CARNEGIE HOLDING AB

Sustainable growth through ideas, knowledge and capital

ANNUAL REPORT 2018

The leading Nordic investment and private bank

Carnegie has held a central position in Nordic business for more than 200 years. In the 19th century as a trading house. And for the past century as a financial adviser.

Today, we are the leading investment and private bank in the Nordic region. A meeting place for ideas, knowledge and capital. For investments and investment opportunities.

Companies and capital that grow create new jobs and higher purchasing power. They generate growth and rewards for the entire economy.

Carnegie stimulates growth for companies and institutional and private investors through knowledge and advice that instils trust.

Carnegie's business principles

Our business principles permeate 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

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

Competence

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

Commitment

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

Contents

This is Carnegie's annual report for the 2018 financial year. The annual report also comprises Carnegie's sustainability report for 2018 as required under the Swedish Annual Accounts Act, ch 6 s 10, (1995:1554).

This is Carnegie

Carnegie is one of the foremost financial advisers in the Nordics. Around 600 experienced and committed employees work in our offices in the Nordic countries, London and New York. We guide our clients to better business through capital raising, research and equity sales, side-by-side with specialists in wealth management advisory.

Investment Banking & Securities

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

Operations in Denmark, Finland, Norway and Sweden.

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

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

Private Banking

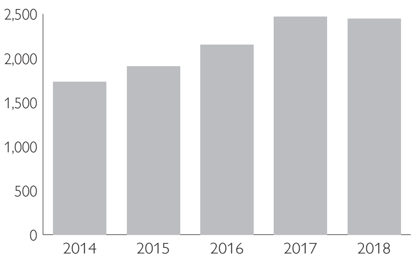
Carnegie Private Banking provides comprehensive financial advisory services to high net worth individuals, small businesses, institutions and foundations. The Private Banking staff includes experts in areas including asset allocation, asset management, law, tax management, pensions and trading in securities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

Operations* in Denmark and Sweden.

* The decision to sell the business in Luxembourg was announced in May 2018.

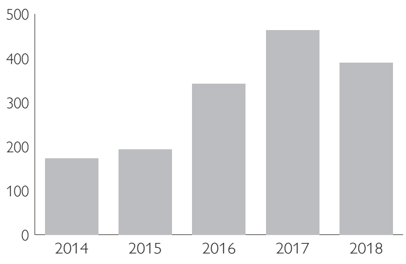
Income

SEKm

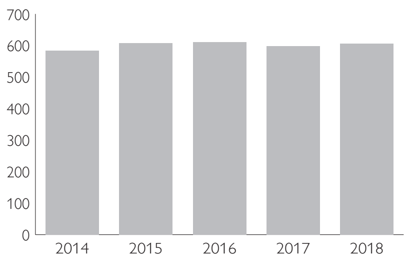


Profit before tax

SEKm



Employees



THE YEAR IN BRIEF

2,423 SEKM

Operating income in 2018.

390 SEKM

Profit before tax for 2018, with persistently good profitability in both Investment Banking & Securities and Private Banking.

110 BN SEK

Assets under management in 2018.

369

Nordic listed companies covered by Carnegie Research in 2018.

Financial key data, continuing operations

	2018	2017
Operating income, SEKm	2,423	2,472
Operating profit, SEKm	687	901
Operating C/I ratio, %	72	64
Profit before tax, SEKm	390	463
Operating profit margin, %	28	36
Assets under management, SEKbn	110	110
Return on equity, %	16	22

Financial position

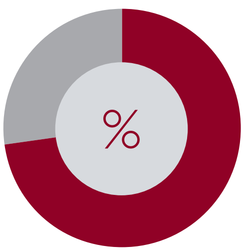
2,024 SEKM

Equity at 31 December 2018.

24.2%

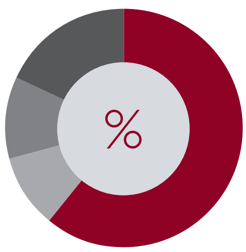
Common equity Tier 1 capital ratio at 31 December 2018.

Income by business area



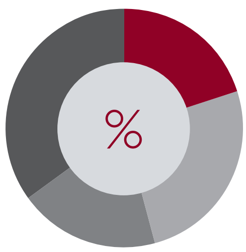
- Investment Banking & Securities 73%
- Private Banking 27%

Geographical distribution of income



- Sweden 61%
- Norway 10%
- Denmark 11%
- Other 18%

Employees per unit



- Investment Banking 20%
- Securities 26%
- Private Banking 19%
- Support & Group 35%

"A safe investment"

Saferoad is a Norwegian market-leading supplier of road safety and road infrastructure solutions. The company develops products and solutions including new and better barriers, signs, work zone protection, lighting systems, steel bridges and culverts. The goal is contribute to zero fatalities and serious injuries in traffic. Fund manager FSN Capital acquired the company in May 2018 and delisted it from the Oslo Stock Exchange in September 2018. With a strong and stable owner, Saferoad has huge potential for expansion into new markets. Carnegie acted as the adviser to FSN Capital.

The future bodes well for Carnegie

New regulatory requirements are increasing transparency in the financial market. This is a sign of the times and it benefits firms that deliver clear value. Strengthened by the development, Carnegie stands firm on the foundation of the highest client trust in the Nordic capital market.

Carnegie's evolution is following the course set jointly by the Board of Directors and Group management. Our successes during the past year, including the highest client trust in the market, are the harvest of a clear strategy and many years of hard work. All activities and actions are aimed at steadily reinforcing client trust. It is the trust of our clients that generates new business opportunities and long-term competitive advantage. Client trust is and will remain central to Carnegie's continued success.

Against that background, Carnegie continued investing in its wide expertise and advisory capacity in 2018 to meet client needs in pace with a changing market.

Taking on wider responsibility

Carnegie is also intent upon continuing to steward and further develop trust in a wider context. This is contributing to a stable financial market and strengthening trust in financial institutions. The Board of Directors has therefore ensured that quantifiable targets related to social responsibility and employer obligations have been implemented.

In so doing, we have clarified our ambitions to deliver on our commitment to responsibility through ongoing and transparent monitoring in relevant areas.

Regulatory adjustments

The financial industry is continuously affected by new regulations and the ability of market firms to adapt has clearly become a competitive factor.

Among the legal requirements that affect clients more directly, the implementation of MiFID II characterised Carnegie and the entire European financial market in 2018. The Board has ensured favourable conditions for regulatory implementation and monitored operational deployment.

The EU directive seeks to increase transparency and customer protection in the securities market. This sheds light on the terms of competition in several areas in which Carnegie does business. We feel confident that the market will support firms that deliver unmistakable value and are convinced that Carnegie is among them.

Strong financial position

Carnegie's good profitability and low risk exposure continued to strengthen the financial position during the year.

As Carnegie enhances its key role in the Nordic capital market, the importance of sustainable business development is growing. Through client relationships that instil trust, market-leading expertise and good financial stability, we are continuing to further develop a competitive Carnegie.

Bo Magnusson
Chairman

Stronger trustworthiness

Our strong position in the Nordic capital market generated persistently high business activity and good earnings in 2018.

#1

Carnegie finished the year with a leading position in all in all operational areas.

"We are continuing to invest in our market position"

Carnegie continued bolstering client trust in all target groups in 2018. The result was a market position that generated high business activity throughout the year.

Notwithstanding the rising market turbulence towards the end of the year, we continued to leverage our stronger market position as an adviser and broker in the Nordic market. Cooler conditions for equity capital market transactions were offset by higher income in other areas. Total income is down only slightly compared to the preceding year.

Although there were fewer IPOs compared to the record number last year, Carnegie was involved in more ECM transactions than any other firm in the Nordic market.

Meanwhile, Nordic market conditions for mergers and acquisitions remained favourable during the year. Building on the momentum of an active market, Carnegie was involved in several major transactions in the Nordic market.

Although combined trading volumes on the Nordic stock exchanges were essentially on par with 2017, Carnegie increased its trading in Nordic equities and strengthened its market shares during the period.

The corporate bonds market was characterised by relatively good market conditions and high transaction volumes in 2018, apart from a distinct cooldown in the last quarter of the year.

The positive development of our operations in Private Banking persisted, with good net growth in the client base. In the face of higher market volatility, we created good investment opportunities for our private investors through alternative investments and unlisted assets.

During the spring, we announced our intention to divest the operations in Luxembourg and concentrate our growth ambitions in Private Banking to our home market in the Nordics. The sale closed after the end of the year. Also, a new office opened in Linköping which is a milestone in our continued growth journey.

Stronger client trust

Our ongoing investments in further building our market position have had substantial and positive impact, as evident in client and market surveys during the year. Client trust was strengthened among companies, institutions and private individuals in 2018.

Carnegie has received the market's highest recognitions for our knowledge in equity research, equity sales, corporate advisory, corporate bonds and wealth management, as well as corporate access and back-office. Accordingly, Carnegie once again finished the year with a leading market position in all areas of operations. This is a testament to the outstanding competence, commitment and client focus of our employees.

Regulatory adjustments

Carnegie has also been affected by the regulatory changes implemented in securities market through MiFID II, which has altered the compensation structure for research, brokerage services and wealth management advisory. The short-term effect has been limited and our sterling reputation in equity research and execution is supporting persistently stable earnings.

Responsibility and sustainability

As planned, we are also continuing to more clearly integrate the sustainability perspective in advisory.

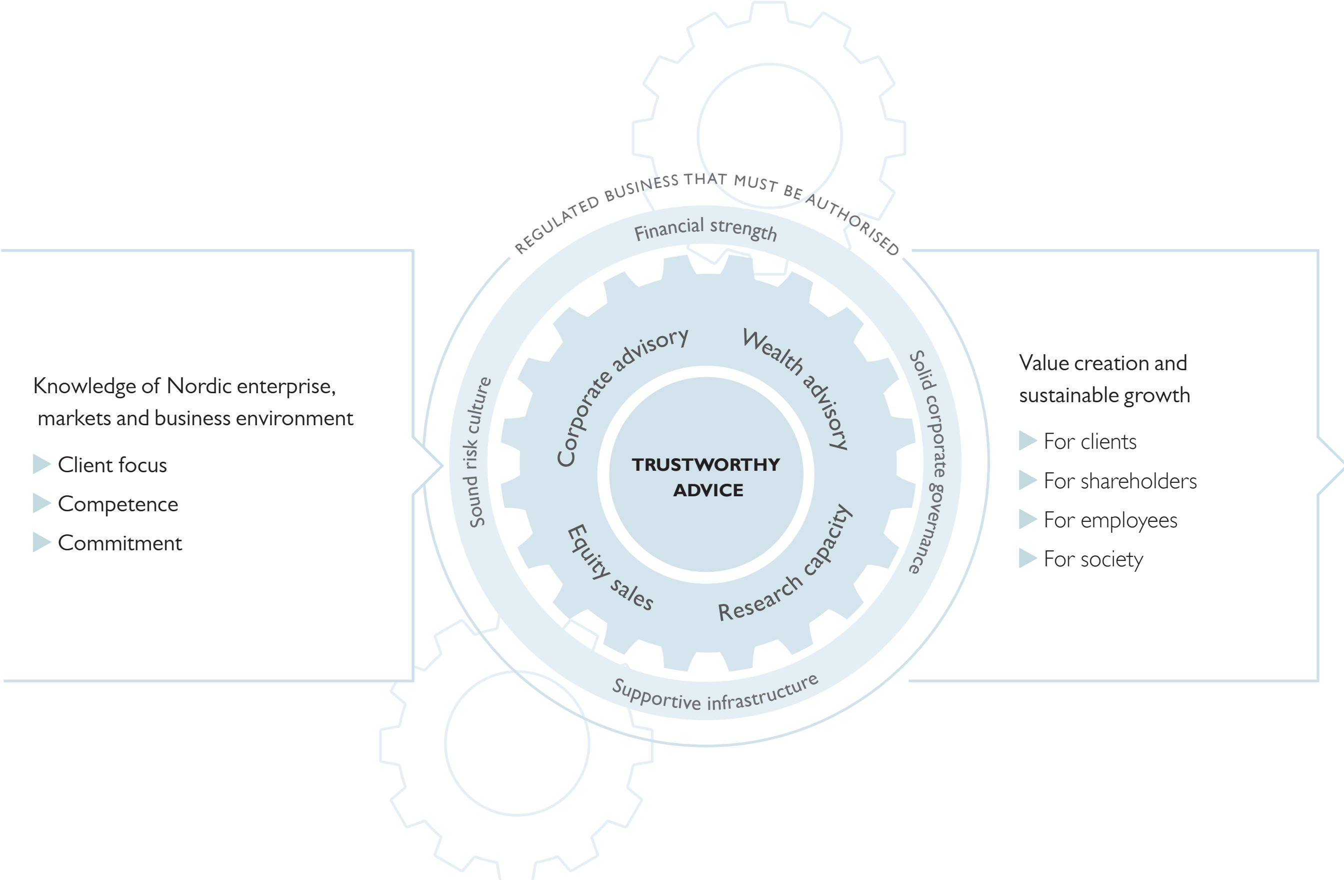
Carnegie is committed to providing responsible advisory and to leveraging our market role to stimulate responsible investment. Looking only at our Nordic research power, sustainability parameters have been included for all listed Nordic companies we cover.

We have the same high level of ambition for our own sustainable development and employer responsibility. Accordingly, quantifiable sustainability targets were integrated with our other financial targets during the year.

Outlook

The long-term approach will also be integrated in our investments and outlook going forward. The market trend remains uncertain and the business climate is beyond our control. Our focus is on continuously improving our capacity to meet clients' ongoing advisory needs.

Björn Jansson
CEO and President



An ecosystem of business dynamics

Carnegie is the leading Nordic investment and private bank and a meeting place for knowledge and capital that creates value through advisory services, for clients, shareholders and society. We seek to maintain client relationships that build trust, based on committed and competent employees. That is how we are generating profitable growth.

The need for professional advice is growing along with the increasing complexity and unpredictability of global development and growth of financial regulations. Carnegie is here, tapping knowledge of Nordic enterprise, markets and the business environment to guide its clients through this landscape.

Focus is on the client, but Carnegie must also promote sustainable growth in general through ideas, knowledge and capital. Ensuring effective capital allocation and bringing capital, new technologies and sustainable products together is important to overcoming the challenges faced by society. Likewise, in our capacity as advisers it is important that we help our clients navigate the difficult private and business economic issues associated with the transition to sustainability.

We have built profound understanding of these issues through our long experience in the Nordic markets. Professional advisory also requires the right expertise, which puts demands on Carnegie's opportunities to recruit and motivate the most outstanding employees in the market. As a service provider, our success is ultimately determined by our capacity to transform the collective expertise of our staff into client relationships that build trust.

Cross-pollinating operations

Carnegie's various business areas and client groups cross-pollinate each other. This is a business dynamic that welds our business relationships and makes the whole greater than the sum of its parts.

Our professional advisory services are the core of Carnegie's business. The organisation rests on three pillars, Investment Banking, Securities and Private Banking, which together offer corporate advisory, equity sales, research capacity and wealth management. After nearly a century as a financial adviser, Carnegie's operations are market leaders in their fields. The underlying income streams work together to promote a healthy distribution of Carnegie's total earnings mix over time.

Extensive synergies

Carnegie's ecosystem of business dynamics is an inherent strength, as there are extensive synergies among the three business areas. We offer various types of professional financial services and products to

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

Carnegie's vision

companies and institutional and private investors. Our top-ranked research is essential input for both institutional and private investors. Likewise, execution capacity is critically important to both corporate clients and institutional investors. In addition, Carnegie's high activity in corporate transactions plays a key role in the development of many high-growth companies. The transactions create unique investment opportunities for Private Banking and Securities clients. Private Banking clients are also significant financial counterparties when unlisted companies are seeking capital or preparing for an IPO.

Unique focus on small and medium-cap

The Nordic dimension is essential to our identity and our business and is often what makes us unique. Our focus on small and medium-cap companies - all with market capitalisation above SEK 400 million - is what sets us apart. With regular analysis of both large and small companies across the Nordics, Carnegie is advancing greater transparency and more effective capital allocation. Clarity of focus has brought Carnegie several mandates for IPOs and equity capital market transactions in this segment, thereby taking a strong position. We have had a firmly established position in all four Nordic markets for many years. Local knowledge is combined with global reach to become a wide network of international investors, for whom offices in London and New York act as significant meeting places.

Robust foundations

The foundations of Carnegie's operational success are our sound risk culture, solid corporate governance, supportive infrastructure and financial strength. Operations are run with a low risk appetite and take only conscious and controlled risks that support our advisory business. By balancing growth-oriented investments with ongoing efficiency improvements and tight cost control, we can ensure long-term resiliency and development potential. This is also critically important to long-term economic success – for Carnegie, for our clients and for other stakeholders. ■

Long-term objectives guide sustainable development

Carnegie's objectives reflect the company's long-term ambitions. They aim to secure our central role and leading position in the financial market, maintain client and employee trust and deliver good return.

Seeking to clarify the future direction of Carnegie, the Board of Directors set a number of objectives in 2018 that reflect the company's strategy for continued long-term success and competitiveness. As Carnegie regards sustainability as a logical and integrated aspect of the business, the objectives cover both financial and non-financial targets.

Our overall objective - trustful relationships with our clients - is based on Carnegie's strong corporate culture and clear business principles. Carnegie aims to further develop advisory services in pace with the times and thus strengthen client trust in all the markets where we do business. We are accomplishing this by integrating the ESG perspective with our knowledge about Nordic companies and their potential.

Based on our central position in the financial market, Carnegie must act to promote business and the emergence of new companies. To ensure that our business model is sustainable and our business is run responsibly, Carnegie must always promote a sound risk culture and strong financial stability.

Professional advisory requires the right expertise. Carnegie's main goal as a responsible employer is to attract, develop and retain the best employees. We must create the conditions to enhance employee commitment and work to achieve greater diversity and equal opportunity.

Agenda 2030 and the UN Sustainable Development Goals

As a responsible company and part of the financial industry and the business sector, contributing to sustainable development and transition is a prioritised task for Carnegie. Supported by the company's combined expertise in analysis, asset management and entrepreneurship, Carnegie's employees are working with Agenda 2030 and the 17 UN Sustainable Development Goals. We consider six of these goals particularly important and relevant to our business. We are contributing in various ways to attaining the selected goals. The main contributions are made through assisting clients with sustainable advisory and collaborating with others in the industry and in society overall. ■

Responsible advisory

		Outcome 2015	
	Target	2018	2017
Proportion of listed companies for which the ESG perspective is included in equity research	100%	100%	43%
Proportion of discretionary management covered by ESG screening	100%	100%	100%
Top-ranked advisory in core markets	1–3	√	√
Next Generation Academy training sessions	Qualitative	√	√

▶ Read more on pages 14–22

Responsible business

		Outcome 2015	
	Target	2018	2017
Common equity Tier 1 capital ratio	>18%	24.2%	23.5%
Profit margin	20%	16%	19%
KPI for internal risk culture measurement	>70	81	78
Support entrepreneurship through Junior Achievement Sweden, Entrepreneurs of Tomorrow, Social Initiative	Qualitative	√	√

▶ Read more on pages 24–31

Responsible employer:

		Outcome 2015	
	Target	2018	2017
Employee commitment	>85	93	NA
Employee turnover	<10%	16.3%	15.3%
Gender distribution, women/men	50/50	27/73	27/73
Perception of equal opportunity among women/men	>70	72/92	NA

▶ Read more on pages 32–37

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UN Sustainable Development Goals

“PCBs on the Stockholm Stock Exchange”

PCBs are the heart of all electronic products. They are used to manufacture circuit boards with components, which are essential to the electronics we take for granted. Swedish NCAB, founded in 1993, is one of the largest PCB manufacturers in the world with revenues of about SEK 1.4 billion and an annual growth rate above 15 percent. Carnegie acted as the adviser when NCAB was listed on Nasdaq Stockholm in June 2018.

RESPONSIBLE ADVISORY

Knowledge leads to growth

Private individuals, companies and institutions. They all have different needs and challenges. They are all subject to changing market conditions and new regulations.

And they are all seeking growth.

This puts high demands on up-to-date knowledge and relevant advisory. And being the best in that regard is precisely Carnegie's business concept.

From left: Henric Falkenberg (Head of Securities), Ulf Vucetic (Head of Investment Banking) and Jonas Predikaka (Head of Private Banking).

New client perspectives and expectations

An increasingly complex world is introducing new risks and opportunities. 2018 was no exception. They are changing clients' perspectives and expectations. As the need for advice increases, Carnegie continues to benefit from the highest client trust.

Carnegie is doing business in a changing world. The economies in the company's markets are changing and are not moving in the same direction. Technological advances are giving rise to new products, services and entire industries. And then there are new regulations. In parallel, core social values are shifting along with expectations on banks and companies of all kinds.

To maintain its position as the leading Nordic investment and private bank, Carnegie must stay one step ahead and understand where the development is going.

Carnegie held its position as a leading adviser in the Nordic capital market and strengthened client trust during the year. This was accomplished in a period when market conditions changed for many industries and client groups.

The conditions for IPOs weakened, for example. Head of Investment Banking Ulf Vucetic believes there are several underlying reasons. First, the year was characterised by increased volatility in the equity market and the uncertainty made it difficult to price companies.

Secondly, the IPO market was unusually strong in the preceding three years. In periods such as these, investors upgrade their demands and expectations. As a seller, finding a buyer for the company is more attractive than taking it to the stock exchange, along with the risk that the candidate's valuation might have to be lowered. The same applies once the company has been listed. When the economy slows down, the risk increases that market expectations will not be met.

"When the stock market dips, investors believe certain companies are underpriced and do a buy-out. We have seen several examples in the last few years. When the number of IPOs goes down, acquisitions go up instead. 2018 was a record year for us at Carnegie, even though the number of IPOs fell," says Ulf Vucetic.

For Carnegie Securities, which is primarily oriented towards institutional clients, the year was characterised by the effects of regulatory changes at the European level.

"For us, MiFID II was the utterly dominant external event," says Henric Falkenberg, Head of Carnegie Securities.

95%

Companies covered by Carnegie as a share of total market capitalisation in the Nordics.

"One consequence of the new regulations and greater transparency is that it shifts the focus to quality. That has clearly benefited Carnegie, which is the market leader and has earned the highest trust. We were able to take market shares during the year," said Falkenberg. Jonas Predikaka, Global Head of Private Banking, agrees.

Many private banking providers have addressed the new regulations by replacing external products with their own. Carnegie has gone in the opposite direction, with transparency and more tailored advisory. This has paid off. Many clients appreciate advisers that offer a wider palette of alternatives.

Likewise, the quality of the advice is why Predikaka is not concerned about technological advances and the risk of being outcompeted by AI or robot advisers.

"They can work in a rising market. But when the stock exchange drops 20 percent and investors incur heavy losses, they have no one to call, no one who can advise them or objectively discuss investment alternatives. The technology complements traditional advisory, but is not going to replace a professional adviser with whom investors can discuss their options."

Helping clients assess and manage uncertainty is a key aspect. The greater the uncertainty, the more hesitant clients become.

"In a downturn, we identify alternative investment approaches that are not cyclical in the same way as the European equity market. That might involve Chinese bonds, Swiss equities, gold or unlisted companies," says Predikaka.

On a weak stock market when the business cycle turns downwards and few companies are looking at IPOs, interest in unlisted companies increases. Through close collaboration between Investment Banking and Private Banking, Carnegie is able to put investments in unlisted companies together with private individuals seeking opportunities outside the stock market. The investment bank finds them and performs careful due diligence before the offer is presented to private investors.

"These offers are exclusively for Carnegie's Private Banking clients. No other firm can offer anything like it. Our market position and strong client base are prerequisites. Nordic companies know that Carnegie's placing power is so strong there is no need to go anywhere else," says Predikaka.

Sustainable investment - ESG - is a widespread trend that is affecting all lines of business. Clients, whether private individuals, companies, or institutions, expect banks, asset managers and advisers to give higher consideration to risks and opportunities related to ESG criteria.

Carnegie developed a unique product starting in 2017 to assess the sustainability work of Nordic companies: how well they have integrated sustainability into their strategies and how they are managing risks and avoiding incidents related to aspects like the environment or corruption.

"The assessment is both broad and deep, with thorough analysis of small and medium-cap companies and long time series for most indicators. It is Nordic, unique and tailored to our clients' preferences. This is exactly what you can expect from Carnegie when we tackle an issue," says Falkenberg. ■

Strong Nordic M&A market

While IPO activity was lower this year, the Nordic transaction market delivered strong performance in 2018. Market drivers included attractive valuations, banks willing to extend financing and companies with generally solid balance sheets.

The year was characterised by copious small and medium-sized transactions, along with a few very large ones, such as the SCA and Atlas Copco splits. Private equity was behind many investments and a buy-out trend in the stock market was one of the effects. Persistent interest in innovation was another driver and tech dominated in value by nearly 18 percent.

The Nordic transaction markets differ, however. The highest number of transactions took place in Sweden, which accounted for almost half of the market in terms of value. 2018 was a record year.

The Danish market was also strong and 2018 was the country's second-best year in a long time. The Finnish market also posted an increase in number, but value did not match 2017. Corporate transactions in Norway were considerably lower than in 2017.

Strong position in the Nordic IPO market

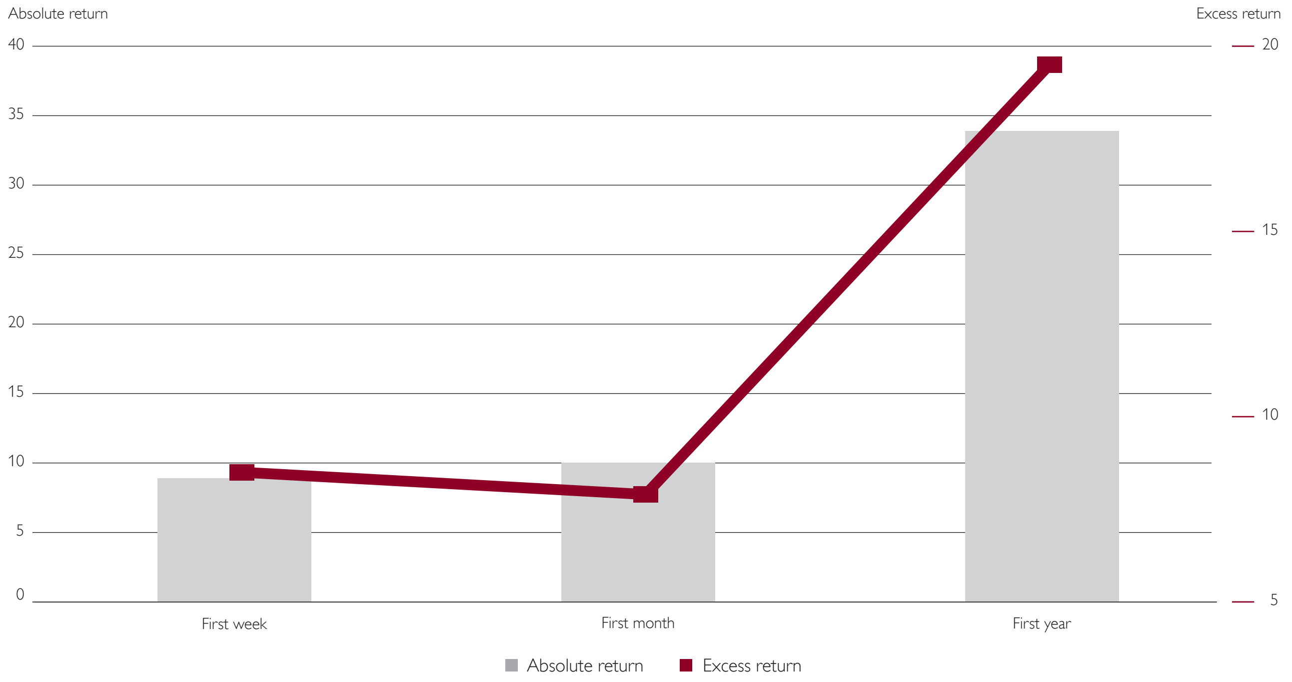
The Nordic IPO market has been very active for the last five years and, overall, the listed companies have delivered strong performance.

