

# CARNEGIE HOLDING AB

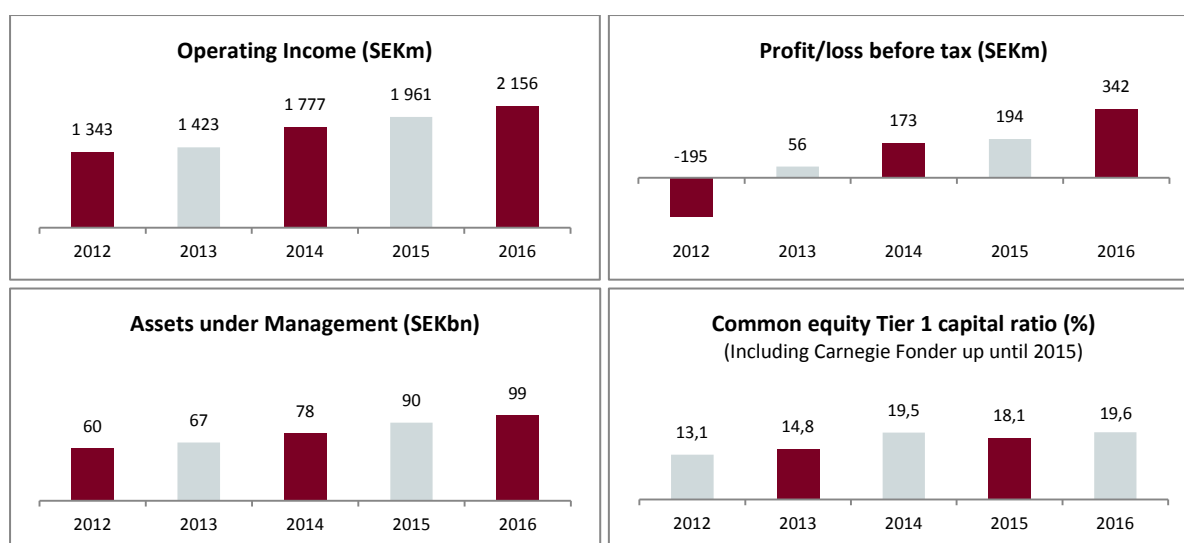
## YEAR-END REPORT

1 January – 31 December 2016

*“The strong full-year profit consolidates our long-term positive development, driven by improved market positions in a number of our core businesses. We are also pleased by the great confidence our clients are showing us, as confirmed by both the number of business mandates and awards during the period,” says President and CEO Björn Jansson.*

- Operating income amounted to SEK 2,156 million (1,961), an increase of 10 percent.
- Operating expenses amounted to SEK 1,463 million (1,457).
- Profit before tax amounted to SEK 342 million (194), an increase of 76 percent.
- Assets under management amounted to SEK 99 billion (90), an increase of 10 percent.
- The common equity Tier 1 capital ratio amounted to 19.6 percent (18.1) and the capital adequacy ratio was 22.1 percent (20.6).
- The board proposes a dividend of SEK 100 million.

## FINANCIAL KEY DATA



## THE PERIOD OF 1 JANUARY – 31 DECEMBER 2016

The report pertains to the Carnegie group ("Carnegie") and its parent company, Carnegie Holding AB. Unless otherwise stated, comments in the report refer to the Group excluding discontinued operations, i.e. Carnegie Fonder AB, and the operations in third-party distribution of structured products.

- Carnegie is reporting a 76 percent increase in profit before tax compared with the same period in the previous year.
- The Carnegie group is reporting a 10 percent increase in income compared with 2015.
  - Income in Investment Banking & Securities increased by 20 percent in relation to the previous year.
  - Private Banking is reporting a 12 percent decrease in income for the full-year, but demonstrated stronger performance in the second half, with increased inflows of assets under discretionary management.
- Operating expenses are almost unchanged in relation to the same period of the previous year. Increased investment in selective recruitment, regulatory implementations and digital services are offset by stringent cost control and regular efficiency improvements.
- Carnegie is strengthening its leading position in Nordic equity capital market transactions and participating in more transactions than any other provider. For example, Carnegie participated in 18 of the 25 Nordic IPOs, and in 14 of the 17 in the Swedish market, during the year (each with a value in excess of USD 40 million).
- Carnegie is demonstrating clear growth in individual markets such as Sweden, Norway and Finland, and is simultaneously enhancing its penetration in the segment for mergers and acquisitions (M&A) and for issuing and trading in corporate bonds (DCM/Fixed Income). This strengthened the income and improved the balance of the overall income mix during the year.
- The group retains a strong financial position.

## IMPORTANT EVENTS DURING THE PERIOD

- **Developed client offering and more efficient organisation in Private Banking**  
Activities were conducted during the autumn linked to clearer client segmentation, a simplified organisation and complementary client offerings in Private Banking, thus creating strong conditions for growth.
- **External recognition in all areas of operations**  
Carnegie has strengthened and defended its leading positions in all areas of operations.
  - ★ Swedish institutions top ranked Carnegie in the market for equity research and brokerage services (TNS Sifo Prospera, December 2016).
  - ★ Nordic companies top ranked Carnegie among corporate advisors in the Nordic market, both overall and in equity market transactions (ECM) and mergers and acquisitions (M&A) (TNS Sifo Prospera, November 2016).
  - ★ Carnegie advanced to first place among Swedish Private Banking providers (TNS Sifo Prospera, November 2016).
  - ★ Global investors named Carnegie best research house for Nordic equities (Extel, June 2016).
  - ★ Carnegie defended its position as Sweden's best research house (Financial Hearings, June 2016).
  - ★ Global institutions ranked Carnegie as number one in Nordic equity research (Institutional Investors All-Europe, February 2016).
- **Management changes**  
In June 2016, Jonas Predikaka was appointed global head of Private Banking and joined the group management team. In December 2016, it was announced that Claus Gregersen, head of Carnegie's Danish operations and a member of the group management team, would leave Carnegie at the start of 2017.
- **Focus on core operations**
  - In accordance with the decision to divest Carnegie Fonder AB, which was announced in September 2015, the sale was completed in the first half of 2016.
  - Carnegie decided during the year to divest its operations in third-party distribution of structured products, which in turn gives greater focus on advisory services as the core business. The transaction is conditional upon regulatory approval and is intended to be progressively completed during 2017.
  - Carnegie has during the year divested its previous 50 percent stake in Swedish fund operations Optimized Portfolio Management Stockholm AB (OPM). The transaction is conditional upon regulatory approval.
- **Changes to the board**  
Anders Johnsson and Klas Johansson were elected as new directors of Carnegie Holding AB and subsidiary Carnegie Investment Bank AB on 19 April 2016. At the same time Fredrik Strömholm and Mårten Andersson left their respective board appointments with the Carnegie group.

