

# CARNEGIE HOLDING AB

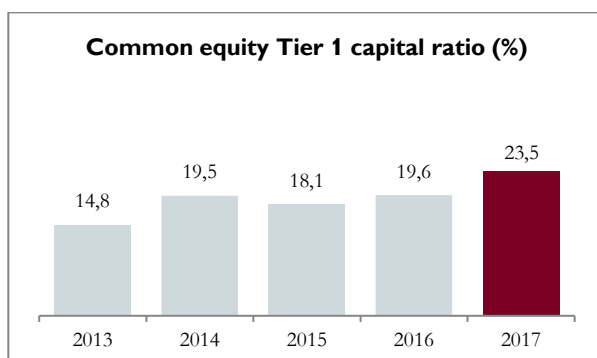
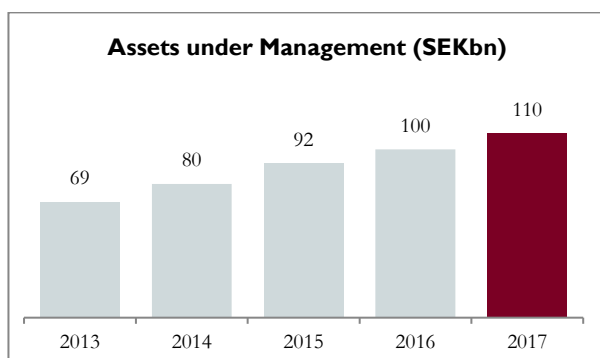
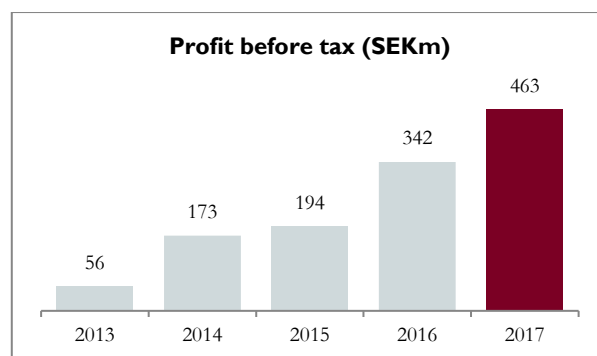
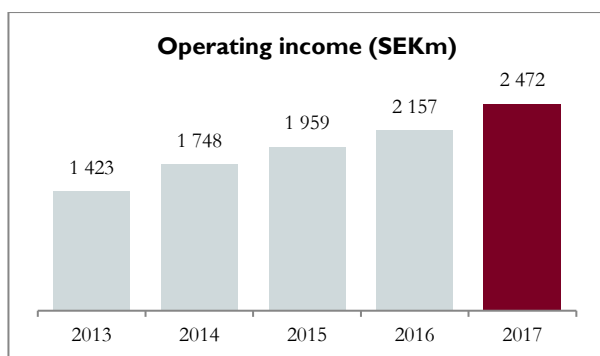
## YEAR-END REPORT

1 January–31 December 2017

*“Carnegie maintained positive development in 2017, characterised by stronger client relationships, good profitability and diversified growth,” says President and CEO Björn Jansson.*

- Operating income increased by 15 percent to SEK 2,472 million (2,157).
- Operating expenses increased by 7 percent to SEK 1,571 million (1,465).
- Profit before tax increased by 35 percent to SEK 463 million (342).
- Assets under management increased by 10 percent to SEK 110 billion (100).
- The common equity Tier 1 capital ratio was 23.5 (19.6) percent.
- The board of directors is proposing a dividend of SEK 200 million.

### FINANCIAL KEY DATA



---

The report refers to the Carnegie Group (“Carnegie”) and its parent company, Carnegie Holding AB. Unless otherwise stated, the report covers Group performance excluding discontinued operations, i.e., Carnegie Fonder AB and operations within third-party distribution of structured products.

## THE YEAR IN BRIEF

- Carnegie is strengthening its growth across geographies and in individual business segments.
- The business is reporting improved profitability in both business areas.
  - Income investment Banking & Securities increased by 13 percent over the same period in 2016.
  - Private Banking is still delivering positive performance and is reporting a 19 percent increase in income for the full year.
- Carnegie is continuing to invest in strengthening our market position, streamlining operations, developing our IT-capacity, and adjusting to new regulations.
- Growth is occurring on a broad front, within both established areas of business and focus areas with greater potential for growth.
  - Carnegie delivered strong performance in equity capital market transactions, including a leading role in 20 out of 27 major Nordic IPOs (each valued in excess of USD 50 million).
  - Carnegie nearly doubled income in corporate bonds (DCM/Fixed Income) and participated in 22 Nordic transactions during the period.
  - Carnegie’s ventures in selected niches in the real estate sector are demonstrating significant income growth.
  - There was strong improvement in profitability in Private Banking, in both the Swedish and Danish markets, with a healthy inflow of new clients, an increase in net inflow of assets under management and high client activity.
  - In terms of geographies, operations in the Finnish, UK and US markets are demonstrating the strongest growth.
- Outstanding debentures of SEK 162 million were repaid during the year.
- The Group has further reinforced its financial position, with a liquidity coverage ratio exceeding three times the legal requirement.