The majority of listings in the Nordics took place in Sweden, which accounted for around 60 percent of the total. Carnegie has acted as adviser in almost 80 IPOs since 2014, corresponding to more than 60 percent of the total volume. Total return for IPOs has been positive over both the short and long terms. After three years, absolute return for all Carnegie-advised IPOs amounts to 97 percent. The corresponding figure for all IPOs is 76 percent.

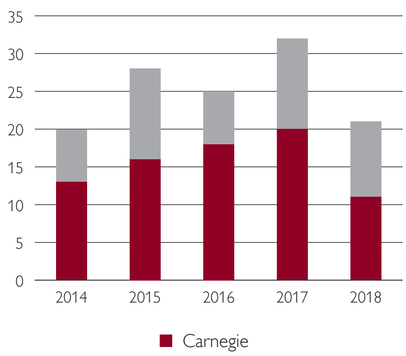
78

out of 126 Nordic IPOs for which Carnegie was the adviser during the period of 2014–2018.

Return, Carnegie-advised IPOs 2014–2018*

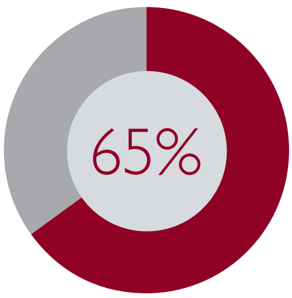


Number of IPOs 2014–2018*



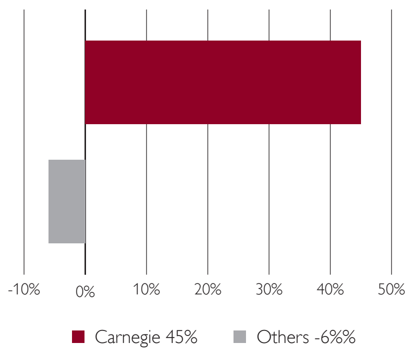
Carnegie was involved in around 50 percent of all Nordic IPOs in 2018. In addition, Carnegie acted as the adviser for the IPO of the Port of Tallinn in Estonia.

Carnegie's share of Nordic IPOs 2014–2018, volume*



The total volume of Carnegie-advised IPOs during the period of 2014–2018 amounted to around USD 22,000 million, corresponding to a share of 65 percent.

Long-term value growth for listed companies, excess return*



Excess return for Carnegie-advised IPOs after three years and in relation to the small cap index is 45 percent compared to 24 percent for all IPOs.

*Refers to IPOs with transaction sizes over USD 40 million.

“Acquisition gives Shearwater a globally leading position in marine seismic services”

Carnegie acted as financial adviser when Norwegian Shearwater GeoServices acquired Shlumberger’s geophysical services business and world-leading technology in marine-based imaging of the earth’s crust. The technology is used to assess and monitor oil and gas assets below the ocean bottom. Post acquisition, Shearwater GeoServices is the market leader in marine geophysical data collection with a fleet of 14 fully equipped seismic vessels offering a full range of services within marine-based imaging of the earth’s crust, including 3D, 4D and ocean bottom seismic (OBS). The 690 million dollar deal transformed the playing field for premium quality marine data collection services in the offshore oil and extraction and production industry.

Client relationships that build trust

Carnegie is the leading Nordic investment and private bank. Client trust surveys in 2018 showed that the distance between Carnegie and its competitors is the greatest in modern times.

Trust is the core of Carnegie's business and the foundation of our success.

Trust can be measured in new client acquisition and all the companies, institutions and private individuals who choose Carnegie to manage their assets or guide them in business critical and complex transactions. In that respect, 2018 was a successful year.

Trust can also be measured through independent client surveys from firms such as Kantar Sifo Prospera, whose surveys show, year after year, that clients consider Carnegie the market-leading investment and private bank.

This year's survey shows that Carnegie is ranked highest among all advisers in the Nordic corporate transactions market, and likewise in the Swedish market. Carnegie was ranked highest in equity capital market transactions (ECM) and mergers and acquisitions (M&A) and defended its first place among all private banking firms.

In addition, Carnegie Head of Research Lena Österberg won the award as the best financial analyst in Sweden – for the fourth consecutive year. Österberg was also named the best analyst in Sweden by Financial Hearings/Affärsvärlden. In that same ranking, Carnegie was named Best Research House in Sweden for the fifth consecutive year.

The fact is that Carnegie's leading market position in Swedish equity research, equity sales and corporate access is the strongest in modern times. That applies to both individual client assessments and the lead over other research and brokerage houses, where this year's results in the Kantar Sifo Prospera measurement are the highest rankings in almost 20 years.

#1

in Investment Banking

Foremost adviser in corporate transactions in the Nordics (Kantar Sifo Prospera).

#1

in Securities

Best Nordic equity research and sales (Institutional Investors All-Europe, Extel, Financial Hearings, Kantar Sifo Prospera).

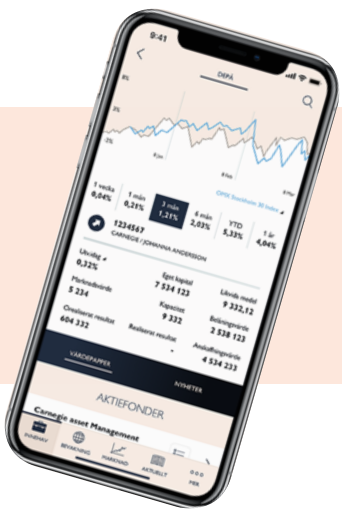
#1

in Private Banking

Best adviser in private wealth management (Euromoney, Kantar Sifo Prospera).

Digital services that simplify the investor's life

Carnegie Private Banking launched an app during the first half of 2018 that aims to make life easier for the bank's private clients in various ways. The app provides a quick rundown of the latest financial news and the performance of shares and other holdings. Stock exchange information is updated in real time. The investor's life is made easier with price alarms and notifications sent directly to the client's mobile phone. The app also features newsletters from Carnegie and the contact details of expert advisers.



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For three years running, Carnegie has topped the rankings in Swedish wealth management advisory according to Kantar Sifo Prospera's annual client survey.

With a passion for entrepreneurship

Peter Dahlberg had years of experience starting and building companies before he took on the role of CEO of AniCura in early 2012. He has kept on building ever since. The company has grown by 50 percent annually and now has 5,500 employees at 275 veterinary clinics in ten European countries. Entrepreneurship has also guided him in his choice of financial advisers.

"Carnegie acts as a meeting place for entrepreneurs and investors, which suits me down to the ground. For me, it is all about gaining good exposure to the Nordic financial market and access to unique flows and customised solutions. Carnegie Private Banking is a fine partner in that endeavour."

Peter himself is not unfamiliar with the financial industry and he knows what he wants. He has previously worked with both mergers and acquisitions in London and in the venture capital industry.

"It is important to me that my adviser can offer both breadth and depth. I value a committed, knowledgeable team who understand my needs and can tailor solutions accordingly," says Dahlberg.

Peter's passion for entrepreneurship and value creation fits like a glove with Carnegie's commitment to enterprise and entrepreneurship. Helping companies grow is the entire point of the advisory business.

Focus on sustainability mitigates risk

Taking sustainability aspects into account when making investment decisions is not only about contributing to a better world. Companies also reduce their risks and gain competitive advantages, which makes them a better investment.

Responsible investment is an important aspect of the management mandate at Carnegie Private Banking. It is also something our clients value.

There is no question that the ESG (Environment, Social, Governance) perspective should be integrated in the investment process. We believe it is a prerequisite for achieving the goal of generating good long-term and risk-adjusted return. And we are simultaneously contributing to a better world.

Engagement is a key approach to promoting sustainable development. We have been running an active corporate engagement effort in asset management for several years.

One example of our work to integrate sustainability in investment analysis is our engagement with an external fund manager ahead of an investment in their global fund in early 2018. One of the fund's holdings was BHP Billiton, a joint owner with Vale of Samarco, a mining company. The disaster at the Samarco dam in 2015 caused human suffering and led to one of the worst environmental disasters in Brazilian history. The event also triggered a drop in the share price for BHP Billiton by as much as 60 percent.

Supported by our partner ISS-Ethix, Carnegie inquired as to whether sufficient action had been taken since the accident. After widespread pressure from investors like Carnegie, we were able to see that BHP Billiton was no longer included in the fund. In November 2018, the thousands of victims of the disaster sued BHP Billiton for about SEK 50 billion.

Another dam owned by Vale collapsed in January 2019, with similar disastrous consequences and an immediate price drop of 25 percent. Even though Vale is a large part of the Latin America index, the fund that Carnegie selected for its clients does not own any such equities.

Carnegie's clear ESG process is an example of how ESG-related risks are managed to prevent them from becoming financial risks. Our focus on sustainability helped avoid losses, and corporate engagement delivered direct client benefit. ■

100%

Percentage of assets under discretionary management in Sweden included in screening in 2018.

Unique flow of unlisted investments

Institutional and private investors are becoming more interested in unlisted companies. Carnegie offers a flow of unique investment opportunities outside the stock exchange.

Carnegie's network of private clients makes our Private Banking an interesting and attractive counterparty, including when the transaction is aimed at institutional investors.

Carnegie has the capacity to generate significant volumes among its private clients, who are often both high net-worth and well-known. This applies to both unlisted companies and companies preparing for listing. Private Banking clients have subscribed for shares in several of the IPOs – around 70 percent in Sweden and more than half in the Nordics since 2010 – in which Carnegie was the adviser. Through our corporate transactions business, we offer a flow of unique investment opportunities outside the stock exchange.

Private Banking clients continued to support the growth journeys of several companies in 2018. Following its successful issue in 2017, Storskogen Invest demonstrated its continued trust in the investment bank when it appointed Carnegie as its financial adviser for a new issue in spring 2018 and yet another in early 2019. The two issues, which raised a combined total of SEK 1.2 billion, once again provided an investment opportunity to Private Banking clients, who provided the majority of the capital. The investors were both new and existing shareholders. Thanks to the combined investment muscle of Carnegie's clients, Storskogen Invest is equipped to continue acquiring and developing small and medium-sized enterprises in Sweden. ■

The bank of knowledge is growing – with new perspectives

With its coverage of around 370 companies, equity research at Carnegie has a breadth that is hard to surpass. And new knowledge perspectives related to sustainability are adding to the highly regarded investment input.

Carnegie has the largest research capacity in the market for Nordic equities, covering almost 95 percent of total market capitalisation on the Nordic stock exchanges. It is also the most highly regarded equity research in the market according to numerous client and market surveys (see page 19). The sustainability perspective has been a distinct component of company coverage for a long time, and a further step was taken in 2018 in relation to how the knowledge is acquired and made available to clients.

Sustainability aspects are a sign of maturity, a way of determining whether management is well-equipped for the future. In addition to the purely hygienic factors, with security systems to prevent money laundering and bribery, this clearly shows the company's progress in promoting employee well-being and environmental protection.

Carnegie prepared an analysis of 151 Swedish companies in 2017 from a sustainability perspective: how well they had 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.

In the first Nordic survey, all Nordic companies covered by Carnegie analysts were identified and assessed based on ESG parameters (Environment, Social, Governance) - a total of 369 companies. Environmental aspects were a particular focus in this year's analysis. Corporate environmental impact through carbon emissions has been translated into financial terms to reveal the potential actual costs for the companies if legislation on emission rights would be strengthened.

ESG analyses are often based on negative screening, where companies in certain industries or based on certain parameters are excluded from the investment portfolio. At Carnegie, the ESG ranking instead focuses on the opportunities generated by corporate sustainability work and which companies are delivering the best sustainability progress in each industry.

This is a different mindset, which requires deeper analysis. Consequently, company analysts are also responsible for analysing the sustainability of the companies they cover, which also enables integration of sustainability topics in equity analysis, in line with Carnegie's vision of offering the best in depth and breadth. ■

The Corporate Access team in Stockholm. From left: Kathy Hyttinge, Katarina Langland, Helena Lindborg, Annica Ridell and Christin Bergkvist.

Popular meetings between investors and Nordic companies

The listed company needs the right type of investors. Investors are always looking for the right company. Bringing the right companies together with the right investors is what Carnegie does best.

Carnegie is the Nordic market leader in offering direct access to the CEOs and management teams of Nordic companies to international and Nordic investors. Outstanding networks, an experienced team and an eye for detail make this possible.

"It is a team effort. We have been arranging professional meetings for several years in the form of roadshows and investor meetings in the four Nordic countries and international financial centres like London and New York. Hundreds of roadshows were arranged in 2018," says Katarina Langland at Corporate Access in Stockholm.

The companies gain an invaluable network of key investors. The investors gain another perspective on listed Nordic companies and thus a wider and better decision basis.

"We recommend the right type of investors for the company and its specific situation and put them in touch with each other."

Carnegie's corporate access services are highly valued by its clients. Alongside our leading equity research and equity sales, Carnegie's position in Swedish corporate access is the strongest in modern times, as evident in Kantar Sifo Prospera's 2018 survey of institutional investors. ■

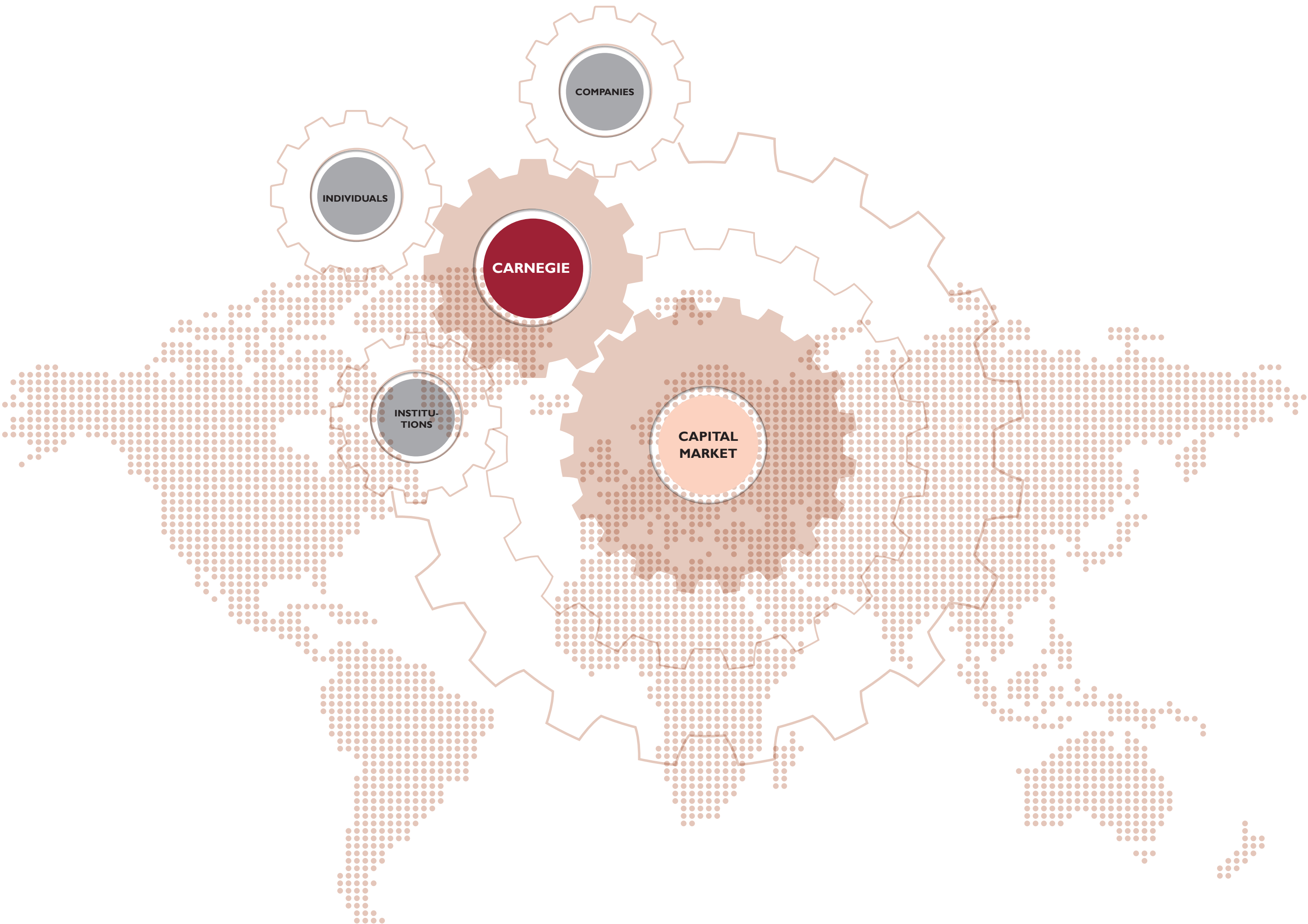
"Billion krona bond refinances Polygon"

Polygon is a Swedish-based global enterprise. The company, which is owned by Triton, is a European market leader in damage control and remediation. Polygon prevents and contains the effects of events like fire, water, or climate damage. Polygon has made several strategically important acquisitions in recent years. Carnegie acted as the adviser when Polygon chose to issue a senior secured fixed rate bond of EUR 210 million. The bond loan provides advantageous financing to the company, along with capacity for further expansion including acquisitions. Nordic and international investors responded favourably to the transaction.

RESPONSIBLE BUSINESS

In position to make an impact

We examine our own sustainable development and value creation with the same experience and perspective we apply to corporate risks and opportunities in investment advisory. The aim is to ensure long-term profitability while protecting the ecosystem we are part of.



Effective capital allocation

Effective capital allocation in society depends upon stable and efficient capital markets. Carnegie plays a key role in this regard.

We bring together capital and companies poised for a growth journey or a technological leap. We also contribute to upholding scrutiny and transparency in relation to listed companies.

Our focus on small and medium-cap companies sets Carnegie apart from the rest. These companies often lack independent coverage and analysis.

By regularly analysing small companies, Carnegie facilitates increased transparency. With increased transparency investors become less uncertain, which improves the companies' gain from a listing. Moreover, good guidance from the investor's perspective is key when the situation in the stock market is uncertain.

Every year, Carnegie analyses around 370 listed companies in the Nordics. At the end of 2018, that corresponded to 95 percent of total market capitalisation of Nasdaq All-Share for Stockholm, Copenhagen and Helsinki and Oslo Bors All Share. The share of small and medium-cap companies was 62 percent.

Carnegie took an additional step in 2018 on behalf of small companies listed in Stockholm. In response to the higher interest in these companies, the new Carnegie Micro Cap Index Sweden was launched. The index initially includes 432 companies listed on Nasdaq Stockholm or First North. The maximum market cap for each company has been set to SEK 6.8 billion.

With this benchmark index, Carnegie can assist fund managers who are working with Micro Cap companies and investors evaluating these companies. Simultaneously, many small companies need exposure to Carnegie's wide investor network.

The Carnegie Small Cap Index, which reflects the performance of listed companies in the Small Cap segment, was established in 1995.

These are only a few of our contributions to more effective capital allocation in society.

"Axcel buys Danish design"

Denmark is famous for its design firms. GUBI is a leading Danish design and interior company that has been selling high-end products, like the award-winning Beetle chair and the Bestlite lamp since 1967. The company was founded by Gubi and Lisbeth Olsen and initially focused on retail sales of furniture and textiles. With their son Jacob "Gubi" Olsen in the driver's seat, the company moved into the fashion market with a trailblazing concept store. To take the next step, expand into new markets and develop the organisation, GUBI needed an investor. Advised by Carnegie, Danish fund manager Axcel bought a majority stake in GUBI.

The value of low risk tolerance

Carnegie's clients, employees and other stakeholders expect us to soundly manage our risks. We run our business with a low risk appetite and measurements show that internal risk awareness is high.

Responsible risk-taking is fundamental to external trust. A sound risk culture and robust risk management are thus prerequisites for operating a sustainable business over the long term.

As reflected in our risk profile, Carnegie has a pronounced low risk appetite. In accordance with our general risk strategy, we take only conscious and controlled financial risks that support our advisory business. The type of business we run is exposed mainly to non-financial risks, such as operational risk, compliance risk and reputational risk. The financial risks are generally low.

Carnegie is working continuously to further develop risk management. In 2018 we included a number of sustainability risks in our risk framework, for example. Sustainability risks are material from the financial and legal perspectives, but also from a reputational perspective. They include risks linked to business ethics and conflicts of interest. As Carnegie's success is dependent upon its ability to attract, develop and retain the best employees, the most material sustainability risks include those related to Carnegie as a sustainable employer.

Carnegie measures the risk culture annually to underscore the importance of a sound risk culture and high risk awareness among employees. For the second consecutive year, the results were very good indeed at the individual, department and management levels. This year's score exceeded Carnegie's long-term target. The survey was based on the ABC model, where all three aspects (Activators, Behaviour and Consequences) received high scores. ■

81

The internal risk culture measurement in 2018 (78) once again showed a positive result and exceeded our long-term target.

▶ Carnegie's most material risks and how they are managed are described in greater detail in Risks and risk management on pages 50–54. All sustainability risks and their management are described on pages 96–98.

Quality increases with transparency

Financial firms have had to grow accustomed to an increasing regulatory burden in recent years in order to maintain public trust in the financial system.

MiFID II impacted all market players in 2018 and the skill to adjust to new legal requirements has become a competitive factor. Higher capital requirements, stronger control functions, extensive reporting and stricter anti-money laundering rules are meant to reduce risks and reinforce trust in the financial systems.

New conditions apply as of January 2018, when the European MiFID II regulations went into effect. Firms that provide financial advice and trade in financial instruments have devoted huge efforts to adapting their businesses in recent years. That also applies to Carnegie.

The new regulations seek to increase transparency and strengthen customer protection. The underlying reasons have to do with the relatively high complexity of the securities market. If MiFID II achieves the intended effect, it should benefit firms that have a strong market position and offer a high degree of independence and transparency in product selection, broad investment expertise and flexibility.

It is not unreasonable to assume that the new conditions will eventually result in some price pressure, but acceptance of the firms that deliver distinct value will always be higher. Greater transparency surrounding costs and charges thus set favourable conditions for stimulating the quality of asset management and advisory, research and brokerage services offered in the market.

Carnegie welcomes this transparency. It makes the terms of the client relationship more equal and strengthens conditions for long-term trust. ■

Business-related social engagement

Carnegie has a far-reaching commitment to supporting entrepreneurship, for entrepreneurship is part of the company's DNA. Carnegie's business depends on its capacity to bring capital and good, sustainable ideas together. For that to remain possible, there must be growth of new companies to do business with and for clients to invest in.

Supporting and putting the spotlight on successful, sustainable companies is also the best way for Carnegie to use its knowledge and networks to contribute to society. The company has been doing this for a long time and in several ways. The Entrepreneurs of the Future is one such initiative.

Health app won Entrepreneurs of the Future

For the fifth year, Carnegie and Svenska Dagbladet (SvD) arranged the Entrepreneurs of the Future competition, an initiative that offers a meeting place for capital and brilliant ideas. In addition to the honour and the investor contacts, the winner receives a knowledge package including advice from Carnegie.

The 2018 winner was e-health company MediTuner. The company has developed AsthmaTuner, an app that makes it possible for asthma patients and their parents to measure the severity of the condition with self-tests of lung capacity and recording of various symptoms to get recommendations of the most appropriate medication and dosage to help the patient feel well. The app can also be linked to the healthcare system to improve the doctor's follow-up and basis for treatment decisions.

Innovative, sustainable and a good investment was the verdict of the jury and a room full of investors. They all agreed that the business idea can be scaled up and taken international.

"More than anything, it is amazing to see an idea that took shape in my head four years ago be put into practise, to see that it can actually help patients feel better," says Henrik Ljungberg, pulmonologist and co-founder of the company.

Focus on sustainability

All finalists were strong entrepreneurs offering exciting innovations and

Winners of Entrepreneurs of the Future 2018. From left: Eric Alhanko and Henrik Ljungberg.

The distinguished jury: From left: Anna Felländer, Susanna Campbell, Emma Ihre, Björn Jansson, Georgi Ganev, Ulrika Saxon and Hjalmar Ståhlberg Nordegren.

solutions to the social challenges of today and tomorrow. Carnegie's CEO Björn Jansson was also impressed by the high quality among this year's competitors.

"We have noted that the quality of applications gets higher every year."

Sustainability was assigned higher weight than before in the 2018 competition, reflecting the keener interest in sustainability and climate change among investors and society overall.

"An unsustainable company is going to have a hard time attracting investors. Some of the nine companies have a more clear sustainability angle than others, but we can generally see greater awareness of this perspective than in past years."

Diverse jury

The jury had the weighty task of selecting four candidates that were all sent directly to the final. SvD readers had the power over the last ticket to the final.

The diverse jury was made up of Carnegie's CEO Björn Jansson, Kinnevik's CEO Georgi Ganev, Norrsken's CIO Susanna Campbell, Bonnier Venture's CEO Ulrika Saxon, Hjalmar Ståhlberg Nordegren, CEO of previous winner Karma, Emma Ihre, Head of Sustainability at the law firm of Mannheimer & Swartling, and AI entrepreneur and digitalisation economist Anna Felländer.

A brilliant idea was not enough to win. The candidates also had to successfully make others understand what the company does, its market prospects, what it needs from investors and what investors can expect in return.

The finalists were given six minutes to make their pitch. The final verdict was decided by 150 inquisitive investors. Once again, Carnegie brought capital and a good, sustainable idea together. ■

The seeds of entrepreneurship are planted at school

The growth of new companies is important to society overall and essential to Carnegie's long-term success. To assure opportunities to invest our clients' money in good companies now and in the future, we are committed to stimulating business and entrepreneurship. Junior Achievement Sweden (JAS) is a prime initiative.

JAS is making an important effort to stimulate the growth of new companies by preparing fertile ground for new entrepreneurs among Swedish school pupils. Carnegie's engagement with JAS is an opportunity to use our knowledge to help pupils while encouraging the development of new companies.

An event was arranged in 2018 for JAS Alumni. Many entrepreneurs who previously ran JAS companies jumped at the chance to listen to Carnegie's Head of Research Lena Österberg and Christian Weirup, corporate adviser with Carnegie Investment Bank, talk about a typical company journey and what happens when a small company gets bigger. By showing the alternatives available to finance a business idea, how institutional investors evaluate investment opportunities and that other parameters are measured when a company grows, Carnegie aims to give the participants more knowledge and make them even more eager to continue running a business. The hope is that the partnership with JAS and JAS Alumni will further promote the entrepreneurial spirit and result in more good companies to invest in for a long time to come.

Carnegie has supported JAS for many years and has been a National Bronze Partner in Sweden since 2016. ■

73%

of the families are growing coffee for sale, compared to 36% before training via URDT.

67%

of the families have proper sanitation, compared to 3% before training via URDT.

40%

of the families live in multi-room mud brick houses, compared to 0% before training via URDT.

