poor compliance with Carnegie's code of conduct and ethics policy. Risks associated with inadequate understanding of core values or policies that can harm clients and the financial market's trust in Carnegie.	Unethical conduct could entail losses for our clients and damage trust in Carnegie as an adviser.	The banking and financial services industry is regulated and authorisation is mandatory. Public trust is dependent upon good business ethics and professionalism in everything we do. Carnegie's code of conduct applies to all employees. Any violations of the code are reported and investigated. Our clients' interests must always be put before our own. Carnegie's corporate ethics are based on clear allocation of responsibility and policy documents, such as the conduct and ethics policy and the purchasing policy.
Responsible investment	Risk that clients, based on our advice and investment recommendations, will invest in companies that fall short in relation to ethical, environmental or social issues.	Inadequate capacity to keep up with developments and consider sustainability in investments could lead to loss of clients and market shares due to new demands on products and services. Risk of losing clients if we are unable to meet client expectations on our business and/or our products and services.	Taking sustainability into account when making investment decisions involves mitigating risks and generating better risk-adjusted return for our clients. Carnegie considers environmental and social issues in advisory services, company analysis and investment management. Our responsible investment policy applies mainly to actively managed funds and the portfolios and funds in which Carnegie or an external fund manager makes direct investments in equities and corporate bonds. Equity research at Carnegie includes sustainability topics. Each year, we publish Socially Responsible Investing, a report of the sustainability work of analysed companies.

Sustainability disclosures, cont.

Focus area	Risk description	Risk consequences	Risk prevention
Privacy and confidentiality	Risk of shortcomings in procedures intended to protect clients' privacy or failures to uphold bank confidentiality. As well, the general risk within the financial industry that could lead to indirect damage to Carnegie's reputation.	Risk of being unable to retain or attract new clients due to insufficient trust in the financial market or in Carnegie.	The banking and financial services industry is regulated and authorisation is mandatory. We observe bank confidentiality in everything we do. Our work with information security is focused on availability, privacy, confidentiality and traceability. Information must not be disclosed to unauthorised parties and must only be used to the extent required for the task. An ongoing project within Carnegie is aimed at raising employee awareness of information security by means including mandatory training and information initiatives.
Service, knowledge and tailored advisory	Risk that clients will not receive the best service or access to good advice tailored to the client's circumstances.	Risk that our services will not live up to clients' expectations. If advice is not tailored to the client's circumstances, the risk to the client's invested capital could be increased.	Variable remuneration is not based on sales of specific products. We aim to find investment opportunities and financial products that are always based on the client's risk profile and other preferences at the time.
Responsible business			
Sound risk culture and good governance	Risk of unsustainable risk-taking due to inadequate governance and internal control.	Exaggerated risk-taking could have negative impact on Carnegie's capital base and financial stability.	Carnegie's operations are run with a low risk appetite, which means we take only conscious and controlled risks that support our core business. The bank works actively to maintain a sound risk culture in various ways including clear accountability, effective communication and appropriate incentives.
Effective capital allocation	Risk that the emergence of new companies will be inhibited by inadequate capital and transparency.	If companies that need to invest do not find capital, it could inhibit economic growth.	Our core business is to bring capital and companies together. Carnegie plays a key economic role. We analyse more than 360 listed companies in the Nordics and their sustainability is an aspect of the research.
Regulatory compliance	Risk of non-compliance with laws and regulatory requirements. Can lead to legal sanctions or financial losses.	Inadequate compliance could lead to financial losses through the imposition of fines or withdrawal of the company's license to conduct business.	All employees are responsible for complying with the laws and regulations that apply to their area. The compliance function plays a key role in the effort to monitor the bank's compliance and support employees in matters related to compliance, such as anti-money laundering measures. In order to keep abreast of legislation, Carnegie is an active member of industry organisations including the Swedish Securities Dealers Association.
Profitable growth and long-term competitive advantage	Risk that Carnegie's growth will decline and thus our competitive advantage in the market.	Declining growth for Carnegie could affect our clients, their growth and social progress.	Carnegie offers a range of sophisticated financial services and products in several markets. Carnegie continuously reviews its strategic position and engages in business intelligence to be prepared for changes in client demand and the competitive landscape.
Purchasing and suppliers	Risks related to management of and cooperation with suppliers and products or services that Carnegie buys.	Risk that Carnegie's reputation will be damaged and that the bank loses clients and market shares.	Carnegie's purchasing policy regulates processes for purchasing and supplier assessment. Sustainability topics are integrated in the purchasing process.
Environment and climate	Risk that we will fail to live up to clients' increasing demands for environmental and social responsibility in our products and services. Also, higher demands on understanding and managing the impact of climate change on suppliers and society as a whole.	Risk of losing clients and market shares if Carnegie is unable to meet client expectations on our products or the environmental impact of our operations.	Carnegie takes environmental aspects into account in all business areas. This applies to advisory, company analysis and wealth management. We aim to find investment opportunities and financial products that are always based on the client's risk profile and other preferences at the time. Carnegie's direct environmental impact arises mainly from energy consumption, business travel and the use of natural resources, such as use of paper.
Responsible employer			
Skills development	Risk that Carnegie will be unable to remain the market leader if employees feel they are not developing sufficiently in their roles, or that the right skills are lacking among employees. Inability to attract new employees in highly competitive markets.	A general risk of losing competitive advantage and business position in the market, with particular risk focus on not maintaining Carnegie's strong position in the financial market.	Attracting and retaining the right skills has always been Carnegie's goal, with focus on further developing as an employer. Skills development occurs regularly at various levels. Employees and their immediate managers regularly confer to ensure that the employee's individual development goals are consistent with Carnegie's overall business objectives.
Equal opportunity and diversity	Risk that we do not sufficiently leverage employees' experience, knowledge and qualities, which can lead to risk that Carnegie will not meet its business objectives.	If the experience, knowledge and qualities of employees are not leveraged, our future development would be at risk.	We must have an inclusive culture and work actively with these matters if we are to continue strengthening our business and developing in society. Carnegie aligns with the principles of equal treatment and always strives for diversity in various types of jobs and positions in connection with recruitment. We are an active member of industry organisations.

