



Annual accounts 2018

ABG Sundal Collier ASA

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STATUTORY DIRECTORS' REPORT

ABG Sundal Collier ASA ("the Company") has concession as brokerage firm to engage in investment services in accordance with Securities Trading Act paragraph 2-1, first section no. 1, 2, 3, 5 and 6, and related services in accordance with the same law paragraph 2-1, second section no 1-6. The company is 100% owned by ABG Sundal Collier Holding ASA, a listed company on Oslo Stock Exchange. The company's headquarters are located in Oslo, with branches in Copenhagen and Frankfurt, and 100% owned subsidiaries in Stockholm, London, New York and Singapore ("ABGSC" or "the Group").

ABGSC is an independent Nordic investment banking powerhouse, established for more than 30 years, founded on a hard-working partnership culture and the ability to attract and develop top talent. Our strategy is to be an advisor and an intermediary, and our core product offering comprises corporate advisory, corporate financing and investment research and brokerage services. We have an ambition to earn fair returns for the benefit of our clients, shareholders and staff.

Comments on the Annual Accounts

Pursuant to the Norwegian Accounting Act, the Company confirms that both the parent company accounts as well as the group accounts have been prepared on a going concern basis under Norwegian GAAP.

Income Statement

For the full year, revenues were NOK 1,062m compared to NOK 1,259m for 2017.

Revenues from the Markets division decreased from NOK 677m in 2017 to NOK 536m in 2018. Equity-related revenues declined by 14% to NOK 432m in 2018, which can partly be attributed to the implementation of MiFID II. Revenues within the Non-Equities segment (Bonds, Convertible Bonds and FX) declined by 41% to NOK 104m, mainly as there were fewer primary DCM transactions in 2018 and as the Convertible Bonds operation was closed down at the end of 2017.

Revenues from the Investment Banking division decreased from NOK 582m in 2017 to NOK 525m in 2018. Investment Banking revenues stem from a diversified base within a broad range of industries and with a balanced mix of capital market transactions and advisory services. The equity and corporate bond capital markets were open for the first half of the year with several transactions during the period, but a quiet third quarter was followed by a sharp drop in share prices in combination with prolonged market volatility, effectively closing capital markets in the middle of the final quarter.

Total operating costs for the year were NOK 863m, down from 955m in 2017. Full-year variable compensation costs decreased by NOK 96m as a function of increased revenues and profitability.

Operating profit before variable compensation for 2018 was NOK 420m (NOK 623m in 2017), a decrease of 32%. Net financial income was NOK 12m compared to NOK 16m in 2017. Net profit after tax was NOK 155m (NOK 236 in 2017).

Balance Sheet and Liquidity

ABGSC maintained a strong balance sheet throughout 2018. Our asset base largely consists of short-term receivables and bank deposits.

ABGSC's balance sheet and liquidity position are very solid relative to our capital requirements. The Group's capital adequacy at the end of 2018 was 2.8x (3.3x in 2017) the requirement set by The Financial Supervisory Authority of Norway. The capital ratio for the parent company was 2.9x for 2018 (3.9x in 2017).

ABGSC has positive cash flow from its operations, although due to the nature of our business, working capital requirements can fluctuate significantly on a daily basis. In order to meet varying liquidity demands from Group operations, we have established overdraft facilities with our main banks. ABGSC's level of liquidity was comfortable throughout 2018.

Financial Statement for the Parent company

The parent company had total revenues of NOK 630m in 2018 compared to NOK 682m in 2017. Total operating costs were NOK 472m compared to NOK 527m in 2017. Full-year variable compensation costs

decreased by NOK 35m as a function of increased revenues and profitability. Net financial result was NOK 10m, a decrease of NOK 146m compared to 2017 due to reduced dividend from subsidiaries. The tax expense was NOK 41m. The balance sheet is strong, with a book equity ratio of 21% after group contribution to the parent company.

Allocation of Profit

The net profit of the Company was NOK 127m, and the Board proposes that the Annual General Meeting adopts the following allocation:

Group contribution	NOK 156m
From other equity	NOK -29m
Total allocated	NOK 127m

Organisation, Management and Environmental Information

The Group had 262 full-time staff as at 31 December 2018, of which 116 were in Norway, 85 in Sweden, 24 in Denmark, 5 in Germany, 21 in the UK, 10 in the US and 1 in Singapore. The breakdown by gender was 216 men and 46 women.

The Group's working environment is considered to be good, and absence due to illness continues to be low at approximately 1%. The activities carried out by ABGSC cause no pollution to the environment other than what is considered to be normal for office operations.

ABGSC has a longstanding anti-discrimination policy, and women occupy important positions in the Group. We seek to identify highly qualified candidates for all positions and maintain an environment that is "gender- and background-neutral". Women occupy senior positions in sales, research, corporate finance and operations/compliance in locations across the organisation, and ABGSC is committed to policies that should make it an attractive working environment for female investment professionals. In its hiring process the Group is committed to hiring the candidates considered to have the best future potential regardless of ethnic origin, religious beliefs or orientation, nationality or other criteria not relevant to their work. The Group does not classify its employees or partners based on such criteria nor does it consider them relevant in relation to careers within ABGSC.

Other Conditions

As far as the Board is aware, no matters have arisen during the course of the year that have had a materially negative effect on the Company's or the Group's business position.

Risk management is an integral part of ABGSC's core business activities. In the course of conducting our business operations, ABGSC is exposed to a variety of risks. These include market, credit, liquidity, operational and currency risks that are material and require comprehensive controls and management. ABGSC aims to maintain a low risk profile. For a further description of the Group's risk profile and risk management policy, see Note 4 to the annual accounts.