Long-term commitment to social enterprise

Carnegie has been donating to social enterpreneurship all over the world for fifteen years through the Social Initiative organisation.

The support is given to social enterpreneurs aiming to effect positive change in the community by improving living conditions for children and young people.

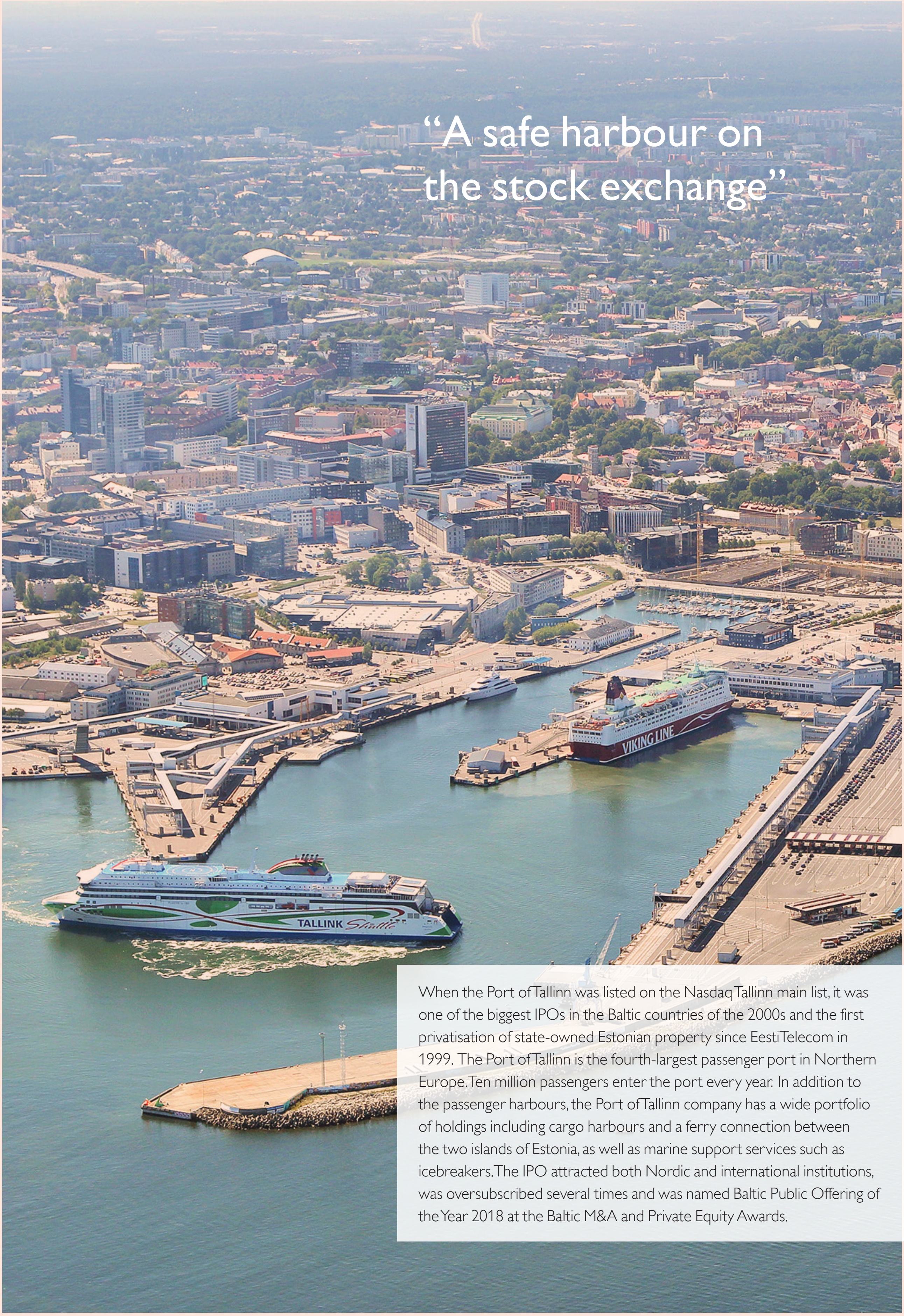
When Carnegie decided to step up its commitment, all employees were given a say on both the orientation and geography. A working group of ambassadors from all business areas and offices was appointed. The result was the selection of social entrepreneur Mwalimu Musheshe and his organisation Uganda Rural Development and Training Centre (URDT).

URDT educates girls, who then inspire and teach their families and other villagers to change their own lives. In so doing, life has become significantly better for poor families in rural western Uganda. All pupils of the URDT Girls School go on to secondary school, compared to 60 percent nationally.

Carnegie's support and the work of Social Initiative have also had profound social impact in other parts of the world. At the Door Step School in Mumbai, India, the proportion of children able to read increased from 35 percent on average to 85 percent – in a single school year. Carnegie's support made it possible to set up the first computer centre in the very heart of the slum.

Carnegie employees are personally committed as well. One out of three employees contributes to the projects every month, with donations deducted from their salary. More than half participate regularly in fund-raising campaigns. Employee donations make up half the amount Carnegie gives each year. Various types of activities and campaigns are regularly arranged jointly with Social Initiative to maintain commitment.

This long-term initiative is a key component of engaging employees in all of Carnegie's markets. Social enterprise in the field of education also has a natural link to Carnegie's business.



"A safe harbour on the stock exchange"

When the Port of Tallinn was listed on the Nasdaq Tallinn main list, it was one of the biggest IPOs in the Baltic countries of the 2000s and the first privatisation of state-owned Estonian property since Eesti Telecom in 1999. The Port of Tallinn is the fourth-largest passenger port in Northern Europe. Ten million passengers enter the port every year. In addition to the passenger harbours, the Port of Tallinn company has a wide portfolio of holdings including cargo harbours and a ferry connection between the two islands of Estonia, as well as marine support services such as icebreakers. The IPO attracted both Nordic and international institutions, was oversubscribed several times and was named Baltic Public Offering of the Year 2018 at the Baltic M&A and Private Equity Awards.

RESPONSIBLE EMPLOYER

A winning tradition to nurture

Carnegie has nurtured a knowledge-oriented work environment and a strong tradition of winning for a very long time. It is a distinct part of our company culture and central to our business model. It is also one explanation to why our employees are considered to be among the best in the Nordic countries.

Company culture as a success factor

Carnegie's successes are shaped by competent employees who are given the right conditions. Clear values, leadership that builds trust and extensive cooperation enhance our performance.

Our employees are the key to Carnegie's success. We must be able to recruit and retain the most highly driven and talented individuals. If we do not manage to attract the best employees, we will not be able to hold onto our top position.

The next generation of employees think differently. They are driven by a keener sense of their values and want to work for companies that prioritise ethics and sustainability. They want to help make the world a better place.

Carnegie's culture is values-driven and characterised by pride, entrepreneurship and short decision paths. Taking initiative is important, but the ability to speak up when something is not good enough is equally important. This is essential to earning client trust, but also to giving employees a high level of independence and accountability. That generates commitment.

In the wake of global banking crises, the #metoo movement and money laundering issues, the reputation of the banking industry has been challenged for some time. The heightened attention and awareness are making it possible to achieve permanent improvement. That is something Carnegie has taken to heart.

Accepting comprehensive and long-term responsibility is a key indicator that a company is in step with its times and striving to keep control of the factors that affect it. This is important when Carnegie assesses companies to invest in – and equally important to Carnegie itself.

We consider employee health and creating an environment where people are happy extremely important. In addition to offering health-promoting initiatives, such as support for physical fitness and making healthy choices, this specifically involves shaping a sound company culture where people grow through collaboration and are proud to go to work. Carnegie's managers play a key role in this.

In order to instil trust in our clients, it is critical that we uphold our unique company culture, which is informed by the guiding principles of Client Focus, Competence and Commitment. The interaction between them is the foundation of our business in all markets.

93%

Share of employees who feel deeply committed to their work according to the employee survey in 2018.

Strong employer brand

As the leading Nordic investment bank, competent, committed and satisfied employees are utterly critical to Carnegie's capacity to continue delivering good service to our clients.

Ensuring and retaining committed and engaged employees is essential to maintaining high trust among our clients, new talents and society overall.

The foundations of employee commitment are laid with good opportunities to influence and shape the day-to-day work. Carnegie encourages both individual responsibility and joint efforts in teams, with other departments or countries. We make sure our employees have knowledge and understanding of our joint business plan and strategy and the company's financial performance. The ongoing dialogue between employees and managers is also significant, day in and day out and in connection with annual performance and career development reviews.

The level of employee commitment is regularly tracked through annual employee surveys. Our latest survey from 2018 shows that 93 percent of respondents feel deeply commited to their work.

Strong employer brand

Carnegie's employees are considered among the best in the Nordics, which is reconfirmed every year in several rankings by clients and other stakeholders. With highly competent and satisfied employees, we also become an attractive workplace for new talents. Carnegie has a strong brand that many people seek out.

This is evident in various ways, including Carnegie's highly desirable internships. Every year, Investment Banking in Sweden offers a ten-week programme, in which students are involved in ongoing operations full-time.

Carnegie employee survey 2018

Carnegie carries out an annual employee survey in all markets where we have offices. The aim is to gain better understanding of what we, as a responsible employer, are doing well and what we can do better for our current employees and to attract new talents.

The results for 2018 improved upon already good scores in the past, with a response frequency of 90 percent. 81 percent of employees gave positive answers to all questions. Many of the scores are also higher or much higher than the average in a comparative database.

Some of the most outstanding areas in this year's survey are employees' high trust in Carnegie's leadership, the high proportion who would recommend Carnegie as an employer and who believe that cooperation with other departments is smooth and effective.

The survey also shows a sustained high score for employees' perceptions of Carnegie as a responsible company in terms of risk management and compliance. Furthermore, 93 percent report that they give excellent service and advisory to clients and that they have the right knowledge needed to do so. Many also report high job satisfaction. What employees like the most about working at Carnegie are their competent and pleasant colleagues, the positive and friendly working climate and challenging tasks.

The mix of motivated, top-ranked employees, an inspiring workplace that offers opportunities to develop and appeal to next-generation stars: that is the long-term strategy for maintaining our position as the market leader.

Carnegie does not settle for only being an attractive employer – it must also be a responsible one. Skills development, diversity, compensation and health are high-priority issues.

Sharp focus on knowledge

Carnegie offers employees a work environment with keen focus on knowledge, stimulating work and exciting challenges, as well as opportunity to vary their tasks.

Remaining the market leader requires continuous skills development at the individual and group levels in the course of the working day, but also through continuous training.

In 2018, this included mandatory training on the rules related to anti-money laundering measures and knowledge updates. We also initiated a Group-wide skills development project and an induction programme for all new employees during the year. In addition, employees are invited to take courses within the framework of Carnegie Professional Development in a field unrelated to their usual tasks.

Developing skills outside the bounds of their ordinary work encourages personal development and gives employees a wider perspective. We also offer opportunities for internal rotation between departments and countries within Carnegie. This reinforces our culture of teamwork and collaboration.

The value of diversity and equal opportunity

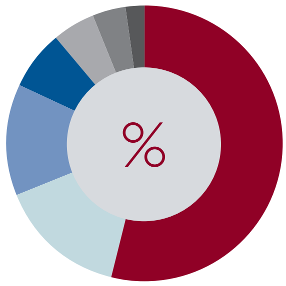
Making it possible for people with a variety of experience, knowledge and perspectives to meet is essential to Carnegie's business. We are convinced that diversity and equal opportunity make us more attractive as an employer and financial adviser.

Carnegie is making ongoing efforts to increase interest among women in applying to Carnegie. Naturally, we consider diversity and equal opportunity as a parameter when selecting candidates in a recruitment process, but we also participate in women-oriented events at universities and arrange our own events aimed at young female talents. Initiatives to retain our female employees are equally important. We arrange several focused events every year within Carnegie's female network.

300

Employees were offered more than 300 course meetings in 2018 in the Carnegie Professional Development programme.

Average number of employees by country, 2018



- Sweden 54%
- Norway 15%
- Denmark 13%
- Luxembourg 7%
- United Kingdom 5%
- Finland 4%
- United States 2%

"To perform at the level I do, I need freedom and flexibility"

Carnegie's outstanding reputation in Nordic equity research and brokerage is repeatedly confirmed in Extel's annual global investor survey. Among the list of individual brokers in 2018, Carnegie's Karolina Gerber Tingsnäs placed second overall in the Nordic equities category.

"I believe there has always been considerable interest in Nordic companies among international investors. That has probably become even stronger in recent years, especially with regard to small-cap, where the Nordics have delivered good growth in numerous innovative, high-quality companies. Carnegie can offer a very strong research product in this area," says Karolina Gerber Tingsnäs.

She has been a stockbroker at Carnegie's London office for five years, where she works with British and French institutional clients. That is no coincident. Karolina has during several years worked in other European markets, she understands the cultural differences and is used to switching between several languages during the working day.

"To perform and develop at the level I do, I need freedom and flexibility. A good work-life balance is also important to me, to successfully combine career and motherhood. I feel that I get that at Carnegie," says Karolina.

Karolina has also chosen to get involved in Carnegie Social Initiative, the support programme that Carnegie organises around social enterpreneurship around the world.

"Being able to help other people, especially kids, develop and reach their full potential, is very important to me. I also believe education is a good way to achieve economic equality between women and men."

Karolina Gerber Tingsnäs

Lena Österberg, Head of Swedish Research at Carnegie

Leadership that encourages teamwork

Committed, inspiring and responsible managers who support their employees so they have the potential to develop and grow are essential to Carnegie.

Dialogue between employees and managers is a cornerstone of this effort, where the goal is to drive good performance and long-term profitability.

In readiness for the challenges of the future, Carnegie needs a culture that encourages change and re-examination of old methods, and interested people able to see the potential of new technology. Leaders at Carnegie must encourage these attitudes so that we uphold our good reputation and long-term competitive advantage.

Being a leader at Carnegie also involves establishing a sound and inclusive culture and boosting women, but also being attentive to how colleagues treat each other.

"Basically, it is about giving people the best conditions possible to do their jobs. As a leader, I have to make sure employees are given a high degree of independence and accountability. And that the atmosphere is one where people know they are free to speak up when something is not good enough. That is one reason that I choose to work for Carnegie," says Lena Österberg, Head of Swedish Research.

Other important aspects of leadership at Carnegie are to promote a good work environment, make a good work/life balance possible and to encourage and create the conditions for internal mobility.

"We focus on teamwork a lot and I believe that a culture in which we are working together towards shared goals provides the right conditions for delivering the best possible service to our clients."

Carnegie offers several career development opportunities to managers at various levels and in various areas, adapted to needs and direction. We regularly follow up managerial performance by means including the annual employee survey.

The 2018 survey showed that Carnegie leadership is highly appreciated. The employees report that they have strong confidence in their immediate managers. The outcome is important, considering the key role that managers play in ensuring high job satisfaction and a good company culture.

Oskar Grenmark

"I am developing at the high pace I want"

While at university, Oskar Grenmark alternated his studies with part-time work at Carnegie. That opened the door to an internship with Investment Banking in Stockholm. He now works full-time in corporate advisory and is involved in projects that include leading companies in the Nordic region.

"From day one, I was able to work with skilled colleagues and challenging tasks, a combination that makes you develop very quickly. Meanwhile, no limits have been put on how much responsibility I can take on, which means I am developing at the high pace I was looking for," says Oskar Grenmark.

Oskar started working at Carnegie in 2018, immediately after earning his engineering degree in Industrial Economics. But he had a head start a couple of years before with the part-time position in Operations and the internship with Investment Banking.

"I have always perceived Carnegie as the leading financial adviser. When the opportunity arose to apply for a part-time role at the bank, I thought it was an excellent opportunity to approach the business and learn more about the financial world," says Oskar.

He has been with Carnegie ever since and become part of a tight team.

"As I see it, there is a strong company culture with many highly driven and ambitious colleagues. We have a great time at work and it is exhilarating to have the opportunity to work with top management at a heavy industrial company one day and an exciting tech company the next," says Oskar.

Strong focus on employee health

Carnegie strives to offer a stimulating and rewarding work environment. It should enable good performance, personal and professional development and, in so doing, sustainable job satisfaction.

We want employees to feel well and have the right conditions in their day-to-day work with a healthy balance between challenging tasks, periods of intensive work and rest. Carnegie works continuously and systematically with these issues.

Carnegie encourages health and wellness activities and has active local sports clubs in which employees can join running groups and go on ski trips. We also promote team spirit by arranging social activities and sports events, both within departments and across department lines.

Employees can also use a generous wellness grant for things like gym memberships, personal trainers and physiotherapy. Health insurance gives them the opportunity to seek preventative help from an ergonomist or other specialists as needed. Regular physical examinations are offered at the local level.

We also try to inspire a healthy lifestyle and serve healthy food in our staff restaurants. In addition, we arrange "health weeks" where physical and mental health are addressed in workshops featuring inspiring speakers and other activities.

Preventing illness is an ongoing effort, which involves monitoring absenteeism and working proactively when there are early signs of illness. The dialogue between employees and managers is an important means of "taking the pulse" of the organisation and checking employee well-being and commitment.

Carnegie also offers ongoing training opportunities to all employees every year. Ultimately, it is all about creating an environment in which people are happy and flourish. ■

2,3

Number of sick days per employee in the entire Group.

“FLSmidth is developing a new head office with ATP”

FLSmidth is the market leader in machinery, service and advice to the global cement and mining industry. The group’s roots go back to 1882. The historic head office on Vigerslev Allé in central Copenhagen has aged with the years. Carnegie helped FLSmidth arrange a sale & leaseback partnership for the head office. A new campus will be developed with ATP Real Estate as investor and landlord. This will optimise FLSmidth’s operations at the head office and ensure long-term presence in Copenhagen. ATP Real Estate will also be developing housing in the area, which is covered by a new urban development plan.

Contents

Corporate governance

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 of Directors and the CEO, respectively. The policy documents adopted by the Board of Directors 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 other things through appointing the bank's directors and auditors.

Board of Directors

Directors are elected by the shareholders at the annual general meeting for a term of one year. The Board has been composed of six directors since the annual general meeting of 2018. 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 43.

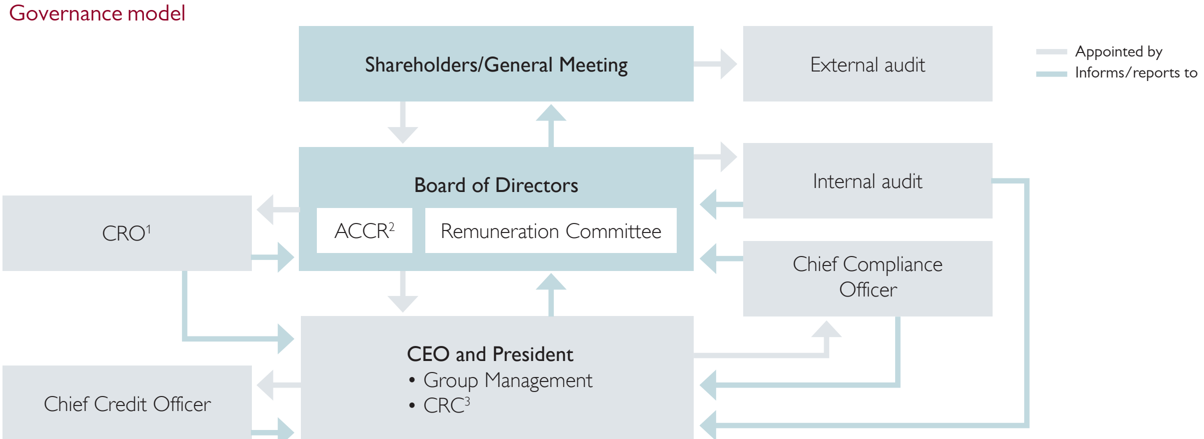
The Board of Directors has overall responsibility for the business conducted in the Group. The Board establishes the general objectives and strategy for business operations, regularly monitors and evaluates operations based on the objectives and guidelines it has adopted, appoints the CEO, and continuously evaluates operative management. The Board is also responsible for ensuring that the organisation is dimensioned so that accounting, asset management and other financial conditions are adequately controlled and that risks involved in the business are identified and defined, measured, monitored and controlled in compliance with external and internal regulations, including the Articles of Association. The Board of Directors also decides on significant acquisitions, divestments and other major investments and ensures that external information provision is objective and transparent. The Board of Directors also has final say on the appointment/dismissal of the Chief Risk Officer and the Head of Internal Audit.

The Board has adopted a procedure 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

Governance model



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

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 14 meetings in 2018.

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 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 their activities and ensures that any problems noted or objected to by the auditors are rectified.

The Remuneration Committee monitors, evaluates and prepares remuneration matters prior to decision by the Board. The Committee's remit includes proposing principles and general policies for salaries (including variable remuneration), benefits and pensions and overseeing the implementation of these principles.

CEO and Group Management

The President and CEO is responsible for the day-to-day management of the Group's affairs in accordance with the guidelines, policies and instructions adopted by the Board of Directors. The CEO reports to the Board and presents a CEO's report at every meeting of the Board of Directors, which covers matters including development of operations based on the decisions taken by the Board. The Board has adopted an instruction that sets out the duties and role of the President/CEO.

The CEO has the option to delegate tasks to subordinates, but in so doing is not relieved of the responsibility. For support, the CEO has appointed a Group management team for consultation on important matters.

Risk Management and compliance functions

The risk management function is independent of business operations and is responsible for identifying, measuring, analysing and managing the Group's risks. The bank's Chief Risk Officer (CRO), who is appointed by the Board and reports to the CEO regularly informs the Board of Directors, ACCR, the CEO and Group management concerning risk issues. The risk management function has global functional responsibility and the CRO's activities are governed by a policy adopted by the Board of Directors.

Risk management at Carnegie is based on the principle of three lines of defence. The model distinguishes between functions that own risk and compliance (first line), functions that control risk and compliance (second line) and functions for independent audit (third line).

The Group Compliance function is also independent of operations. Compliance monitors and verifies compliance with laws, regulations and internal rules, provides information, advice and support to business operations related to compliance, identifies compliance risks and monitors the management of such risks. The Group Compliance Officer is appointed by the CEO and reports regularly to the CEO, Group management, ACCR and the Board of Directors. The Group Compliance Officer has global functional responsibility and the GCO's activities are governed by a policy adopted by the Board of Directors.

Internal audit

The primary duty of the Internal Audit department is to evaluate the adequacy and effectiveness of internal controls and risk management.

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

COMPENSATION POLICY

Skilled and dedicated employees are the key to creating value for Carnegie's clients and thus contributing to the company's long-term development and success. Carnegie's remuneration model is intended to support successful and long-term development of the Group. The model is also intended to reward individual performance and encourage long-term value creation combined with balanced risk-taking.

Remuneration policy

The Board of Directors of Carnegie has adopted a remuneration policy that covers all employees of the Group. The policy is based on a risk analysis performed annually by the Group risk management function under the direction of the CRO. The policy is revised annually.

Fixed remuneration

Fixed remuneration is the base of the remuneration model. Base salary depends on several parameters, such as the employee's competence, responsibility and long-term performance.

Variable remuneration for the Group and each unit

Total allocations for variable remuneration for the Group as a whole are based mainly on risk-adjusted earnings. The allocation of variable remuneration to the business areas and units is based on the extent to which operational targets have been achieved, market conditions and industry standards and risk-taking and risk management.

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

Individual performance assessment

Carnegie applies a corporate-wide annual process to evaluate individual employee performance. The assessment is made against predefined objectives and covers both financial and non-financial criteria. Any allocation of variable remuneration and possible increases in fixed salary are determined in relation to attainment of individual objectives, unit performance and Group performance.

Particularly regulated employees

In compliance with external regulations, Carnegie has identified 'Particularly regulated employees', who are employees who exert significant influence over the company's risks that could lead to significant impairment of earnings or financial position. Particularly regulated employees include executive management, employees in leading strategic positions, employees responsible for control functions and risk-takers, as defined by external regulations. For this group, 40–60% of variable remuneration is deferred for three to five years. The deferred portion may be withheld if criteria established in conjunction with the decision to allocate variable remuneration are not met. In addition, variable remuneration to this group may not exceed fixed remuneration.

Employees in control functions

The criteria for variable remuneration to employees who are responsible for control functions are designed to ensure their integrity and independence, which includes ensuring that remuneration is independent of the units subject to control.

Allocations to variable remuneration for 2018

Allocations of variable remuneration to staff in 2018 amounted to SEK 275 million (346) excluding social insurance fees. For the individuals defined as risk-takers by Carnegie, as explained above, 40–60% of variable remuneration is deferred for three to five years. For more information about remuneration in 2018, see Note 6 Personnel expenses.

Monitoring and control

Internal Audit performs an annual, independent review to ensure that the Group's remuneration complies with the remuneration policy and regulatory requirements and reports its findings to the Board no later than in conjunction with approval of the annual accounts.

Partnership

Employees of the Carnegie Group owned around 30 percent of equity in the parent company as of 31 December 2018. Employee ownership is an important aspect of generating commitment to the entire company's development and ensuring that employees have the same incentives as other owners to create long-term value. There are no ongoing incentive programmes in which employees are remunerated in shares or options.

Board of Directors

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

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

Group management

Björn Jansson
President and Chief Executive Officer since 2015

Born: 1963

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

Anders Antas
Chief Financial Officer (CFO) since 2018

Born: 1975

Previous experience: Several positions within Carnegie, including Head of Treasury and, most recently, Chief Operating Officer. 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.

Management changes
Henrik Rättzén, CFO, left Carnegie in June 2018.

Contents

Board of directors' report

The Board of Directors and CEO of Carnegie Holding AB (reg. no. 556780-4983) hereby present the annual report of operations in the parent company and the Group for the financial year 2018.

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 percent) and employees of Carnegie (30 percent), as of 31 December 2018.

MARKET & POSITION

Corporate transactions market

Equity capital market transactions (ECM)

The higher market volatility in 2018 gave rise to somewhat lower activity in equity capital market transactions in the Nordics. This included a decline in the number of IPOs compared to the record number in the preceding year.

Carnegie nevertheless continued to leverage its strong market position as an adviser and broker and was involved in more ECM transactions than any other firm in the Nordic market, including 13 of the major IPOs of the year (Thomson Reuters). In addition, Carnegie participated in two non-Nordic IPOS: the listing of Neoen in Paris and the Port of Tallinn's initial public offering on Nasdaq Estonia. The Nordic IPOs in which Carnegie was involved include Lime (SE), Calliditas (SE), NCAB (SE), Bygghemma (SE), Arion Bank (SE/IS), Elkem (NO), Oma Savings Bank (FI) and Altia (FI). Carnegie also participated in numerous equity investments, including Stora Enso (FI) on behalf of Solidium and SSAB (SE) for Industrivärden.

For the third consecutive year, Carnegie topped the rankings among advisers in equity capital market transactions in Sweden and the Nordics overall. (Kantar Sifo Prospera, Euromoney).

Mergers, acquisitions & sales (M&A)

In pace with the cooling trend for IPOs, Nordic market conditions for M&A became proportionately more favourable. Building on the momentum of an active market, Carnegie was involved in about 30 transactions during the year. This makes Carnegie one of the most frequently engaged advisers in connection with business sales and acquisitions (Thomson Reuters).

Carnegie participated during the year in deals including Shearwater GeoServices' (NO) acquisition of Schlumberger's marine seismic acquisition business (UK), Nordic Capital and Sampo's buyout of Nordax (SE), Orkla's takeover bid for Kotipizza (FI) and Jyske Bank's sale of Nordjyske Bank (DK).