## EVENTS AFTER THE END OF THE PERIOD

- **Top rankings in Private Banking and Nordic equity research**  
In February 2017, Carnegie advanced to top ranking when Euromoney named Sweden's best Private Banking provider in its annual survey. Carnegie also defended last year's global top ranking in Nordic equity research, according to Institutional Investors All-Europe 2017.
- **Chief Information Officer (CIO) appointed**  
Elisabeth Erikson has been recruited to the role of CIO. She took office in January 2017 and is included in the group management team. Elisabeth joins us from Skandiabanken.
- **New Head of Carnegie's branch office in Denmark**  
In January 2017, Jacob Bastholm was appointed as Head of Carnegie's Danish operations, in addition to his current role as Head of Carnegie's Danish Investment Banking operations.

## HIGH LEVEL OF CLIENT CONFIDENCE LIFTS PROFITS

### President and CEO Björn Jansson comments on the results

In summing up 2016, Carnegie is able to report another year of good financial performance and a stronger market position. The strong full-year profit consolidates our long-term positive development, and we successfully defended our leading position in the Nordic market within our traditional fields. Pleasingly, we have also advanced our positions in new areas of focus, which is the result of conscious efforts that began several years ago. This has led to high market shares in our core business, new income streams and a high level of trust from our clients, which is confirmed in both the number of business mandates and the number of awards received during the period.

Our institutional equity business developed well, and commission income rose for the fourth consecutive year. Our strong positions in Nordic equities and Nordic equity research among international investors were evidenced when Carnegie was named best Nordic research house by both Institutional Investor and Extel during the year.

The transaction climate remained positive in 2016 and brought a high level of business activity for Carnegie. We participated in a higher number of equity capital market transactions than any other provider in the Nordic market. In terms of the number of IPOs alone, Carnegie participated in a total of 18 of the 25 IPOs in the Nordic region, each worth in excess of USD 40 million. The market listings during the year included education group Academedia (Sweden), retailer Tokmanni (Finland) and wine and spirits supplier Arcus (Norway).

Carnegie's advisory services for issues of corporate bonds and related trade in fixed-income instruments and activities in mergers and acquisitions also clearly strengthened during the year, in terms of both volume and transaction numbers. Among others, we participated in Sweden's largest real estate transaction through Castellum's acquisition of Norrporten, and also participated as advisor in bond issues, including those of pharmaceutical company Moberg Pharma and gambling company Catena Media. When combined with general growth in individual markets such as Sweden, Norway and Finland, this strengthens the contribution to Carnegie's total income and thereby improves the breadth of our overall income mix.

Following a weak first-half performance in our Swedish Private Banking operations, action was taken to strengthen the capacity for growth. Under new management and with a new organisation, we have sharpened our offering for entrepreneurs and higher net worth individuals, and further developed our digital services. The second half of the year provided more positive signals, with increased inflows of assets under discretionary management and compelling external recognitions, including top rankings in both industry and customer surveys. This testifies to the potential for Carnegie in the Private Banking market in coming years.

Furthermore, Carnegie has taken several strategic decisions to place greater emphasis on advisory services as our core business, partly through the divestment of Carnegie Fonder, which was completed in the spring, and partly through the sale of the business in third-party distribution of structured products. In addition, we divested our 50 percent stake in the Swedish fund operations OPM during the year.

Following a large number of top rankings, for corporate advisory services, research capacity, equity sales, placement capabilities and Private Banking, we ended the year with a leading position in all areas of Carnegie's operations. Altogether, this improves our attractiveness, creates new business opportunities and strengthens the commitment of our employees.

We are well aware that client confidence must be continuously earned, and we do not rely on past success as we look ahead. At the same time, we are grateful to be starting a new financial year with very strong client relationships, built on advice that inspires confidence, and Carnegie has every reason to look to 2017 with optimism.

Björn Jansson

## **THIS IS CARNEGIE**

Carnegie is one of the foremost financial advisors in the Nordics. Separately, all of our business areas are among the leaders in their fields. Together, they build a combination of integrated knowledge that is hard to beat. Experts in capital acquisition, research and equity sales, as well as specialists in wealth management advice and asset management, guide our clients toward better business.

### **SECURITIES**

Carnegie Securities targets mainly institutional clients and offers services within research, equity sales and equity capital market transactions. 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. Operations in Denmark, Finland, Norway, the UK, Sweden and the US.

### **INVESTMENT BANKING**

Carnegie Investment Banking offers professional advisory services in mergers and acquisitions (M&A) and equity capital market (ECM) transactions. The DCM unit offers advice related to capital acquisition via corporate bonds and fixed-income instruments. Carnegie has a long-established local presence, with unique understanding and expertise concerning industries and equity markets in the Nordic region. Operations in Denmark, Finland, Norway and Sweden.

### **PRIVATE BANKING**

Carnegie Private Banking offers comprehensive financial advisory services to high net worth individuals, small businesses, institutions and foundations. The business unit's staff includes experts in asset allocation, asset management, structured instruments, law, tax management, pensions and trading in securities. Operations in Denmark, Luxembourg and Sweden.