A separate description pertaining to risk control in the area of financial reporting is included in the Board's Corporate Governance report, which can be found in the annual report for ABGSC Holding ASA and on ABGSC website. The Board has approved the overall limits for market risk for equity trading, bond trading, convertible bond trading, securities' financing and foreign exchange. ABGSC's main trading activities are carried out on a short-term basis with a low level of overnight exposure. Any breach of the defined limits is reported to the Board of Directors. The purpose of the trading activities is to facilitate client orders, profit from arbitrage opportunities in the market and profit from market volatility.

Comments on Corporate Social Responsibility can be found in the annual report for ABGSC Holding ASA.

The Executive Committee, together with the Chief Compliance Officer, act as the Group's Credit Committee, approving policies and limits for client financing, cash collateral and the pledging of shares, within the mandate approved by the Board of Directors. Changes in collateral value are monitored daily and adjustments are made by either reducing exposure or providing additional collateral. Regular stock broking transactions are settled on a delivery versus payment basis such that the credit risk is minimised to the difference between the unsettled amount and the market value of the shares.

Prospects for 2019

The turbulent market conditions in Q4 provided a soft finish to what started as a good year for ABGSC. Our ambition for 2019 is to further grow our client base, hold on to our strong backbone of skilled people, offer top-ranked research and continue to be a preferred service provider to our investor and corporate clients while maintaining our traditionally tight cost control.

Going into 2019, ABGSC has built a solid transaction backlog of mandated transactions within corporate financing and M&A. However, the market turbulence at the end of last year and at beginning of this year has deferred some of the planned transactions and somewhat increased the execution risk of the pipeline.

* * *

Oslo, 19 March 2019

Judy Bollinger (sign)

Chairman

Jan Petter Collier (sign)

Adele Norman Pran (sign)

Knut Brundtland (sign)

CEO

FINANCIAL STATEMENT

Income statement

Parent company		Amount in NOK 1,000		Group	
2018	2017	NOTES	OPERATING REVENUES AND COSTS	2018	2017
629,648	681,696		Operating revenues	1,061,796	1,259,371
629,648	681,696	2	Total operating revenues	1,061,796	1,259,371
180,679	179,672	5	Wages and social costs	396,084	380,372
130,341	150,392	5, 7	Administration costs	234,763	247,843
3,599	4,182	16	Depreciation	10,504	8,505
314,619	334,246	2	Total operating costs	641,350	636,721
315,029	347,449		Operating profit before variable compensation	420,446	622,650
157,541	192,778		Variable personnel costs	221,515	317,989
157,487	154,671		Operating profit after variable compensation	198,931	304,662
			FINANCIAL INCOME AND COSTS		
36,177	32,160		Interest income	36,375	32,185
11,877	154,317	9, 15	Other financial income	1,732	5,738
1,365	610	15	Interest income from group companies	36	0
-6,507	-4,395	15	Interest cost to group companies	-1,661	-1,090
-20,466	-15,153		Interest cost	-21,385	-16,296
-12,309	-11,274	9	Other financial costs	-3,531	-4,612
10,136	156,265		Net financial result	11,567	15,924
167,623	310,936		Profit before taxes	210,497	320,586
41,060	48,050	6	Tax cost	55,224	85,053
126,563	262,886		NET RESULT FOR THE YEAR	155,273	235,533
			ALLOCATIONS AND TRANSFERS		
-29,487	-1,264		From other equity		
156,050	264,150	15	Group contribution		
126,563	262,886		Total allocations and transfers		

Balance sheet as of 31 December

Parent company			Amount in NOK 1,000		Group	
2018	2017	NOTES	ASSETS	2018	2017	
			Non-current assets			
			Intangible assets			
21,343	26,259	6	Deferred tax assets	21,453	26,393	
437	332	16	Other intangible assets	29,752	7,023	
21,779	26,591		Total intangible assets	51,205	33,416	
			Fixed assets			
4,554	6,587	16	Office equipment and fittings	10,101	11,677	
			Financial non-current assets			
3,234	702		Long term receivables	4,497	702	
201,175	201,175	11, 14	Shares in subsidiaries	30	180	
231	231	11	Other shares	471	474	
204,640	202,108		Total financial non-current assets	4,998	1,356	
230,974	235,286		Total non-current assets	66,304	46,449	
			Current assets			
			Receivables			
1,192,267	360,359	11, 12	Accounts receivables	1,216,741	390,505	
80,952	150,353	15	Receivables from group companies	1,670	149	
519,799	367,640	11	Receivables from stockbrokers	519,776	367,605	
150,498	64,659	13	Other short term receivables	212,943	134,087	
1,943,515	943,011		Total receivables	1,951,130	892,346	
			Investments			
113,669	83,432	11	Securities and financial instruments	113,669	83,432	
			Cash and bank deposits			
610,544	808,705	10	Cash and bank deposits	846,096	1,172,497	
2,667,728	1,835,149		Total current assets	2,910,894	2,148,275	
2,898,702	2,070,434		TOTAL ASSETS	2,977,199	2,194,724	