Carnegie has an outstanding reputation among advisers in the Nordic M&A market (Kantar Sifo Prospera, Euromoney).

Nordic equity market (equity research & trading)

Trading volumes on the Nordic stock exchanges in 2018 ended on par with the preceding year. Carnegie increased its trading in Nordic equities and increased its market shares during the period (Fidessa). The regulatory impact of MiFID II, including the altered compensation structure for equity research and brokerage, was a prime concern for market players during the year. The impact on Carnegie was limited and total compensation did not change compared to the preceding year.

In parallel, Carnegie further strengthened its reputation during the year. According to most client surveys, Carnegie tops the rankings for equity research, equity sales and execution (Extel, Institutional Investors, Financial Hearings, Kantar Sifo Prospera).

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

The Nordic corporate bonds market was characterised by relatively good market conditions and high transaction volumes in 2018, apart from a distinct cooldown in the last quarter of the year. Carnegie acted as adviser in 18 transactions in 2018 across the Nordic market, including bond issues by Stillfront (SE), Lendify (SE) and Polygon (SE).

For the second year running, Carnegie was ranked first among all market providers in the High Yield segment in Kantar Sifo Prospera's annual customer survey.

Capital and wealth management market

The gradually increasing volatility in stock exchanges worldwide gave reason to progressively lower equity weights in Carnegie Private Banking's overall asset allocation. In parallel, overweight in alternative investments, including unlisted assets, created good investment opportunities for Carnegie's private investors during the year.

The positive development of the business persisted, with good net growth in the client base. Its attractiveness was also confirmed in external assessments. Carnegie defended its top ranking among Swedish private banking firms in both the annual Euromoney market survey and Kantar Sifo Prospera's annual customer evaluation.

As part of its growth strategy in Private Banking, Carnegie chose to open a new office in the autumn in Linköping, where the market base also includes the urban regions of Norrköping and Jönköping. Meanwhile, Carnegie exited the Luxembourg market when the sale of Banque Carnegie Luxembourg S.A. closed in January 2019.

Carnegie Private Banking has also successfully implemented the regulatory adaptations governed by MiFID II, which has resulted in an altered compensation structure within discretionary asset management.

Clients' assets under management (AuM) with Carnegie amounted to SEK 110 billion (110) at the end of the year, which is unchanged in relation to 2017, in spite of weaker stock market performance at the end of the year.

GROUP FINANCIAL PERFORMANCE

Group operating income amounted to SEK 2,423 million (2,472) for the full year of 2018, a decrease of 2 percent compared to the record-high income level in the preceding year. Operating expenses for the year amounted to SEK 1,736 million (1,571). Profit before tax amounted to SEK 390 million (463), a decrease of 16 percent year-on-year. Operating profit amounted to SEK 687 million (901), a decrease of 24 percent year-on-year.

Operating income statement January–December, SEKm	2018	2017
Continuing operations		
Investment Banking & Securities	1,759	1,822
Private Banking	664	650
Operating income	**2,423**	**2,472**
Personnel expenses before variable remuneration	-1,154	-1,037
Other expenses	-582	-534
Operating expenses	**-1,736**	**-1,571**
Operating profit	**687**	**901**
Financing expenses, variable remuneration, etc.	-297	-438
Profit before tax	**390**	**463**
Tax	-90	-124
Profit for the year from continuing operations	**300**	**339**
Discontinued operations		
Profit for the year from discontinued operations	-	7
Net profit for the year	**300**	**346**
Employees		
Average number of employees	600	590
Number of employees at the end of the year	606	598

See page 93 for definitions.

Income

Investment Banking & Securities

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

The business area is reporting income of SEK 1,759 million (1,822) for the full year. This is a decrease of 3 percent in relation to 2017, partially due to weaker development in equity capital market transactions. The strongest growth in terms of percentage is in M&A, with positive contributions from the operations in Sweden, Denmark and Finland. The equity research and brokerage services businesses performed well during the year, even though compensation structures were changed under new regulations. Carnegie's enhanced reputation along with higher trading volumes are contributing to persistently stable earnings.

Private Banking

Income in Private Banking is generated mainly from discretionary management, advisory services, commissions on sales of external equity funds, net interest income and charges related to securities transactions.

Income in Private Banking amounted to SEK 664 million (650) in 2018, an increase of 2 percent compared to 2017. The Swedish and Danish operations both contributed to the income growth, driven primarily by increased assets under management and higher transaction income.

However, the process of selling the business in Luxembourg entailed weaker earnings for the office during the year, which had negative impact on overall income performance for the business area.

The regulatory adaptation of MiFID II and the transition to a new compensation structure had limited impact on total income during 2018.

Costs

Operating expenses amounted to SEK 1,736 million (1,571), an increase of 10 percent in relation to the corresponding period last year. The increase was driven by staff reinforcements implemented to further enhance Carnegie's market position and growth strategy. The reinforcements are mainly in corporate advisory and private wealth management advisory. The average number of employees increased from 590 to 600. The increase is also related to items including investments in IT, system adjustments to meet new regulatory requirements and currency effects.

Profit

Profit before tax was SEK 390 million (463), a decrease of 16 percent year-on-year. Operating profit was SEK 687 million (901), down by 24 percent year-on-year.

Provisions for the costs of variable remuneration decreased due to lower profit. Profit after tax for the year decreased by 12 percent in relation to last year to SEK 300 million (339).

INVESTMENTS

Consolidated investments in fixed assets amounted to SEK 10 million (8) in 2018.

FINANCIAL POSITION

The Group's financial position is strong, owing to persistently good profitability and low exposure to financial risks. Two thirds of consolidated risk-weighted assets are comprised of operational risk and structural risk arising from ownership of foreign subsidiaries. Risk in the trading book makes up only 2 percent of consolidated risk-weighted assets.

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

The Common Equity Tier 1 capital ratio (CET1) and the capital adequacy ratio were both 24.2 percent (23.5). Further information and comparative figures are presented in Note 4. A more detailed description of Carnegie's capital adequacy is available online at www.carnegie.se.

The Group's financing comprises equity and deposits from the public. Equity and bonds account for 16 percent (16), deposits from the public account for 61 percent (58) and other debt accounts for 23 percent (26) of the balance sheet total.

DIVIDEND PROPOSAL

The Board of Directors of Carnegie is proposing that the 2019 annual general meeting endorse a cash dividend of SEK 115.295 per share. This corresponds to a total dividend of SEK 250 million.

Carnegie's dividend policy is that capital exceeding the desired and appropriate level of capital adequacy shall be distributed to shareholders. The Board of Directors' proposed dividend must take into account factors such as distributable funds, market situation and other capital requirements. The Board of Directors has determined that the proposed dividend is clearly justified with consideration given to the above. Carnegie's capital adequacy level is expected, even after the proposed dividend, to be sound and well-adapted to the demands with respect to the size of equity imposed by the nature, scope and risks associated with Group operations and the Group's consolidation requirements, liquidity and financial position in general.

Disposition of profit

At the disposal of the annual general meeting, SEK

Share premium reserve	683,165,000
Retained earnings	860,740,201
Net profit for the year	252,487,907
Total	**1,796,393,108**

The Board of Directors proposes the following disposition of profit:

Dividend to shareholders	250,000,000
To be carried forward	1,546,393,108
Total	**1,796,393,108**

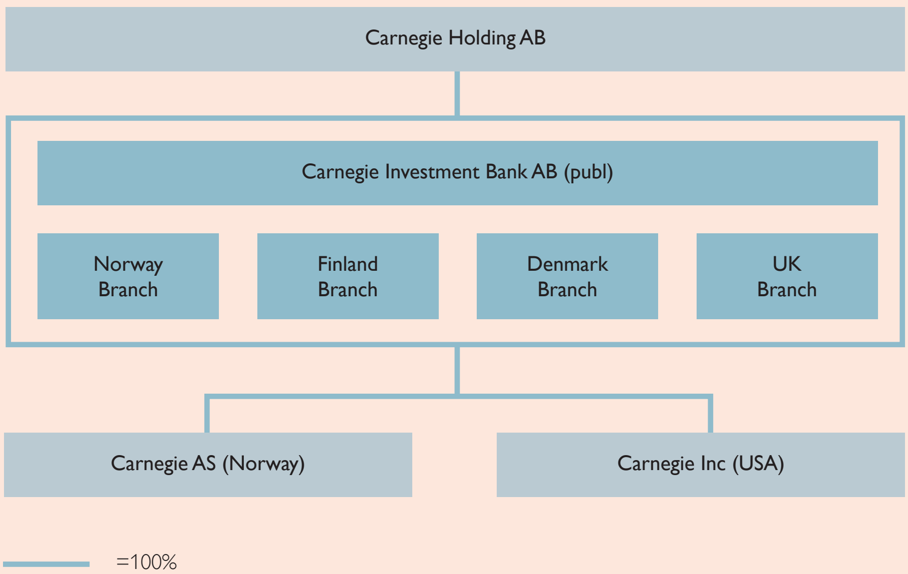
GENERAL INFORMATION ABOUT RISKS AND UNCERTAINTIES

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 50–54, and Note 28 Risk, liquidity and capital management.

EMPLOYEES

The Carnegie Group had a total of 606 (598) employees in seven countries at year-end 2018. Carnegie's unwavering ambition is to recruit and retain the best employees by means of active leadership, clear objectives and competitive remuneration systems and by creating a working environment that provides optimal opportunities for personal and professional development. Further disclosures concerning salaries and other remuneration for the parent company and the Group are provided in Note 6 Personnel expenses.

Legal structure as of 31/12/2018



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 is based on 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 2018 as a separate report, not incorporated in the board of directors' report. The sustainability report, which is found on pages 95-105 of Carnegie's Annual Report 2018, has been approved by the board of directors and was submitted to the auditor for review at the same time as the rest of the Annual Report.

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

SIGNIFICANT EVENTS IN 2018

Establishment in Linköping

Carnegie opened a new office in Linköping in September, as an aspect of the growth strategy in Private Banking. The establishment is focused on the urban regions of Linköping, Norrköping and Jönköping.

Changes in Group management

Anders Antas, formerly the COO, was appointed the new CFO and succeeded Henrik Rättzén, who left Carnegie in August.

AWARDS IN 2018

Carnegie can sum up 2018 with a leading position in all areas of operations.

Investment Banking & Securities

In 2018, Euromoney named Carnegie Best Investment Bank in Sweden and Denmark. In February 2018, Carnegie repeated last year's top placement and was once again ranked number one in Nordic equity research by global institutional investors according to Institutional Investors All-Europe. Global investors again rated Carnegie the highest among all firms in the market with regard to Nordic equity research, equity sales and corporate access. In addition, individual Carnegie analysts were ranked in the top ten of the most trusted analysts in the Nordics, according to Extel. Further successes in June were that Swedish institutions named Carnegie the best research house in Sweden for the fifth consecutive year, and Lena Österberg defended her position as the best individual analyst for the fourth year straight according to Financial Hearings. For the second consecutive year, Carnegie topped the rankings of institutions in the bond market in the High Yield category, according to Kantar Sifo Prospera. This was followed by new successes in October, when institutional clients in the Swedish market assessed Carnegie's Back Office capacity as the highest among all firms in the market, also according to Kantar Sifo Prospera. Capping off the year, institutional investors named Carnegie the best equity house in the Nordics overall and in the research and equity trading category.

Carnegie was also once again the number one adviser in the Nordic corporate transactions market and defended its top ranking in the Swedish market, all according to Kantar Sifo Prospera.

Private Banking

In February 2018, Carnegie was once again ranked first among Swedish Private Banking providers, according to Euromoney. In addition, Carnegie was ranked highest among Swedish private banking providers for the third year running, according to Kantar Sifo Prospera in October.

SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

External awards

Carnegie was once again ranked first among Swedish Private Banking providers in February 2019 in the annual Euromoney survey.

Sale of Banque Luxembourg S.A. closed

Carnegie announced in May 2018 the decision to sell its operations in Luxembourg to the Swiss bank Union Bancaire Privée (UBP). The transaction closed in January 2019.

OVERVIEW OF THE PARENT COMPANY

Net sales in the parent company amounted to SEK 0 million (0). Net financial income amounted to SEK 255 million (201) and the net profit for the period was SEK 252 million (199)

There were no investments in fixed assets during the period (-). Liquidity, defined as cash and lending to credit institutions, was SEK 2 million (2) as of 31 December 2018. Equity amounted to SEK 2,035 million (1,983) as of 31 December 2018.

Risk, liquidity and capital management

One of the expectations of external stakeholders for Carnegie's corporate social responsibility is that the bank will manage its risks in a sound and robust manner. A sound risk culture and robust risk management are critical to long-term financial success, for our clients and Carnegie's other stakeholders. As reflected in our risk profile, Carnegie has an explicitly low risk appetite. Our general risk strategy is to take conscious and controlled financial risks that support our advisory services business. This type of activity primarily drives non-financial risks, such as operational risk, compliance risk and reputational risk. Financial risks, such as market and credit risks, are generally low and the Group sustained no losses of material size in 2018.

RISK MANAGEMENT

Risk management at Carnegie is based on the principle of three lines of defence. The model distinguishes between functions that own risk and compliance (first line), functions that control risk and compliance (second line) and functions for independent audit (third line).

The fundamental principle is that responsibility for risk management and control always resides with the source of the risk. This means that every employee is responsible for managing risks in their own area of responsibility. As such, risk management encompasses all employees, from the CEO and other senior executives and employees.

Beyond the control and monitoring performed by the business units, Carnegie has three control functions that are independent from business operations: Risk Management, Compliance and Internal Audit. Risk Management and Compliance supervise risk management and regulatory compliance within the business areas. The third arm, Internal Audit, is responsible for verifying that the business areas and the other control functions perform their tasks as required. In addition, the external auditors perform independent audits of the company's risk management and control environment.

Risk management in the business areas

The first line of defence comprises the business areas and support functions under the guidance of operational managers. As the first line of defence, each operational unit bears full responsibility for the risks associated with their operations. Members of operational staff know their clients best and it is they who take ongoing business decisions. They are thus in the best position to assess risks and react swiftly if a problem should arise. In order to maintain good control over their risks, the business areas, assisted by the support functions within the first line of defence, perform active risk management and ongoing control activities. These activities include credit risk decisions, decision and payment authorisation rules, verification, reconciliation and effective allocation of responsibility and tasks in processes and procedures.

Risk management and compliance

The control functions in the second line of defence are responsible, among else, for preparing corporate-wide processes and procedures to ensure that risks are managed in a structured way. The rules for risk management and regulatory compliance are described in policies and instructions that are adopted by management and the Board of Directors.

The risk management function is responsible for controlling risk management by the business areas and ensuring that the level of risk is in line with the risk appetite and tolerance as determined by the Board of Directors. The risk management function is headed by the Chief Risk Officer (CRO) who reports directly to the CEO and the Board of Directors. The Group risk management function performs corporate risk management. This includes developing the risk process and risk management methods and monitoring 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 of Directors and Group management. This includes the scenario analysis and stress tests performed within the framework of the annual internal capital and liquidity adequacy assessment (ICLAAP) process.

The compliance function's remit includes verifying operational compliance with laws, regulations and internal rules. The regulatory areas that are particularly time-consuming concern the Markets in Financial Instruments Directive (MiFID) and regulations intended to prevent money laundering and market abuse. Control procedures are carried out independently of business operations. The tasks of the compliance function include interpreting applicable rules, informing relevant functions about regulatory changes, assisting the business operations with drafting internal rules and supporting business operations and management with advice and support related to compliance.

Carnegie's compliance function is headed by the Group Compliance Officer (GCO), who reports directly to the CEO and the Board of Directors. The compliance function also comprises compliance officers at each subsidiary and branch. The local functions report to the CRO as well as local management, presidents and boards of directors.

Internal audit

Internal Audit constitutes the third line of defence. Its remit is to systematically assess and verify the adequacy and effectiveness of internal control and risk management from a regulatory perspective and risk-based approach. This responsibility includes verifying that both the operations in the first line of defence and independent control functions within the second line of defence are functioning satisfactorily. Internal Audit is independent from the business operations and reports directly to the Board of Directors. The principles that govern the work of the Internal Audit department are reviewed and approved annually by the Board Audit Committee and adopted by the Board of Directors.

External audit

External audit's tasks include assessing the risk of errors in the financial statements and, to the extent that it affects the annual report, monitoring the company's compliance with the risk appetite statement adopted by the Board of Directors.

RISK AREAS

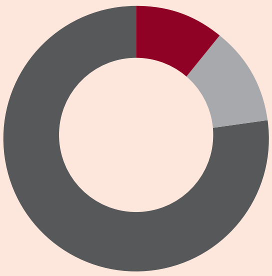
Risk represents uncertainty that may adversely impact Carnegie, for example in the form of financial loss or damaged reputation. Carnegie's operations primarily entail exposure to the following risk categories: market risk, credit risk, liquidity risk, operational risk, compliance risk, sustainability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

Carnegie's risk profile is an effect of the bank's operations in the various business areas and the risks that arise in the internal banking business, primarily the bank's own liquidity management.

As shown on the chart below, a small fraction, 11 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 12 percent, of which the majority is comprised of risks against credit institutions. Other risk-weighted assets of 77 percent represents risks that arise in banking operations, such as operational risks and structural currency risks in the equity of the bank's subsidiaries.

Risk profile



Market risk

Market risk is the risk of loss due to movements in prices and volatility in the financial markets.

Carnegie offers its clients a range of sophisticated financial services and products in several markets. The offering includes 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 first-line management are monitored by the financial risk department.

2018 was characterised by higher volatility than in 2017 and the year was more dramatic for some individual stocks, with large price movements. In spite of a volatile market, there were no significant earnings hits to the bank's trading book during the year.

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 is found in positions in held and issued options that arise after activities within client facilitation or market making.

Currency risk

Carnegie's currency risk 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 rate risk arises both in the trading book and in other operations. Interest rate risk in the trading book is defined as the risk of losses due to changes in interest rates. Interest rate risk in the trading book primarily arises from positions in bonds and, to a certain extent, derivatives. As necessary, these risks are hedged with interest-bearing instruments. Interest rate risk in other operations is the risk that net interest income and interest-bearing instruments in the banking book will be adversely affected by changes in market rates. The risks generally arise when the fixed-interest terms of assets and liabilities do not coincide. Carnegie's lending and deposits are mainly at variable rates.

Credit risk

Credit risk is the risk of loss due to failure of the Group's counterparties to fulfil contractual obligations. As part of this risk category, concentration risk is managed that arises from concentrations in the credit portfolio against a single counterparty, industrial sector or geographical region or from concentrations in pledged collateral.

Carnegie's exposure to credit risk originates mainly from margin lending, securities lending and exposure to central banks and major banks, primarily Nordic institutions, via the bank's Treasury and Cash Management Department. The majority of exposure towards non-financial counterparties is secured by collateral in liquid securities. In order to manage adverse movements in the securities market, collateral values are set based on the risk nature of the collateral. Collateral value is monitored daily. Exposure to central banks and Nordic institutions arises primarily when Carnegie places its surplus liquidity and through collateral pledged for client-driven securities trading.

Credit-related services are offered within the business area of Investment Banking & Securities as part of the business area's normal operations and business strategy. The assurance of a secondary market for structured instruments provided by Carnegie gives rise to credit risk in relation to the issuing counterparty.

The majority of the Group's credit risk exposure is against strong financial counterparties arising from liquidity management. Margin lending accounts for the majority of other exposure.

In most cases, the aim of margin loans is that they constitute part of an investment strategy. The counterparties in this portfolio are mainly characterised as private individuals whose financial position and capacity to repay are good. Accordingly, the credit risk in this segment is low, which is further reinforced by the high-quality cover pool in the pledged securities custody accounts. The quality of the cover pool is a result of the policies and instructions applied by the Group, which cover matters including loan-to-value and liquidity requirements. The percentage of unsecured margin loans is low and the loan agreements are primarily on an indefinite basis. The credit risk in this portfolio is regularly stress-tested for market volatility and, as needed, in connection with major price movements in the securities markets.

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 2018 was essentially on par with 2017. 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 and municipalities. The cover pool within the credit portfolio for margin lending is well-diversified and no credit losses arose during the year.

Credit policy

The credit policy sets the frameworks for managing credit risk, concentration risk and settlement risk and reflects the risk appetite established by the Board of Directors. The policy establishes that credit operations shall be based on:

- Counterparty assessment: Credit decisions are based on careful assessment of the credit risk. This includes assessment of the counterparty's financial position, repayment capacity and the quality of pledged collateral.
- Collateral: Collateral for exposures consists mainly of cash deposits, liquid financial instruments, residential property or bank guarantees. When collateral value is determined, Carnegie must always have first priority on pledge and thereby not be subordinated to other creditors.
- Diversification: The credit portfolio must be diversified with regard to individual counterparties, industrial sectors, regions and with regard to pledged collateral. This applies at the individual counterparty level, the aggregate limit level and up to the level for the various legal entities within the Group.
- Sound principles: Credit approvals are based on sound banking principles and high ethical standards. Legal principles and generally accepted methods must not be jeopardised in any way.

Settlement risk

Settlement risk is the risk that the bank will fulfil its obligations in a contractual exchange of financial assets but fail to receive the corresponding settlement in return. Settlement risk is driven primarily by trading in securities on behalf of clients.

Settlement risk within the Group is managed primarily via central clearing partners, where transactions are settled according to the delivery versus payment system. In a few cases, deals are settled outside the system of central clearing partners after the counterparty risk has been assessed by a competent authority. Settlement risk is therefore limited to the potential cost of replacing counterparties in the transaction and is affected by movements in the market price of the underlying instrument.

Operational risk

Operational risk is the risk of loss resulting from an inappropriate organisation, the human factor, inadequate or failed internal processes/systems or external events. The definition includes legal risk.

Operational risk includes cyber risk. Developments in this area are swift and cyber attacks are becoming increasingly common. Managing cyber risks is therefore an important focus area for Carnegie. In addition to technical protective measures, clear rules and guidelines, clear communication to maintain risk awareness among employees and monitoring compliance with rules and procedures are key components of cyber risk management at Carnegie.

Operational risk may arise from many different factors. These encompass a wide range of circumstances related to everything from transaction processes, internal or external fraud and system errors to natural disasters. These types of risks can be difficult to define and quantify. If left unmanaged, operational risk could, in the worst case, lead to consequences of sufficient magnitude to cause grave problems and significant losses. It is therefore imperative that potential operational risks are understood and assessed.

To manage the operational risks of the business, Carnegie has established a corporate-wide framework that encompasses policies and standardised processes for identifying, assessing and reporting operational risk.

The framework is based on a variety of components including the following key processes:

- Self-assessment: Each unit within Carnegie regularly conducts a self-assessment exercise in which operational risks in all significant processes are identified, assessed and analysed. The purpose of this analysis is to raise awareness of operational risks and to address significant risks.
- Incident reporting: To assist in the identification, management and assessment of operational risk, Carnegie has developed a system for reporting of operational risk events, referred to as incidents. All employees have a responsibility to report incidents and managers are responsible for addressing unacceptable risks within their area of responsibility. The risk management function follows up on and analyses incidents.
- Approval of new products and services: Carnegie has a standardised process for examining and approving new products and services and major changes to existing products and services. The procedure involves a review of risks and controls related to new products in which all the concerned functions are involved and give their approval before the product is introduced. The purpose of the process is to ensure that potential operational risks are identified and addressed prior to product launch.

Improving and further developing operational risk management is a continuing process. This effort is managed by the Group Operational Risk Manager at the group level. Ultimately, however, the responsibility for managing operational risk lies where the risk arises. This means that each employee is responsible for managing the risks within their area of responsibility with the support of the risk management function. Raising risk awareness among all employees is therefore a key component of operational risk management.

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 and working to predict sustainability risks is important from the financial and legal perspectives, but also as regards Carnegie's reputation. 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 nonconformances with internal or external regulations. Reports made in the whistle-blower system are confidentially handled by the Head of Internal Audit.

Further information about Carnegie's sustainability work is provided in the Sustainability Report, which is published on pages 95–105.

Compliance risk

Compliance risk is the risk of regulatory sanctions, financial losses or damaged reputation due to noncompliance with rules and regulations.

Carnegie's business is subject to extensive legislation and regulations intended to provide strong consumer protection and secure the stability of the financial system. Carnegie works on an ongoing basis to monitor these in order to ensure compliance.
Examples of such regulations of particular importance to Carnegie are:

- IFRS 9 and BCBS d350: Accounting standard and guidance on credit risk practices.
- AML/KYC: Rules on measures against money laundering, 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.

Maintaining the trust of our clients and supervisory authorities is a prerequisite for Carnegie's operations. Inadequate regulatory compliance may have far-reaching consequences in the form of both legal sanctions and damaged reputation. Management of compliance risk is thus a key component of overall risk management at the bank. Within Carnegie, this work involves, but is not limited to, the following:

- The established Compliance Function, which has particular responsibility for ensuring regulatory compliance.
- Regular monitoring of regulatory changes, in particular through membership in various industry organisations, such as the Swedish Securities Dealers Association and SwedSec.
- Carnegie works proactively to prevent market abuse and money laundering.
- 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.

LIQUIDITY AND FINANCING

At year-end, 16 (16) percent of Carnegie's financing was comprised of equity, while deposits from the public accounted for 73 (73) percent and other debt accounts for 11 (11) percent of the balance sheet total.

The stable financing in the form of equity and deposits and borrowing from the general public was considerably greater at year-end than Carnegie's total lending. The loan-to-deposit ratio for the Group was 30 (35) percent.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations or be able to do so only at substantially higher cost.

Carnegie maintains a liquidity reserve to ensure that it can meet its payment obligations in a stress scenario. The reserve exceeds the expected maximum net cash flow over a 30-day period of severe stress. Stress tests are designed to evaluate the potential effects of a series of extreme but possible events. Liquidity is monitored daily by Carnegie's Treasury Department and forecasts are prepared regularly.

CAPITAL MANAGEMENT

Carnegie's profitability and financial stability are directly dependent upon the ability to manage risks in the business. Aimed at maintaining good financial stability even in the face of unexpected losses, Carnegie has designed an internal capital target. The target is set by the board based on regulatory requirements and the internal assessment of capital needs. In addition to the capital target, Carnegie has a recovery plan that describes the possible measures that can be taken in the event of a strained financial situation.

The group's financial position remains strong with a common equity Tier 1 capital ratio of 24.2 percent (23.5) and capital adequacy of 24.2 percent (23.5).

Pillar 1 – Minimum capital requirements

Carnegie must at all times have a capital base that, at minimum, is equal to the total of the capital requirements for credit risk, market risk and operational risk. Capital adequacy regulations provide several options to choose among different methods when calculating the size of capital required. Carnegie applies the standard method for calculating credit risk, standardised methods for market risk and the base indicator approach for operational risk.

Pillar 2 – Risk assessment

Carnegie has processes and methods that enable continuous assessment and maintenance of capital that is adequate in terms of amount, type and allocation to cover the nature and level of the risks to which the Group is currently exposed or may become exposed. As part of the ICAAP, an extensive risk analysis is performed, encompassing all potential risks that may arise within Carnegie. The Board of Directors and senior management participate throughout the process by contributing to identifying and analysing risks, defining scenarios and stress test methods and approving the final capital requirement.

Pillar 3 – Public disclosure

In accordance with capital adequacy regulations, Carnegie must disclose information about its capital adequacy and risk management. Additional disclosures concerning Carnegie's capital adequacy in 2018 are provided in the Capital Adequacy and Liquidity Report, available at www.carnegie.se.