## OPERATING PROFIT AND LOSS STATEMENT & KEY DATA

		Jan-Dec	Jan-Dec	
(SEKm)	Note	2016	2015	%
Continuing operations				
Investment Banking & Securities		1 610	1 341	20
Wealth Management		546	620	-12
<b>Operating income</b>		<b>2 156</b>	<b>1 961</b>	10
Personnel expenses before variable remuneration		-1 033	-986	5
Other expenses		-430	-471	-9
<b>Operating expenses</b>		<b>-1 463</b>	<b>-1 457</b>	0
<b>Operating profit</b>		<b>692</b>	<b>504</b>	37
Finance costs, variable remuneration, etc.		-350	-310	13
<b>Profit before tax</b>		<b>342</b>	<b>194</b>	76
Taxes		-76	-88	-14
<b>Net profit for the year from continuing operations</b>		<b>266</b>	<b>106</b>	151
Profit from discontinued operations				
Profit for the year from discontinued operations	3	120	108	
<b>Profit for the year</b>		<b>386</b>	<b>214</b>	
<b>Financial key data, continuing operations</b>				
Operating C/I ratio, %		68	74	
Operating income per employee, SEKm		3,7	3,5	
Operating costs per employee, SEKm		2,5	2,6	
Operating profit margin, %		32	26	
Assets under Management (WMM), SEKbn		99	90	
Return on equity, %		21	9	
Return on total assets, %		2,2	0,9	
Total assets, SEKm		11 194	10 896	
<b>Financial position</b>				
Common equity Tier 1 capital ratio (CET1), %		19,6	18,1	
Equity, SEKm		1 677	2 088	
<b>Employees</b>				
Average number of employees		631	642	
Number of employees at the end of the year		619	654	
See page 24 for definitions of key data				

## MARKET & POSITION

### EQUITY MARKET

Despite a weak start to the market year and increased political uncertainty, partly because of a possible British EU exit and the US presidential election, global equity markets performed relatively well during the year (S&P 500 +12.0 percent total return).

For the Nordic equity markets, the impact of political turmoil was dampened through continuing monetary market stimulus and record-low interest rates, as well as by weaker currencies. Altogether, however, the Nordic exchanges demonstrated differing performance: Oslo +14.6 percent (OBX); Stockholm +9.5 percent (OMXS30); and Helsinki (OMXH25) and Copenhagen (CSE20) with total returns of +14.6 percent and +0.4 percent, respectively.

### CORPORATE TRANSACTIONS MARKET

#### Equity capital market transactions (ECM)

Activity in equity capital market transactions was generally higher in the Nordic market than at the global level in 2016. Measured in terms of volume, equity capital market transactions decreased in Europe during 2016 compared to the previous year, while the volume of transactions in the Nordic market showed an increase of almost 30 percent. Similarly, the global market for IPOs recorded its lowest volume in several years, while IPOs on the Nordic exchanges continued their positive trend in volume terms (Thomson Reuters).

Carnegie has strengthened its position in the Nordic capital markets during the year, both in its role as advisor in equity capital market transactions and in its ability to execute transactions. In addition, Carnegie's knowledge and analytical capabilities have been top ranked in the market among both Nordic and global investors during the period.

Carnegie conducted more equity capital market transactions than any other provider in the Nordics during 2016, including as advisor in a majority of all IPOs in the Nordic region. Of the 25 major Nordic IPOs, Carnegie was advisor in 18, including as lead or co-lead in 15. Seventeen IPOs were conducted in the Swedish market, each with a value in excess of USD 40 million, with Carnegie participating as lead or co-lead in 14 (Thomson Reuters). The Nordic IPOs in which Carnegie participated during 2016 include education group Academedia, retailer Tokmanni, niche bank Resurs Bank, television and streaming company Edgware and pharmaceutical company Alligator Bioscience.

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

Despite a weaker start to the year, the European market for mergers and acquisitions grew for full-year 2016. The Swedish market showed strong growth during the year, while the other Nordic markets reported weaker trends in volume terms.

Carnegie has improved its penetration of the Nordic market during the year. Carnegie participated in a total of 31 transactions during the year, with an even distribution of advisory assignments across the Scandinavian markets (Thomson Reuters). Among others, Carnegie participated in Sweden's largest real estate deal, through Castellum's acquisition of Norrporten, as advisor in Bang & Olufsen's sale of ICEpower in Denmark, and in Norwegian Opera Software's sale of Opera TV to US-based Moore Frères & Company. In addition, Carnegie was advisor in most transactions in the medium-sized companies segment, each with a value of USD 50-500 million.

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

The corporate bond market as a whole showed volume growth in Europe during 2016. Carnegie grew faster than the Nordic market in the core high-yield segment during the year, increasing its market share (Stamdata).

Carnegie participated as advisor in 12 transactions during the period, including the bonds issued by pharmaceutical company Moberg Pharma, construction company Serneke and gambling company Catena Media.

## THE ASSET AND WEALTH MANAGEMENT MARKET

Last year was characterised by a volatile stock market and unexpected political events. In terms of asset management and wealth management, this environment meant that the need for active risk management was emphasised and the advantages of portfolio diversification became apparent.

Meanwhile, the stock market performance for the year helped to increase asset values for Swedish households, whose combined net wealth had increased at the end of the third quarter 2016 (according to Statistics Sweden), largely driven by increased equity assets and the continued rise in house prices. Even the Swedish funds market reached record levels during the year, and reported increased net savings in equity funds, mixed funds and bond funds (Swedish Investment Fund Association).

At the end of 2016, clients' total assets under management at Carnegie amounted to SEK 99 billion (90), an increase of 10 percent.

## AWARDS DURING THE YEAR

### Investment Banking & Securities

Carnegie further strengthened its positions in the Nordic market during the year, with top rankings in corporate advisory, equity research and brokerage services. This emerged from customer surveys and market research conducted by TNS Sifo Prospera among both businesses and institutions in the Nordic region. In addition, Carnegie was top ranked in Nordic equity research among institutional investors at global level during the year, according to both Institutional Investors All-Europe and Extel 2016. Furthermore, Carnegie was once again named Sweden's best research house in the annual survey from Financial Hearings.