Balance sheet as of 31 December

Parent company		Amount in NOK 1,000		Group	
2018	2017	NOTES	EQUITY AND LIABILITIES	2018	2017
			Equity		
			Paid-in-capital		
120,000	120,000	3, 8	Share capital	120,000	120,000
480,070	480,070	3, 8	Share premium	480,070	480,070
28,584	28,584	3, 8	Other paid-in-capital	28,584	28,584
628,654	628,654	3, 8	Total paid-in-capital	628,654	628,654
			Other equity		
-26,917	2,569	3, 8	Retained earnings	186,631	185,771
601,737	631,223	3, 8	Total equity	815,285	814,425
			Liabilities		
			Non-current liabilities		
0	0	6	Deferred tax	472	207
17,251	0		Other long-term liabilities	15,949	0
4,590	5,376		Deposits from partners	4,590	5,376
21,841	5,376		Total non-current liabilities	21,011	5,583
			Current liabilities		
1,556	14,297		Accounts payable	2,629	22,595
686,073	101,582	11	Liabilities payable to customers	686,073	101,582
671,137	382,041	11	Liabilities payable to stockbrokers	671,137	382,041
53,913	63,914	11	Securities and financial instruments (short positions)	53,913	63,914
557,530	619,959	15	Liabilities payable to group companies	255,040	345,171
0	0	6	Income tax payable	0	9,148
3,733	3,993		Public duties payable	15,654	14,058
301,182	248,048	13	Other liabilities	456,458	436,209
2,275,124	1,433,834		Total current liabilities	2,140,903	1,374,716
2,296,965	1,439,210		Total liabilities	2,161,914	1,380,299
2,898,702	2,070,434		TOTAL EQUITY AND LIABILITIES	2,977,199	2,194,724

Oslo, 19 March 2019

The Board of ABG Sundal Collier ASA

Judy Bollinger (sign)
Chairman

Jan Petter Collier (sign)

Adele Norman Pran (sign)

Knut Brundtland (sign)
CEO

Cash flow statement

Parent company		Amount in NOK 1,000	Group	
2018	2017		2018	2017
		CASH FLOW FROM OPERATING ACTIVITIES		
167,623	310,936	Profit before taxes	210,497	320,586
0	0	Items booked directly through the equity net of tax	-694	456
-2,317	-8,506	Taxes paid	-27,845	-43,019
3,599	4,182	Depreciation	10,504	8,505
-40,237	53,902	Change in securities and financial instruments	-40,237	53,902
-984,066	827,703	Change in accounts receivables/ receivables from stockbrokers	-978,407	871,693
860,845	-765,398	Change in accounts payable/ payable to customers and stockbrokers	853,621	-763,079
90,693	-126,801	Change in intercompany accounts	-19,053	-55,340
-24,894	48,664	Change in other current assets/liabilities	-35,360	22,893
71,247	344,682	Net cash flow from operating activities	-26,973	416,598
		CASH FLOW FROM INVESTING ACTIVITIES		
-2,089	-2,595	Purchase of intangible and fixed assets	-31,050	-7,389
-2,533	-3,162	Net cash flow from financial non-current assets	-3,642	2,724
-4,622	-5,758	Net cash flow from investing activities	-34,692	-4,665
		CASH FLOW FROM FINANCING ACTIVITIES		
-786	-1,680	Repayment of long-term loans	-786	-1,680
-264,000	-256,950	Distributed group contribution	-264,000	-256,950
-264,786	-258,630	Net cash flow from financing activities	-264,786	-258,630
-198,161	80,294	Net increase/ (decrease) in bank deposits, cash and cash equivalents	-326,451	153,302
808,705	728,411	Bank deposits, cash and cash equivalents as of 1 January	1,172,547	1,019,245
610,544	808,705	Bank deposit, cash and cash equivalents as of 31 December	846,096	1,172,547

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All amounts in NOK 1,000 unless otherwise specified

Note 1 - Accounting policies

General information

The accounts and the consolidated accounts for the Group are prepared in accordance with the Norwegian Accounting Act and Norwegian Generally Accepted Accounting Principles (NGAAP).

Financial statement preparation requires estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as disclosures of contingencies. Actual results may differ from estimates.

Group accounts

The Group's activities include securities brokerage and research services, proprietary trading, advice in relation to mergers and acquisitions, restructuring and other corporate finance advisory activities, as well as real estate advisory business.

The Group accounts show the total profit/loss and the total financial position of the parent company ABG Sundal Collier ASA and its controlling interests as a financial whole. The Group accounts include companies where ABG Sundal Collier ASA owns shares, directly or indirectly, such that the shares owned represent the majority of voting rights in the company or allow the Group the right to appoint the majority of the members of the company's board of directors. Transactions between group companies have been eliminated in the consolidated financial statement. The consolidated financial statement has been prepared in accordance with the same accounting principles for both parent and subsidiary.

ABG Sundal Collier ASA is the principal partner in the ABG Sundal Collier silent partnership.

Net assets in foreign operation

Exchange differences arising from the translation of the net assets in foreign operations, and the related hedges, are booked towards other equity and will be recognised in the profit/loss when the net assets are realised.

Revenue recognition

Revenue is recognised in conjunction with the performance of the services used to complete an engagement. Revenues from performance fees are recognised upon completion of the transaction, or there is deemed to be no uncertainty related to ABGSC's right to claim compensation for a transaction. Fixed fees are recognised as earned.

Commissions from trades are recognised at the trade date.

Fixed-priced research services are typically billed periodically. Discretionary fees from research are recognised where there is deemed to be no uncertainty related to ABGSC's right to claim compensation for a research provided.

Classification of assets and liabilities

Receivables that are to be repaid within one year and assets that are not of a permanent nature or use in the business, are classified as current assets. Other assets are classified as long-term assets.

Liabilities are classified as a long-term liability if the liability is due to be repaid after more than one year after the balance sheet date. All other liabilities are classified as current liabilities.

Current assets are valued at the lower of original cost and net realisable value

Fixed assets and depreciation

Fixed assets are carried at original cost less accumulated depreciations. If the fair value of a fixed asset or group of assets is lower than the recorded cost value, and such fair value is not expected to be of temporary nature, the assets are written down to fair value. The same principles are applied to short and long-term debt.