Sustainability disclosures, cont.

Focus area	Risk description	Risk consequences	Risk prevention
Compensation and benefits	Risk that Carnegie will fail to attract and retain competent employees because our compensation and benefits are not competitive.	We must have the best employees to continue holding our strong position in the financial market. If employees do not believe compensation and benefits are sufficient, there is risk that it will be difficult to retain employees.	Carnegie offers 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.
Health and safety	Risks connected to non-compliance with health and safety procedures, which can result in injury or increased absenteeism.	Risk that accidents will occur, employees will become ill or develop stress-related conditions.	Carnegie pursues a systematic health and safety management programme to prevent accidents, illness and stress. Any risks on the job can be discovered and corrected in time through our health and safety management.

Responsible advisory

Carnegie strives to provide professional advice to guide its clients in a world that is both complex and difficult to predict. We affect both the growth of new companies and economic growth overall by stimulating responsible investment and ensuring effective capital allocation. Sustainability and responsibility are integral aspects of our advisory services, from allocation of capital to how we invest within discretionary management, as well as within equity research. We look at both the risks and the business opportunities through clear investor's glasses with the ultimate objective of enabling our clients to create value in society.

Carnegie takes responsibility in a systematic 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 thought to entail risk of damaging trust in Carnegie among employees, clients or the general public. These guidelines also indicate how employees should, in the context of business evaluations, take economic, environmental and social aspects into account.

Business ethics and anti-corruption

The banking and financial services industry is heavily regulated and operations are subject to mandatory authorisation, the grant of which is conditional upon good governance and clear procedures. 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 very 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 are based on clear division of responsibility and policies 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 Carnegie's responsibility in providing advisory services to clients. Our work to continuously to minimise these risks is achieved through supportive systems, Know Your Customer processes and regular training.

Responsible investment

Carnegie considers environmental and social matters 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 other preferences at the time.

Taking sustainability into account when making investment decisions involves mitigating risks and generating better risk-adjusted return. Our responsible investment policy covers the Swedish operations and applies mainly to actively managed funds and the portfolios and funds in which Carnegie or an external fund manager makes direct investments in equities and corporate bonds.

We signed the UN Principles for Responsible Investment (UNPRI) in 2020. By supporting the UNPRI, Carnegie avoids exposure to companies that produce or distribute weapons banned under international conventions and investments in companies that do not respect human rights or that 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 operations.

A large portion of assets under management is 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 advisor 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. In accordance with our objective, discretionary management was covered by ESG screening in 2020.

Responsible advisory, cont.