### Private Banking

Carnegie strengthened its market position in 2016 and was named Sweden's best private banking provider by TNS Sifo Prospera. This recognition was followed up with another top ranking in February 2017, when Carnegie advanced to first place among Swedish private banking providers in Euromoney's annual survey.

## GROUP FINANCIAL PERFORMANCE

Consolidated operating income for the full-year 2016 amounted to SEK 2,156 million (1,961), an increase of 10 percent compared to the previous year. Operating costs during the same period amounted to SEK 1,463 million (1,457). The Group is reporting operating profit of SEK 692 million (504), an increase of 37 percent since 2015. Profit before tax amounted to SEK 342 million (194), an increase of 76 percent.

## INCOME

### Investment Banking & Securities

Income within Investment Banking & Securities is generated primarily from the following types of revenue: advisory services income in connection with ECM and M&A transactions, bond-related advisory services, and commissions in connection with brokerage services and equity capital market transactions.

The Investment Banking & Securities business area surpassed last year's strong performance, and the operations are reporting income for the full-year of SEK 1,610 million (1,341), an increase of 20 percent, with positive contributions from all income streams. Brokerage commissions, advisory fees related to mergers and acquisitions, and income related to the bond markets and equity markets are all increasing compared to the previous year.



In 2016, Carnegie once again conducted the most equity capital market transactions in the Nordic region and participated in more than half of all Nordic IPOs with a value in excess of USD 40 million. Carnegie was also advisor during the year in most mergers and acquisitions of mid-sized companies, each with a value of USD 50-500 million.

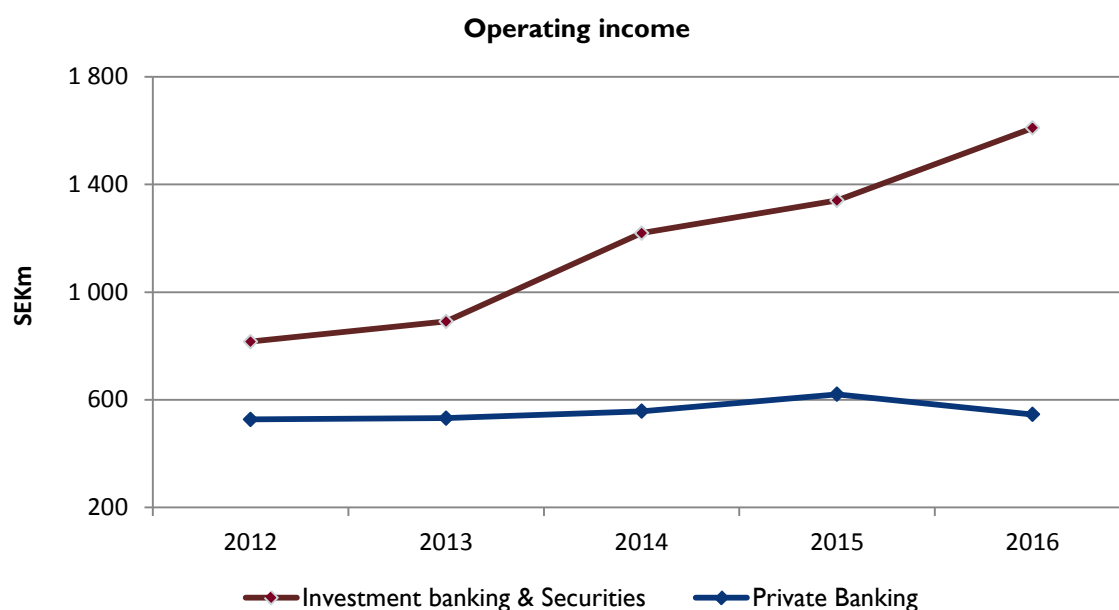
### Private Banking

Income in Private Banking is generated mainly from discretionary management, advisory services, commission on sales of third-party equity funds, net interest income, and fees for legal and insurance-related advice.

Income in Private Banking amounted to SEK 546 million (620) in 2016, a decrease of 12 percent in relation to 2015. The strong performance in the second half, with increased capital inflows under discretionary management, does not outweigh the weaker start to the year and the negative developments in institutional structured products.

In the autumn we conducted a number of forward-looking activities for the Swedish Private Banking business. Actions linked to clearer client segmentation and a more efficient organisation have improved the prospects for growth. In addition, the client offering has been supplemented with targeted offers to both active entrepreneurs and higher net worth individuals.

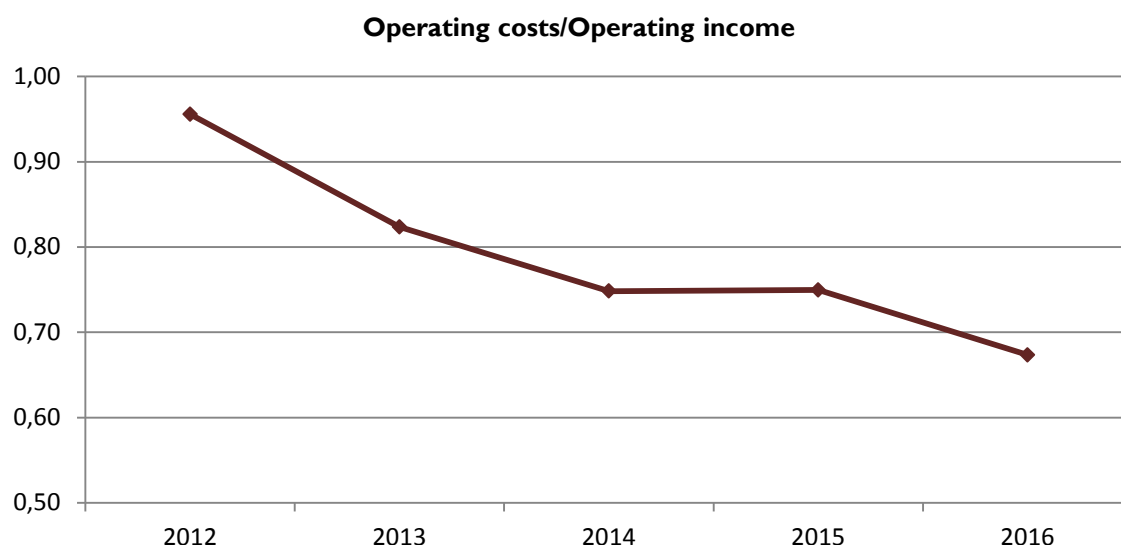
To create a clearer focus on growth in Private Banking, Carnegie decided to divest its third-party distribution of structured products. This allows for a clearer commitment to the areas of wealth advisory services and asset management.