Investments

Securities and financial instruments classified as current assets are recorded at market value. The market value is the market price as at 31 December for listed securities and assumed market value for non-listed securities. In any portfolio that uses derivatives as a part of its risk management, the derivatives are classified as a part of the portfolio and are valued at the price of the underlying instrument. Short positions in shares are carried at fair value.

Financial long-term assets

Other long-term shareholdings and minor investments, where the company does not hold substantial influence, are in general carried at original cost. If a decline in fair value below the carrying amount is expected to be permanent, the investments are written down. Dividends received and other surplus distributions from these companies are recognised as financial income.

Receivables

Receivables are carried at face value less provision for expected loss. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Losses on receivables are written off in the year in which they are identified.

Cash and bank deposits

Cash and bank deposits include cash, bank deposits and other monetary instruments where the maturity is less than three months from the date of purchase. Funds on Client accounts are not included in the balance.

Unsettled trades

Security trades transacted prior to the year-end but for which settlement does not occur until after year-end are recorded under accounts receivable and accounts payable to customers. Allowance is made against receivables for estimated losses.

Assets and liabilities in foreign currency

Realised and unrealised profit or losses arising from transactions, assets or liabilities denominated in foreign currencies are included in the net result for the year. Exchange rates at year-end are used to convert foreign currency amounts to NOK.

Accounting of silent partnership

The silent partnership's accounts are fully incorporated in the financial statements of the principal partner. The partner's share of the profit are classified as variable personnel cost in the income statement, while unpaid profits to partners are classified as current liabilities. Capital contributions from partners are classified as long-term liabilities in the accounts of the principal partner.

Income taxes

Tax cost are matched with profit/ loss before tax. Tax related to equity transactions is posted directly towards equity.

The tax cost consists of current income tax costs and change in net deferred tax. Deferred tax is calculated at the nominal tax rate for timing differences arising between accounting and tax values. Deferred tax liabilities and deferred tax assets are presented in the balance sheet.

Pensions

The Group have pension schemes where the company's commitment is to contribute to the individual employee's pension scheme (defined contribution plans). Contributions to defined contribution plans are recorded as cost when employees have rendered services in exchange for such contributions, generally in the year of contribution.

Note 2 – Information about segments and geographical markets

The Group's two business segments are Markets and Investment Banking. The Markets division consists of all secondary sales and trading activities, including financial services such as brokerage, trading and execution of equities, convertible bonds, bonds, derivatives, structured products and FX. The Investment Banking segment consists of all primary operations and corporate advisory services including ECM, DCM, M&A and financial restructuring. The internal management system is matrix-based. Revenues and expenses are recorded both by business segment and geographical markets. The business segment is based on which department has generated the revenue or expense, while the geographical market is determined by the location of each legal entity. Assets and liabilities except from directly allocable items specified below, and equity and cash flow are recorded by geographical markets only. Transactions between segments are eliminated at Group level.

	2018			Total
	Markets	Investment Banking	Unallocated	
Profit & loss				
Revenues - external	364,114	697,682		1,061,796
Revenues - from other operating segments	172,334	-172,334		-
Total revenues	536,448	525,348	-	1,061,796
Operating costs	399,834	241,516		641,350
Operating profit before variable compensation	136,614	283,832	-	420,446
Variable personnel costs			-221,515	-221,515
Financial result			11,567	11,567
Tax cost			-55,224	-55,224
Profit after tax from continuing operations	136,614	283,832	-265,173	155,273

	2017			Total
	Markets	Investment Banking	Unallocated	
Profit & loss				
Revenues - external	434,890	824,481		1,259,371
Revenues - from other operating segments	242,026	-242,026		-
Total revenues	676,916	582,455	-	1,259,371
Operating costs	401,762	234,959		636,721
Operating profit before variable compensation	275,154	347,496	-	622,650
Variable personnel costs			-317,989	-317,989
Financial result			15,924	15,924
Tax cost			-85,053	-85,053
Profit after tax from continuing operations	275,154	347,496	-387,117	235,533

Revenues are attributed to the individual countries on the basis of the domicile of the service provider.

Geographical segment:

	2018	2017
Norway	506,738	571,836
Sweden	311,323	460,866
Denmark	67,630	52,375
International	176,105	174,294
Total	1,061,796	1,259,371

Note 3 – Capital ratio

The Group is required to have a capital ratio of a minimum 8% of total capital adequacy. The capital ratio is calculated as core capital divided by total capital adequacy. The capital ratio at year-end is:

	Parent company		Group	
	2018	2017	2018	2017
Capital adequacy of credit-, counterparty-, and business risk	895,922	446,849	978,150	559,258
Capital adequacy of position-, and currency risk	230,333	141,909	230,333	141,909
Capital adequacy of operational risk	1,422,538	1,453,864	2,248,719	2,395,402
Total capital adequacy	2,548,793	2,042,622	3,457,202	3,096,569
Booked equity	601,737	631,223	815,285	814,425
Intangible assets	-844	-624	-36,000	-7,315
Core capital	600,893	630,599	779,284	807,110
Total capital adequacy ratio	23.6%	30.9%	22.5%	26.1%
Number of times regulatory minimum	2.9x	3.9x	2.8x	3.3x

The operational risk is calculated using the following amounts (revenues and net financials):

	2018	2017	2018	2017
2018	639,783		1,073,363	
2017	837,961	837,961	1,275,295	1,275,295
2016	798,316	798,316	1,249,292	1,249,292
2015		689,906		1,308,056
Capital adequacy of operational risk	1,422,538	1,453,864	2,248,719	2,395,402

Note 4 – Risk management

Risk management

Risk management is an integral part of ABGSC core business activities. In the course of conducting our business operations, ABGSC is exposed to a variety of risks. These risks include market, credit, liquidity, operational and currency risk that are material and require comprehensive controls and management. The responsibility and accountability for these risks remain primarily within each businesses area. ABGSC aims to maintain a low risk profile. Risk is managed through clearly defined decision making processes, authorisation systems and exposure limits. The Group's accounting for and reporting of transactions as well as information in disclosures are heavily dependent on IT systems. The IT systems are standardized and parts of system development and operations are outsourced. Effective internal controls related to IT are important to ensure accurate, complete and reliable financial reporting.