Five-year review

GROUP

INCOME STATEMENT, SEKm	2018	2017	2016	2015	2014
Continuing operations					
Total income	2,448	2,472	2,153	1,908	1,732
Personnel expenses	-1,480	-1,473	-1,396	-1,278	-1,147
Expenses	-582	-538	-441	-441	-437
Expenses before credit losses	-2,062	-2,011	-1,837	-1,719	-1,584
Profit before credit losses	**386**	**461**	**316**	**190**	**148**
Credit losses, net	4	2	26	4	25
Profit before tax	**390**	**463**	**342**	**194**	**173**
Tax	-90	-124	-76	-88	-49
Profit for the year from continuing operations	**300**	**339**	**266**	**106**	**124**
Discontinued operations					
Profit for the year from discontinued operations	–	7	120	108	111
Net profit for the year	**300**	**346**	**386**	**214**	**235**

FINANCIAL KEY DATA, CONTINUING OPERATIONS	2018	2017	2016	2015	2014
C/I ratio, %	84	81	85	90	91
Income per employee, SEKm	4.1	4.2	3.5	3.2	3.0
Expenses per employee, SEKm	3.4	3.4	3.0	2.9	2.7
Profit margin, %	16	19	16	10	10
Assets under management, SEKbn	110	110	100	92	80
Return on equity, %	16	22	21	5	7
Total assets, SEKm	12,611	12,254	11,195	10,896	11,007

CAPITAL BASE, SEKm	2018	2017	2016	2015	2014
Common equity Tier 1 capital ratio (CET1), %	24	23	20	18	20
Equity, SEKm	2,024	1,917	1,677	2,088	2,369

EMPLOYEES, CONTINUING OPERATIONS	2018	2017	2016	2015	2014
Average number of employees	600	590	609	591	580
Number of employees at the end of the year	606	598	610	607	584

1) The historical overview is based on legal financial reports. Discontinued operations include the fund business for the years 2014-2016 and operations within third-party distribution of structured products for the years 2014-2017.

Consolidated statements of comprehensive income

SEK 000s	Note	Jan–Dec 2018	Jan–Dec 2017
Continuing operations			
Commission income	1	2,417,172	2,421,395
Commission expenses		-25,062	-26,575
Net commission income	2	**2,392,110**	**2,394,820**
Interest income	1	80,343	85,730
Interest expenses		-48,247	-42,297
Net interest income	3	**32,096**	**43,433**
Net profit from financial transactions	1, 5	23,727	34,613
Total operating income		**2,447,933**	**2,472,866**
Personnel expenses	6	-1,479,840	-1,473,054
Other administrative expenses	7	-558,389	-513,226
Depreciation and amortisation of tangible and intangible assets	8	-23,283	-25,377
Total operating expenses		**-2,061,512**	**-2,011,657**
Profit before credit losses		**386,421**	**461,209**
Credit losses, net	9	3,501	1,719
Profit before tax		**389,922**	**462,928**
Tax	10	-90,040	-123,837
Profit for the year from continuing operations		**299,882**	**339,091**
Discontinued operations			
Profit for the year from discontinued operations	32	–	7,228
Net profit for the year		**299,882**	**346,319**
Other comprehensive income from continuing operations			
Items that may subsequently be reclassified to the income statement:			
Translation of foreign operations		16,533	-5,653
Total comprehensive income for the year		**316,415**	**340,666**

Consolidated statements of financial position

SEK 000s	Note	31 Dec 2018	31 Dec 2017
Assets			
Cash and bank deposits with central banks		67,980	65,776
Negotiable government securities	11, 12	2,034,067	1,786,699
Loans to credit institutions[1]	11	2,424,408	2,199,134
Loans to the general public	11	2,088,295	1,804,951
Bonds and other interest-bearing securities	11, 12, 13	2,736,907	2,316,418
Shares and participations	12, 13	287,424	820,036
Derivative instruments	12	34,201	24,098
Intangible assets	15	2,645	7,947
Tangible fixed assets	16	40,635	43,001
Current tax assets		32,913	32,418
Deferred tax assets	17	213,453	297,793
Other assets	18	668,594	610,514
Prepaid expenses and accrued income	19	201,868	89,042
Assets held for sale	32	1,777,888	2,264,909
Total assets	23	**12,611,278**	**12,362,736**
Liabilities and equity			
Liabilities			
Liabilities to credit institutions	11	29,808	–
Deposits and borrowing from the general public[1]	11	7,729,043	7,212,930
Short positions, shares	12	7,449	36,807
Derivative instruments	12	9,144	12,739
Current tax liabilities		5,137	15,935
Deferred tax liabilities	17	3,040	309
Other liabilities	20	580,138	312,599
Accrued expenses and prepaid income	21	602,672	743,177
Other provisions	22	64,115	110,110
Liabilities held for sale	32	1,557,156	2,000,656
Total liabilities	23	**10,587,702**	**10,445,264**
Equity			
Share capital	34	238,811	238,811
Other capital contributions		683,165	683,165
Provisions		-99,064	-115,597
Retained earnings		1,200,664	1,111,093
Total equity		**2,023,576**	**1,917,472**
Total liabilities and equity		**12,611,278**	**12,362,736**
Pledged assets and contingent liabilities	24		
Assets pledged for own debt		681,980	670,643
Other pledged assets		541,629	1,085,816
Contingent liabilities and guarantees		672,739	444,747

1) Whereof client funds 507,281 (478,520)

Consolidated statement of changes in equity

	ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS				
SEK 000s	Share capital	Other capital contributions	Translation reserve	Retained earnings	Total
Equity – opening balance 2017	**238,811**	**683,165**	**-109,944**	**864,774**	**1,676,806**
Net profit for the year				346,319	346,319
Other comprehensive income:					
Translation differences relating to foreign operations			-5,653		-5,653
Total comprehensive income (net after tax)			**-5,653**	**346,319**	**340,666**
Dividends paid				-100,000	-100,000
Equity – closing balance 2017	**238,811**	**683,165**	**-115,597**	**1,111,093**	**1,917,472**
Net profit for the year				299,882	299,882
Other comprehensive income:					
Translation differences relating to foreign operations			16,533		16,533
Total comprehensive income (net after tax)			**16,533**	**299,882**	**316,415**
Initial effect of transition to IFRS 9				-10,311	-10,311
Dividends paid				-200,000	-200,000
Equity – closing balance 2018	**238,811**	**683,165**	**-99,064**	**1,200,664**	**2,023,576**

Parent company income statement

SEK 000s	Note	Jan-Dec 2018	Jan-Dec 2017
Net sales	1	44	–
Other external costs	7	-834	-597
Personnel expenses	6	-930	-1,093
Operating loss		**-1,719**	**-1,690**
Interest income and similar income	1, 3	–	0
Interest expenses and similar expenses	3	-81	-4,355
Profit/loss from investments in subsidiaries	4	255,000	205,000
Net financial income/expenses		**254,919**	**200,645**
Profit before tax		**253,200**	**198,955**
Tax	10	-712	-93
Net profit for the year		**252,488**	**198,862**

Parent company statement of other comprehensive income

SEK 000s	Jan–Dec 2018	Jan–Dec 2017
Net profit for the year	252,488	198,862
Other comprehensive income	–	–
Total comprehensive income for the year	**252,488**	**198,862**

Parent company balance sheet

SEK 000s	Note	31 Dec 2018	31 Dec 2017
Assets			
Shares and participations in Group companies	14	1,780,084	1,780,084
Deferred tax assets	17	1,026	1,739
Total non-current financial assets		1,781,110	1,781,823
Receivables from Group companies	26	255,000	205,000
Current tax assets		1,397	1,397
Other current receivables		4,966	7,994
Cash and bank balances		1,526	1,605
Total current assets		262,889	215,996
Total assets		**2,043,999**	**1,997,819**
Equity and liabilities			
Share capital	34	238,811	238,811
Share premium reserve		683,165	683,165
Retained earnings		860,740	861,878
Net profit for the year		252,488	198,862
Total equity		**2,035,204**	**1,982,716**
Pension provisions		4,796	7,826
Total provisions		4,796	7,826
Liabilities to Group companies		3,415	6,927
Other current liabilities		18	14
Accrued expenses and prepaid income	21	566	336
Total current liabilities		3,999	7,277
Total liabilities		**8,795**	**15,103**
Total equity and liabilities		**2,043,999**	**1,997,819**
Pledged assets and contingent liabilities	24		
Assets pledged for own debt		–	–
Other pledged assets		–	–
Contingent liabilities and guarantees		112,509	112,509

Parent company statement of changes in equity

SEK 000s	Share capital	Share premium reserve	Retained earnings	Total
Equity – opening balance 2017	**238,811**	**683,165**	**961,878**	**1,883,854**
Net profit for the year			198,862	198,862
Total income and expenses for the year			**198,862**	**198,862**
Dividends paid			-100,000	-100,000
Equity – closing balance 2017	**238,811**	**683,165**	**1,060,740**	**1,982,716**
Net profit for the year			252,488	252,488
Total income and expenses for the year			**252,488**	**252,488**
Dividends paid			-200,000	-200,000
Equity – closing balance 2018	**238,811**	**683,165**	**1,113,228**	**2,035,204**

Cash flow statements

	GROUP[1]		PARENT COMPANY	
SEK 000s	**2018**	**2017**	**2018**	**2017**
Operating activities				
Profit before tax	389,922	465,656	253,200	198,955
Adjustments for items not affecting cash flow	-10,133	55,752	-255,000	-205,000
Paid income tax	-20,904	-41,435	7	1,293
Cash flow from operating activities before changes in working capital	358,885	479,973	-1,793	-4,752
Changes in working capital	416,285	-594,220	1,714	4,900
Cash flow from operating activities	775,170	-114,247	-79	148
Investing activities				
Acquisition of fixed assets	-8,730	-8,351	–	–
Cash flow from investing activities	-8,730	-8,351	–	–
Financing activities				
Dividends paid	-200,000	-100,000	–	–
Amortisation of subordinated liabilities	–	-162,119	–	–
Cash flow from financing activities	-200,000	-262,119	–	–
Cash flow for the year	**566,440**	**-384,717**	**-79**	**148**
Cash and cash equivalents at beginning of year[2]	3,797,842	4,129,229	1,605	1,457
Translation differences in cash and cash equivalents	103,634	53,330	–	–
Cash and cash equivalents at end of year[2]	**4,467,916**	**3,797,842**	**1,526**	**1,605**

1) The consolidated statements of cash flows include discontinued operations up to and including the date of divestment.
2) Excluding cash and cash equivalents pledged as collateral.

For further disclosures concerning cash flow statements, see Note 30.

Accounting policies

General information

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

Carnegie is a Nordic investment and private bank with operations in three business areas: Securities, Investment Banking and Private Banking. Carnegie offers financial products and services to Nordic and international clients from offices in seven countries: Sweden, Denmark, Norway, Finland, Luxembourg, the UK and the US.

Carnegie Holding AB is owned by the fund Altor Fund III and employees of Carnegie.

Basis for preparing financial statements

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU, with the exception of *IFRS 8 Operating Segments and IAS 33 Earnings Per Share*, for which application is not mandatory for entities whose shares are not publicly traded. Also applied were applicable interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU; *The Swedish Act on Annual Reports of Credit Institutes and Securities Companies* (ÅRKL 1995:1559); recommendation RFR 1 *Supplementary Accounting Regulations for Corporate Groups* issued by the Swedish Financial Accounting Standards Council; and the *Regulations and general recommendations regarding annual reporting of credit institutions and securities companies* issued by The Swedish Financial Supervisory Authority (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.

Carnegie Fonder AB was sold in April 2016, operations within third-party distribution of structured products (Structured Products) were sold in 2017 and the decision to sell Banque Carnegie Luxembourg S.A (Luxembourg) was announced in May 2018. The transaction closed in January 2019. Structured Products is presented as discontinued operations in the Consolidated statements of comprehensive income for 2017 and in the Five-year review for the years 2014-2017. Carnegie Fonder AB is presented as discontinued operations in the Five-year reviewfor the years 2014-2016. Assets and liabilities attributable to Luxembourg are presented separately in the Consolidated statements of financial position as a disposal group for both 2018 and 2017. Supplementary disclosures concerning Luxembourg and Structured Products are presented in Note 32.

The financial statements for the Group and the parent company are presented in thousands of Swedish krona (SEK 000s). The parent company's functional currency is the Swedish krona (SEK). Accounting policies for the parent company are presented below under "Parent company accounting policies".

New and amended accounting standards and interpretations

A number of new standards and amendments to existing standards took effect during the 2018 financial year.

IFRS 9, Financial Instruments has superseded *IAS 39, Financial Instruments: Recognition and Measurement*. The standard introduces new rules for recognition, classification and measurement, loss allowances for credit losses and general hedge accounting. The new model for estimating loss allowances is based on expected credit losses and considers all available relevant information, including information about past events, current economic conditions at the reporting date and forecasts of future economic conditions. The new rules reduced consolidated equity by SEK 10 million as of 1 January 2018.

As regards classification of financial assets, the following changes to classification applied to the Group:

Classification of financial assets at 31 December 2018, SEKm[1]

Assets held for trading	3,765
Investments held to maturity	1,457
Loan receivables and accounts receivable	6,654
Total financial assets	**11,876**

1) See also Note 23

Classification of financial assets at 1 January 2019, SEKm

Amortised cost	10,977
Fair value through profit and loss[2]	899
Total financial assets	**11,876**

2) Comprises shares and participations, derivative instruments and fixed income structured products

IFRS 15 Revenue from Contracts with Customers is a new standard for revenue recognition that supersedes previous standards and interpretations on revenue recognition. The standard has no material impact on the consolidated financial statements in terms of either amounts or differences in periodicity.

Standards, amendments and interpretations that have not yet taken effect

IFRS 16 Leases, which applies to reporting periods beginning on or after 1 January 2019 will supersede *IAS 17 Leases* and the associated interpretations *IFRIC 4*, *SIC-15* and *SIC-27*. The standard requires all assets and liabilities attributable to leases, with a few exceptions, to be reported on the balance sheet. Accounting is based on the perspective that the lessee has a right to use an asset during a specific time period and a concurrent obligation to pay for that right. Accounting for the lessor will remain unchanged in all material respects.

The Group will apply the standard from 1 January 2019 and intends to apply the modified retrospective approach to the transition. Comparative figures will not be restated. Rights-of-use are measured at an amount corresponding to the lease liability adjusted for prepaid and accrued leasing charges. For the Group, the standard primarily covers leases for premises. The lease liability as of 31 December 2018 amounts to SEK 280 million and will be included in the balance sheet as of 1 January 2019.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidation principles

Subsidiaries

The consolidated financial statements include the parent company and all companies over which the parent company directly or indirectly exercises a controlling influence. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect the 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 intragroup unsettled balances, are eliminated in the consolidated financial statements. When necessary, the accounting policies of subsidiaries are modified in order to achieve greater agreement with Group accounting policies. The equity portion of untaxed reserves is recognised in equity as retained earnings. The tax portion of untaxed reserves is recognised as a deferred tax liability based on the current tax rate in each country.

Subsidiaries are recognised according to the purchase method. This means that identifiable acquired assets, liabilities and contingent liabilities are measured at fair value on the acquisition date. The surplus, comprising the difference between the cost of the acquired shares and the sum of the fair value of the identifiable acquired net assets, is recognised as goodwill. If the cost is less than the fair value of the acquired subsidiary's net assets, the difference is recognised directly in profit and loss. The cost of a subsidiary corresponds to the sum of the fair value of purchased assets, accrued or assumed liabilities and the equity instruments that the purchaser has issued in exchange for the controlling influence in the subsidiaries. Minority interests in the acquired company are initially measured as the minority share of the net fair value of the recognised assets, liabilities and contingent liabilities.

Foreign currency

The accounts of subsidiaries and branches are stated in their functional currencies, which in Carnegie's case is the same as local currency, meaning the currency used in the primary economic environment in which the subsidiary or branch operates.

Transactions in foreign currency are translated at average rates. Monetary assets and liabilities in foreign currency (such as accounts receivable and accounts payable) are translated at the closing date rate, and the exchange rate differences thus arising are recognised in profit and loss. Exchange rate differences recognised in profit and loss are included in the item "Net profit/loss from financial transactions at fair value".

In preparing the consolidated accounts, the balance sheets of foreign subsidiaries and branches are translated to SEK at the closing date rate, while the income statements are translated based on the average rate for the period. The translation differences thus arising are recognised in "Other comprehensive income" and become a component of equity.

Revenue recognition

Revenue is recognised in profit and loss when it is probable that future economic benefits will be received and these benefits can be reliably estimated. Revenue is normally recognised during the period in which the service was performed. Performance-based fees and commissions are recognised when the income can be reliably estimated.

Commission income mainly includes brokerage fees and advisory income within Private Banking and Investment Banking. These services are recognised in profit and loss when the services have been performed and when it is probable that the future economic benefits will accrue to the company and the benefits can be reliably estimated.

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 EU rules, guaranteed variable remuneration (sign-on bonus) is paid only in connection with new recruiting and the service period is limited to one year.

Remuneration principles for the Group are described in the Corporate governance section, pages 40–42.

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.

Leases

Financial leases are contracts according to which the economic benefits and risks associated with ownership of the leased asset are transferred in all significant respects from the lessor to the lessee. Leases that are not financial are classified as operational. At present, Carnegie only has operational leases.

Lease charges paid for operational leases are expensed straight-line over the leasing period. Variable fees are recognised as expenses in the period in which they arise. In cases where the Group receives benefits (such as rent rebates) upon entering an operational lease, such benefits are initially recognised as a liability and thereafter as a reduction in leasing charges straight-line over the leasing period, unless some other systematic method better reflects the benefit to the Group over time.

Current and deferred income tax

Tax expense/income for the period is the sum of current and deferred tax. Taxes are recognised in profit and loss except when the tax refers to items reported in Other comprehensive income or is charged directly against equity. In such cases, the tax is also reported in Other comprehensive income or, respectively, equity. Current tax is the tax that is calculated on taxable profit for a reporting period. Taxable profit for the year differs in comparison with recognised profit before tax, since taxable profit is adjusted for non-deductible expenses and non-taxable income and other adjustments, such as a result of double-taxation agreements with other countries. The Group's current tax liability is calculated according to the tax rates established or substantively approved (announced) in each country on the closing date.

Deferred tax is reported according to the balance sheet method, by which deferred tax liabilities are recognised in the balance sheet for all taxable timing differences based on differences between carrying amounts and values for taxation of all assets and liabilities. Deferred tax assets are included on the balance sheet for 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 recognised with a net amount 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 financial assets and liabilities depends on the intention with the acquisition of the financial item. The categories within IFRS 9 applied by Carnegie are amortised cost and fair value through profit or loss.

Financial assets are initially measured at fair value plus transaction costs, which applies to all financial assets not measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are initially recognised at fair value, while attributable transaction costs are recognised in profit or loss.

Financial assets and financial liabilities held in the trading book are measured after acquisition date at fair value through profit and loss. If market prices in an established marketplace are available, they are used for measurement. When there is no active market or when quoted prices are temporarily unavailable, Carnegie determines the fair value using various measurement techniques. These methods include Black-Scholes-based models. A number of parameters are included in these models, such as assumptions about volatility, interest rates and dividends, which are obtained from observable market data to the greatest extent possible. Changing the assumptions with regard to these parameters may affect the recognised value of the financial instrument. The assumptions used are in accordance with the instructions defined by the Capital, Risk and Credit Committee (CRC). The measurement methods are primarily used to measure derivative instruments. Measurements of derivative instruments are regularly validated by the internal risk control function and quarterly by an external independent party.

The above models are applied consistently from one period to the next to ensure comparability and continuity in measurements over time. Each new measurement model is approved by Group Risk Management and all models are reviewed regularly. For financial instruments for which the fair value deviates from the carrying amount, information regarding the fair value is provided in a note.

Cash and bank deposits with central banks

Cash and balances with central banks are categorised as loans and accounts receivable and measured at amortised cost.

Loans to credit institutions

Lending to credit institutions consist 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. Allowances are made for expected credit losses after individual assessment. Allowances are made where the probability of default is significant and where pledges, obligations or other guarantees are not estimated to cover the claim amount.

The principle for what is classified as an actual credit loss is that they are losses established through bankruptcy procedures or composition agreements. A decline in value attributable to a debtor's payment capacity is recognised under "Credit losses, net."

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 provide corporate financing and does not extend consumer loans. Carnegie's client base is well-diversified and consists largely of private individuals and small/medium-sized enterprises, and the risk of credit losses is linked to each client's collateral, which normally consists of market-listed securities. This means that counterparty classes have the same credit characteristics and Carnegie thus does not perform impairment testing on a group basis. Following individual assessment, allowances are made for expected credit losses where the probability of default is significant and where pledges, obligations or other guarantees are not estimated to cover the claim amount.

The principle for what is classed as an actual credit loss is that they are losses established through bankruptcy procedures or composition agreements. A decline in value attributable to a debtor's payment capacity is recognised under "Credit losses, net".

Bonds and other interest-bearing securities

Bonds and other interest-bearing securities consist of chargeable government bonds, municipal bonds, housing bonds and other interest-bearing instruments. These are categorised under amortised cost.

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 "Other financial liabilities" and measured at amortised cost using the effective rate method.

Deposits and borrowing from the general public

Deposits and borrowing from the general public consist primarily of short-term borrowing from the general public. These liabilities are categorised as "Other financial liabilities" and measured at amortised cost using the effective rate method.

Lending of securities and short equity positions

The securities that Carnegie lends remain on the balance sheet. Borrowed securities are not included as assets in the balance sheet. In 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 "Loans 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.

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 reliably estimated. The amounts recognised as provisions are the best estimates of the outflows that will be required to settle the existing obligation on the closing date. When the effect of the time value of money is material, the net present value is calculated for future outflows expected to be required to settle the obligation.

A provision for restructuring costs is recognised only when a constructive obligation exists to restructure. A constructive obligation arises only when a detailed, formal restructuring plan exists and an entity has raised a valid expectation that it will be carried out in a time frame that makes changes to the plan unlikely, and the implementation of the plan has commenced or the main features of the plan have been announced.

CRITICAL ASSESSMENT PARAMETERS

In connection with application of Group accounting 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. Significant assumptions and judgements concern the following areas.

Measurement of financial assets and liabilities

Financial assets and liabilities in the trading portfolio are measured at fair value in the balance sheet, while changes in fair value are recognised in profit and loss. Critical assessment parameters relate to how fair value is determined for of these assets and liabilities.

If market prices are available on an established marketplace, they are used for the measurement. When there is no active market or when quoted prices are temporarily unavailable, fair value is determined using various measurement techniques. These methods include Black-Scholes-based models. A number of parameters are included in these models, such as assumptions about volatility, interest rates and dividends. Changing the assumptions with regard to these parameters may affect the recognised value of the financial instrument. The assumptions used when observable parameters are lacking in the market are in accordance with the instructions defined by Carnegie's Capital, Credit and Risk Committee (CRC).

The measurement methods are primarily used to measure derivative instruments. The determined theoretical prices are reconciled regularly against quoted market prices. In addition, all derivative instruments are verified quarterly by an independent party. The above models are applied consistently from one period to the next to ensure comparability and continuity in measurements over time.

For more detailed information, refer to the section on Risk, liquidity and capital management and Note 28.

Provisions

Judgements are required to determine whether any legal or constructive obligations exist and to estimate the probability, timing and amount of outflows of resources. Demands originating from civil legal proceedings or government agencies typically involve a greater degree of judgement than other types of provisions.

Recognition of deferred tax assets

Carnegie recognises deferred tax assets attributable to timing differences and tax-deductible deficits. The largest tax deficits are in Sweden and have an unlimited useful life (meaning that there is no expiration date). The ability to utilise deferred tax assets depends on Carnegie's capacity to report taxable profits in the future. Management believes that Carnegie will be able to report taxable profits within the foreseeable future that can be utilised against loss carryforwards in previous years, which justifies recognition of the deferred tax assets. See Note 17 Deferred tax assets/liabilities.

PARENT COMPANY ACCOUNTING PRINCIPLES

The parent company has prepared the annual accounts in accordance with the *Swedish Annual Accounts Act* (ARL 1995:1554) and recommendation *RFR 2 Accounting of Legal Entities* issued by the Swedish Financial Accounting Standards Council and applicable statements. RFR 2 requires the parent to apply all IFRS and interpretations approved by the EU to its annual accounts for the legal entity to the extent possible within the framework of the Annual Accounts Act and with the consideration taken to the relationship between accounting and taxation. Accordingly, the parent applies the same accounting 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.

Anticipated dividends

Anticipated dividends from subsidiaries are recognised when the formal decision has been taken in the subsidiary or the parent otherwise has full control over the decision process before the parent company publishes its financial statements.

Group contributions and shareholder contributions

Group contributions received are recognised according to the same principles as an ordinary dividend, that is, as financial income. As a main rule, Group contributions paid are recognised, like shareholder contributions, as an increase in the parent company's investment.

Deferred tax in relation to untaxed reserves

Due to the relationship between accounting and taxation, the parent does not separately report deferred tax liabilities attributable to untaxed reserves. These liabilities are thus recognised as gross amounts in the balance sheet, which also applies to appropriations in the income statement. Any amounts allocated to untaxed reserves consist of timing differences.

Notes

Notes related to the Consolidated statements of comprehensive income exclude operations within third-party distribution of structured products for 2017. Notes related to the Consolidated statements of financial position exclude structured products for 2017 and Carnegie Banque Luxembourg S.A for both 2018 and 2017. Information about discontinued operations is presented in Note 32.

Note 1 Geographical distribution of income

GROUP	COMMISSION INCOME		INTEREST INCOME		NET PROFIT FROM FINANCIAL TRANSACTIONS		TOTAL INCOME	
SEK 000s	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Denmark	293,495	260,988	1,864	-246	-1,252	3,523	294,107	264,265
Norway	255,443	316,810	14,329	21,470	842	-361	270,614	337,919
Sweden	1,608,485	1,486,456	51,619	53,756	-3,632	-1,366	1,656,472	1,538,846
Other	426,911	488,544	18,088	16,313	29,409	34,057	474,408	538,914
Eliminations	-167,162	-131,403	-5,557	-5,563	-1,640	-1,240	-174,359	-138,206
Total	**2,417,172**	**2,421,395**	**80,343**	**85,730**	**23,727**	**34,613**	**2,521,242**	**2,541,738**

All income in the parent company for 2018 refers to Sweden.

Note 2 Net commission income

	GROUP	
SEK 000s	**2018**	**2017**
Commission income	619,277	706,039
Advisory services income	1,805,251	1,684,161
Other income	30,000	61,634
Marketplace fees	-37,356	-30,439
Total commission income	**2,417,172**	**2,421,395**
Total commission expenses	**-25,062**	**-26,575**
Net commission income	**2,392,110**	**2,394,820**

Note 3 Net interest income

	GROUP		PARENT COMPANY	
SEK 000s	**2018**	**2017**	**2018**	**2017**
Interest income				
Interest income from loans to credit institutions	4,545	121	–	–
Interest income from loans to the general public	74,294	84,926	–	–
Interest income from interest-bearing securities	376	19	–	–
Other interest income	1,128	664	–	0
Total interest income[1)]	**80,343**	**85,730**	**–**	**0**
Interest expenses				
Interest expenses related to liabilities to credit institutions	-24,997	-23,569	-81	-162
Interest expenses related to deposits/borrowing from the general public	-7,876	-4,755	–	–
Interest expenses related to interest-bearing securities	-15,374	-9,455	–	–
Other interest expenses[2)]	–	-4,518	–	-4,193
Total interest expenses	**-48,247**	**-42,297**	**-81**	**-4,355**
Net interest income	**32,096**	**43,433**	**-81**	**-4,355**
Whereof amounts for balance sheet items not measured at fair value:				
Interest income	80,343	85,730	–	0
Interest expenses	-48,247	-36,051	-81	-4,355
Total	**32,096**	**49,679**	**-81**	**-4,355**
1 Whereof interest on doubtful receivables.	–	–	–	–

2) Refers mainly to subordinated debenture repaid in June 2017.