### COSTS

Operating costs were stable in 2016 compared to 2015, and amounted to SEK 1,463 million (1,457). Continued investments in the business through selective recruitment and digital services, and higher restructuring costs and regulatory implementations, have been offset by the positive effects of improved efficiency and rigorous cost control.

The chart below illustrates the relationship between operating costs and operating income, and shows the effect of gradually rising income and stable costs over the past five years.



## PROFIT

Operating profit amounted to SEK 692 million (504), an increase of 37 percent since 2015. Income growth of ten percent with a stable cost base, which includes continued investments in business activities together with efficiency improvements, has generated improved results in 2016, with stronger prospects for future income.

Profit before tax amounted to SEK 342 million (194), which is 76 percent higher than in the previous year and the strongest outcome since 2009. Profit after tax for the year amounted to SEK 266 million (106). Currency effects had a small positive effect on profit for the year.

Profit from discontinued operations of 120 (108) includes earned income, January – April, and a capital gain from Carnegie Fonder, as well as profit from the part of the operations in Structured Products to be divested. It also includes a provision for restructuring costs of SEK 50 million related to the sale of operations in third-party distribution of Structured Products.

## INVESTMENTS

The Group's investments in fixed assets amounted to SEK 24 million (25) during the period.

## FINANCIAL POSITION

The financial position remains strong and resilient due to the Group's low exposure to financial risks combined with good income. Two-thirds of the Group's risk-weighted assets are comprised of currency risk and operational risk, plus currency risk associated with the foreign operations. Only three percent of risk-weighted assets relate to risks in the trading book.

The common equity Tier 1 capital ratio was 19.6 percent (18.1) and the capital adequacy ratio was 22.1 percent (20.6). Capital adequacy information is presented in Note 4 with comparative figures. A more detailed description of Carnegie's capital adequacy is available online at [www.carnegie.se](http://www.carnegie.se).

The Group's financing comprises equity, issued bonds, and deposits and borrowing from the public. Equity and bonds account for 16 percent (18), deposits and borrowing from the public account for 71 percent (71), and other debt accounts for 13 percent (11) of the balance sheet total.

## OVERVIEW OF PARENT COMPANY

Total income in the parent company amounted to SEK 5 million (10). In July 2016, the employment of the CEO was transferred to Carnegie Investment Bank AB. Operating profit amounted to SEK -5 million (-34). The comparative year's operating profit was charged with costs for strategic projects and with severance pay for the former CEO. Profit from financial items amounted to SEK 299 million (711), which includes an anticipated dividend income from Carnegie Investment Bank AB of SEK 310 million. A dividend income of SEK 737 million was received in 2015. Profit for the year amounted to SEK 294 million (678).

There were no investments in fixed assets during the period (-). Liquidity, defined as cash and lending to credit institutions, was SEK 1 million (4) as of 31 December 2016. Equity amounted to SEK 1,884 million (2,414) as of 31 December 2016.

## RISKS AND UNCERTAINTIES

Carnegie's business activities expose the Group 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.

A more detailed description of risk and risk management at Carnegie is provided in the 2015 annual report and online at [www.carnegie.se](http://www.carnegie.se).

## CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Jan-Dec	Jan-Dec
(SEKm)	Note	2016	2015
Continuing operations			
Commission income		2 066	1 826
Commission expenses		-25	-17
<b>Net commission income</b>		<b>2 041</b>	<b>1 809</b>
Interest income		87	95
Interest expenses		-42	-49
<b>Net interest income</b>		<b>45</b>	<b>46</b>
Net profit/loss from financial transactions		67	53
<b>Total operating income</b>		<b>2 153</b>	<b>1 908</b>
Personnel expenses		-1 395	-1 278
Other administrative expenses		-413	-418
Amortisation and depreciation of assets		-28	-23
<b>Total operating expenses</b>		<b>-1 837</b>	<b>-1 718</b>
<b>Profit before credit losses</b>		<b>316</b>	<b>190</b>
Credit losses, net		26	4
<b>Profit before tax</b>		<b>342</b>	<b>194</b>
Taxes		-76	-88
<b>Profit for the year from continuing operations</b>		<b>266</b>	<b>106</b>
Discontinued operations			
Net profit for the year from discontinued operations	3	120	108
<b>Profit for the year</b>		<b>386</b>	<b>214</b>
Other comprehensive income from continuing operations			
<i>Items that may subsequently be reclassified to the income statement:</i>			
Translation differences relating to foreign operations		27	-17
<b>Total comprehensive income for the year</b>		<b>413</b>	<b>197</b>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(SEKm)	Note	31 Dec 2016	31 Dec 2015
<b>Assets</b>			
Cash and bank deposits with central banks		1 245	1 581
Negotiable government securities	1	523	694
Loans to credit institutions <sup>1)</sup>		2 830	2 411
Loans to the public		2 901	3 540
Bonds and other interest-bearing securities	1	2 080	1 899
Shares and participations	1	310	264
Derivative instruments	1	130	75
Shares in associates		-	10
Intangible assets		14	11
Tangible fixed assets		65	65
Current tax assets		34	32
Deferred tax assets		384	420
Other assets	2	579	336
Prepaid expenses and accrued income		99	99
Assets held for sale	3	525	798
<b>Total assets</b>		<b>11 720</b>	<b>12 234</b>
<b>Liabilities and equity</b>			
Liabilities to credit institutions		28	3
Deposits and borrowing from the public <sup>1)</sup>		7 873	8 651
Short positions, shares	1	145	104
Derivative instruments	1	77	83
Current tax liabilities		24	12
Deferred tax liabilities		12	13
Other liabilities	2	444	266
Accrued expenses and prepaid income		663	556
Other provisions		90	66
Subordinated liabilities		162	162
Liabilities held for sale	3	525	230
Equity		1 677	2 088
<b>Total liabilities and equity</b>		<b>11 720</b>	<b>12 234</b>
<b>Pledged assets and contingent liabilities</b>			
Pledged assets		1 992	1 515
Contingent liabilities		540	389