Market risk

ABGSC is exposed to fluctuations in the value of its own investments, market-making and settlement from customers. Financial market risk is managed under rules established in the Norwegian Companies Act and internal control regulations. The Board has established procedures for internal control designed to monitor financial market risk and ensure a robust control discipline. In order to facilitate settlement on the ABGSC's agency business, ABGSC may borrow securities or fund the purchase of securities leaving ABGSC with a risk that the buyer or seller may not be able to complete their obligation under the trade. Settlement risk is mitigated by only trading with good quality, credit worthy clients who are institutional investors or high net-worth individuals. Generally, the underlying securities are liquid securities for which there is a transparent and liquid market.

Interest rate risk

ABGSC's interest rate risk is limited due to the modest volume of long term balance sheet investments.

Foreign currency risk

ABGSC's foreign currency exposure is linked to future cash flow and balance-sheet items in all operations. The foreign currency risk is mitigated by use of drawing rights and currency derivatives in the respective currencies.

Exchange rate risk is predominantly short term related to settlement of customer trades, where settlement is being executed at trade date plus two business days. The sensitivity to currency effects on these trades is limited. Long-term exchange risk is related to net investments in foreign operations where accumulated profit and loss is kept in local currency. The Group is hedging the exchange-rate risk related to net investments in foreign operations.

ABGSC is also exposed to FX rate risk to positions in FX forwards.

Credit risk

Credit risk is the risk of losses due to failure from counterparties or clients to meet their payment obligations, and adverse credit quality migration of financial instruments. The main categories are:

Securities Financing

Key features describing the credit risk in securities financing are;

- Financing system based on securities as collateral (not based on credit capacity in general)
- Daily margin calculations based on real time market value, stock liquidity, volatility and risk

Changes in the value of collateral are followed up on a daily basis and are compensated for by reduction in exposure or with additional collateral. Credit losses have been moderate in previous years. Legal and/or financial recovery is an everyday ongoing process.

Other accounts receivable/settlement risk

Regular stock broking trades are settled with exchange of cash and shares (delivery versus payments) and the credit risk is thereby reduced to the difference between the unsettled amount and the market value of the shares. Credit risk is considered low, and no loss has been booked in 2018.

When trading derivatives through Oslo Clearing the clearing party retains the risk of settlement from the customer until maturity. ABG has had limited derivative trading where we have been the clearing party towards Oslo Clearing in 2018.

Derivatives and FX contracts

ABGSC is exposed to counterparty risk in relation to derivatives. ISDA contracts and credit support Annex (CSA) have been established with major counterparties, and changes in market value are settled on a daily basis. Counterparty risk is largely eliminated by collateral and daily margin calculations, but still considered as medium risk.

As of 31 December 2018 ABGSC has outstanding FX contracts of NOK 13m. That number will be reduced in a possible default situation since ABGSC has netting agreements with the counterparties. In addition it is mainly received 10% collateral from customers.

Note 5 – Wages and social costs

	Parent company		Group	
	2018	2017	2018	2017
Wages/partner remuneration	146,115	147,351	297,899	286,200
Social Security Tax	13,343	10,613	50,218	45,289
Pension costs including Social Security Tax	10,026	8,752	25,108	25,526
Other personnel costs	11,194	12,956	22,859	23,357
Total wages and social costs	180,679	179,672	396,084	380,372
Average number of man-labour years	142	141	257	254

Board of Directors' statement on Executive Committee Remuneration

The Board of Directors will prepare a separate statement regarding the remuneration of the Executive Committee in accordance with the Norwegian Public Limited Companies Act, § 6-16a. The following guidelines will be presented at the Annual General Meeting 30 April 2019. These guidelines have been complied with for the year 2018 and are valid for 2019 onwards.

The remuneration to senior management is based on the same principles for remuneration that is applied for all partners of the Group. Compensation to partners and employees consists of a fixed salary or compensation and a variable compensation, the amount of which is dependent on a combination of Group results and individual performance. Principles for the allocation of variable compensation are decided by the Board after recommendations from the Compensation Committee. The preliminary variable compensation to each partner and employee is decided by the Executive Committee and finally approved by the CEO. The variable compensation to individual members of senior management is decided by the CEO after taking advice from the Compensation Committee. The compensation of the CEO is proposed by the Compensation Committee and approved by the Board. Members of Executive Committee are all defined as specifically identified staff ("SIS"). Variable compensation to SIS is subject to various deferral mechanisms, determined by the local regulations governing the legal entity of which the SIS is employed.

There are no specific agreements regarding remuneration at termination for the CEO or members of the Executive Committee.

The CEO and members of the Executive Committee participate in pension schemes according to the same conditions as other partners and employees.

The CEO to employee compensation ratio for 2018 was 2.90 (2017: 3.08).

Other risk-takers and employees in Norway, incl. branches, with control tasks, in excess of those mentioned as executive committee and board member has received a total of app. NOK 42.8m in remunerations.