Indicators: Responsible advisory

		2020	2019
Business ethics			
Mandatory training and licensing requirements			
Sweden			
Introductory training	%	100	100
Annual mandatory AML training	%	100	100
Annual mandatory knowledge updates, Swedsec (AKU)	%	100	100
Annual mandatory training on internal rules	%	100	100
Norway			
Introductory training	%	100	100
Annual mandatory AML training	%	100	100
Annual mandatory training on internal rules	%	100	100
Denmark			
Introductory training	%	100	100
Annual mandatory AML training	%	100	100
Annual mandatory training on internal rules	%	100	100
Luxembourg			
Introductory training	%	NA	100
Annual mandatory AML training	%	NA	100
Annual mandatory training on internal rules	%	NA	NA
Finland			
Introductory training	%	100	100
Annual mandatory AML training	%	100	100
Annual mandatory training on internal rules	%	100	100
UK			
Introductory training	%	100	100
Annual mandatory AML training	%	100	100
Annual mandatory training on internal rules	%	100	100
USA			
Introductory training	%	100	100
Annual mandatory AML training	%	100	100
Annual mandatory training on internal rules	%	100	100

		2020	2018
Clients managed within Know Your Customer processes (KYC)			
Sweden	%	100	100
Norway	%	100	100
Denmark	%	100	100
Luxembourg	%	100	100
Finland	%	100	100
UK	%	100	100
USA	%	100	100
Privacy and confidentiality			
Client complaints	Number	0	0
	%	0	0
Service, knowledge and tailored advisory			
Listed companies in Sweden whose sustainability work has been analysed	Number	350	369
	%	100	100
Rankings and awards			
Best Swedish Private Banking Provider (Euromoney)	Rank	1	1
Best Nordic equity research (Institutional Investors All-Europe)	Rank	1	1
Best equity research, equity sales and corporate access (Extel)	Rank	1	1
Best individual analysts, top ten rankings (Extel)	Rank	1	1
Best equity research and best individual analysts (Financial Hearings)	Rank	1	1
Best in the bond market in the High Yield category (Kantar Sifo Prospera)	Rank		1
Best investment bank in Sweden (Euromoney)	Rank	1	1
Best Nordic equity house (Kantar Sifo Prospera)	Rank	1	1
Best Swedish Private Banking Provider (Kantar Sifo Prospera)	Rank	1	1
Best equity research, equity sales services and corporate access in the Nordics (Kantar Sifo Prospera)	Rank	1	1
Best Nordic adviser for corporate transactions (Kantar Sifo Prospera)	Rank	1	1
Foremost Back Office in Sweden (Kantar Sifo Prospera)	Rank	1	1
Responsible investment			
Assets under management covered by screening			
Discretionary management	%	100	100

Responsible business

Based on our essential function in the capital market, Carnegie aims to 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 aims to promote enterprise and the emergence of new companies.

Through being a member of the UN initiatives Principles for Responsible Investment (UNPRI) and the 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 policies, including the conduct and ethics policy and the purchasing policy, 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 take only conscious and controlled financial risks

Responsible business, cont.

that support our core advisory business.

The internal survey to measure the risk culture was conducted for the fourth time in 2020. The results are once again considered very good at the individual, departmental and managerial levels, and exceed our targets. The survey was based on the ABC model, where all three aspects (Activators, Behaviour and Consequences) received high scores. The ambition is to follow up the survey on an annual basis.

Carnegie has several forums and committees at board and 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 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 procedures 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 pages 48–52 and concerning compliance in the Corporate governance section on page 39.

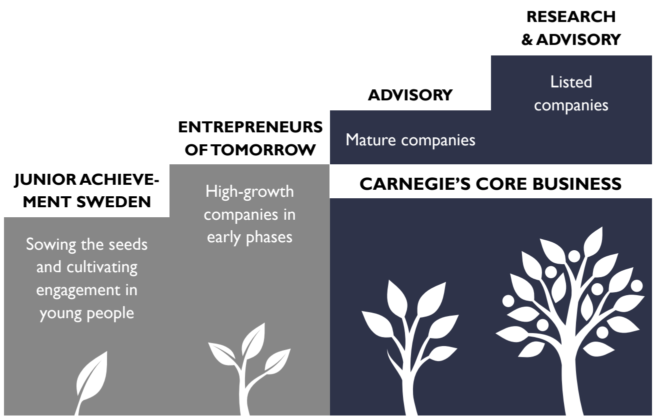
Effective capital allocation

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 Tomorrow, 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 about 360 of the listed companies in the Nordic countries every year. At the end of 2020, this corresponded to 93 percent of total market capitalisation on Nasdaq Nordic.