1) Whereof SEKm 136 (139) in client funds.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Jan-Dec	Jan-Dec
(SEKm)	2016	2015
Equity - at beginning of year	2 088	2 369
Dividends <sup>1)</sup>	-824	-38
Redemption of preferred shares	-	-440
Total comprehensive income for the year	413	197
<b>Equity - at end of the year</b>	<b>1 677</b>	<b>2 088</b>

1) Dividend during the period refers to dividend of shares in CARAM AB in relation to the divestment of Carnegie Fonder AB (see Note 3). In respect of the comparison periods the paid dividend refers to distribution to preference shares (Öresund/Creades).

## CONSOLIDATED CASH FLOW STATEMENTS<sup>1)</sup>

	Jan-Dec	Jan-Dec
(SEKm)	2016	2015
Cash flow from operating activities	465	2 436
Cash flow from investing activities	-56	-25
Cash flow from financing activities	-	-1 661
<b>Cash flow for the year</b>	<b>409</b>	<b>749</b>
Cash and cash equivalents at beginning of year <sup>2)</sup>	3 620	2 947
Translation differences in cash and cash equivalents	101	-77
<b>Cash and cash equivalents at end of year<sup>2)</sup></b>	<b>4 129</b>	<b>3 620</b>

1) The consolidated statements of cash flows include discontinuing operations up until date of divestment. Cash flow statements for discontinuing operations are presented in Note 3.

2) Excluding cash and cash equivalents pledged as collateral.

## PARENT COMPANY INCOME STATEMENT

	Jan-Dec	Jan-Dec
(SEKm)	2016	2015
Net income	5	10
Other external expenses	-1	-17
Personnel expenses	-9	-28
<b>Operating profit/loss</b>	<b>-5</b>	<b>-34</b>
Other interest income and similar income	0	-
Interest expenses and similar expenses	-8	-21
Profit/loss from participations in subsidiaries	307	732
<b>Profit/loss from financial items</b>	<b>299</b>	<b>711</b>
<b>Profit/loss before tax</b>	<b>294</b>	<b>677</b>
Tax	0	0
<b>Profit/loss for the year</b>	<b>294</b>	<b>678</b>

## PARENT COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME

	Jan-Dec	Jan-Dec
	2016	2015
<b>Profit/loss for the year</b>	<b>294</b>	<b>678</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>294</b>	<b>678</b>

## PARENT COMPANY BALANCE SHEET

(SEKm)	31 Dec 2016	31 Dec 2015
<b>Assets</b>		
Shares and participations in group companies	1 780	2 604
Deferred tax assets	2	2
<b>Total financial non-current assets</b>	<b>1 782</b>	<b>2 606</b>
Receivables from group companies	310	28
Current tax assets	2	1
Other current receivables	8	9
Prepaid expenses and accrued income	-	0
Cash and bank	1	4
<b>Total current assets</b>	<b>321</b>	<b>43</b>
<b>Total assets</b>	<b>2 103</b>	<b>2 648</b>
<b>Equity and liabilities</b>		
Shareholders' Equity	1 884	2 414
Convertible debentures	162	162
Liabilities to group companies	38	0
Trade account payables	0	4
Other current liabilities	1	33
Accrued expenses and prepaid income	9	27
Other provisions	2	2
Pension provisions	8	8
<b>Total equity and liabilities</b>	<b>2 103</b>	<b>2 648</b>
<b>Pledged assets and contingent liabilities</b>		
Pledged assets	-	-
Contingent liabilities	113	115



## ACCOUNTING PRINCIPLES

With respect to the Group, this report was prepared in compliance with IAS 34 Interim Reporting, the Swedish Act on Annual Reports of Credit Institutes and Securities Companies (ÅRKL 1995:1559) 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). RFR 1, Supplementary Accounting Regulations for Corporate Groups, issued by the Swedish Financial Accounting Standards Council, was also applied. The parent company's financial statements were prepared in accordance with the Swedish Annual Accounts Act (ÅRL 1995:1554) and recommendation RFR 2 Accounting of Legal Entities.

The accounting policies and calculation methods applied in the report are identical in all material respects to those applied in the annual report for 2015. As required by IFRS 5, Carnegie Fonder AB and the parts of the operations in Structured Products that will be divested are presented as Discontinued operations in the Consolidated statement of comprehensive income and the Consolidated statements of financial position. Supplementary disclosures concerning the divested operations are presented in Note 3.

Please note that rounding in the report may result in amounts in SEK millions not agreeing when summed. Unless otherwise specified, all comparison figures in the report refer to the corresponding period in 2015.