---

## STRONGER CLIENT RELATIONSHIPS AND DIVERSIFIED GROWTH

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

Carnegie maintained positive development in 2017. We have leveraged selective investments and ongoing efficiency improvements to strengthen our client relationships and increase profitability across geographies and business areas.

A favourable business climate during the year whetted investment appetite and stimulated transaction activity in all Nordic markets. Carnegie was also in prime position to manage the business opportunities thereby created and we have achieved high return on ongoing investments, primarily in equity trading, equity research and corporate advisory services. This is reflected in our involvement in a high proportion of Nordic IPOs and ECM transactions, which ramped up client activity connected to our trading and research services, including from the operations in London and New York.

Growth also occurred during the year in some of our areas of strategic initiative, such as corporate bonds, Private Banking and real estate syndication. The corporate bonds business is still performing well in Sweden and Norway and income nearly doubled year-on-year. Likewise, Private Banking operations delivered sustained strong development in 2017, with positive inflow of new clients, record-high income and increased assets under management. In addition to favourable market conditions during the period, performance in the business area should be considered in the light of actions taken last year to achieve a more client-oriented organisation and customised offerings.

Carnegie's ventures in selected niches in the real estate sector through syndications of property holdings have also created space for higher returns during the year. Overall, profitability improvements across geographies and in individual business areas during the year advanced diversified growth for Carnegie's business as a whole.

In parallel with the positive operational trend, client trust was strengthened across the board, among companies, institutions and private individuals. This was expressed in business mandates during the year as well as most client and market surveys, where Carnegie is ranked as the top market provider in segments including equity research, trading, corporate advisory services, corporate bonds and Private Banking. Accordingly, Carnegie can cap off the year with a leading position in all areas of operations and all geographies.

Carnegie continued to invest in the business during the year to respond to high business activity and streamline internal processes. These worthwhile investments will contribute over the long term to strengthening our market position with competitive advisory services offering to our clients. In addition, the business has committed substantial resources to implementing new regulatory adjustments entering into force in 2018.

We have also taken additional steps with regard to sustainability and social responsibility. This includes more clearly integrating sustainability aspects in our company analyses and asset management.

The favourable performance during the year should be seen as the result of a long-term effort in which we have steadily strengthened our market position. We are delighted that the growth is diversified and that client relationships remain stalwart. This is also how we will ensure favourable conditions in the future.

Björn Jansson

---

## IMPORTANT EVENTS DURING THE PERIOD

### ■ External recognition and enhanced client trust

#### *Investment Banking*

- ★ Carnegie was named Financial Adviser of the Year in M&A in Sweden (Mergermarket, Dec 2017)
- ★ Carnegie topped the adviser rankings in the Nordic corporate transactions market, both overall and in M&A and ECM transactions (Kantar Sifo Prospera, Dec 2017)
- ★ Carnegie was named Best Investment Bank in Norway (Euromoney, Jul 2017)
- ★ Carnegie was ranked at the top in relation to the bond market in the High Yield category (Kantar Sifo Prospera, Jun 2017).

#### *Securities*

- ★ Institutional investors in Sweden and Finland named Carnegie the best equity house overall and in the equity research and equity trading categories. (Kantar Sifo Prospera, Dec 2017).
- ★ Nordic portfolio managers also named Carnegie the best equity house in the Nordics (Kantar Sifo Prospera, Jul 2017).
- ★ Swedish institutions ranked Carnegie number one in the market for equity research, with Lena Österberg named the best individual analyst (Financial Hearings, Jun 2017).
- ★ Global investors rated Carnegie the highest among all firms in the market with regard to equity research, equity sales and corporate access (Extel, Jun 2017).
- ★ Global institutions ranked Carnegie number one in Nordic equity research (Institutional Investors All-Europe, Feb 2017).

#### *Private Banking*

- ★ Carnegie was ranked highest among Swedish Private Banking providers and topped the list in eight out of twelve assessed categories. (Kantar Sifo Prospera, Oct 2017).
- ★ Carnegie was ranked first among Swedish Private Banking providers (Euromoney, Feb 2017).

### ■ Changes in Group management

Elisabeth Erikson took on the role of CIO during the year and is a member of Group management. Jacob Bastholm was appointed Country Head of Carnegie Denmark and is also a member of Group management. Annika Agri Larsson, former head of HR, left the company.

### ■ Legal claims by institutional investors

A number of Danish and global institutional investors raised a suit for damages during the year connected to the bankruptcy of OW Bunker in 2014. Carnegie maintains that there is no legal foundation for the claims and intends to contest the suit.