Note 4 Profit/loss from investments in subsidiaries

	PARENT COMPANY	
SEK 000s	**2018**	**2017**
Anticipated dividends from subsidiaries	255,000	205,000
Total profit from investments in subsidiaries	**255,000**	**205,000**

Note 5 Net profit/loss from financial transactions

2018

		UNREALISED CHANGES IN VALUE[1]					
GROUP, SEK 000s	**Realised changes in value**	**Market price**	**Observable market data**	**Non-observable market data**	**Other method**	**Effect of exchange rate changes**	**Total**
Bonds and other interest-bearing securities and attributable derivatives	7,825	–	456	–	–		8,281
Shares and participations and attributable derivatives	-876	-19,569	5,589	–	–		-14,856
Other financial instruments and attributable derivatives	29,944	–	–	–	–		29,944
Exchange-rate changes						358	358
Net profit/loss from financial transactions	**36,893**	**-19,569**	**6,045**	**–**	**–**	**358**	**23,727**

2017

		UNREALISED CHANGES IN VALUE[1]					
GROUP, SEK 000s	**Realised changes in value**	**Market price**	**Observable market data**	**Non-observable market data**	**Other method**	**Effect of exchange rate changes**	**Total**
Bonds and other interest-bearing securities and attributable derivatives	5,102	-1,236	640	–	–		4,506
Shares and participations and attributable derivatives	4,894	-7,792	-1,850	–	–		-4,748
Other financial instruments and attributable derivatives	36,218	–	–	–	–		36,218
Exchange-rate changes						-1,363	-1,363
Net profit/loss from financial transactions	**46,214**	**-9,028**	**-1,210**	**–**	**–**	**-1,363**	**34,613**

1) Unrealised profits/losses are attributable to financial items measured at fair value.

Fair value is based on the following measurement methods:
- Market price: The value is based on a price listed on an exchange or other marketplace.
- Observable market data: The value is based on a price that was calculated with a measurement technique using assumptions consisting of observable market data.
- Non-observable market data: The value is based on a price that was calculated with a measurement technique using assumptions that could not be based on observable market data.
- Other method: The value is based on a price that was established using another method, such as the historical cost or equity method.

Note 6 Personnel expenses

	GROUP		PARENT COMPANY	
SEK 000s	**2018**	**2017**	**2018**	**2017**
Salaries and fees	-808,974	-737,335	-765	-1,095
Social insurance fees	-165,176	-153,797	-153	-135
Allocation to variable remuneration, including social insurance fees	-325,247	-436,000	–	–
Pension expenses for Board of Directors and CEO	-2,319	-2,315	–	18
Pension expenses for other employees	-120,489	-112,226	–	–
Other personnel expenses	-57,639	-31,381	-12	119
Total personnel expenses	**-1,479,840**	**-1,473,054**	**-930**	**-1,093**

Salaries and fees specified by category

SEK 000s	2018	2017	2018	2017
Salaries and fees to directors, CEO and members of Group management	-49,813	-50,328	-765	-1,095
Salary and remuneration to other employees not included in the Board of Directors or Group management	-759,161	-687,007	–	–
Total salaries and fees	**-808,974**	**-737,335**	**-765**	**-1,095**

Average number of employees (of whom women)

	2018	2017	2018	2017
Denmark	81 (19)	77 (18)	–	–
Finland	24 (7)	22 (6)	–	–
Luxembourg	40 (9)	45 (10)	–	–
Norway	88 (13)	81 (12)	–	–
UK	31 (13)	31 (12)	–	–
Sweden	326 (98)	324 (105)	– (–)	– (–)
USA	10 (2)	10 (3)	–	–
Total	**600 (160)**	**590 (166)**	**– (–)**	**– (–)**

Remuneration to the Board of Directors	GROUP		PARENT COMPANY	
SEK 000s	**2018**	**2017**	**2018**	**2017**
Bo Magnusson, chairman[1]	800	800	200	333
Ingrid Bojner[2]	350	350	100	150
Klas Johansson[3]	250	250	63	104
Anders Johnsson[4]	500	500	150	217
Harald Mix[5]	250	250	63	104
Andreas Rosenlew[6]	350	350	100	150
Total	**2,500**	**2,500**	**676**	**1,058**

1) Whereof SEK 600 thousand (467) in fees for assignments for Carnegie Investment Bank AB.
2) Whereof SEK 250 thousand (200) in fees for assignments for Carnegie Investment Bank AB.
3) Whereof SEK 188 thousand (146) in fees for assignments for Carnegie Investment Bank AB.
4) Whereof SEK 350 thousand (283) in fees for assignments for Carnegie Investment Bank AB.
5) Whereof SEK 188 thousand (146) in fees for assignments for Carnegie Investment Bank AB.
6) Whereof SEK 250 thousand (200) in fees for assignments for Carnegie Investment Bank AB.

Remuneration to the CEO and other senior executives[1]

2018 SEK 000s	Gross salary and benefits	Variable remuneration	Pensions and comparable benefits	Severance pay
CEO Björn Jansson	8,053	4,832	2,319	–
Other senior executives[2]	39,742	8,465	3,994	–

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. The figures also include Henrik Rättzen for the period of 1 Jan-15 Aug.

Note 6 Personnel expenses, cont.

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

2017 SEK 000s	Gross salary and benefits	Variable remuneration	Pensions and comparable benefits	Severance pay
CEO Björn Jansson	7,863	5,800	2,315	–
Other senior executives[2)]	39,965	22,929	4,710	–

1) No fees were paid in the parent company, Carnegie Holding AB
2) Other senior executives have received salary and benefits from Carnegie Investment Bank AB or its subsidiaries. Amounts relate to the period they held positions as other senior executives. The group includes ten individuals: Anders Antas, Jacob Bastholm, Christian Begby, Elisabeth Erikson, Henric Falkenberg, Fredrik Leetmaa, Helena Nelson, Jonas Predikaka, Henrik Rättzén and Ulf Vucetic. All senior executives were part of executive management for the entire year except Elisabeth Erikson, who began on 9 January, and Jacob Bastholm, who began on 1 February. The figures also include Annika Agri Larsson for the period of 1 January–21 May and Claus Gregersen for the period of 1 January–31 January.

Gender distribution
The current Board of Directors consists of 17% (17) women and 83% (83) men. The current management group consists of 20% (20) women and 80% (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 12 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 434,682 thousand (420,430) in the Group and SEK 4,797 thousand (7,826) in the parent company. Premiums paid during the year amounted to SEK 2,833 thousand (3,136) in the Group, whereof SEK – thousand (–) in the parent company.

Report on remuneration expensed by the Carnegie Holding Group in 2018 pursuant to the Capital Requirements Regulation for Credit Institutions and Investments Firms and The Swedish Financial Supervisory Authority's Regulation FFFS 2014:12.

Remuneration expensed in 2018	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	812,086	663	263,888	482

	SPECIFICATION OF REMUNERATION BY CATEGORIES			
	Defined identified staff[2)]			
SEK 000s	Executive management	Other employees identified to the category	Other employees	Total
Fixed remuneration[1)]	93,652	179,342	539,092	812,086
Number of employees	24	89	550	663
Variable remuneration[1)]	22,745	60,221	180,922	263,888
Number of employees	16	73	393	482
Whereof:				
Cash-based variable remuneration	22,745	60,221	180,922	263,888
Share-based variable remuneration	N/A	N/A	N/A	N/A
Deferred remuneration[3)]	9,609	18,876	–	28,486
Committed and paid remuneration [4)]	91,239	183,057	705,032	979,328
Severance pay (paid out)	–	547	6,482	7,029
Number of employees	–	3	22	25
Committed severance pay (not yet paid)	6,235	10,441	12,654	29,330
Number of employees	1	4	11	16
Highest individual severance pay (not yet paid)	6,235	3,280	2,738	12,253

1) Variable remuneration is defined as remuneration whose amount or size is not predetermined. All other remuneration is reported as fixed remuneration and comprises salary, pension provisions, severance pay and benefits such as car benefits in accordance with FFFS 2011:1 and FFFS 2014:22. Reported amounts do not include social insurance fees.
2) Employees whose tasks have material impact on the Group's risk profile.
3) The portion subject to deferral ranges between 40-60% and the period of deferral ranges from three to five years depending on the amount of variable remuneration awarded and the responsibilities and risk mandates of the identified staff in question.
4) Committed variable remuneration arising from 2018 that was paid during 2019 has been included.
5) Amounts also include guaranteed variable remuneration, which occurs only in connection with recruiting of new staff.

Severance pay is agreed upon and paid out when employment is involuntarily terminated prior to reaching retirement age or when an employee voluntarily resigns in exchange for severance pay. Severance payments in 2018 are related to cost savings.

Note 7 Other administrative expenses

SEK 000s	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Other administrative expenses include the following amounts paid to elected auditors:				
Statutory auditing				
PwC	-5,075	-5,439	–	–
Regen, Benz & MacKenzie	-435	-427	–	–
Total statutory auditing	**-5,510**	**-5,866**	**–**	**–**
Other auditing				
PwC	-6,801	-513	-354	-443
Total other auditing	**-6,801**	**-513**	**-354**	**-443**
Tax advice				
PwC	–	-176	–	–
Total tax advice	**–**	**-176**	**–**	**–**
Other consultancy assignments				
PwC	-609	-784	–	–
Regen, Benz & MacKenzie	–	-131	–	–
Total other consultancy assignments	**-609**	**-915**	**–**	**–**

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. Other auditing for 2018 includes auditing related to the sale of Banque Carnegie Luxembourg S.A. Tax advice includes general services for foreign residents and other taxation issues. Other consultancy assignments include for example advice on accounting issues, services in connection with corporate acquisitions/business transformation, operational efficiency and assessment of internal controls.

Note 8 Depreciation and amortisation of tangible fixed assets and intangible assets

SEK 000s	GROUP 2018	GROUP 2017
Computer equipment and other equipment	-7,300	-12,041
Renovations	-9,818	-7,581
Other intangible assets	-6,165	-5,755
Total depreciation and amortisation of tangible fixed assets and intangible assets	**-23,283**	**-25,377**

Note 9 Net credit losses and provisions for doubtful receivables

SEK 000s	GROUP 2018	GROUP 2017
Provisions for doubtful receivables on the opening	-198,512	-210,308
Initial effect of applying IFRS 9	-13,428	–
Effect on income of individually evaluated credits recognised in profit and loss		
Reversals of previous provisions	–	1,719
Total net credit losses	**–**	**1,719**
Changes for the year in the loss allowance per IFRS 9	3,521	–
Translation differences	-20	-57
Total items affecting income	**3,501**	**1,662**
Previously eliminated as actual, now reversed and recognised as income	–	5,697
Translation differences	-1,991	4,437
Provisions for doubtful receivables on the closing	**-210,430**	**-198,512**

Credit losses and doubtful receivables originated with provisions made before 2009. The change for the year refers to the loss allowance per IFRS 9.

Note 10 Taxes

	GROUP		PARENT COMPANY	
SEK 000s	**2018**	**2017**	**2018**	**2017**
Current tax expense				
Tax expense for the year	-5,151	-27,510	–	–
Adjustment of tax attributable to previous years	-1,185	-6,868	–	–
Total current tax expense	**-6,336**	**-34,378**	**–**	**–**
Deferred tax expense (-) / tax income (+)				
Deferred tax related to timing differences	1,870	3,308	-843	-93
Tax effect of changed tax rate	-1,942	-2,330	131	–
Deferred tax in the tax value of loss carryforwards capitalised during the year	5,976	–	–	–
Deferred tax expense in the tax value of loss carryforwards capitalised during the year	-89,610	-85,937	–	–
Effect on deferred tax expense of discontinued operations	–	-4,500	–	–
Total deferred tax expense/income	**-83,704**	**-89,459**	**-712**	**-93**
Total recognised tax expense/income	**-90,040**	**-123,837**	**-712**	**-93**

Reconciliation of effective tax	2018		2017	
Group, SEK 000s	**Tax rate, %**	**Amount**	**Tax rate, %**	**Amount**
Profit before tax		389,922		462,928
Tax according to prevailing tax rate for the parent company	22.0	-85,783	22.0	-101,844
Tax effects in respect of:				
Other tax rates for foreign companies	-0.6	2,212	0.5	-2,386
Non-deductible expenses	2.8	-10,921	4.6	-21,286
Non-taxable income	-1.8	7,205	-1.1	5,113
Increase in loss carryforwards without corresponding capitalisation of deferred tax	2.8	-11,003	0.1	-374
Utilisation of non-capitalised loss carryforwards	–	–	-1.7	7,956
Capitalisation of loss carryforwards in previous years	–	–	0.0	-5
Remeasurement of deferred tax	2.2	-8,594	1.2	-5,619
Tax attributable to previous years	0.8	-3,042	1.5	-6,868
Adjustment of taxable profit	-5.1	19,886	-0.3	1,476
Recognised effective tax[1]	**23.1**	**-90,040**	**26.8**	**-123,837**

Reconciliation of effective tax	2018		2017	
Parent company, SEK 000s	**Tax rate, %**	**Amount**	**Tax rate, %**	**Amount**
Profit before tax		253,200		198,955
Tax according to prevailing tax rate for the parent company	22.0	-55,704	22.0	-43,770
Tax effects in respect of:				
Non-deductible expenses	0.0	-17	0.5	-959
Non-taxable income	-22.2	56,100	-22.7	45,100
Increase in loss carryforwards without corresponding capitalisation of deferred tax	0.2	-379	0.2	-371
Revaluation of deferred tax	0.3	-712	0.0	-93
Recognised effective tax	**0.3**	**-712**	**0.0**	**-93**

1) The weighted average tax rate for the Group is 21.4 percent (22.5).

Note 11 Maturity information

GROUP, 31 DEC 2018, 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	23,111	1,810,552	200,404	–	–	–	–	–	2,034,067
Loans to credit institutions	2,424,408	–	–	–	–	–	–	–	2,424,408
Loans to the general public	1,762,740	13,408	137,972	687	–	173,488	–	–	2,088,295
Bonds and other interest-bearing securities	49,311	911,964	1,758,555	8,176	13,435	2,060	-6,594	–	2,736,907
Total financial assets	**4,259,570**	**2,735,924**	**2,096,932**	**8,863**	**13,435**	**175,548**	**-6,594**	**–**	**9,283,677**
Liabilities to credit institutions	29,808								29,808
Deposits and borrowing from the general public	7,639,180	88,317	1,546	–	–	–	–	–	7,729,043
Total financial liabilities	**7,668,988**	**88,317**	**1,546**	**–**	**–**	**–**	**–**	**–**	**7,758,851**

GROUP, 31 DEC 2017, 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	1,184,064	–	602,635	–	–	–	–	–	1,786,699
Loans to credit institutions	2,199,134	–	–	–	–	–	–	–	2,199,134
Loans to the general public	1,648,525	10,517	98,723	–	–	47,186	–	–	1,804,951
Bonds and other interest-bearing securities	72,506	935,861	1,294,603	4,967	15,251	–	-6,770	–	2,316,418
Total financial assets	**5,104,229**	**946,378**	**1,995,961**	**4,967**	**15,251**	**47,186**	**-6,770**	**–**	**8,107,202**
Deposits and borrowing from the general public	7,212,930	–	–	–	–	–	–	–	7,212,930
Total financial liabilities	**7,212,930**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,212,930**

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

(Classifications in accordance with IFRS 9 are used for 31 December 2018, while the comparative figures are classified in accordance with IAS 39.)

Valuation method 2018[1]	FAIR VALUE THROUGH PROFIT AND LOSS			AMORTISED COST	
GROUP, 31 DEC 2018, SEK 000s	Quoted fair value	Valuation technique using observable inputs	Valuation technique using non-observable inputs		Total
Negotiable government securities	–	–	–	2,034,067	2,034,067
Bonds and other interest-bearing securities	–	34,495	–	2,702,412	2,736,907
Shares and participations	282,231	5,193	–	–	287,424
Derivative instruments	–	34,201	–	–	34,201
Total financial assets	**282,231**	**73,889**	**–**	**4,736,479**	**5,092,599**
Short positions, shares	7,449	–	–	–	7,449
Derivative instruments	–	9,144	–	–	9,144
Total financial liabilities	**7,449**	**9,144**	**–**	**–**	**16,593**

1) For information on measurement methods, see Note 5 Net profit/loss from financial transactions.

Financial assets and liabilities subject to offsetting

GROUP, 31 DEC 2018, SEK 000s	Gross amounts	Offset	Net amounts in balance sheet
Assets			
Trade and client receivables	2,399,820	-2,297,597	102,223
Liabilities			
Trade and client payables	2,636,339	-2,309,815	326,524

The above table presents the financial assets and liabilities that are recognised net in the balance sheet. At the closing date, these financial instruments comprised trade and client receivables and trade and client payables.

As the scope of financial assets and liabilities for which gross accounting is applied, but which are subject to legally binding master netting agreements or the like, is marginal, these disclosures have been omitted.

Note 12 Financial assets and liabilities – valuation methods and disclosures on offsetting, cont.

Valuation method 2017[1]	HELD FOR TRADING			INVESTMENTS HELD TO MATURITY	
GROUP, 31 DEC 2017, SEK 000s	Quoted fair value (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)		Total
Negotiable government securities	401,726	–	–	1,384,973	1,786,699
Bonds and other interest-bearing securities	2,221,772	22,140	–	72,506	2,316,418
Shares and participations	814,744	5,292	–	–	820,036
Derivative instruments	19,435	4,663	–	–	24,098
Total financial assets	**3,457,677**	**32,095**	**–**	**1,457,479**	**4,947,251**
Short positions, shares	36,807	–	–	–	36,807
Derivative instruments	11,463	1,276	–	–	12,739
Total financial liabilities	**48,270**	**1,276**	**–**	**–**	**49,546**

1) For information on measurement methods, see Note 5 Net profit/loss from financial transactions.

There were no significant shifts between Level 1 and Level 2 during the financial year.

Financial assets and liabilities subject to offsetting

GROUP, 31 DEC 2017, SEK 000s	Gross amounts	Offset	Net amounts in balance sheet
Assets			
Trade and client receivables	990,216	-691,344	298,872
Liabilities			
Trade and client payables	768,874	-695,006	73,868

The above table presents the financial assets and liabilities that are recognised net in the balance sheet. At the closing date, these financial instruments comprised trade and client receivables and trade and client payables.
As the scope of financial assets and liabilities for which gross accounting is applied, but which are subject to legally binding master netting agreements or the like, is marginal, these disclosures have been omitted.

Note 13 Other information on financial assets

	GROUP	
SEK 000s	31 Dec 2018	31 Dec 2017
Bonds and other interest-bearing securities		
Listed	2,736,907	2,316,418
Unlisted	–	–
	2,736,907	**2,316,418**
Swedish government bodies	–	–
Other Swedish issuers	2,175,138	2,231,644
Foreign government bodies	49,311	72,506
Other foreign issuers	512,458	12,268
	2,736,907	**2,316,418**
Shares and participations		
Listed	282,231	814,972
Unlisted	5,193	5,064
	287,424	**820,036**

Note 14 Shares and participations in Group companies

SEK 000s	PARENT COMPANY 31 Dec 2018	31 Dec 2017
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**

2018	Corporate Reg. No.	Reg. office	No. of shares	Carrying amount 2018	Equity 2018[1)]
Carnegie Investment Bank AB (publ)[2)]	516406-0138	Stockholm	400,000	1,780,084	1,874,715
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		
Banque Carnegie Luxembourg S.A.[2)]	1993-2201863	Luxembourg	349,999		
Total				1,780,084	1,874,715

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

Note 15 Intangible assets

SEK 000s	GROUP 31 Dec 2018	GROUP 31 Dec 2017
Other intangible assets[1)]		
Cost on the opening date	49,930	49,427
Translation differences	674	338
Acquisitions during the year	728	165
Attributable to divested subsidiaries	-2,268	–
Sale/scrapping	-9,522	–
Cost on the closing date	**39,542**	**49,930**
Amortisation on the opening date	-41,854	-35,766
Translation differences	-668	-333
Sale/scrapping	2,268	–
Attributable to divested subsidiaries	9,522	–
Amortisation for the year	-6,165	-5,755
Amortisation on the closing date	**-36,897**	**-41,854**
Total other intangible assets	**2,645**	**8,076**
Attributable to Banque Carnegie Luxembourg S.A	–	129
Carrying amount of other intangible assets	**2,645**	**7,947**

1) Consists of systems developed in-house

Note 16 Tangible fixed assets

SEK 000s	GROUP 31 Dec 2018	GROUP 31 Dec 2017
Computer equipment and other equipment		
Cost on the opening date	207,256	207,328
Translation differences	3,961	-3,923
Acquisitions during the year	5,614	7,222
Sale/scrapping	-18,918	-3,371
Cost on the closing date	**197,913**	**207,256**
Depreciation on the opening date	-177,741	-170,981
Translation differences	-4,122	2,367
Sale/scrapping	17,460	2,914
Depreciation for the year	-7,300	-12,041
Depreciation on the closing date	**-171,703**	**-177,741**
Computer equipment and other equipment	**26,210**	**29,515**
Renovation of leased premises		
Cost on the opening date	94,127	93,824
Translation differences	2,071	-661
Acquisitions during the year	3,846	964
Sale/scrapping	–	–
Cost on the closing date	**100,044**	**94,127**
Depreciation on the opening date	-71,538	-64,874
Translation differences	-1,425	917
Sale/scrapping	–	–
Depreciation for the year	-9,818	-7,581
Depreciation on the closing date	**-82,781**	**-71,538**
Total renovation of leased premises	**17,263**	**22,589**
Total tangible fixed assets	**43,474**	**52,104**
Attributable to Banque Carnegie Luxembourg S.A.	2,838	9,103
Total carrying amount of tangible fixed assets	**40,635**	**43,001**

Note 17 Deferred tax assets/liabilities

	GROUP		PARENT COMPANY	
SEK 000s	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Deferred tax assets				
Pensions	93,022	93,945	1,026	1,739
Capitalised loss carryforwards[1)]	94,233	172,375	–	–
Other	26,198	31,473	–	–
Total deferred tax assets	**213,453**	**297,793**	**1,026**	**1,739**
Deferred tax liabilities				
Intangible assets	2,839	2,763	–	–
Other	5,810	7,558	–	–
Total deferred tax liabilities	**8,650**	**10,321**	**–**	**–**
Attributable to Banque Carnegie Luxembourg S.A.	5,609	10,011		
Carrying amount, deferred tax liabilities	**3,040**	**310**		

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, 2018, SEK 000s				
Pensions	93,945	-923	–	93,022
Capitalised loss carryforwards[1)]	172,375	-79,102	960	94,233
Other	31,473	-5,692	417	26,198
Total	**297,793**	**-85,716**	**1,377**	**213,453**
Changes for the year – deferred tax liabilities				
GROUP, 2018, SEK 000s				
Intangible assets	2,763	-3	79	2,839
Other	7,558	-2,010	263	5,810
Total	**10,321**	**-2,013**	**342**	**8,650**
Changes for the year – deferred tax assets				
PARENT COMPANY, 2018, SEK 000s				
Pensions	1,738	-712	–	1,026
Total	**1,738**	**-712**	–	**1,026**

1) Capitalised loss carryforwards of the Group: The majority of the opening balance of capitalised loss carryforwards is attributable to Carnegie Investment Bank AB, Sweden, which utilised part of the loss carryforward during the year. At 31 December, the capitalised loss carryforward in Carnegie Investment Bank AB, Sweden, amounted to SEK 74,114 thousand (161,301). Total loss carryforwards in the Group at 31 December amounted to SEK 677,247 thousand (1,042,325), whereof SEK 140,008 thousand (138,284) is attributable to the parent company.

The basis for capitalised loss carryforwards is the budget for coming years, which shows that Carnegie will post positive earnings.

Note 18 Other assets

	GROUP	
SEK 000s	**2018**	**2017**
Trade and client receivables	94,173	285,964
Accounts receivable, trade	155,778	250,823
Issue proceeds	338,948	–
Other	79,695	73,727
Total other assets	**668,594**	**610,514**

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

Note 19 Prepaid expenses and accrued income

	GROUP	
SEK 000s	**31 Dec 2018**	**31 Dec 2017**
Accrued interest	326	2,830
Rent	16,283	15,683
Personnel-related	1,835	1,953
Pensions	2,533	2,508
Accrued income	120,470	24,999
Prepaid expenses	60,421	41,069
Total prepaid expenses and accrued income	**201,868**	**89,042**

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

Note 20 Other liabilities

	GROUP	
SEK 000s	**31 Dec 2018**	**31 Dec 2017**
Trade and client payables	300,624	53,053
Accounts payable, trade	74,404	99,940
Issue proceeds	156,419	77,382
Other	48,691	82,224
Total other liabilities	**580,138**	**312,599**

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

Note 21 Accrued expenses and deferred income

	GROUP		PARENT COMPANY	
SEK 000s	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Accrued interest	2,197	2,916	37	–
Fees	–	11,955	–	–
Personnel-related	563,276	647,863	–	10
Pensions	26,273	17,121	–	-121
Accrued expenses	10,395	32,592	529	447
Other	531	30,730	–	–
Total accrued expenses and prepaid income	**602,672**	**743,177**	**566**	**336**

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

Note 22 Other provisions

	GROUP		PARENT COMPANY	
SEK 000s	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Restructuring provisions				
Opening balance	60,727	74,437	–	–
Translation differences	0	6	–	–
Utilised amounts	-23,577	-19,716	–	–
Reversal, unutilised amounts	-559	–	–	–
Provisions for the year	6,829	6,000	–	–
Closing balance, restructuring reserve	**43,420**	**60,727**	**–**	**–**
Other provisions				
Opening balance	49,383	15,553	–	1,944
Translation differences	29	-22	–	–
Utilised amounts	-28,717	-8,857	–	–
Reversal, unutilised amounts	–	209	–	-1,944
Provisions for the year	–	42,500	–	–
Closing balance, provisions	**20,695**	**49,383**	**–**	**–**
Total other provisions	64,115	110,110	–	–

Most of the provisions are expected to be utilised during 2019.

Note 23 Classification of financial assets and liabilities

(Classifications in accordance with IFRS 9 are used for 31 December 2018, while the comparative figures are classified in accordance with IAS 39.)

