



CAPITAL ADEQUACY AND LIQUIDITY

PILLAR 3
Q2 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 June 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 assess 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	1 845
Other Comprehensive Income	-45	0
Total CRR Eligible equity	2 046	2 045
Intangible Assets	-43	-43
Goodwill	0	0
Deferred Tax Assets	-8	0
Prudent valuation	-1	-1
Significant Investments Financial Sector	0	-26
SFIs exceeds the 15% threshold	0	-6
Common Equity Tier 1	1 993	1 969
Additional Tier 1	0	0
Tier 1 Capital	1 993	1 969
Tier 2 Capital	0	0
Total Capital Base	1 993	1 969
Total Risk Exposure Amount	9 306	8 183



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	1 993		1 969	
Common Equity Tier 1 Capital	1 993		1 969	
Tier 1 Capital	1 993		1 969	
Common Equity Tier 1 Capital Ratio	21,4%		24,1%	
Tier 1 Capital Ratio	21,4%		24,1%	
Total Capital Ratio	21,4%		24,1%	

Capital Buffers

(MSEK)	Group		Bank	
	Cap req	% of REA	Cap req	% of REA
Institution specific buffer requirement (CET1)	657	7,1%	573	7,0%
of which Capital conservation buffer	233	2,5%	205	2,5%
of which Countercyclical capital buffer	5	0,1%	0	0,0%
CET1 available to meet buffers	1 249	13,4%	1 314	16,1%
Other own fund requirement (Pillar II)	233	2,5%	205	2,5%
Total own fund requirement	1 215	13,1%	1 064	13,0%

Capital Requirement

(MSEK)	Group		Bank	
	Cap req	% of REA	Cap req	% of REA
Credit Risk	240	2,6%	249	3,0%
Equity Risk	12	0,1%	12	0,1%
Currency Risk	82	0,9%	42	0,5%
Operational Risk	411	4,4%	351	4,3%
Own fund requirement	745	8,0%	655	8,0%

CREDIT RISK EXPOSURES

The risk exposure amounts below are stated per exposure class.

Credit risk exposure

(MSEK)	Group		Bank	
Institutions	818		814	
Corporate	246		126	
Retail	245		245	
Exposures secured by mortgages on immovable property	234		234	
Exposures in Default	0		0	
Covered Bonds	254		254	
Short Term Claims	0		0	
Collective Investment Undertakings	0		0	
Equity Exposures	0		486	
Other	1 185		955	
Total	2 981		3 114	



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	438	438
Bank Balances	4 193	3 987
Bonds issued by Central bank or Government	3 451	3 451
Covered Bond	1 774	1 774
Securities issued by non-financial Institutions	37	37
Liquidity Buffer	9 893	9 687

Funding		
Own Funds	2 863	2 738
Tier II Capital	0	0
Bonds	0	0
Deposits from the Public	13 119	13 106
Other Liabilities	2 511	2 563
Total Assets	18 493	18 407

Key Figures		
Own Funds and Bonds/Assets	15%	15%
Deposits from the Public/Assets	71%	71%
Liquidity Buffer/Assets	53%	53%
Liquidity Reserve according to (EU) 2015/61 article 9	5 700	5 700
Stressed Net Outflow	1 508	1 527
Liquidity Coverage Ratio	378%	373%
Net Stable Funding Ratio	254%	238%