CAPITAL ADEQUACY AND LIQUIDITY

PILLAR 3
Q3 2021

INTRODUCTION

Carnegie's Capital and liquidity report describes Carnegie Group, including Carnegie Holding AB (556780-4983) and Carnegie Investment Bank AB (publ) (516406-0138), capital and liquidity position. The report states conditions as per 30th of September 2021 if nothing else stated.

All operations are managed and executed within Carnegie Investment Bank and Carnegie Holding AB is exclusively a holding company.

Throughout the report the terms "Carnegie" or "the Group" will be used for Carnegie Group and "the Bank" will be used for Carnegie Investment Bank AB.

The report includes information about Carnegie's capital base, capital adequacy and liquidity in accordance with Pillar III of the Capital Requirement Regulation – Regulation EU 575/2013 (CRR). The information is published in accordance with Finansinspektionen regulations; FFFS 2010:7, 2014:12, 2014:18 and 2019:6.

CAPITAL REQUIREMENT REGULATION

The capital requirement regulations are divided as follows:

Pillar 1 – Minimum own funds requirements

Pillar 1 capital requirements are regulated by the Capital Requirements Regulation (575/2013/EU) and ensure capital coverage for credit and counterparty risk, market risk and operational risk, which together form the minimum requirement. The capital adequacy ration, capital base divided with capital requirement, should always be higher than 1.

Pillar 2 – Risk assessment and supervisory review

Credit institutions, pursuant to the Banking and Financing Business Act (2004:297), must identify, measure, govern, report internally and control their risks. In order to meet this requirement, credit institutions must have processes and methods for regularly measuring and maintaining capital and liquidity which – with regard to amount, type and distribution – is sufficient for covering current and future risks. The Pillar 2 requirement is an individual requirement and should cover risks that are not fully captured by the regulation's minimum and buffer requirements.

Pillar 3 – Information requirements

Pillar 3 is the part of the Basel accord that requires credit institutions to publish additional information about their own operations. The objective of these requirements is to ensure that counterparties are better able to assess if they want to enter into a customer, lender or investor relationship with the credit institution.

CAPITAL BASE

Carnegie's ability to asses and handle risks and at the same time withhold a strong capital base are key factors for the Groups long term profitability and development. Carnegie shall maintain a capital that is adequate to cover all risks and at the same time operate and development the business.

CAPITAL BASE

The purpose of Carnegie's capital base is to work as a buffer against possible losses due to risks that the group may face and to cover capital need to maintain and develop the business. The capital base includes only tier 1 capital and the majority of the funds are own funds.

Capital Base

(MSEK)	**Group**	**Bank**
CET1 paid up Capital	922	200
Retained Earnings	1 169	1 843
Other Comprehensive Income	-43	0
Total CRR Eligable equity	**2 048**	**2 043**
Intangible Assets	-50	-50
Goodwill	0	0
Deferred Tax Assets	-8	0
Prudent valuation	0	0
Significant Investments Financial Sector	0	-27
SFIs exceeds the 15% threshold	0	-5
Common Equity Tier 1	**1 989**	**1 960**
Additional Tier 1	0	0
Tier 1 Capital	1 989	**1 960**
Tier 2 Capital	0	0
Total Capital Base	**1 989**	**1 960**
Total Risk Exposure Amount	**9 237**	**7 899**

CAPITAL RATIOS AND BUFFERS

CAPITAL REQUIREMENT

The capital base shall ensure capital coverage of the capital requirements for Credit risk, Market risk and Operational risk.

Within the Capital Requirement Regulation banks have the opportunity to use different methods to calculate the capital requirement needed to meet any losses resulting from exposures to Credit risk, Market risk and/or Operational risks.

The following methods are used by Carnegie:

• **Credit risk** – Standardised approach for credit risk and full method for financial collateral.
• **Market risk** – Finansinspektionens standardised approach.
• **Operational risk** – Basic indicator approach, meaning that the capital requirement is calculated as 15% of the average operating income during the last three years.

Capital Ratio

(MSEK)	Group	Bank
Capital Base	1 989	1 960
Common Equity Tier 1 Capital	1 989	1 960
Tier 1 Capital	1 989	1 960
Common Equity Tier 1 Capital Ratio	21,5%	24,8%
Tier 1 Capital Ratio	21,5%	24,8%
Total Capital Ratio	21,5%	24,8%

Capital Buffers

		Group		Bank
(MSEK)	ap req	% of REA	Cap req	% of REA
Institution specific buffer requirement (CET1)	**652**	**7,1%**	**553**	**7,0%**
of which Capital conservation buffer	231	2,5%	197	2,5%
of which Countercyclical capital buffer	5	0,1%	0	0,0%
CET1 available to meet buffers	**1 250**	**13,5%**	**1 328**	**16,8%**
Other own fund requirement (Pillar II)	**231**	**2,5%**	**197**	**2,5%**
Total own fund requirement	**1 206**	**13,1%**	**1 027**	**13,0%**

Capital Requirement

		Group		Bank
(MSEK)	ap req	% of REA	Cap req	% of REA
Credit Risk	246	2,7%	234	3,0%
Equity Risk	8	0,1%	8	0,1%
Currency Risk	74	0,8%	39	0,5%
Operational Risk	411	4,4%	351	4,4%
Own fund requirement	**739**	**8,0%**	**632**	**8,0%**

CREDIT RISK EXPOSURES

The risk exposure amounts below are stated per exposure class.

Credit risk exposure

(MSEK)	Group	Bank
Institutions	833	763
Corporate	330	224
Retail	227	227
Exposures secured by mortgages on immovable property	245	245
Exposures in Default	0	0
Covered Bonds	163	163
Short Term Claims	0	0
Collective Investment Undertakings	0	0
Equity Exposures	0	485
Other	1 269	814
Total	**3 067**	**2 921**

LIQUIDITY

Carnegie's funding is mainly conducted by equity and deposits from the public. Carnegie's risk appetite is set to ensure sufficient funds within daily operations, as well as during periods of market stress. The liquidity buffer shall at all times exceed the expected outflow during periods of market stress and consist of either bank balances or assets refundable through "Riksbanken".

Liquidity (MSEK)	**Group**	**Bank**
Central Bank Balances	477	477
Bank Balances	4 110	3 974
Bonds issued by Central bank or Government	6 724	6 724
Covered Bond	1 023	1 023
Securities issued by non-financial Institutions	46	46
Liquidity Buffer	**12 379**	**12 243**

Funding		
Own Funds	3 150	2 949
Tier II Capital	0	0
Bonds	0	0
Deposits from the Public	13 478	13 503
Other Liabilities	2 986	3 030
Total Assets	19 614	19 482

Key Figures		
Own Funds and Bonds/Assets	16%	15%
Deposits from the Public/Assets	69%	69%
Liquidity Buffer/Assets	63%	63%
Liquidity Reserve according to (EU) 2015/61 article 9	8 269	8 269
Stressed Net Outflow	1 540	1 621
Liquidity Coverage Ratio	537%	510%
Net Stable Funding Ratio	294%	282%