## NOTE 1 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

31 Dec 2016				
(SEKm)	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total
<b>Assets</b>				
Negotiable government securities	523	-	-	<b>523</b>
Bonds and other interest-bearing securities	1 975	105	-	<b>2 080</b>
Shares and participations	304	6	-	<b>310</b>
Derivative instruments	122	8	-	<b>130</b>
<b>Total</b>	<b>2 924</b>	<b>119</b>	-	<b>3 044</b>
<b>Liabilities</b>				
Short positions, shares	145	-	-	<b>145</b>
Derivative instruments	75	2	-	<b>77</b>
<b>Total</b>	<b>220</b>	<b>2</b>	-	<b>222</b>
31 Dec 2015				
(SEKm)	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total
<b>Assets</b>				
Negotiable government securities	694	-	-	<b>694</b>
Bonds and other interest-bearing securities	1 863	37	-	<b>1 899</b>
Shares and participations	231	32	-	<b>264</b>
Derivative instruments	74	1	-	<b>75</b>
<b>Total</b>	<b>2 862</b>	<b>70</b>	-	<b>2 932</b>
<b>Liabilities</b>				
Short positions, shares	104	-	-	<b>104</b>
Derivative instruments	81	2	-	<b>83</b>
<b>Total</b>	<b>185</b>	<b>2</b>	-	<b>187</b>

The table above presents the Group's financial assets and liabilities measured at fair value as of 31 December 2016, with comparison figures for December 2015. When fair value is determined for financial instruments, various methods are used depending upon the degree of observability of market data in the valuation and market activity. The valuation techniques and the Group's valuation process are described in more detail in the annual report for 2015.

There were no transfers between Level 1 and Level 2 during the presented periods.

The fair value of other financial assets recognised at amortised cost is estimated to be the same as or close to the carrying amounts for these assets.

## NOTE 2 FINANCIAL ASSETS AND LIABILITIES SUBJECT TO OFFSETTING

31 Dec 2016			
Financial assets and liabilities subject to offsetting			
(SEKm)	Gross amounts	Offset	Net amounts in balance Sheet
<b>Assets</b>			
Trade and client receivables <sup>1)</sup>	1 368	-1 106	262
<b>Liabilities</b>			
Trade and client payables <sup>2)</sup>	1 228	-1 104	124

31 Dec 2015			
Financial assets and liabilities subject to offsetting			
(SEKm)	Gross amounts	Offset	Net amounts in balance Sheet
<b>Assets</b>			
Trade and client receivables <sup>1)</sup>	1 693	-1 485	208
<b>Liabilities</b>			
Trade and client payables <sup>2)</sup>	1 555	-1 488	67

1) Included in balance sheet item Other assets

2) Included in balance sheet item Other liabilities

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

## NOTE 3 DISCONTINUED OPERATIONS

At the end of April the divestment of Carnegie Fonder AB was carried through in accordance with the Board decision in September 2015, and in December 2016 the Board decided to divest the operation within the third party distribution of structured products (below: Structured Products), during 2017. Financial information regarding discontinued operations, in accordance with *IFRS 5 Non-current assets held for sale and discontinued operations*, is presented below.

### Profit from discontinued operations<sup>1)</sup>

	Jan-Dec	Jan-Dec
(SEKm)	2016	2015
Operating income	152	366
Operating expenses <sup>2)</sup>	-166	-265
<b>Operating profit</b>	<b>-14</b>	<b>101</b>
Financial items, net	-1	0
<b>Profit after financial items</b>	<b>-15</b>	<b>101</b>
Income tax	-9	7
<b>Profit from discontinued operations after tax</b>	<b>-24</b>	<b>108</b>
Capital gain from divestment of Carnegie Fonder AB	143	-
<b>Profit from discontinued operations</b>	<b>120</b>	<b>108</b>

1) Includes profit, group items and capital gain on the divestment of Carnegie Fonder AB and profit/loss relating to the discontinuing part of the Structured Products operations.

2) Whereof SEK -m (-21) relates to amortisation of intangible assets, net after reversal of deferred tax. A provision for restructuring of SEK 50m is included in operating expenses 2016 relating to the discontinuing part of the Structured Products operations.

### Assets and liabilities held for sale<sup>1)</sup>

(SEKm)	31 Dec 2016	31 Dec 2015
Loans to the general public	5	-
Intangible assets <sup>2)</sup>	-	649
Tangible fixed assets	-	2
Short-term receivables	-	93
Cash	521	54
<b>Total assets</b>	<b>525</b>	<b>798</b>
Deposits and borrowing from the public	525	-
Short-term liabilities	-	180
Deferred tax liabilities <sup>2)</sup>	-	50
<b>Total equity and liabilities</b>	<b>525</b>	<b>230</b>

1) Assets and liabilities held for sale refers to the discontinuing part of the Structured Finance operations for 2016 and Carnegie Fonder AB for 2015.

2) Refers to group surplus values.

## NOTE 3 DISCONTINUED OPERATIONS (cont.)

### Cash flow from discontinued operations

(SEKm)	31 Dec 2016	31 Dec 2015
Cash flow from operating activities	128	148
Cash flow from investing activities	-1	-
Cash flow from financing activities <sup>1)</sup>	-156	-145
<b>Cash flow for the year</b>	<b>-30</b>	<b>2</b>
Cash at beginning of year	582	580
<b>Cash at year end of year</b>	<b>553</b>	<b>582</b>

<sup>1)</sup> Refers to paid group contribution.

### Information about the divestment - Carnegie Fonder AB

(SEKm)	30 Apr 2016
Consideration received:	
Cash	-
Shares in CARAM AB <sup>1)</sup>	824
<b>Total consideration</b>	<b>824</b>
Carrying value of net assets sold	-681
<b>Profit before tax</b>	<b>143</b>
Income tax	-
<b>Profit from the divestment after tax</b>	<b>143</b>

<sup>1)</sup> Following the divestment of Carnegie Fonder AB, the shares in CARAM AB (former: C Asset Management Partners AB) was distributed to the shareholders of Carnegie Holding AB.

### Carrying values of assets and liabilities at date of divestment - Carnegie Fonder AB

(SEKm)	30 Apr 2016
Intangible assets <sup>1)</sup>	648
Tangible fixed assets	3
Loans to credit institutions	222
Cash and cash equivalents	32
<b>Total assets</b>	<b>905</b>
Short-term liabilities	174
Deferred tax liabilities <sup>1)</sup>	50
<b>Total liabilities</b>	<b>224</b>
<b>Net assets</b>	<b>681</b>

<sup>1)</sup> Refers to group surplus values.