GROUP, 31 DEC 2018, SEK 000s	Fair value through profit and loss	Amortised cost	Other financial liabilities	Non-financial assets/liabilities	Total
Cash and bank deposits with central banks		67,980			67,980
Negotiable government securities		2,034,067			2,034,067
Loans to credit institutions		2,424,408			2,424,408
Loans to the general public		2,088,295			2,088,295
Bonds and other interest-bearing securities		2,736,907			2,736,907
Shares and participations	287,424				287,424
Derivative instruments	34,201				34,201
Intangible assets				2,645	2,645
Tangible fixed assets				40,635	40,635
Current tax assets				32,912	32,912
Deferred tax assets				213,453	213,453
Other assets		668,594			668,594
Prepaid expenses and accrued income		326		201,542	201,868
Assets held for sale	30,756	1,737,773		9,359	1,777,888
Total assets	**352,381**	**11,758,350**	**–**	**500,547**	**12,611,278**
Liabilities to credit institutions			29,808		29,808
Deposits and borrowing from the general public			7,729,043		7,729,043
Short positions, shares	7,449				7,449
Derivative instruments	9,144				9,144
Current tax liabilities				5,137	5,137
Deferred tax liabilities				3,040	3,040
Other liabilities			531,447	48,691	580,138
Accrued expenses and prepaid income			2,197	600,475	602,672
Other provisions				64,115	64,115
Liabilities held for sale	36,760		1,448,339	72,056	1,557,156
Total liabilities	**53,353**	**–**	**9,740,834**	**793,514**	**10,587,702**
Equity				**2,023,576**	**2,023,576**
Total liabilities and equity	**53,353**	**–**	**9,740,834**	**2,817,090**	**12,611,278**

GROUP, 31 DEC 2017, SEK 000s	Held for trading	Investments held to maturity	Loan and accounts receivable	Other financial liabilities	Non-financial assets/liabilities	Total
Cash and bank deposits with central banks			65,776			65,776
Negotiable government securities	401,726	1,384,973				1,786,699
Loans to credit institutions			2,199,134			2,199,134
Loans to the general public			1,804,951			1,804,951
Bonds and other interest-bearing securities	2,243,912	72,506				2,316,418
Shares and participations	820,036					820,036
Derivative instruments	24,098					24,098
Intangible assets					7,947	7,947
Tangible fixed assets					43,001	43,001
Current tax assets					32,418	32,418
Deferred tax assets					297,793	297,793
Other assets			610,514			610,514
Prepaid expenses and accrued income			2,830		86,212	89,042
Assets held for sale	275,654		1,970,864		18,391	2,264,909
Total assets	**3,765,426**	**1,457,479**	**6,654,069**	**–**	**485,762**	**12,362,736**
Deposits and borrowing from the general public				7,212,930		7,212,930
Short positions, shares	36,807					36,807
Derivative instruments	12,739					12,739
Current tax liabilities					15,935	15,935
Deferred tax liabilities					309	309
Other liabilities				230,375	82,224	312,599
Accrued expenses and prepaid income				2,916	740,261	743,177
Other provisions					110,110	110,110
Liabilities held for sale	33,762			1,907,163	59,732	2,000,656
Total liabilities	**83,308**	**–**	**–**	**9,353,385**	**1,008,571**	**10,445,264**
Equity					**1,917,472**	**1,917,472**
Total liabilities and equity	**83,308**	**–**	**–**	**9,353,385**	**2,926,043**	**12,362,736**

Note 24 Pledged assets and contingent liabilities

	GROUP		PARENT COMPANY	
SEK 000s	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Assets pledged for own debt				
Pledged assets for:				
Deposited securities	314,366	325,400	–	–
whereof pledged cash	314,366	325,400	–	–
Derivative instruments	344,178	316,750	–	–
whereof own pledged securities	156,932	155,257	–	–
whereof pledged cash	187,246	161,493	–	–
Other liabilities	23,436	28,493	–	–
whereof pledged cash	23,436	28,493	–	–
Total pledged assets for own liabilities	**681,980**	**670,643**	**–**	**–**
Other pledged assets				
Pledged assets for:				
Deposited securities on clients' account	276,124	265,800	–	–
whereof pledged cash	276,124	265,800	–	–
Derivative instruments on clients' account	173,605	213,717	–	–
whereof own pledged securities	113,457	195,800	–	–
whereof pledged cash	60,148	17,917	–	–
Trade in securities on clients' and own account	91,900	606,299	–	–
whereof own pledged securities	–	139,982	–	–
whereof pledged client securities	–	354,917	–	–
whereof pledged cash	91,900	111,400	–	–
Total other pledged assets	**541,629**	**1,085,816**	**–**	**–**
Contingent liabilities and guarantees				
Contingent liabilities[1)]	124,324	123,518	112,509	112,509
Guarantees	548,415	321,229	–	–
Total contingent liabilities and guarantees	**672,739**	**444,747**	**112,509**	**112,509**

1) The parent company has certain obligations to the Swedish National Debt Office which may be paid in special cases.

Note 25 Operational leasing

	GROUP	
SEK 000s	31 Dec 2018	31 Dec 2017
Contracted payments relating to land and buildings		
Within one year	68,086	55,501
Later than one year but within five years	206,094	210,175
Later than five years	40,896	–
Other contracted payments		
Within one year	3,084	4,113
Later than one year but within five years	2,666	3,419

The amounts in the table primarily relate to rent for premises. The amounts have not been estimated at present value.

Note 26 Related-party transactions

The following disclosures are presented from Carnegie Holding's perspective, that is, how Carnegie Holding's figures were affected by transactions with related parties. Lending has taken place on market terms. Information on remuneration to key persons in executive positions is presented in Note 6.

	GROUP		PARENT COMPANY	
SEK 000s	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Related-party transactions with the CEO, board of directors and group management				
Deposits/liability	5,306	6,498	–	–
Interest expenses	8	7	–	–
Lending/assets	–	–	–	–
Interest income	–	–	–	–
Pledged assets and guarantees	–	19,751	–	–
Related-party transactions with Group companies				
Deposits/liability			3,415	6,927
Interest expenses			75	162
Lending/assets			255,000	205,000
Interest income			–	–
Sales			–	–
Related-party transactions with the owners				
Deposits/liability	9,834	4,313	–	–
Interest expenses	–	4,194	–	4,192
Purchases	14	157	–	–
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).

	GROUP		PARENT COMPANY	
Related-party transactions with others	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Deposits/liability	7,770	6,800	–	–
Interest expenses	–	–	–	–
Lending/assets	6,009	1,000	–	–
Interest income	–	–	–	–
Purchases	944	1,685	–	–
Sales	41,925	59,574	–	–

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

Note 27 Significant events after 31 December 2018

Sale of Banque Carnegie Luxembourg S.A.
Carnegie announced in May 2018 the decision to sell its operations in Luxembourg to the Swiss bank Union Bancaire Privée. The transaction closed in January 2019.

The annual report was approved for publication by the Board of Directors on 25 March 2019.

Note 28 Risk, liquidity and capital management

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

Carnegie's total credit risk exposure per exposure class

GROUP, 31 DEC 2018, SEK 000s	AAA, AA–	A+, A–	BBB+, BBB–	No external rating available	Past due but not reserved	Provisions
Governments and central banks	2,844,993	81	–	–	–	115
Institutional exposures	4,186,581	1,280,590	16,689	13,597	–	641
Corporate exposures	1,587	14,340	26,781	3,397,007	–	201,926
Retail exposures	–	–	–	625,820	–	7,747
Total	**7,033,161**	**1,295,011**	**43,470**	**4,036,423**	–	**210,430**

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

Pledged assets
Carnegie's corporate and retail exposures are primarily collateralised with pledged liquid financial securities (known as custodian account loans). Only a small fraction of these exposures are unsecured (in blanco). Exposures are usually secured by a diversified portfolio of financial collateral.

The majority of clients have assets whose worth far exceeds the utilised credit amount. However, there are large differences in loan-to-value amongst individual clients. Equities are the most common form of collateral used in margin lending. No individual security accounts for more than 3 percent of utilised collateral.

Exposure refers to the size of outstanding credit secured by the individual instrument. "Other collateral" refers to funds, structured products, guarantees and pledged custodian accounts with underlying financial collateral.

Loss allowances
Impairments are based on individual assessments for each counterparty (specific reserves). Carnegie has identified this method as the most appropriate because the portfolio contains few homogeneous groups.

Carnegie considers various parameters in assessing whether an impairment need is indicated. These parameters are described in Carnegie's internal control documents. An impairment need may arise as a result of various events, such as increased risk due to changes in the client's financial statements and/or changes in the composition of pledged collateral. Carnegie performs regular reviews of specific impairment requirements in accordance with internal policies and instructions and the IFRS 9 accounting standard. The opening balance for 2018 includes an allowance for expected credit losses of SEK 13 million, in accordance with the IFRS 9 standard.

As of 31 December 2018, the value of collateral that the Group is holding for loans where the value has been impaired was SEK – million (–).

All renegotiated loan receivables were given new terms in the form of renegotiated interest rates and amortisation plans.

Financial assets past due for payment for which no provisions have been made are handled according to Carnegie's procedures for doubtful receivables and are assessed regularly in operations. Individual decisions are taken in every case and may include the realisation of collateral through the sale of pledged listed securities.

The value of assumed financial assets was SEK – million (–) at the end of the period.

Liquidity risk
The table below provides a maturity analysis of the contracted maturity of financial assets and liabilities. Carnegie calculates and stress tests the liquidity reserve daily to ensure that liquidity targets are met and that liquid assets are available to meet contractual and modelled cash flows.

Contracted maturities of financial assets and liabilities, 31 Dec 2018

GROUP, 31 DEC 2018, 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	23,111	1,810,552	200,404	–	–	–	–	–	2,034,067
Bonds and other interest-bearing securities	49,311	911,964	1,758,555	8,176	13,435	2,060	-6,594	–	236,907
Shares and participations	–	–	–	–	–	–	–	287,424	287,424
Total financial assets	**72,422**	**2,722,516**	**1,958,959**	**8,176**	**13,435**	**2,060**	**-6,594**	**287,424**	**5,058,398**
Deposits and borrowing from the general public	7,639,180	88,317	1,546	–	–	–	–	–	7,729,043
Short positions, shares	–	–	–	–	–	–	–	7,449	7,449
Other liabilities	–	580,138	–	–	–	–	–	–	580,138
Accrued interest expenses	–	2,196	–	–	–	–	–	–	2,196
Total financial liabilities	**7,639,180**	**670,651**	1,546	–	–	–	–	**7,449**	**8,318,826**
Derivatives									
Assets at market value	–	23,593	10,285	323	–	–	–	–	34,201
Liabilities at market value	–	6,518	2,626	–	–	–	–	–	9,144

Note 28 Risk, liquidity and capital management, cont.

Contracted maturities of financial assets and liabilities, 31 Dec 2017

GROUP, 31 DEC 2017, SEK 000s	Upon demand	<3 months	>3 months but <1 year	>1 but < 2 years	>2 but less than <5 years	> 5 years	Interest effect	N/A	Total
Negotiable government securities	1,184,064	–	602,635	–	–	–	–	–	1,786,699
Bonds and other interest-bearing securities	72,506	935,861	1,294,603	4,967	15,251	–	-6,770	–	2,316,418
Shares and participations	–	–	–	–	–	–	–	820,036	820,036
Total financial assets	**1,256,570**	**935,861**	**1,897,238**	**4,967**	**15,251**	–	**-6,770**	**820,036**	**4,923,152**
Deposits and borrowing from the general public	7,180,958	31,972	–	–	–	–	–	–	7,212,930
Short positions, shares	–	–	–	–	–	–	–	36,807	36,807
Other liabilities	–	312,599	–	–	–	–	–	–	312,599
Accrued interest expenses	–	2,916	–	–	–	–	–	–	2,916
Total financial liabilities	**7,180,958**	**347,487**	–	–	–	–	–	**36,807**	**7,565,252**
Derivatives									
Assets at market value	–	18,082	5,985	31	–	–	–	–	24,098
Liabilities at market value	–	11,383	1,356	–	–	–	–	–	12,739

Market risks
Reported amounts refer to the Group. Amounts for the preceding year are stated in brackets.

Equity price risk
Carnegie's own exposure to equity and equity-related instruments consists of both assets and liabilities among balance sheet items. At year-end, the total value of these assets and liabilities amounted to SEK 241 million (960). Of that amount, SEK 197 million (857) related to shares and SEK 44 million (104) to derivative instruments. The net exposure at year-end was SEK 208 million (794).

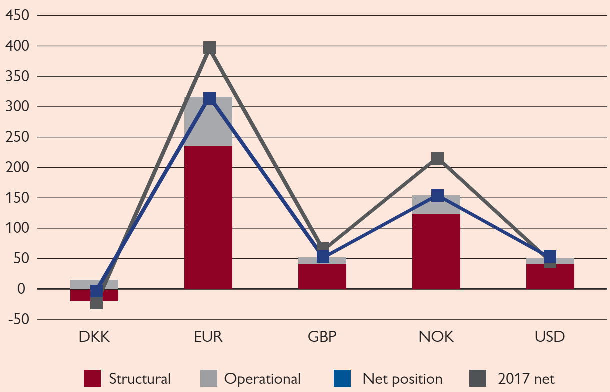
Assets and liabilities are measured at fair value, which corresponds to the carrying amount. Equity positions consist of both long and short positions in shares and share-based derivative instruments, primarily listed in Sweden and other Nordic marketplaces. A simultaneous price change of -3% of all equity holdings in the Group's trading book would have had an effect on earnings of SEK -0.4 million (0.8) at year-end. A +3% price change at the same date would have had an effect on earnings of SEK 0.5 million (0.3) in the Group. Derivative positions consist of held or issued forward contracts, 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 0.3 million (0.1). The exposure in the Group represents the net of positions with negative or positive Vega exposure.

Scenario analysis
The risks in operations where risk-taking is an element of the business consist mainly of equity price risk and volatility risk. These risks are measured by simulating the effect on earnings of a combined change of share prices and volatility. Carnegie focuses on and has limits for the maximum potential loss for two specific scenarios: a medium scenario and a stress scenario. The medium scenario means that prices in the entire equity market change by ±3% simultaneously with a change in market volatility of ±10 percent. The greatest potential loss in such a scenario is called the Medium Max Loss and was at year-end SEK 1.3 million (1.1). The stress scenario means that prices in the entire equity market change by ±10% and that market volatility changes by ±40 percent. The greatest potential loss in such a scenario is called Stress Max Loss and amounted to SEK 5.0 million (5.0) 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 0.7 million (0.2) for MML and SEK 2.3 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 2018 (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 0.8 million (0.6). The interest risk in the trading book is limited and is calculated and reported daily to risk management and senior management.

Interest risk in other operations
During the year, the bank elected to place portions of its liquidity in bonds with longer terms. This provides better yield on invested funds, but also increases the interest risk in the bank book.

Carnegie regularly performs sensitivity analyses that calculate the effects on the balance sheet of interest rate changes. In the analysis, an interest-rate shock is simulated that corresponds to a sudden and sustained parallel shift of 200 basis points applied on the yield curves to which the positions are linked. At year-end, the outcome from such an upward shift of 200 basis points was SEK 31.5 million (32.6).

Note 28 Risk, liquidity and capital management, cont.

SEK 000s	31 Dec 2018	31 Dec 2017
Capital adequacy		
Capital base	1,676,258	1,533,173
Risk exposure amount	6,912,827	6,535,877
Capital requirement	553,026	522,870
Surplus capital	1,123,232	1,010,302
Common equity Tier 1 capital ratio (CET1), %	24.2%	23.5%
Tier 1 capital ratio, %	24.2%	23.5%
Capital adequacy, %	24.2%	23.5%
Capital buffer requirement		
Total CET1 requirement including buffer requirement, %	8.6%	8.6%
whereof: Capital conservation buffer, %	2.5%	2.5%
whereof: Countercyclical capital buffer, %	1.6%	1.6%
CET1 available as buffer, %	19.7%	19.0%
Capital base		
Equity instruments and associated premium reserve	921,976	921,976
Retained earnings and reserves	1,210,977	1,111,093
Other comprehensive income	-109,376	-115,597
Planned dividend	-250,000	-200,000
Goodwill and intangible assets	-2,645	-8,076
Deferred tax asset	-94,233	-172,375
Direct and indirect holdings	–	–
Further value adjustments	-440	-3,848
Total common equity Tier 1 capital	**1,676,258**	**1,533,173**
Additional Tier 1 capital		
Preference shares	–	–
Total Tier 1 capital	**1,676,258**	**1,533,173**
Tier 2 capital		
Perpetual convertible debentures	–	–
Total capital base	**1,676,258**	**1,533,173**

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 2018	31 Dec 2017
Capital requirements from exposures to:		
Central counterparties	89	65
Governments and central banks	–	–
Municipalities and comparable public bodies and authorities	–	–
Institutional exposures	45,778	37,701
Corporate exposures	21,200	24,018
Retail exposures	13,068	13,983
Exposures secured by real estate property	4,858	1,370
High-risk items	–	–
Exposures to funds	–	17
Exposures in the form of covered bonds	21,552	19,907
Equity exposures	0	0
Other items	53,989	51,277
Total capital requirement for credit risks	**160,535**	**148,338**
Capital requirement for market risks		
Settlement risk	–	5
Total capital requirement for settlement risks	–	**5**
Equity price risk		
Specific risk	4,415	6,989
General risk	1,147	1,807
Non-delta risk	–	–
Total capital requirement for equity risks	**5,562**	**8,796**
Interest rate risk		
Specific risk	261	881
General risk	395	409
Total capital requirement for interest risks	**656**	**1,290**
Currency risk	45,971	57,613
Total capital requirement for currency risks	**45,971**	**57,613**
Capital requirement from credit valuation adjustment risk		
Credit valuation adjustment risk	2,059	2,921
Total capital requirement for credit valuation adjustment risk	**2,059**	**2,921**
Capital requirement for operational risks		

Carnegie applies the base method for calculating operational risks. The capital requirement is calculated as 15% of the income indicator, which represents the average operating revenue of the three most recent financial years.

Income indicator	2,254,366	2,025,621
Capital requirement for operational risks	**338,155**	**303,843**

Note 29 Expected credit losses per IFRS 9

The IFRS 9 Financial Instruments standard took effect on 1 January 2018, superseding IAS 39, Financial Instruments. The standard contains rules for recognition, classification and measurement, write-offs, impairments and hedge accounting. The biggest changes in IFRS 9 compared to IAS 39 are those applicable to classification and measurement, hedge accounting and impairments.

When IFRS 9 was implemented, the company elected not to restate comparative periods. Consequently, all information for comparative periods is presented in accordance with the accounting policies applied in 2017, which are described in the 2017 annual report. Adjustments carried out for the recognition of financial assets and liabilities as of 1 January 2018 are recognised in the opening balance for equity.

Total Loss allowance SEK 000s	2018	Opening balance 1 January 2018
Loans at amortised cost		
Allowance – Stage 1	-5,379	-12,814
Allowance – Stage 2	-1,854	-268
Allowance – Stage 3	-1,847	-346
Allowance – acquired or issued bad debt	–	–
Total	**-9,080**	**-13,428**
Write-offs	–	–
Recoveries	–	–
Total loans at amortised cost	**-9,080**	**-13,428**
Financial guarantees		
Allowance – Stage 1	-268	-455
Allowance – Stage 2	–	–
Allowance – Stage 3	–	–
Total	**-268**	**-455**
Write-offs	–	–
Total financial guarantees	-268	-455
Total ECL	**-9,348**	**-13,882**

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 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 (average loan to value of 34 percent) and that the exposure to financial institutions is 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 for 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, but the sensitivity of the models is controlled mainly by PD.

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, 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.

Custodian account 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 29 Expected credit losses per IFRS 9, cont.

MARGIN LOANS – Exposure, SEK 000s	Stage 1	Stage 2	Stage 3
Opening balance, 1 Jan 2018	**2,252,095**	**87,894**	**217,962**
Transfers:			
From Stage 1 to Stage 2	-78,232	78,232	0
From Stage 1 to Stage 3	-3,202	0	3,202
From Stage 2 to Stage 3	0	-5	5
From Stage 3 to Stage 2	0	0	0
From Stage 2 to Stage 1	15,436	-15,436	0
From Stage 3 to Stage 1	661	0	-661
Write-offs/Amortisation	-371,562	-22,825	-14,606
New assets	124,054	40,802	4,493
Renegotiations	0	0	0
Change in accrued interest	0	0	0
Impairments	0	0	0
FX and other changes	238,666	-23,223	12,727
Closing balance, 31 Dec 2018	**2,177,916**	**145,439**	**223,122**

MARGIN LOANS – Loss allowance, SEK 000s	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL
Opening balance, 1 Jan 2018	**12,027**	**268**	**198,935**
Transfers:			
From Stage 1 to Stage 2	-849	849	0
From Stage 1 to Stage 3	-1,788	0	1,788
From Stage 2 to Stage 3	0	-5	5
From Stage 3 to Stage 2	0	0	0
From Stage 2 to Stage 1	1,544	-1,544	0
From Stage 3 to Stage 1	662	0	-662
Write-offs/Amortisation	-2,604	-175	-226
New assets	880	626	27
Renegotiations	0	0	0
Change in accrued interest	0	0	0
Impairments	0	0	0
FX and other changes	-5,357	1,830	2,508
Closing balance, 31 Dec 2018	**4,515**	**1,854**	**202,370**

Accounts receivable
Total accounts receivable amounted to SEK 156 million (251). 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 2018, accounts receivable past due by more than 30 days amounted to less than SEK 1 million.

ACCOUNTS RECEIVABLE – Loss allowance, SEK 000s	2018	2017
At 31 December per IAS 39	0	0
Restated amount recognised in retained earnings	938	0
Opening balance, 1 Jan – IFRS 9	938	0
Change of loss allowance recognised in profit and loss	-377	0
Receivables written off during the year	0	0
Reversal unutilised amounts	0	0
At 31 December (amounts for 2017 per IAS 39)	**561**	**0**

Guarantees
The Group's outstanding guarantees amounted to SEK 548 million (352). A very large proportion of these 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. The closing balance for 2018 amounted to SEK 0.3 million (0.2).

GUARANTEES – Loss allowance, SEK 000s	2018	2017
At 31 December per IAS 39	0	0
Restated amount recognised in retained earnings	455	0
Opening balance, 1 Jan – IFRS 9	455	0
Change of loss allowance recognised in profit and loss	-186	0
Receivables written off during the year	0	0
Reversal unutilised amounts	0	0
At 31 December (amounts for 2017 per IAS 39)	**268**	**0**

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 7,961 million (7,009). 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	2018	2017
At 31 December per IAS 39	0	0
Restated amount recognised in retained earnings	759	0
Opening balance, 1 Jan – IFRS 9	759	0
Change of loss allowance recognised in profit and loss	-3	0
Receivables written off during the year	0	0
Reversal unutilised amounts	0	0
At 31 December (amounts for 2017 per IAS 39)	**756**	**0**

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 173 million (47).

MORTGAGES – Loss allowance, SEK 000s	2018	2017
At 31 December per IAS 39	0	0
Restated amount recognised in retained earnings	27	0
Opening balance, 1 Jan – IFRS 9	27	0
Change of loss allowance recognised in profit and loss	81	0
Receivables written off during the year	0	0
Reversal unutilised amounts	0	0
At 31 December (amounts for 2017 per IAS 39)	**108**	**0**

Note 30 Information on statements of cash flows

SEK 000s	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Interest paid	-48,831	-39,694	-77	-4,355
Interest received	85,253	87,515	–	–
Adjustments for items not affecting cash flow				
Anticipated dividends and Group contributions from subsidiaries	–	–	-255,000	-205,000
Depreciation, amortisation and impairment of assets	23,283	25,377	–	–
Change in provisions for balance sheet items	-46,024	20,136	–	–
Unrealised changes in value of financial instruments	12,608	10,239	–	–
Total adjustments for items not affecting cash flow	**-10,133**	**55,752**	**-255,000**	**-205,000**

SEK 000s	GROUP 2018	GROUP 2017	PARENT COMPANY 2018	PARENT COMPANY 2017
Cash and cash equivalents[1]				
Cash and bank deposits with central banks	705,682	533,682	–	–
Negotiable government securities	2,138,664	1,834,136	–	–
Loans to credit institutions	2,206,132	2,352,234	1,526	1,605
Loans to credit institutions, not payable on demand	-31,067	-32,661	–	–
Less, pledged cash	-551,495	-889,549	–	–
Cash at end of year	**4,467,916**	**3,797,842**	**1,526**	**1,605**

1) Cash and cash equivalents consist of cash and bank balances with banks and comparable institutions and short-term liquid investments that can easily be converted to a known amount of cash and are exposed to only insignificant risk of changes in value. Accordingly, loans that are not payable on demand and pledged cash are not included.

Note 31 Reporting by country

As required by Swedish Financial Supervisory Authority Regulation FFFS 2008:25, the following table provides information about the nature of the business, geographical territory, average number of employees, operating income, operating profit/loss before tax and tax on profit for each country in which Carnegie is established, meaning where Carnegie has a physical presence. Carnegie is considered to have a physical presence in a country if Carnegie has a subsidiary or branch in that country. Carnegie has not received any government subsidies. The group designated "Other" includes the countries where each country's total income is less than 10% of total income for the Group.

GROUP			2018				2017			
Country	Business[1]	Geographical territory	Average number of employees	Operating income, SEKm	Profit/loss before tax, SEKm	Tax, SEKm	Average number of employees	Operating income, SEKm	Profit/loss before tax, SEKm	Tax, SEKm
Denmark	IB, SEC, PB	Denmark	81	293	-4	0	77	264	-13	2
Norway	IB, SEC	Norway	88	265	-23	-2	81	332	62	-16
Sweden	IB, SEC, PB	Sweden	326	1,594	426	-88	323	1,477	397	-85
Other	IB, SEC, PB	London, New York, Finland, Luxembourg	105	465	-53	5	109	532	70	-15
Eliminations			–	-169	44	-5	–	-133	-53	-10
Total			**600**	**2,448**	**390**	**-90**	**590**	**2,472**	**463**	**-124**

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

Note 32 Discontinued operations

The decision to sell the business in Luxembourg was announced in May 2018. The transaction closed in January 2019. In December 2016 the Board of Directors decided that operations within third party distribution of structured products (below: Structured Products) would be sold in 2017. Financial information concerning discontinued operations is presented below in accordance with *IFRS 5 Non-current assets held for sale and discontinued operations.*

Assets and liabilities held for sale, Banque Carnegie Luxembourg S.A.

	GROUP	
SEK 000s	**31 Dec 2018**	**31 Dec 2017**
Cash and bank deposits with central banks	637,702	467,906
Negotiable government securities	104,596	47,437
Loans to credit institutions	289,006	522,535
Loans to the general public	698,397	855,557
Bonds and other interest-bearing securities	–	195,091
Derivative instruments	30,756	33,126
Other assets	17,431	34,171
Total assets held for sale	**1,777,888**	**2,155,824**
Deposits and borrowing from the general public	1,422,108	1,771,304
Derivative instruments	36,761	33,762
Other liabilities	98,287	86,505
Total liabilities held for sale	**1,557,156**	**1,891,571**

Assets and liabilities held for sale, Structured Products

	GROUP	
SEK 000s	**31 Dec 2018**	**31 Dec 2017**
Cash	–	109,085
Total assets held for sale	**–**	**109,085**
Deposits and borrowing from the general public	–	109,085
Total liabilities held for sale	**–**	**109,085**

Profit from discontinued operations, Structured Products

	GROUP	
SEK 000s	**2018**	**2017**
Operating income	–	56,007
Operating expenses	–	-53,279
Operating loss	**–**	**2,728**
Net financial income/expense	–	–
Profit before tax	**–**	**2,728**
Income tax	–	4,500
Profit from discontinued operations after tax	**–**	**7,228**

Note 33 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 764 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 534 million plus interest and costs. The legal proceedings continued during 2018 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.