Board of Directors Remuneration

The highest governing body of the Group is its Board of Directors. The Board has a majority of Non-Executive Directors. Remuneration to Board members consists of payment of fees, and is based on the position of the Board member. There are no specific agreements regarding fees at termination for the Chairman of the Board or other members of the Board. ABGSC did not have any outstanding loans to, or guarantees made on behalf of, any Board member during 2018. Board fees paid in 2018 and outstanding number of shares as at 31 December 2018 is shown in the table below:

Board Member	Board Fee	Indirect ownership (Number of Shares)
Judy Bollinger (Chairman)	10	4,820
Jan Petter Collier 1)	10	102,300
Adele Norman Pran	10	0

1) Jan Petter Collier has through his partnership in ABGSC received a fixed compensation of TNOK 2,500, a variable compensation in respect of calendar year 2018 of TNOK 1,850, pension contribution of TNOK 62 and benefits in kind of TNOK 25

Executive management remuneration

Executive committee members reporting directly to the CEO are defined as executive management. Remuneration to executive management consists of a fixed payment as well as a variable element, plus pension contributions and other remuneration in-kind. There are no specific agreements regarding salary on termination or change of conditions of employment for any executive management individual. Executive management individuals' remuneration and shareholding as of 31 December 2018 and 31 December 2017 are shown in the tables below:

		2018				Indirect ownership (number of shares)
Executive Committee Member	Position	Fixed compensation 1)	Variable compensation 1) & 2)	Pension Contribution	Benefits in kind	
Knut Brundtland	CEO	3,500	3,300	62	25	12,957
Are Andersen	Head of IB	3,000	4,953	62	25	8,132
Christer Linde	Co-head of Global Research	2,022	2,093	259	30	382
Geir B. Olsen	CFO	2,200	1,000	62	25	2,294
Hans Øyvind Haukeli	Head of Markets Norway	3,000	4,450	62	25	6,373
Jonas Ström	Managing Director Sweden	4,680	1,560	199	141	670
Per Flostrand	Head of Equity Sales Internatio	2,169	3,515	0	25	2,205

1) Norwegian executive management members are part of a silent partnership, and receive fixed and variable compensation through participation of the profit distribution from the silent partnership.

2) Variable compensation in respect of calendar year 2018.

		2017				Indirect ownership (number of shares)
Executive Committee Member	Position	Fixed compensation 1)	Variable compensation 1) & 2)	Pension Contribution	Benefits in kind	
Knut Brundtland	CEO	3,500	4,750	62	25	14,232
Are Andersen	Head of IB	3,000	5,035	62	25	8,132
Christer Linde	Co-head of Global Research	2,121	2,260	268	25	382
Geir B. Olsen	CFO	2,200	1,450	62	25	1,988
Hans Øyvind Haukeli	Head of Markets Norway	3,000	5,150	62	25	5,863
Jonas Ström	Head of IB Sweden	4,536	3,652	206	25	326
Karl Berglund	Managing Director Sweden	2,684	2,968	267	25	1,083
Per Flostrand	Head of Equity Sales Internatio	2,133	4,800	0	25	421

1) Norwegian executive management members are part of a silent partnership, and receive fixed and variable compensation through participation of the profit distribution from the silent partnership.

2) Variable compensation in respect of calendar year 2017.

Remuneration to auditors

Parent company

ABG Sundal Collier ASA's fee to Deloitte AS (Norway) for ordinary audit was NOK 602,000 (2017: 584,000), fee for assurance services NOK 76,000 (2017: 76,000), fee for tax services NOK 248,000 (2017: 338,390). Non-audit services provided in 2018 amounted to NOK 15,300 (2017: 20,575).

Group

	Audit fee	Assurance services	Tax services	Other non-audit services	Total
2018					
Deloitte Norway	609	76	248	15	949
Deloitte Abroad	891	-	6	45	941
Total Deloitte	1,501	76	254	60	1,890
Others	525	-	65	-	590
Total	2,026	76	319	60	2,480
2017					
Deloitte Norway	591	76	338	21	1,026
Deloitte Abroad	690	-	49	-	739
Total Deloitte	1,282	76	387	21	1,766
Others	645	-	159	-	804
Total	1,927	76	546	21	2,569

Note 6 – Taxes

Tax cost in the income statement	Parent company		Group	
	2018	2017	2018	2017
Tax payable in Norway	34,524	58,071	38,995	51,957
Tax payable outside Norway	1,619	604	13,161	35,529
Total tax payable	36,143	58,675	52,156	87,486
Change in deferred tax in Norway	4,916	-19,129	2,778	-11,268
Change in deferred tax outside Norway	0	8,505	290	8,836
Total change in deferred tax	4,916	-10,624	3,068	-2,432
Total tax cost	41,060	48,050	55,224	85,053
Reconciliation from nominal to effective tax rate				
Profit before taxes	167,623	310,936	210,497	320,586
Expected tax cost based on nominal tax rate (23% in 2018 / 24% in 2017)	38,553	74,625	48,414	76,941
Tax free income/loss	-2,583	-33,759	-37	2,437
Non deductible costs	1,075	1,526	3,470	2,789
Prior year adjustment	-308	3,477	-292	3,601
Loss carried forward	0	0	-511	-839
Effect on finance tax in Norway (2% in 2018 / 1% in 2017)	3,221	1,766	3,408	1,837
Differences in tax rates outside Norway	1,099	416	772	-1,715
Tax cost on ordinary profit	41,060	48,050	55,224	85,053
Effective tax rate	24.5 %	15.5 %	26.2 %	26.5 %
Tax payable in the balance sheet				
Total tax payable	36,143	58,675	52,156	87,486
Tax on comprehensive income	0	0	-4,471	6,087
Tax paid in advance	-3,376	-1,378	-18,989	-26,397
Tax payable reclassified as short term receivables	0	752	0	0
Tax on group contribution	-35,350	-63,078	-35,350	-63,050
FX effects	-24	0	-612	119
Prior year adjustment	308	5,029	329	4,903
Tax payable at year end	-2,299	0	-6,936	9,148
Tax effect on temporary differences at year end				
Current items				
Receivables	2,569	4,202	2,569	4,202
Provisions	0	0	0	0
Shares	5,437	6,277	5,437	6,277
Other current items	11,700	13,883	11,700	13,883
Total current items	19,706	24,362	19,706	24,362
Non current items				
Fixed assets	1,636	1,897	1,276	1,825
Tax loss carry forward	0	0	0	0
Total non current items	1,636	1,897	1,276	1,825
Total net deferred tax asset	21,343	26,259	20,981	26,187
Reconciliation of changes in deferred tax assets				
Net tax asset at 1 January	26,258	14,993	26,187	15,243
Total change in deferred tax	-4,916	10,624	-3,068	2,432
FX effects	0	642	1	651
Income tax relating to other comprehensive income	0	0	-2,139	7,861
Total deferred tax asset as of 31 December	21,343	26,258	20,981	26,187