The sustainability perspective has been a distinct aspect of our company coverage for a long time. All companies that Carnegie covers are also analysed from a sustainability perspective: how well they have integrated sustainability in their strategies to be innovative and drive growth and how they are working to prevent incidents related to the environment or corruption.

Carnegie presented the Carnegie Sustainability Award for the second time in 2020, aimed at putting the spotlight on sustainability metrics that create shareholder value and present good examples to inspire companies and investors.



Indicators: Responsible business

	2020	2019
Economic value generated and distributed		
Operating income	3,254	2,611
Economic value generated	3,254	2,611
Operating expenses	478	540
Employee pay and compensation	1,901	1,541
Dividends*	–	–
Tax	78	28
Economic value distributed	2,457	2,109

*Refers to ordinary dividends.

		2020	2019
Sound risk culture and good governance			
Risk culture measurement, KPI		85	82
Response frequency	%	92	90
Regulatory compliance			
Fines and incidents	SEK		–
	Number		–
Effective capital allocation			
Analysed companies in the Nordics	Number	360	350
- of total market capitalisation in the Nordic countries*	%	93	91

* Refers to capitalisation of Nasdaq All-Share for Stockholm, Copenhagen and Helsinki and for the Oslo Stock Exchange All Share at year-end 2020.

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 talents want to begin is critical to longevity and retaining the role of Nordic market leader.

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

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

Health and safety

The purpose of our systematic health and safety management programme is to prevent accidents, illness and stress. Any risks on the job can be discovered and corrected in time through systematic health and safety management.

If accidents or incidents 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 accidents at work.

Skills development

Remaining the market leader also requires continues 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. In 2020, 166 employees signed up for one of the more than 215 courses offered during the year.

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.

Equal opportunity and diversity

By embracing people's unique experiences, knowledge and qualities, Carnegie can shape a creative working environment that fosters personal development and improves the conditions for achieving optimal performance. Carnegie aims to be a workplace where all employees enjoy equal rights, opportunities and duties 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 strive to ensure that this also applies to wage determination. 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 aims to 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

Indicators: Responsible employer

		2020	2019
Skills development			
Training within Carnegie Professional Development			
Sweden			
Employees who applied	Number	80	145
Total number of course days	Number	151	194
UK			
Employees who applied	Number	29	7
Total number of course days	Number	75	14
Denmark			
Employees who applied	Number	57	70
Total number of course days	Number	148	233

		2020	2019
Equal opportunity and diversity			
Average number of employees			
Women	%	27	27
Men	%	73	73
Age			
< 30	%	15	16
30-50	%	59	60
> 50	%	26	24
Employee ownership			
Employee ownership interest	%	29.8	29.3
Employees as part owners	Number	~400	220
Health and safety			
Absenteeism	%	1.9	1.5
Employee turnover	%	10.4	13.0

are generous and employees are offered a range of medical insurance policies and regular physical examinations. 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.

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.

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 the risk. See also the Responsible investment section on page 30.

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, they are continuously monitored and evaluated.

Membership of associations

Carnegie supports international principles of fundamental human rights and sustainable development and intends to actively contribute to global initiatives to create 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 signed the UN initiative Principles for Responsible Investment (UNPRI) in 2020. This means that Carnegie acts in accordance with the 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, the public sector and business should contribute to solutions to common 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 on Carnegie's vision, business principles and role in society, the assessment is that six SDGs are relevant to our business and to 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.

THE GLOBAL GOALS
For Sustainable Development

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 2020 on pages 93-100 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, 1 April 2021
Ernst & Young AB

Mona Alfredsson
Authorised Public Accountant

GRI INDEX

Contents in accordance with GRI

Carnegie complies with the Global Reporting Initiative guidelines, GRI Standards, and reports according to the "core option". 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 area. The following GRI Index shows were disclosures in accordance with GRI are found in Carnegie's Annual Report for 2020.