## EVENTS AFTER THE END OF THE PERIOD

### ■ External awards

- ★ Once again, Carnegie was ranked first among Swedish Private Banking providers (Euromoney, Feb 2018).
- ★ Institutional investors named Carnegie the best equity house in the Nordics overall and in the equity research and equity trading categories (Kantar Sifo Prospera, Jan 2018).
- ★ Global institutions ranked Carnegie number one in Nordic equity research (Institutional Investors All-Europe, Feb 2018).

---

## THIS IS CARNEGIE

Carnegie is one of the foremost financial advisers 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 work side-by-side at Carnegie with specialists in wealth management advice and asset management towards a single objective: guiding our clients to better business.

### SECURITIES & INVESTMENT BANKING

#### *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. Securities operates 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 Debt Capital Markets (DCM) unit provides advisory services in 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. Investment Banking operates in Denmark, Finland, Norway and Sweden.

### PRIVATE BANKING

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

## OPERATING PROFIT AND LOSS STATEMENT AND KEY DATA

(SEKm)	Notes	Jan-Dec	Jan-Dec	%
		2017	2016	
Continuing operations				
Investment Banking & Securities		1,822	1,610	13
Private Banking		650	547	19
<b>Operating income</b>		<b>2,472</b>	<b>2,157</b>	<b>15</b>
Personnel expenses excluding variable remuneration		-1,037	-1,033	0
Other expenses		-534	-432	24
<b>Operating expenses</b>		<b>-1,571</b>	<b>-1,465</b>	<b>7</b>
<b>Operating profit</b>		<b>901</b>	<b>692</b>	<b>30</b>
Financing costs, variable remuneration, etc.		-438	-350	25
<b>Profit before tax</b>		<b>463</b>	<b>342</b>	<b>35</b>
Taxes		-124	-76	63
<b>Net profit for the year from continuing operations</b>		<b>339</b>	<b>266</b>	<b>27</b>
Discontinued operations				
Profit for the year from discontinued operations	3	7	120	
<b>Profit for the year</b>		<b>346</b>	<b>386</b>	
<b>Financial key data, continuing operations</b>				
Operating C/I ratio, %		64	68	
Operating income per employee, SEKm		4.2	3.5	
Operating expenses per employee, SEKm		2.7	2.4	
Operating profit margin, %		36	32	
Assets under management, SEKbn		110	100	
Return on equity, %		22	21	
Total assets		12,254	11,195	
<b>Financial position</b>				
Common Equity Tier 1 capital, %		23.5	19.6	
Equity, SEKm		1,917	1,677	
<b>Employees, continuing operations</b>				
Average number of employees		590	609	
Number of employees at the end of the year (FTE)		598	610	

See page 24 for definitions and calculation methods for key data and performance measures.

---

## MARKET & POSITION

The investment climate in 2017 remained characterised by favourable conditions, as inflation, interest rates and market volatility remained low. This whetted investment appetite among retail and institutional investors alike, and encouraged an active transaction market during the year.

### CORPORATE TRANSACTIONS MARKET

#### Equity capital market transactions (ECM)

Persistent high activity in ECM transactions in the Nordics was characterised by factors including an active listing market. A record-setting number of IPOs were registered on the Nordic stock exchanges in 2017 (Thomson Reuters).

Carnegie maintained its leading position in the Nordic capital market during the year, both in the role of adviser in ECM transactions and in its capacity to execute transactions. Carnegie participated in more ECM transactions than any other institution in the Nordic market and was ranked highest among all market providers in most client surveys during the period with regard to corporate advisory services as well as equity analysis, equity trading and execution (Extel, Institutional Investors, Financial Hearings, Kantar Sifo Prospera).

Carnegie was involved in a definitive majority of all major IPOs in the Nordics. Of the year's 27 major Nordic IPOs, each valued in excess of USD 50 million, Carnegie had a leading role in 20 transactions. The Swedish market was again singled out for the highest activity and Carnegie participated in 14 of the 16 major IPOs in the country (Thomson Reuters). Notable Nordic IPOs in which Carnegie participated included those of the private healthcare services provider Terveystalo (FI), the construction equipment dealer Ferronordic (SE), the kitchen manufacturer TCM Group (DK) and software company Crayon (NO).

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

The global M&A market continued to demonstrate robust growth in 2017 (Mergermarket). However, slightly lower transaction activity was recorded in the Nordic market for corporate transactions in which financial advisers were engaged (Thomson Reuters).

Carnegie participated in a total of 21 transactions in the Nordic market during the period, including the acquisition by Norwegian Nels of the American turbine manufacturer Proton, as adviser in connection with McDonald's divestment of its Nordic operations, the sale of Finnish Evac to Bridgepoint and the sale of lift supplier Cibes Lift to Nalka Invest (Thomson Reuters).

During the year, Carnegie was ranked the top adviser in the Nordic corporate transactions market in mergers and acquisitions (Kantar Sifo Prospera, Mergermarket).