Note 7 – Rental costs and lease commitments

Rental and leasing costs included in operating costs	Parent company		Group	
	2018	2017	2018	2017
Office rental	9,891	11,228	27,037	29,728
Other	4,321	2,410	8,261	7,540
Total	14,212	13,638	35,298	37,268

Minimum lease commitments under non-cancellable leases having a remaining lease term in excess of one year end at Group level:

Year	2018		2017	
	Lease expense	Sub-lease income	Lease expense	Sub-lease income
2018			38,304	2,134
2019	30,447	1,849	37,392	2,199
2020	29,469	1,849	37,891	2,264
2021	16,524	1,849	25,008	2,332
2022	16,524	1,849	25,537	2,402
2023	4,305	-	-	-
Thereafter	8,188	-	10,011	-

Note 8 – Shareholders' equity

Amount in NOK 1,000

	Parent company				Total equity
	Share Capital	Share premium	Other paid in capital	Retained earnings	
Shareholders' equity as of 1 January 2017	120,000	480,070	28,584	3,834	632,488
Net profit for the year				262,736	262,736
Distributed group contribution				-264,000	-264,000
Shareholders' equity as of 31 December 2017	120,000	480,070	28,584	2,569	631,223
Net profit for the year				126,563	126,563
Distributed group contribution				-156,050	-156,050
Shareholders' equity as of 31 December 2018	120,000	480,070	28,584	-26,917	601,737

	Group				Total equity
	Share Capital	Share premium	Other paid in capital	Retained earnings	
Shareholders' equity as of 1 January 2017	120,000	480,070	28,584	212,159	840,813
Net profit for the year				235,383	235,383
Distributed group contribution				-264,000	-264,000
Translation differences on net assets in foreign operations				7,606	7,606
Hedge of net assets of foreign operations				-7,094	-7,094
Tax on items booked directly to equity				1,773	1,773
Other				-55	-55
Shareholders equity' as of 31 December 2017	120,000	480,070	28,584	185,771	814,425
Net profit for the year				155,273	155,273
Distributed group contribution				-156,050	-156,050
Translation differences on net assets in foreign operations				8,744	8,744
Hedge of net assets of foreign operations				-9,329	-9,329
Tax on items booked directly to equity				2,332	2,332
Other				-109	-109
Shareholders' equity as of 31 December 2018	120,000	480,070	28,584	186,631	815,285

Note 9 – Hedging of assets of foreign operations

By hedging the net assets in a foreign operation, the company is seeking to eliminate the exchange rate risk on the book value of the assets and liabilities in foreign operations. In the Group accounts, hedge accounting is applied and both the transaction adjustment related to foreign operations (cumulative translation adjustments) and the hedge of net assets of foreign operations is recognised within the equity for the Group.

Recognized amounts within the Equity	Group	
	2018	2017
Translation differences on net assets in foreign operations	8,744	7,606
Hedge of net assets of foreign operations	-9,329	-7,094
Tax on items booked directly to equity	2,332	1,773
	1,748	2,285

In the parent company accounts, the hedge of net assets of foreign operation is recognised through profit and loss as financial loss of NOK 9,329 in 2018 and as a financial loss of NOK 7,094 in 2017.

Note 10 – Cash and bank deposits

Foreign currency holdings have been valued at the exchange rate as of 31 December. Included in the balance of cash and bank deposits are amounts of restricted cash of NOK 220m (NOK 570m in 2017). ABGSC has

bank overdraft facilities with a total limit of NOK 1,000m (NOK 1,000m in 2017). Funds on client accounts and corresponding client debt are not included in the balance sheet.