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

Note 34 Disclosures concerning number of shares

The number of shares outstanding at 31 December 2018 was 2,168,350 with a quotient value of SEK 110.135 per share.

Note 35 Disposition of profit

Disposition of profit

At the disposal of the annual general meeting, SEK	
Share premium reserve	683,165,000
Retained earnings	860,740,201
Net profit for the year	252,487,907
Total	**1,796,393,108**
The Board of Directors proposes the following disposition of profit:	
Dividend to shareholders	250,000,000
To be carried forward	1,546,393,108
Total	**1,796,393,108**

The Board of Directors is proposing that the 2019 AGM endorses a dividend of SEK 115.295 per share for a total distribution to shareholders of SEK 250,000,000 and that the AGM authorises the Board of Directors to set the date upon which the dividend will be paid.

Certification

The Board of Directors and the CEO hereby certify that the annual report was prepared in accordance with the Swedish Annual Accounts Act (ÅRL) 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, 25 March 2019

Bo Magnusson
Chairman

Ingrid Bojner

Klas Johansson

Anders Johnsson

Andreas Rosenlew

Harald Mix

Björn Jansson
President and CEO

Our audit report was submitted 25 March 2019
PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorised Public Accountant
Auditor in charge

Martin By
Authorised Public Accountant

Auditor's report

To the annual meeting of the shareholders of Carnegie Holding AB, corporate registration number 556780-4983.

Report on the annual accounts and consolidated financial statements

Opinions

We have audited the financial statements and consolidated financial statements of Carnegie Holding AB for the 2018 financial year. The company's annual accounts and consolidated financial statements are presented on pages 46–91 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and of its financial performance and its cash flows for the year in accordance with the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. The statutory administration report is consistent with other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the annual accounts and consolidated financial statements are consistent with the contents of the additional report provided to the audit committee of the parent company and the group, in accordance with Regulation (EU) No 537/2014, Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Our responsibilities under these standards are further described in the Auditor's Responsibilities section of our report. We are independent of the parent company and the group in accordance with the ethical requirements relevant to our audit of the financial statements in Sweden and we have fulfilled our other ethical responsibilities in accordance with these requirements. This means that, to the best of our knowledge and conviction, no prohibited services as referred to in Regulation (EU) No 537/2014, Article 5 (1) have been provided to the audited entity, its parent undertaking or its controlled undertakings within the European Union.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our approach to the audit

Direction and scope of the audit

We designed our audit by establishing the level of materiality and assessing the risk of material misstatements in the financial statements. We particularly considered the areas in which the CEO and the board of directors have made subjective judgements, such as key accounting estimates made on the basis of assumptions and forecasts concerning future events, which are by nature uncertain. As in all audits, we have also considered the risk that the board of directors and the CEO are disregarding internal control procedures and have, inter alia, considered whether there is evidence of systematic non-conformances that have given rise to a risk of material misstatement due to irregularities.

We adapted our audit to perform an appropriate examination to enable us to express an opinion on the financial statements as a whole, with consideration given to the group's structure, accounting processes and internal reviews and the industry within which the group operates.

Units of substantial importance or risk to the group are subject to a full audit and reporting to us as group auditors. The audit is conducted in accordance with International Standards on Auditing and local audit standards. Audit procedures normally include examination of internal controls for key processes, analytical review of specific accounts, review of accounting entries through inspection, observation or confirmation and obtaining audit evidence to verify our inquiries.

It is necessary from the group perspective to examine specific items in the accounts for certain units, even though these units are not assessed as material or associated with high risk. In such cases, local teams are instructed to perform specific audit checks and to report the results of these checks to us. Specific audit checks usually include a detailed analytical review, reconciliation of the accounts against underlying systems, substantive testing of specific processes, areas and accounts, discussions with management concerning accounting records, taxes and internal controls, as well as follow-up of known issues from earlier periods.

Materiality

The scope and direction of the audit is influenced by our materiality assessment. An audit is designed to achieve reasonable assurance as to whether the financial statements contain any material misstatements. Misstatements may arise due to irregularities or error. Misstatements are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based upon professional judgement, we established certain quantitative materiality levels, including for overall financial reporting. Using these and qualitative deliberations, we established the direction and scope of the audit and the nature, timing and scope of our audit checks, and assessed the impact of misstatements, individually and in the aggregate, on the financial statements as a whole.

Key audit matters

Key audit matters are those matters which, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated financial statements for the relevant reporting period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Commission income	
Commission income comprises a significant portion of Carnegie's total income. Characteristically, income streams arising from management mandates and brokerage services entail many similar transactions that are handled in joint processes. As agreements are standardised and the risk of material errors in individual contracts is low, the complexity instead resides in assuring the process flow that leads to income recognition. Commissions related to the Investment Banking area of business are based on agreements that are unique for each transaction and where the contracted income is often significant to profit for the year. The work that generates the income is performed over an extended period of time and Carnegie's right to income arises only upon one or more agreed outcomes. We consider commission income a key audit matter due to the inherent degree of complexity related to the period to which income belongs and how the income should be measured.	Our audit consisted of both testing of key controls in income recognition processes as well as substantive testing. We have, inter alia, performed a formalised review of the income recognition process and have assessed and tested the design and function of selected controls, including the following: • Examination of policies and instructions • Evaluation of control function tests in relevant areas • Review of general controls in relevant IT systems • Testing of controls for calculation of management commissions • Checking of reconciliations of transfers between systems • Evaluation of the bank's supervisory controls We have furthermore performed detailed tests of a selection of agreements in which we verified the calculation of commissions based on parameters specified in the agreements and assessed whether the income was recognised in the correct period. Our audit also determined whether billed amounts had been received through subsequent payment tracking.
Legal disputes and claims	
The bank is from time to time involved in disputes that arise within the framework of the business. The outcome of claims and disputes is determined by the circumstances of the case and through negotiations between the parties. Whether an item must be recognised in the balance sheet and the calculation of contingent liabilities is determined by the bank's assessment of the probability and consequences of possible outcomes. As discussed in the annual report, there is a dispute pertaining to advice provided in connection with a prospectus (see Note 33 Potential disputes). The claims presented by the counterparties are a significant amount to Carnegie.	The primary focus of the audit was on determining whether or not the claims made against the bank will require an obligation to be reported on the balance sheet. Secondarily, we have evaluated the bank's assessment of the size of the risk exposure and possible impact on the bank's financial position. We have read the claims presented and the bank's assessment of the claims made. We have interviewed the bank's senior management personnel and control functions to ascertain their views. We have also read the written assessment of the counterparty's statement of the case expressed by the bank's external legal counsel as a basis for the bank's decisions as regards both probability and financial outcome, and have evaluated the reasonableness of the conclusions. We have conducted follow-up interviews with the bank's representatives for reasons including covering the period after the date of the written opinion. Finally, we have read the description provided in Note 33 Potential disputes.

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

This document also contains information other than the annual accounts and consolidated accounts and is found on pages 1–35 and 84–96. The board of directors and the CEO are responsible for the other information.

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

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

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

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and consolidated financial statements and for their fair presentation in accordance with the Swedish Annual Accounts Act, in respect of the consolidated financial statements, in accordance with IFRSs as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. The Board of Directors and the CEO are also responsible for such internal control as management determines is necessary to enable the preparation of annual accounts and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the consolidated financial statements, the Board of Directors and the CEO are responsible for assessing the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern assumption is, however, not applied if the Board of Directors and the CEO intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The duties of the board audit committee include monitoring the company's financial reporting, which shall not affect the duties and tasks of the board of directors otherwise.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could be reasonably expected to influence the financial decisions of users taken on the basis of these financial statements and consolidated financial statements.

A more detailed description (in Swedish) of our responsibility for the audit of the annual accounts and consolidated financial statements is provided on the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description constitutes a part of the auditor's report.

Report on Other Legal and Regulatory Requirements

Opinions

In addition to our audit of the financial statements and consolidated financial statements, we have conducted an audit of the management of Carnegie Holding AB by the Board of Directors and CEO in 2017 and the proposal on disposition of the company's profit or loss.

We recommend to the annual meeting of shareholders that the profit be disposed in accordance with the proposal in the board of directors' report and that directors and the CEO 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 these standards are further described in the Auditor's Responsibilities section of our report. We are independent of the parent company and the group in accordance with the ethical requirements relevant to our audit of the financial statements in Sweden and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposed disposition of the company's profit or loss. In connection with a proposed dividend, this involves, among else, assessment of whether the dividend is justifiable with consideration given to the demands with respect to the size of equity in the parent company and the group imposed by the nature, scope and risks associated with operations and the Group's consolidation requirements, liquidity and financial position in general.

The Board of Directors is responsible for the company's organisation and for management of the company's affairs. Among else, this includes regular assessment of the company's and the group's financial position and ensuring that the company's organisation is structured in such a manner that accounting, management of funds and the company's financial affairs in general are monitored in a satisfactory manner. The CEO shall attend to the day-to-day management of the company pursuant to guidelines and instructions issued by the Board of Directors and, among else, take the measures necessary to ensure that the company's accounting records are prepared and maintained pursuant to law and that management of funds is conducted in a sound manner.

Auditor's Responsibilities

Our objective regarding the audit of management, and thus our opinion concerning discharge of liability, is to obtain audit evidence sufficient to assess, with reasonable assurance, whether any director or the CEO in any material respect has:

- undertaken any action or committed a negligent breach that may result in liability to the company
- in any other way, acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective regarding audit of the proposed disposition of the company's profit or loss, and thus our opinion on the proposal, is to assess with reasonable assurance whether the proposal is consistent with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect measures or negligence that might results in liability to the company or that a proposed disposition of the company's profit or loss is not consistent with the Companies Act.

A more detailed description (in Swedish) of our responsibility for the audit of the management of the company is provided on the website of the Swedish Inspectorate of Auditors: www.revisorsinspektionen.se/revisornsansvar. This description constitutes a part of the auditor's report.

PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed as the statutory auditor of Carnegie Holding AB by the 2017 annual general meeting and has been the company's auditor since 2009.

Stockholm, 25 March 2019
PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorised Public Accountant
Auditor in Charge

Martin By
Authorised Public Accountant

Sustainability disclosures

The sustainability report is an integrated part of Carnegie's annual report as our responsibility proceeds 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 find out 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 understood as part of Carnegie's sustainability report for 2018. 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 2018 including these sustainability notes. 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 Risks and risk management section on pages 50-54.

This is Carnegie's second sustainability report and covers the calendar year of 2018. 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 and GRI G4 Sector Disclosure, Financial Services. The GRI Index on pages 104–105 shows where disclosures according to GRI are found in the Carnegie Annual Report for 2018.

Reporting profile and boundaries

The sustainability report describes the areas in which Carnegie has significant influence. Unless otherwise specified, the disclosures refer to the Carnegie Group, which consists of the wholly owned subsidiary Carnegie Investment Bank AB (publ) and its subsidiaries in which all business is conducted. The boundaries of the report are described in each section or in remarks on charts and tables. The figures reported refer to the 2018 financial year and the comparative year, 2017.

Accounting policies

The accounting policies applied to financial reporting are provided in the section on Group accounting policies on pages 63–68. The employee data presented is based on verified figures and is 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 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 all of the client encounters that occur every day by phone and email or in face-to-face meetings. Engagement also takes place through client meetings, distribution of research and reports, talks and other client communications. Carnegie gains better understanding of their expectations by maintaining close relationships with our clients. The topics include products and services, client service and fees. It is increasingly important to clients that Carnegie conducts itself responsibly. In addition to direct engagement, Carnegie monitors the customer satisfaction surveys performed by independent market research firms.

Employees

Motivated, committed employees are a prerequisite for our success and one of the most important drivers of successful goal attainment. Regular departmental 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 discovered and considered 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. Focus in 2018 was on matters related to the new anti-money laundering law and MiFID II, as well as entrepreneurship and business.

Materiality analysis

Carnegie performed a materiality analysis in 2017. The purpose was to identify the sustainability topics most highly prioritised by stakeholders and to confirm that the sustainability topics identified by Carnegie were consistent with stakeholder opinions.

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

The overall assessment is that the stakeholder groups considered the absolutely most important topic to be tailored advisory services, i.e., that Carnegie's advisory is based on insight into markets and companies on the foundation of understanding of our clients and external changes. Four topics in addition to tailored advisory were emphasised as particularly important and of high priority: ethical conduct, privacy and confidentiality, a sound risk culture and good governance and regulatory compliance.

The materiality analysis covered stakeholders in Sweden, which is Carnegie's largest market and remains the basis of our most important sustainability topics. In the next step, Carnegie intends to include stakeholders in other markets where the company does business.

Focus areas and key sustainability topics

Responsible advisory

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

Responsible business

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

Responsible employer

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

Sustainability risks

Carnegie runs its business with a low risk appetite and measurements show that internal risk awareness is high. We are working continuously to further develop risk management. In 2018 we included a number of sustainability risks in our risk framework, for example.

Active management of 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, 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 greater detail in Risks and risk management on pages 50–54.

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 policy documents 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 that Carnegie does. Carnegie's code of conduct applies to all employees and compliance is required. Any violations of the code are reported and investigated. Our clients' interests must always be put before our own. Carnegie's corporate ethics work is 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 standards for products and services. Risk of losing clients if we are unable to meet client expectations on our business and/or 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 topics 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 on the sustainability work of analysed companies.

Sustainability notes, cont.

Focus area	Risk description	Risk consequences	Risk prevention
Privacy and confidentiality	Risk of shortcomings in procedures intended to protect client 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 lack of 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 access, accuracy, 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 their circumstances.	Risk that clients will judge that they are not receiving the service they can expect from Carnegie. If advice is not tailored to the client's circumstances, the risk to the client's invested capital could be increased.	Carnegie does not pay bonuses or other inducements for 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.	Excessive 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 uphold 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 350 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, which could 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 permit 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 prepare 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 will lose 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' increased demands for environmental production and sustainability in the products and services we deliver. 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 with regard to 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 the experience, knowledge and characteristics of employees will not be utilised, which can lead to risk that Carnegie will not meet its business objectives.	If the experience, knowledge and characteristics of employees are not utilised, 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 notes, 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 must provide professional advice to guide its clients in a world that is both complex and difficult to predict. Our business principles - client focus, competence and commitment - inform our company culture and foster the development of a sustainable financial market and economic growth. For example, the Next Generation Academy introduced in 2017 continued to carry out various initiatives for young heirs during the year.

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

Business ethics and anti-corruption

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

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

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

Responsible investment

Carnegie considers environmental and social topics 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.

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

A large portion of assets under management are managed by external fund managers and Carnegie has a clear and established process in this regard. The primary focus is to ensure that external managers understand the value of considering both risks and opportunities related to sustainability. In addition, Carnegie checks fund exposure from a sustainability perspective in partnership with the external adviser ISS-Ethix. They perform ESG screenings of fund holdings and the manager is required to submit an explanation of any non-conformances. When there are shortcomings, engagement 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 2018.

Responsible advisory, cont.

Indicators: Responsible advisory

		2018	2017
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
Norway			
Introductory training	%	100	100
Annual mandatory AML training	%	100	100
Annual mandatory knowledge updates (AKU)	%	NA	NA
Denmark			
Introductory training	%	100	100
Annual mandatory AML training	%	100	100
Annual mandatory knowledge updates (AKU)	%	NA	NA
Luxembourg			
Introductory training	%	100	100
Annual mandatory AML training	%	100	100
Annual mandatory knowledge updates (AKU)	%	NA	NA
Finland			
Introductory training	%	100	100
Annual mandatory AML training	%	100	100
Annual mandatory knowledge updates (AKU)	%	NA	NA
UK			
Introductory training	%	100	100
Annual mandatory AML training	%	100	100
Annual mandatory knowledge updates (AKU)	%	100	100
USA			
Introductory training	%	100	100
Annual mandatory AML training	%	100	100
Annual mandatory knowledge updates (AKU)	%	NA	NA

		2018	2017
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	369	151
	%	100	43
Ranking 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	1
Best investment bank in Sweden and Denmark (Euromoney)	Rank	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 Sweden and Finland (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	
Responsible investment			
Assets under management covered by screening			
Discretionary management	%	100	100

Responsible business

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

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

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

Sound risk culture and regulatory compliance

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

The internal survey to measure the risk culture was conducted for the second time in 2018. The results were once again very good

Responsible business, cont.

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

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

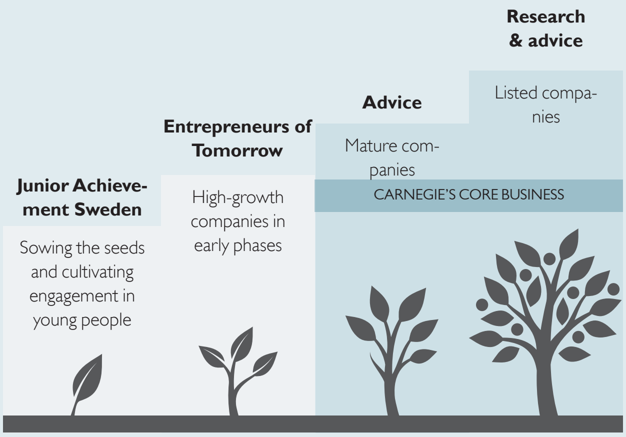
Further information is provided concerning risk management at Carnegie in the Risk, Liquidity and Capital Management section on pages 50–54 and concerning compliance in the Corporate Governance section on page 41.

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 around 370 of the listed companies in the Nordic countries every year. At the end of 2018, that corresponded to 95 percent of total market capitalisation of Nasdaq All-Share for Stockholm, Copenhagen and Helsinki and Oslo Bors All Share.

The sustainability perspective has been a distinct aspect of company coverage for a long time. Carnegie prepared an analysis of 151 Swedish companies in 2017 from a sustainability perspective: how well they had 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. A further step was taken in 2018 in how this knowledge is acquired and made available to clients. At that time, the first Nordic survey was presented, in which all Nordic companies covered by Carnegie analysts were identified and assessed based on ESG parameters (Environment, Social, Governance).



Indicators: Responsible business

	2018	2017
Economic value generated and distributed		
Operating income	2,423	2,472
Economic value generated	*2,423*	*2,472*
Operating expenses	558	513
Employee pay and compensation	1,480	1,473
Dividends paid	250	200
Tax	6	34
Economic value distributed	*2,294*	*2,220*

		2018	2017
Sound risk culture and good governance			
Risk culture measurement, KPI		81	78
Response frequency	%	90	86
Regulatory compliance			
Fines and incidents	SEK	–	–
	Number	–	–
Effective capital allocation			
Analysed companies in the Nordics	Number	369	352
- of total market capitalisation in the Nordic countries*	%	95	95

* Refers to capitalisation of Nasdaq All-Share for Stockholm, Copenhagen and Helsinki and for Oslo Bors All Share at year-end 2018.

Responsible employer

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

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

Our work is controlled by applicable laws and regulations in the markets where Carnegie operates, as well as several policy documents such as guidelines for systematic health and safety management and delegation, conduct, ethics and equal opportunity 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. Training provided in 2018 included courses on anti-money laundering rules and MiFID II regulations.

Employees and their immediate managers regularly confer to ensure that the employee's individual development goals are in line with Carnegie's overall business objectives. 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 characteristics, Carnegie can shape a creative working environment that fosters personal development and improves the conditions for achieving optimal performance. Carnegie must be a workplace where all employees enjoy equal rights, opportunities and 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 must ensure that this also applies to pay-setting. All employees are treated with respect and consideration for every individual's rightful demands for privacy, regardless of gender, transgender identity or expression, ethnicity, sexual orientation, disability or age.

Compensation and benefits

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

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

Indicators: Responsible employer

		2018	2017
Skills development			
Training within Carnegie Professional Development			
Sweden			
Employees who applied	Number	145	155
Total number of course days	Number	268	293
UK			
Employees who applied	Number	4	3
Total number of course days	Number	5	10
Denmark			
Employees who applied	Number	85	28
Total number of course days	Number	170	60

		2018	2017
Equal opportunity and diversity			
Average number of employees			
Women	%	27	27
Men	%	73	73
Age			
< 30	%	15	14
30-50	%	60	63
> 50	%	25	23
Compensation			
Employee ownership interest	%	24.7	24.7
Employees as part owners	Number	220	220
	%	35	35
Health and safety			
Absenteeism	%	2.1	2.2
Employee turnover	%	16.3	15.3

Responsible employer, cont.

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

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

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

Environment

As a service provider, 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 98.

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

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

UN Global Sustainable Development Goals

The United Nations adopted 17 global Sustainable Development Goals (SDGs) in 2015, with the clear expectation that states, 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 upon Carnegie's vision, business principles and role in society, the assessment is that six SDGs are relevant to our business and goals 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.

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 2018 on pages 95-102 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, 25 March 2019
PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorised Public Accountant
Auditor in Charge

Martin By
Authorised Public Accountant

Contents in accordance with GRI

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

GRI Standard	Disclosure		Page reference
General disclosures			
GRI 102: General disclosures 2016			
Organisational profile			
	102-1	Name of the organisation	1
	102-2	Activities, brands, products and services	4
	102-3	Location of headquarters	107
	102-4	Location of operations	4
	102-5	Ownership and legal form	46
	102-6	Markets served	4, 11
	102-7	Scale of the organisation	4-5
	102-8	Information on employees and other workers	32, -37 71
	102-9	Supply chain	99
	102-10	Significant changes to the organisation and its supply chain	79
	102-11	Precautionary principle or approach	99-100
	102-12	External initiatives	102
	102-13	Memberships of associations	102
Strategy			
	102-14	Statement from senior decision-makers	7-9
Ethics and integrity			
	102-16	Values, principles, standards and norms of behaviour	2, -3 98
Governance			
	102-18	Governance structure	40-42
Stakeholder engagement			
	102-40	List of stakeholder groups	95
	102-41	Collective bargaining agreements	Carnegie offers terms of employment and benefits at or above the level stipulated in collective bargaining agreements i the financial industry, and has not itself entered into any collective bargaining agreements.
	102-42	Identifying and selecting stakeholders	95
	102-43	Approach to stakeholder engagement	95-96
	102-44	Key topics and concerns raised	95-96
Reporting practice			
	102-45	Entities included in the consolidated financial statements	63
	102-46	Defining report content and topic boundaries	95
	102-47	List of material topics	96
	102-48	Restatements of information	63
	102-49	Changes in reporting	95
	102-50	Reporting period	95
	102-51	Date of most recent report	95
	102-52	Reporting cycle	95
	102-53	Contact point for questions regarding the report	107
	102-54	Claims of reporting in accordance with the GRI Standards	95
	102-55	GRI Index	104-105
	102-56	External assurance	No external assurance.The auditor's opinion on the statutory sustainability report is on page 103.

GRI Standard	Disclosure		Page reference	Remarks
Material topic				
Economic performance				
GRI 103: Management approach 2016	103-1	Explanation of why the topic is material	10-11	
	103-2	Explanation of how the organisation manages the topic	10-11	
	103-3	Explanation of how the organisation evaluates the management approach	10-11	
GRI 201: Economic performance 2016	201-1	Economic value generated and distributed	100	
Anti-corruption				
GRI 103: Management approach 2016	103-1	Explanation of why the topic is material	98	
	103-2	Explanation of how the organisation manages the topic	98	
	103-3	Explanation of how the organisation evaluates the management approach	98	
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	98	
Employment				
GRI 103: Management approach 2016	103-1	Explanation of why the topic is material	32-35, 101-102	
	103-2	Explanation of how the organisation manages the topic	32-35, 101-102	
	103-3	Explanation of how the organisation evaluates the management approach	32-35, 101-102	
GRI 401: Employment 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	101-102	
Occupational health and safety				
GRI 103: Management approach 2016	103-1	Explanation of why the topic is material	37, 101-102	
	103-2	Explanation of how the organisation manages the topic	37, 101-102	
	103-3	Explanation of how the organisation evaluates the management approach	37, 101-102	
GRI 403: Occupational health and safety 2016	403-2	Types of injury and rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities	101	Carnegie reports absenteeism at the group level.
Training and education				
GRI 103: Management approach 2016	103-1	Explanation of why the topic is material	35, 101-102	
	103-2	Explanation of how the organisation manages the topic	35, 101-102	
	103-3	Explanation of how the organisation evaluates the management approach	35, 101-102	
GRI 404: Training and education 2016	404-2	Programmes for upgrading employee skills and transition assistance programmes	101	
	404-3	Percentage of employees receiving regular performance and career development reviews	101	
Diversity and equal opportunity				
GRI 103: Management approach 2016	103-1	Explanation of why the topic is material	35, 101	
	103-2	Explanation of how the organisation manages the topic	35, 101	
	103-3	Explanation of how the organisation evaluates the management approach	35, 101	
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	71–72, 101	
Product and service labelling				
GRI 103: Management approach 2016	103-1	Explanation of why the topic is material	22, 98	
	103-2	Explanation of how the organisation manages the topic	22, 98	
	103-3	Explanation of how the organisation evaluates the management approach	98	
GRI 417: Product and service labelling 2016	417-1	Requirements for product and service information and labelling	99	
Customer privacy				
GRI 103: Management approach 2016	103-1	Explanation of why the topic is material	98	
	103-2	Explanation of how the organisation manages the topic	98	
	103-3	Explanation of how the organisation evaluates the management approach	98	
GRI 418: Customer privacy 2016	418-1	Substantial complaints concerning breaches of customer privacy and losses of customer data	99	
Auditing				
GRI 103: Management approach 2016	103-1	Explanation of why the topic is material	27, 99-100	
	103-2	Explanation of how the organisation manages the topic	27, 99-100	
	103-3	Explanation of how the organisation evaluates the management approach	27, 99-100	
GRI FS: Auditing	FS	Risk assessment procedures	27, 99-100	
Socioeconomic compliance				
GRI 103: Management approach 2016	103-1	Explanation of why the topic is material	99-100	
	103-2	Explanation of how the organisation manages the topic	99-100	
	103-3	Explanation of how the organisation evaluates the management approach	99-100	
GRI 419: Socioeconomic compliance 2016	419-1	Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations	100	
Active ownership				
GRI 103: Management approach 2016	103-1	Explanation of why the topic is material	98	
	103-2	Explanation of how the organisation manages the topic	98	
	103-3	Explanation of how the organisation evaluates the management approach	98	
GRI FS: Active ownership	FS11	Percentage of assets under management subject to screening	99	Refers to the Swedish operations.

Definitions – alternative performance measures*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Return on equity*
Profit or loss divided by average equity, adjusted for the effect of loss carryforwards on deferred tax.

Bridge between alternative performance measures and the financial statements

A more detailed description of the calculation method is required for some performance measures.

Return on equity – To calculate average equity adjusted for the effect of deferred tax on loss carryforwards, we have used equity for the past 13 months and loss carryforwards for the past 13 months, divided thereafter by the number of months, ∑ (equity – loss carryforwards)/13

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

*Alternative Performance Measures, APM, are financial measures of historical or future financial performance, financial position, or cash flows that are not defined in the applicable reporting framework (IFRS) or in the EU Capital Requirements Directive (CRD)/Capital Requirements Regulation (CRR). Carnegie uses APM when it is relevant to track and describe Carnegie's financial performance and position and to provide further relevant information and tools to enable analysis of the same. APMs that describe Operating C/I ratio, Operating income and expenses per employee, Operating profit margin, like the profit margin and return on equity measures, provide information about Carnegie's earnings capacity and efficiency from various angles. All of these measures may differ from similar key data presented by other entities. How the performance measures are calculated is noted above.

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