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

The Nordic corporate bonds market demonstrated persistent strong growth in 2017 and Carnegie's investments in this area of operations delivered results during the period in both Sweden and Norway. Total issued volume in which Carnegie was involved in the High Yield segment increased by about 250 percent over the same period last year.

Carnegie acted as the adviser in a total of 22 transactions during the period, including bond issues from Stillfront, Cabonline, Coastal Holding, European Energy and Ovako. In parallel, Carnegie strengthened its market position and was number one in the DCM High Yield category in the Swedish market according to the client survey performed by Kantar Sifo Prospera during the year.

---

## THE CAPITAL AND WEALTH MANAGEMENT MARKET

The aggregate financial net worth of Swedish households was still rising at the end of the third quarter of 2017 (Statistics Sweden, SCB), driven mainly by growth in equity and real estate assets, while household financial savings declined from mid-year.

Carnegie's strategic assessment of the investment climate during the year motivated a neutral equity weight in asset allocation for Private Banking clients, with greater focus on active management. The persistently strong economy, with low interest rates and rising corporate profits, was balanced against a nascent upturn in interest rates and political turbulence.

The inflow of new clients remained positive in Carnegie's Private Banking business during 2017 in both the Swedish and Danish markets. At year-end, total client assets under management at Carnegie amounted to SEK 110 billion (100), an increase of 10 percent year-on-year.

Carnegie advanced during the year to first place among Swedish Private Banking providers in the annual Euromoney survey and defended its leading position in Kantar Sifo Prospera's annual market survey.



---

## GROUP FINANCIAL PERFORMANCE

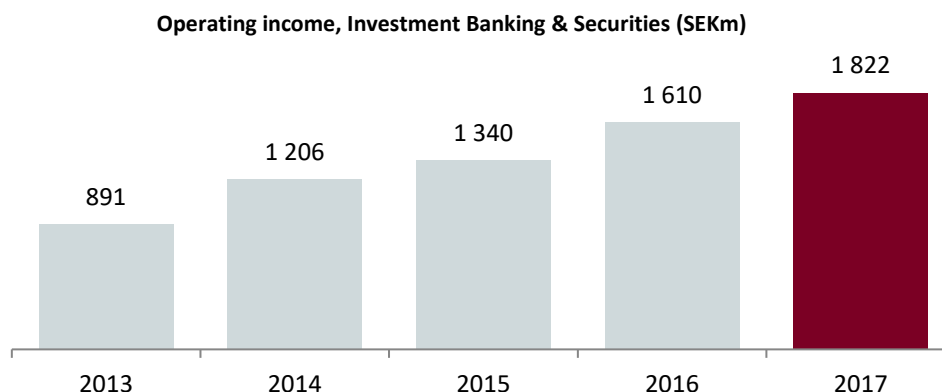
### INCOME

Group operating income amounted to SEK 2,472 million (2,157) for the full year of 2017, an increase of 15 percent year-on-year. Both business areas and all geographies are contributing to the positive income performance.

#### Investment Banking & Securities

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

Investment Banking & Securities is reporting a 13 percent increase in income to SEK 1,822 million (1,610) for the full year of 2017. In terms of percentages, income growth is strongest in ECM transactions and corporate bond trading and issues, but all income streams and geographies are making positive contributions. The chart below illustrates income over the past five years and shows a doubling between 2013 and 2017.

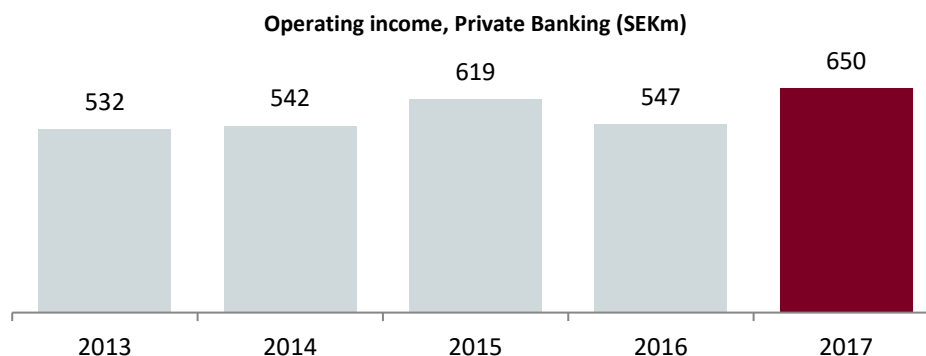


#### Private Banking

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.