## NOTE 4 CAPITAL ADEQUACY

	Carnegie Holding Group	
	31 Dec	31 Dec
(SEKm)	2016	2015
<b>Capital base</b>		
Equity instruments and associated premium reserve	922	922
Retained earnings and reserves	753	1 166
Anticipated dividend	-100	-
Goodwill and intangible assets	-14	-610
Deferred tax assets	-260	-306
Prudent valuation	-2	0
<b>Common equity Tier 1 capital</b>	<b>1 302</b>	<b>1 172</b>
Preference shares	-	-
<b>Tier 1 capital</b>	<b>1 302</b>	<b>1 172</b>
Tier II capital (subordinated debt)	162	162
<b>Capital base for capital adequacy purposes</b>	<b>1 464</b>	<b>1 334</b>
<b>Capital requirement</b>		
Credit risk (standardised method)	175	161
Trading book risk	18	38
Currency risk	68	54
Operational risk (base method)	270	266
<b>Total capital requirement</b>	<b>531</b>	<b>519</b>
Surplus capital	933	815
<b>Financial position</b>		
Equity, SEKm	1 677	2 088
Common Equity Tier 1 Capital, SEKm	1 302	1 172
Capital base, SEKm	1 464	1 334
Risk-weighted assets, SEKm	6 635	6 488
Common equity Tier 1 capital ratio, %	19,6	18,1
Capital adequacy ratio, %	22,1	20,6

## HISTORICAL DATA<sup>1)</sup>

### Carnegie Holding Group

Income statement, SEKm	2016	2015	2014	2013	2012
<b>Continuing operations</b>					
Total income	2 153	1 908	2 058	1 735	1 535
Personnel expenses	-1 395	-1 278	-1 276	-1 098	-1 135
Other expenses	-441	-441	-536	-489	-596
Expenses before credit provisions	-1 837	-1 719	-1 812	-1 587	-1 731
<b>Operating profit/loss before credit provisions</b>	<b>316</b>	<b>190</b>	<b>246</b>	<b>148</b>	<b>-196</b>
Net credit provisions	26	4	25	25	30
<b>Profit before tax</b>	<b>342</b>	<b>194</b>	<b>271</b>	<b>173</b>	<b>-166</b>
Tax	-76	-88	-36	21	-117
<b>Profit for the year from continuing operations</b>	<b>266</b>	<b>106</b>	<b>235</b>	<b>194</b>	<b>-283</b>
<b>Discontinued operations</b>					
Net profit for the year from discontinued operations	120	108	-	-	-
<b>Profit for the year</b>	<b>386</b>	<b>214</b>	<b>235</b>	<b>194</b>	<b>-283</b>
<b>Financial key data</b>					
C/I ratio, %	85	90	88	91	113
Profit margin, %	18	11	11	11	neg.
Return on equity, % <sup>2)</sup>	21	9	11	8	neg.
Return on total assets, %	3,1	1,6	2,1	1,8	neg.
Total assets, SEKm	11 720	12 234	12 443	10 613	10 741
Equity, SEKm	1 677	2 088	2 369	2 136	1 964
<b>Capital base, SEKm<sup>2)</sup></b>					
Common Equity Tier I Capital	1 302	1 172	1 272	969	824
Total capital base	1 464	1 334	1 770	1 378	1 234
Tier I capital ratio, %	19,6	18,1	19,5	14,8	13,1
Capital adequacy ratio, %	22,1	20,6	27,2	21,1	19,6
<b>Employees</b>					
Average number FTE employees	631	642	633	631	704
Number of FTE employees at the end of the year	619	654	638	622	653

1) The historical data is based on legal income statements. For 2015 and 2016, operations from the fund business and from the third party distribution of structured products are presented as discontinued operations.

2) For 2015 and 2016, the return on equity is calculated for continuing operations, divided by average capital (2015: proforma), adjusted for effects of revaluation of deferred tax on loss carry-forwards.

## DEFINITIONS AND GLOSSARY

**Operating costs**

Operating costs excluding variable remuneration, finance costs and credit losses.

**Operating profit/loss**

Operating profit/loss excluding variable remuneration, finance costs and credit losses.

**Operating C/I ratio**

Operating costs as a percentage of operating income.

**Operating income per employee**

Operating income for the year per the average number of employees for continuing operations.

**Operating costs per employee**

Operating costs for the year per the average number of employees for continuing operations.

**Operating profit margin**

Operating profit/loss as a percentage of operating income.

**Return on equity continuing operations**

Profit for the year in continuing operations divided by average capital (2015: pro forma) adjusted for effects of deferred tax on loss carry-forwards.

**Return on total assets continuing operations**

Profit continuing operations divided by the average total assets for remaining operations.

**C/I ratio**

Total costs before credit losses as a percentage of total income.

**Income per employee**

Total income for the year per the average number of employees.

**Profit margin**

Profit for the year as a percentage of total income.

**Return on equity**

Profit for the year divided by average capital adjusted for effects of deferred tax on loss carry-forwards. For 2014 and previous years, profit for the year is adjusted for effects of revaluation of deferred tax on loss carry-forwards.

**Return on total assets**

Profit for the year divided by average total assets.

**Capital requirement**

A measure of how much capital an institution must have taking into consideration 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 ratio**

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

**Number of employees at the end of the year**

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

**Average number of employees**

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



## REVIEW

This report has been reviewed by the company's auditors.

## CERTIFICATION

The Board of Directors and the President hereby certify that the report provides a true and fair view of the operations, position and earnings of the parent company and the group and describes the material risks and uncertainties faced by the parent company and the companies included in the group.

Carnegie Holding AB  
Stockholm, 17 February 2017

**Bo Magnusson**  
Chairman of the Board

**Ingrid Bojner**  
Director

**Klas Johansson**  
Director

**Anders Johnsson**  
Director

**Harald Mix**  
Director

**Andreas Rosenlew**  
Director

**Björn Jansson**  
President and Chief  
Executive Officer