GRI Standard	Disclosure		Page reference	Remarks
General disclosures				
GRI 102: General disclosures 2016				
Organisational profile				
	102-1	Name of the organisation	Front cover	
	102-2	Activities, brands, products and services	1	
	102-3	Location of headquarters	99	
	102-4	Location of operations	1	
	102-5	Ownership and legal form	43	
	102-6	Markets served	1, 10-11	
	102-7	Scale of the organisation	2–3, 44	
	102-8	Information on employees and other workers	30, 69	
	102-9	Supply chain	91	
	102-10	Significant changes to the organisation and its supply chain	43	
	102-11	Precautionary principle or approach	94	
	102-12	External initiatives	94	
	102-13	Memberships of associations	94	
Strategy				
	102-14	Statement from senior decision-maker	4-5	
Ethics and integrity				
	102-16	Values, principles, standards and norms of behaviour	8–9, 18, 30–31	
Governance				
	102-18	Governance structure	38-40	
Stakeholder engagement				
	102-40	List of stakeholder groups	87	
	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, and has not itself entered into any collective bargaining agreements.	
	102-42	Identifying and selecting stakeholders	87	
	102-43	Approach to stakeholder engagement	87-88	
	102-44	Key topics and concerns raised	87-88	
Reporting practice				
	102-45	Entities included in the consolidated financial statements	87	
	102-46	Defining report content and topic boundaries	88	
	102-47	List of material topics	88	
	102-48	Restatements of information	No material changes.	
	102-49	Changes in reporting	No material changes.	
	102-50	Reporting period	87	
	102-51	Date of most recent report	87	
	102-52	Reporting cycle	87	
	102-53	Contact point for questions regarding the report	99	
	102-54	Claims of reporting in accordance with the GRI Standards	87	
	102-55	GRI Index	96-97	
	102-56	External assurance	No external assurance. The auditor's opinion on the statutory sustainability report is on page 95.	

GRI Standard	Disclosure		Page reference	Remarks
Specific disclosures				
Economic performance				
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Sustainability management	10-11	
GRI 201: Economic performance 2016	201-1	Economic value generated and distributed	92	
Anti-corruption				
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Sustainability management	88, 90	
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	91	
Employment				
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Sustainability management	30–32, 90, 93–94	
GRI 401: Employment 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	93-94	
Education				
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Sustainability management	8–12, 30–31, 89, 93	
GRI 404: Training and education 2016	404-2	Programmes for upgrading employee skills and transition assistance programmes	93	
	404-3	Percentage of employees receiving regular performance and career development reviews	30	
Equal opportunity and diversity				
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Sustainability management	13, 32, 89, 93	
GRI 405: Equal opportunity and diversity 2016	405-1	Diversity of governance bodies and employees	68, 93	
Product and service labelling				
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Sustainability management	2, 8, 12, 18, 20, 24–25, 28 88, 90	
GRI 417: Product and service labelling 2016	417-1	Requirements for product and service information and labelling	2, 12, 18, 90	
Customer privacy				
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Sustainability management	89-90	
GRI 418: Customer privacy 2016	418-1	Substantial complaints concerning breaches of customer privacy and losses of customer data	91	
Auditing				
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Sustainability management	12, 47–49, 88–92	
GRI FS: Auditing	FS	Risk assessment procedures	12, 47–49, 88–92	
Socioeconomic compliance				
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Sustainability management	12, 47-50, 88–92	
GRI 419: Socioeconomic compliance 2016	419-1	Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations	92	
Active ownership				
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Sustainability management	2, 12, 28, 90	
GRI FS: Active ownership	FS11	Percentage of assets under management subject to screening	91	Refers to the Swedish operations.

Definitions – Alternative performance measures*

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

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

Capital requirements
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.

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

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

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

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

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

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

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

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

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

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

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, continuing operations – 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

Return on equity – To calculate average equity adjusted for the effect of deferred tax on loss carryforwards; see above.

Operating income statement – The differences between the Consolidated statements of comprehensive income on page 52 and the Operating income statement on page 44 are:

- SEK 701 million has been moved from Operating costs to the line item Financing costs, variable remuneration, etc.,
- SEK 12 million has been moved from Operating income to the line item Financing costs, variable remuneration, etc.,
- SEK 17 million has been moved from Operating income to Operating costs.
- Net credit losses of SEK 0 million are included in the line item Financing costs, variable remuneration, etc.

The net change is SEK 713 million, which comprises variable remuneration of SEK -701 million, costs unrelated to the business areas of SEK -12 million and a loss allowance adjustment of SEK 0 million under IFRS 9.

*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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