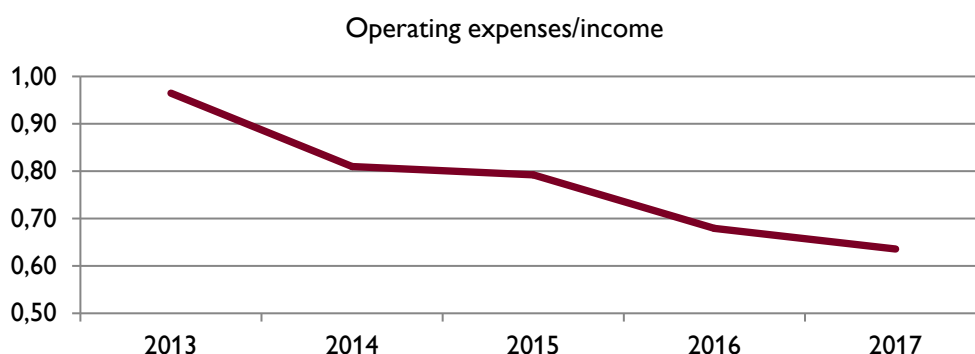
Income in Private Banking amounted to SEK 650 million (547) in 2017, an increase of 19 percent over 2016. The strong performance is characterised by positive net inflows of assets under management and strong inflow of new clients. Growth is occurring under favourable market conditions, including an active transaction market that is contributing to high client activity.

The improvement in profitability should also be considered against the background of the actions taken in relation to the Swedish operations last year, with more distinct client segmentation, sharpened offerings and a more efficient organisation. The Danish operations also made a positive contribution to income growth during the year, with a strong inflow of new clients and higher assets under management. The chart below illustrates incomes during the past five years and shows an increase of almost 30 percent between 2013 and 2017.



## COSTS

Operating expenses amounted to SEK 1,571 million (1,465), an increase of 7 percent over the corresponding period last year. The cost increase is primarily due to selective recruitments in equity research, equity sales and corporate advisory services, as well as high business activity. The increase was also affected by regulatory implementations and investments in IT during the year. The effects of previous reductions in force and substantially lower provisions for restructuring costs had positive impact on the cost base. The average number of employees in continuing operations has declined from 609 to 590.



## PROFIT

Profit before tax for the period was SEK 463 million (342), an increase of 35 percent compared with the same period last year and the strongest result in eight years.

Operating profit rose to SEK 901 million (692), an increase of 30 percent year-on-year. Profitability, driven primarily by growth of 15 percent, improved in six out of seven countries in both established areas of business and focus areas where growth potential is higher.

Provisions for the costs of variable remuneration increased as a result of the profit improvement. Profit before tax for the period increased by 27 percent to SEK 339 million (266) year-on-year.

Fluctuations in exchange rates have not exceeded 1 percent for income, costs and profit, respectively.

## INVESTMENTS

Consolidated investments in non-current assets amounted to SEK 8 million (24) during the year.

---

## 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. Trading book risk 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 was 23.5 percent (19.6) and the capital adequacy ratio was 23.5 percent (22.1). 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](http://www.carnegie.se).

The Group's financing comprises equity and deposits from the public. Equity and bonds account for 16 percent (14), deposits from the public account for 73 percent (67) and other debt accounts for 11 percent (19) of the balance sheet total. The Group's outstanding debenture of SEK 162 million was repaid during the period.

## OVERVIEW OF THE PARENT COMPANY

Total income in the parent company amounted to SEK 0 million (5). The CEO's employment was transferred to Carnegie Investment Bank AB in July 2016, which accounts for the reduction in personnel expenses. Net profit from financial items amounted to SEK 201 million (299) and the net profit for the period was SEK 199 million (294).

There were no investments in capital assets during the period (-). Liquidity, defined as cash and lending to credit institutions, was SEK 2 million (1) as of 31 December 2017. Equity amounted to SEK 1,983 million (1,884) as of 31 December 2017.

## 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.

A more detailed description of risk and risk management at Carnegie is provided in the 2016 annual report and online at [www.carnegie.se](http://www.carnegie.se).

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(SEKm)	Notes	Jan-Dec	Jan-Dec
		2017	2016
Continuing operations			
Commission income		2,422	2,066
Commission expenses		-27	-25
<b>Net commission income</b>		<b>2,395</b>	<b>2,041</b>
Interest income		85	87
Interest expenses		-42	-42
<b>Net interest income</b>		<b>43</b>	<b>45</b>
Net profit from financial transactions		34	67
<b>Total operating income</b>		<b>2,472</b>	<b>2,153</b>
Personnel expenses		-1,473	-1,396
Other administrative expenses		-513	-413
Amortisation and depreciation of assets		-25	-28
<b>Total operating expenses</b>		<b>-2,011</b>	<b>-1,837</b>
<b>Profit before credit losses</b>		<b>461</b>	<b>316</b>
Credit losses, net		2	26
<b>Profit before tax</b>		<b>463</b>	<b>342</b>
Taxes		-124	-76
<b>Profit for the year from continuing operations</b>		<b>339</b>	<b>266</b>
Discontinued operations			
Profit for the year from discontinued operations	3	7	120
<b>Net profit for the year</b>		<b>346</b>	<b>386</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		-6	27
<b>Total comprehensive income for the year</b>		<b>340</b>	<b>413</b>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(SEKm)	Notes	31 Dec 2017	31 Dec 2016
<b>Assets</b>			
Cash and bank deposits with central banks		534	1,245
Negotiable government securities	1	1,834	523
Loans to credit institutions <sup>1)</sup>		2,722	2,830
Loans to the public		2,660	2,901
Bonds and other interest-bearing securities	1	2,512	2,080
Shares and participations	1	820	310
Derivative instruments	1	57	130
Intangible assets		8	14
Tangible fixed assets		52	65
Current tax assets		36	35
Deferred tax assets		298	384
Other assets	2	624	579
Prepaid expenses and accrued income		97	99
Assets held for sale	3	109	525
<b>Total assets</b>		<b>12,363</b>	<b>11,720</b>
<b>Liabilities and equity</b>			
Liabilities to credit institutions		-	28
Deposits and borrowing from the public <sup>1)</sup>		8,985	7,873
Short positions, shares	1	37	145
Derivative instruments	1	47	77
Current tax liabilities		16	24
Deferred tax liabilities		10	12
Other liabilities	2	343	444
Accrued expenses and prepaid income		789	663
Other provisions		110	90
Subordinated liabilities		-	162
Liabilities held for sale	3	109	525
Equity		1,917	1,677
<b>Total liabilities and equity</b>		<b>12,363</b>	<b>11,720</b>
<b>Pledged assets and contingent liabilities</b>			
Pledged assets		1,756	1,992
Contingent liabilities		445	540