	2018	2017
Client funds	535,552	617,148
Client debt	403,594	581,489
Net funds on client accounts	131,958	35,659

Note 11 – Guarantees and mortgages

Parent company			Group	
2018	2017		2018	2017
		Book value of assets pledged as collateral		
261,162	220,924	Securities and financial instruments	60,227	19,993
439,042	395,431	Net receivables	385,474	275,338
700,204	616,355	Total assets pledged as collateral	445,701	295,330
0	0	Book value of mortgaged liabilities	0	0

Note 12 – Accounts receivables

	Parent company		Group	
	2018	2017	2018	2017
Gross accounts receivables	1,203,432	375,521	1,229,880	403,382
Allowance for doubtful accounts	-11,165	-15,162	-13,140	-12,877
Net accounts receivables	1,192,267	360,359	1,216,741	390,505

Note 13 - Other current receivables and liabilities

	Parent company		Group	
	2018	2017	2018	2017
Prepaid costs	8,952	13,144	19,907	27,527
Deposits	1,615	1,171	2,544	2,316
Accrued revenues / project-costs	85,586	11,398	114,813	65,939
Prepaid taxes	2,299	752	6,936	0
Other receivables	52,046	38,193	68,743	38,305
Total other receivables	150,498	64,659	212,943	134,087
Amounts due to partners/employees (incl. national insurance contribution)	159,836	193,773	278,913	364,814
Accrued costs and other short-term liabilities	141,346	54,275	177,545	71,395
Total other liabilities	301,182	248,048	456,458	436,209

Note 14 – Securities and financial assets

Securities owned by parent company

Shares in subsidiaries

Company name	Registered office	Ownership / Voting rights	Total equity		Net result	Book value
			31 December	2018		
ABG Sundal Collier AB	Stockholm, Sweden	100%	159,290	16,093	88,045	
ABG Sundal Collier Ltd.	London, UK	100%	65,171	10,136	63,813	
ABG Sundal Collier Holding Inc.	Delaware, USA	100%	193,342	6,093	42,652	
Lagerselskapet Holding AS with subsidiaries	Oslo, Norway	100%	654	6	599	
ABG Sundal Collier Pte .Ltd	Singapore, Singapore	100%	7,388	709	6,066	
Book value of shares in subsidiaries					201,175	

Note 15 – Related parties

ABG Sundal Collier ASA is part of ABG Sundal Collier Holding ASA Group.

Details of intercompany balances and transactions with Group subsidiaries as at 31 December 2018 are as follows:

Company	Parent company			Group contribution & dividend received/ (paid)
	Liability	Receivable	Net interest income/ (cost)	
ABG Sundal Collier AB	13,451		403	
ABG Sundal Collier Eiendom AS	23,352		-83	
ABG Sundal Collier Holding ASA	199,895		-1,578	-191,400
ABG Sundal Collier Holding Inc	36,437		-920	
ABG Sundal Collier Inc.	94,796		-2,704	
ABG Sundal Collier LLP	151,381		-1,184	
ABG Sundal Collier Ltd.		79,282	926	11,121
ABG Sundal Collier Singapore Pte. Ltd.	6,123		-38	
Lagerselskapet Holding AS	77			
Sundal Collier & Co AS		1,669		
Vika Business Management AS		1	36	
Vika Project Finance AS	32,018			
Sum	557,530	80,952	-5,142	-180,279

Company	Group			Group contribution & dividend received/ (paid)
	Liability	Receivable	Net interest income/ (cost)	
ABG Sundal Collier Holding ASA	199,682		-1,578	-191,400
ABG Sundal Collier Eiendom AS	23,466		-83	
Sundal Collier & Co AS		1,669		
Vika Business Management AS		1	36	
Vika Project Finance AS	31,892			
Total intercompany balance transactions	255,040	1,670	-1,625	-191,400

Note 16 – Other intangible assets and fixed assets

	Parent company	Group
	Office equipment and fittings	Office equipment and fittings
Acquisition cost as of 1 January 2018	48,616	108,980
FX-adjustment	89	-2,189
Disposals at cost	-6,590	-36,099
Additions	1,604	3,436
Acquisition cost as of 31 December 2018	43,719	74,128
Accumulated depreciation as of 1 January 2018	42,031	97,303
FX-adjustment	89	-3,214
Depreciation	3,384	5,619
Disposals	-6,338	-35,681
Accumulated depreciation as of 31 December 2018	39,166	64,027
Carrying amount as of 31 December 2018	4,554	10,101
Depreciation rates (linear method)	12.5 - 33%	12.5 - 33%

	Parent company	Group
	Other intangible assets	Other intangible assets
Acquisition cost as of 1 January 2018	2,578	10,535
FX-adjustment	0	0
Disposals at cost	-2,578	0
Additions	485	27,614
Acquisition cost as of 31 December 2018	485	38,149
Accumulated depreciation as of 1 January 2018	2,246	3,512
Depreciation	215	4,885
Disposals	-2,412	0
Accumulated depreciation as of 31 December 2018	49	8,397
Carrying amount as of 31 December 2018	437	29,752
Depreciation rates (linear method)	12.5 - 20%	12.5 - 33%

Note 17 – Shareholder information

There are a total of 1,200,000 shares at a face value of NOK 100 in the company. All shares are owned by the listed company ABG Sundal Collier Holding ASA.

The consolidated accounts of the listed company ABG Sundal Collier Holding ASA can be received by contacting the company on their business address: Munkedamsveien 45, Oslo

Note 18 – Legal matters / disputes

In 2014 ABGSC acted as co-lead manager in connection with the IPO of OW Bunker A/S (“OWB”). OWB went bankrupt in November 2014. A group of institutional investors have issued a writ of summons against the OWB bankruptcy estate and several other co-defendants. The OWB bankruptcy estate as well as other parties in the complexes has as a precaution submitted a series of conditioned recourse claim against the joint leading managers, ABGSC, a law firm and the auditor indemnifying the OWB bankruptcy estate for any loss they may suffer if the prospectus is not deemed to be true and fair and the OWB bankruptcy estate is found to be liable in this respect. ABGSC’s part of any claim is estimated to a maximum of DKK 37m. ABGSC considers the claim to be unfounded and has not made any provisions.

In the normal course of business the Group will from time to time be involved with minor complaints with various parties that will have no material impact on the Group's overall financial position.