1) Whereof SEK 479m (136) in client funds.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Jan-Dec	Jan-Dec
(SEKm)	2017	2016
Equity - at beginning of year	1,677	2,088
Dividends paid <sup>1)</sup>	-100	-824
Total comprehensive income for the year	340	413
<b>Equity - at end of year</b>	<b>1,917</b>	<b>1,677</b>

1) For the period, this refers to dividends to shareholders. For the comparison period, this refers to the distribution of shares in CARAM AB in connection with the divestment of Carnegie Fonder AB (see Note 3).

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

	Jan-Dec	Jan-Dec
(SEKm)	2017	2016
Cash flow from operating activities	-114	465
Cash flow from investing activities	-8	-56
Cash flow from financing activities	-262	-
<b>Cash flow for the year</b>	<b>-384</b>	<b>409</b>
Cash and cash equivalents at the beginning of the year <sup>2)</sup>	4,129	3,620
Translation differences in cash and cash equivalents	53	100
<b>Cash and cash equivalents at the end of the year<sup>2)</sup></b>	<b>3,798</b>	<b>4,129</b>

1) The statements of cash flows include discontinued operations up to and including the date of divestment. Cash flow statements for discontinued operations are presented in Note 3.

2) Excluding cash and cash equivalents pledged as collateral.

## PARENT COMPANY INCOME STATEMENT

	Jan-Dec	Jan-Dec
(SEKm)	2017	2016
Net sales	-	5
Other external expenses	-1	-1
Personnel expenses	-1	-9
<b>Operating profit/loss</b>	<b>-2</b>	<b>-5</b>
Other interest income and similar income	-	0
Interest expenses and similar expenses	-4	-8
Profit/loss from participations in subsidiaries	205	307
<b>Profit/loss from financial items</b>	<b>201</b>	<b>299</b>
<b>Profit before tax</b>	<b>199</b>	<b>294</b>
Tax	0	0
<b>Profit for the year</b>	<b>199</b>	<b>294</b>

## PARENT COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME

	Jan-Dec	Jan-Dec
(SEKm)	2017	2016
<b>Profit/loss for the year</b>	<b>199</b>	<b>294</b>
Other comprehensive income:	-	-
<b>Total comprehensive income for the year</b>	<b>199</b>	<b>294</b>

## PARENT COMPANY BALANCE SHEET

(SEKm)	31 Dec 2017	31 Dec 2016
<b>Assets</b>		
Shares and participations in group companies	1,780	1,780
Deferred tax assets	2	2
<b>Total financial non-current assets</b>	<b>1,782</b>	<b>1,782</b>
Receivables from group companies	205	310
Current tax assets	1	2
Other current receivables	8	8
Cash and bank	2	1
<b>Total current assets</b>	<b>216</b>	<b>321</b>
<b>Total assets</b>	<b>1,998</b>	<b>2,103</b>
<b>Equity and liabilities</b>		
Shareholders' equity	1,983	1,884
Convertible debentures	-	162
Liabilities to group companies	7	38
Trade accounts payable	-	0
Other current liabilities	0	0
Accrued expenses and prepaid income	0	9
Other provisions	-	2
Pension provisions	8	8
<b>Total equity and liabilities</b>	<b>1,998</b>	<b>2,103</b>
<b>Pledged assets and contingent liabilities</b>		
Pledged assets	-	-
Contingent liabilities	113	113



---

## 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 annual accounts were prepared in accordance with the Swedish Annual Accounts Act (1995:1554, ÅRL) and recommendation RFR 2 Accounting of Legal Entities issued by the Swedish Financial Accounting Standards Council.

The accounting policies and calculation methods applied in the report are identical in all material respects to those applied in the annual report for 2016. Carnegie Fonder AB and the part of operations within Structured Products in the process of being sold are presented as discontinued operations in the Consolidated statements of comprehensive income and Consolidated statements of financial position, in accordance with IFRS 5. Supplementary disclosures concerning discontinued 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 2016.

Two new standards will enter into force on 1 January 2018: IFRS 9 and IFRS 15. In the company's assessment, *IFRS 15 Revenue from Contracts with Customers* will have no impact on the Group. The new model for estimating credit loss allowances in accordance with *IFRS 9 Financial Instruments* will affect equity by SEK -13 million.

## NOTE 1 FINANCIAL ASSETS AND LIABILITIES – MEASUREMENT METHOD

Valuation method, 30 Jun 2017	Held for trading			Investments held to maturity	Total
(SEKm)	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)		
Assets					
Negotiable government securities	449	-	-	1,385	1,834
Bonds and other interest-bearing securities	2,417	22	-	73	2,512
Shares and participations	815	5	-	-	820
Derivative instruments	52	5	-	-	57
Total	3,733	32	-	1,458	5,223
Liabilities					
Short positions, shares	37	-	-	-	37
Derivative instruments	45	2	-	-	47
Total	82	2	-	-	84
Valuation method, 31 Dec 2016	Held for trading			Investments held to maturity	Total
(SEKm)	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)		
Assets					
Negotiable government securities	50	-	-	473	523
Bonds and other interest-bearing securities	1,085	105	-	890	2,080
Shares and participations	298	12	-	-	310
Derivative instruments	122	8	-	-	130
Total	1,555	125	-	1,363	3,043
Liabilities					
Short positions, shares	145	-	-	-	145
Derivative instruments	75	2	-	-	77
Total	220	2	-	-	222

## NOTE 2 FINANCIAL ASSETS AND LIABILITIES SUBJECT TO OFFSETTING

The table below presents the financial assets and liabilities that are presented 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.

(SEKm)	31 Dec 2017		
	Financial assets and liabilities subject to offsetting		
	Gross amounts	Offset	Net amounts in balance sheet
<b>Assets</b>			
Trade and client receivables <sup>1)</sup>	989	-691	298
<b>Liabilities</b>			
Trade and client payables <sup>2)</sup>	769	-695	74

(SEKm)	31 Dec 2016		
	Financial assets and liabilities subject to offsetting		
	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

1) Included in the balance sheet item Other assets

2) Included in the balance sheet item Other liabilities

## NOTE 3 DISCONTINUED OPERATIONS

The sale of Carnegie Fonder AB was executed in late April 2016 as decided by the Board of Directors in September 2015. In December 2016 the Board of Directors decided that operations within third party distribution of structured products (below: Structured Products) will 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.

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

	Jan-Dec	Jan-Dec
(SEKm)	2017	2016
Operating income	56	152
Operating expenses	-53	-166
<b>Operating profit/loss</b>	<b>3</b>	<b>-14</b>
Financial items, net	-	0
<b>Profit before tax</b>	<b>3</b>	<b>-14</b>
Income tax	4	-9
<b>Profit/loss from discontinued operations after tax</b>	<b>7</b>	<b>-23</b>
Profit from sale of subsidiary	-	143
<b>Profit from discontinued operations</b>	<b>7</b>	<b>120</b>

1) Includes profit/loss, group items and capital gain upon sale with regard to Carnegie Fonder AB (2016) and profit/loss with regard to the parts of Structured Products that are to be sold (2016 and 2017).

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

(SEKm)	31 Dec 2017	31 Dec 2016
Loans to the public	-	4
Cash	109	521
<b>Total assets</b>	<b>109</b>	<b>525</b>
Deposits and borrowing from the public	109	525
<b>Total liabilities</b>	<b>109</b>	<b>525</b>

1) Assets and liabilities held for sale refers to the parts of Structured Products that are to be sold.

### Cash flow from discontinued operations

(SEKm)	31 Dec 2017	31 Dec 2016
Cash flow from operating activities	-412	96
Cash flow from investing activities	-	-1
Cash flow from financing activities <sup>1)</sup>	-	-156
<b>Cash flow for the year</b>	<b>-412</b>	<b>-61</b>
Cash at the beginning of the year	521	582
<b>Cash at the end of the year</b>	<b>109</b>	<b>521</b>

1) Group contribution paid.

---

**Disclosures on the divestment of Carnegie Fonder AB**

<b>(SEKm)</b>	<b>30 April 2016</b>
Consideration received	
Cash	-
Shares in CARAM AB <sup>1)</sup>	824
<b>Total consideration</b>	<b>824</b>
Carrying amount of sold net assets	-681
<b>Profit before tax</b>	<b>143</b>
Income tax	-
<b>Proceeds from sale after tax</b>	<b>143</b>

1) After the divestment of Carnegie Fonder AB, the shares in CARAM AB (formerly C Asset Management Partners AB) were distributed to the owners of Carnegie Holding AB.

**Carrying amounts of assets and liabilities at time of sale - Carnegie Fonder AB**

<b>(SEKm)</b>	<b>30 April 2016</b>
Intangible assets <sup>1)</sup>	648
Tangible fixed assets	3
Current receivables	222
Cash	32
<b>Total assets</b>	<b>905</b>
Current 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 consolidated surplus values.

## NOTE 4 CAPITAL ADEQUACY

	CARNEGIE HOLDING GROUP	
(SEKm)	31 Dec 2017	31 Dec 2016
<b>Capital base</b>		
Equity instruments and associated premium reserve	922	922
Retained earnings and reserves	995	755
Less predictable costs	-200	-100
Goodwill and intangible assets	-8	-14
Deferred tax assets	-172	-260
Prudent valuation	-4	-2
<b>Common Equity Tier 1 capital</b>	<b>1,533</b>	<b>1,302</b>
<b>Tier 1 capital</b>	<b>1,533</b>	<b>1,302</b>
Perpetual convertible debentures	-	162
<b>Capital base for capital adequacy purposes</b>	<b>1,533</b>	<b>1,464</b>
<b>Capital requirement</b>		
Credit risk (standardised method)	151	175
Trading book risk	10	17
Currency risk	58	68
Operational risk (base method)	304	270
<b>Total capital requirement</b>	<b>523</b>	<b>531</b>
Surplus capital	1,010	933
<b>Financial position</b>		
Equity, SEKm	1,917	1,677
Common Equity Tier 1 capital, SEKm	1,533	1,302
Capital base, SEKm	1,533	1,464
Risk-weighted assets, SEKm	6,537	6,631
Common Equity Tier 1 capital ratio, %	23.5	19.6
Capital adequacy ratio, %	23.5	22.1

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

<b>Income statement, SEKm</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Continuing operations					
Total income	2,472	2,153	1,908	1,732	1,405
Personnel expenses	-1,473	-1,396	-1,278	-1,147	-977
Other expenses	-538	-441	-441	-437	-397
Expenses before credit losses	-2,011	-1,837	-1,719	-1,584	-1,374
<b>Operating profit/loss before credit losses</b>	<b>461</b>	<b>316</b>	<b>190</b>	<b>148</b>	<b>31</b>
Credit losses, net	2	26	4	25	25
<b>Profit/loss before tax</b>	<b>463</b>	<b>342</b>	<b>194</b>	<b>173</b>	<b>56</b>
Tax	-124	-76	-88	-49	47
<b>Profit/loss for the year from continuing operations</b>	<b>339</b>	<b>266</b>	<b>106</b>	<b>124</b>	<b>103</b>
Discontinued operations					
Profit for the year from discontinued operations	7	120	108	111	91
<b>Profit for the year</b>	<b>346</b>	<b>386</b>	<b>214</b>	<b>235</b>	<b>194</b>
<b>Financial key data, continuing operations</b>					
C/I ratio, %	81	85	90	91	98
Income per employee, SEKm	4.2	3.5	3.2	3.0	2.4
Expenses per employee, SEKm	3.4	3.0	2.9	2.7	2.4
Profit margin, %	19	16	10	10	4
Assets under Management, SEKbn	110	100	92	80	69
Return on equity, %	22	21	5	7	6
Total assets, SEKm	12,254	11,195	10,896	11,007	10,336
<b>Financial position</b>					
Common Equity Tier 1 capital ratio (CET1), %	23.5	19.6	18.1	19.5	14.8
Equity, SEKm	1,917	1,677	2,088	2,369	2,136
<b>Employees, continuing operations</b>					
Average number of FTE employees	590	609	591	580	581
Number of FTE employees at the end of the year	598	610	607	584	573

1) The historical overview is based on statutory statements of comprehensive income. For all years, the fund business and operations within third-party distribution of structured products are presented as discontinued operations.

---

## DEFINITIONS – ALTERNATIVE PERFORMANCE MEASURES\*

### Operating income\*

Operating income excluding income not generated by our business areas.

### Operating expenses\*

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 expenses 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 the end of the period

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

### Average number of employees

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

### 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\*

Twelve months' rolling profit or loss divided by average equity, adjusted for the effect of deferred tax on loss carry forwards.

## Bridge between alternative performance measures and the financial statements

A more detailed description of the calculation method is required for some of the APMs above.

**Return on equity** – To calculate average equity adjusted for the effect of deferred tax on loss carry forwards, we have used the sum of equity for the most recent 13 months and loss carry forwards for the most recent 13 months, divided by the number of months,  $\sum (\text{equity} - \text{loss carry forwards}) / 13$

**Operating profit and loss statement** – The difference between the Consolidated Statement of Comprehensive Income on page 12 and the Operating Profit and Loss Statement on page 6 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.



---

## 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, 16 February 2018

**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