

CARNEGIE HOLDING AB  
*Annual Report 2013*

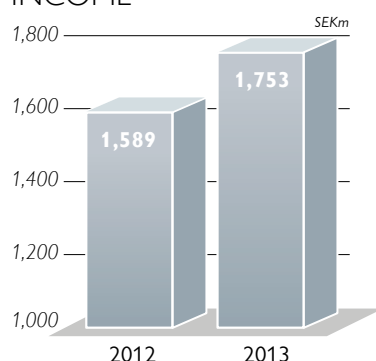
# 2013 IN SUMMARY

- ◆ Carnegie's two business areas, Investment Banking & Securities and Wealth Management, are reporting a profit for the full year.
- ◆ Carnegie executed the highest number of equity capital market transactions in the Nordic region in 2013 and played a leading role in 5 out of 15 Nordic IPOs.
- ◆ Carnegie Fonder gained market shares with net inflow of SEK 6 billion. Assets under management in the fund company were SEK 43 billion at year-end.
- ◆ A new business area, Wealth Management, was formed with a view to increasing coordination and identifying new business opportunities in the savings segment, including Funds, Private Banking and Structured Finance.
- ◆ Selective recruitments were carried out to strengthen the business within Investment Banking & Securities as well as Wealth Management.
- ◆ Carnegie has the best analysts in Sweden according to the annual Financial Hearings survey.
- ◆ Carnegie was named Investment Bank of the Year in Denmark and Sweden by Euromoney.
- ◆ At year-end 2013, approximately 60% of assets under management in Carnegie Fonder were given the highest five-star rating by independent fund rating institute Morningstar. In January 2014, the manager of Carnegie Sverigefond was named Star Manager of the Year in the Swedish Funds category by Morningstar and Swedish business newspaper Dagens Industri.

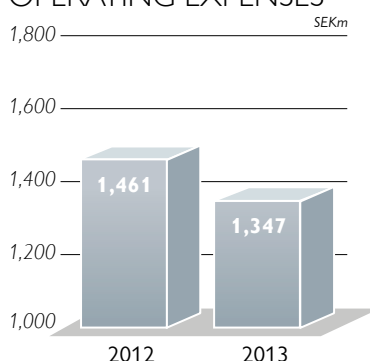
## FINANCIAL KEY DATA<sup>1</sup>

- ◆ Operating income was SEK 1,753 million (1,589).
- ◆ Profit before variable remuneration<sup>2</sup> was SEK 406 million (127).
- ◆ Items affecting comparability, primarily related to restructuring expenses, reduced earnings by SEK 13 million (negative: 141).
- ◆ Net profit was SEK 194 million (loss: 283).
- ◆ The Carnegie Group has a strong financial position: equity SEK 2.1 billion, Core Tier 1 ratio 14.8% and capital adequacy 21.1% at year-end 2013.
- ◆ Assets under management at year-end: SEK 121 billion (103).

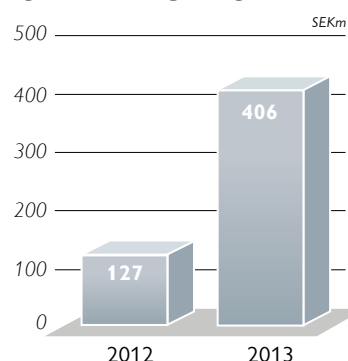
INCOME



OPERATING EXPENSES<sup>2</sup>



OPERATING PROFIT<sup>2</sup>



<sup>1</sup> Based on the operative income statement; see page 11.

<sup>2</sup> Excluding variable remuneration, financing costs and consolidated amortisation of intangible assets.

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# A LEADING FINANCIAL BANK OF KNOWLEDGE.

*Carnegie has been a leading provider of financial advisory services and asset management in the Nordic region for nearly a century. We have built up a unique knowledge bank, which is a source of strength as we guide our clients towards more profitable deals.*

## Investment Banking & Securities

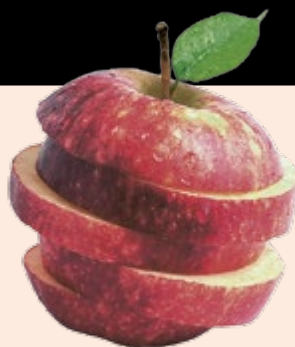
► *Carnegie Securities* offers services within research, equity sales, sales trading and equity capital market transactions to institutional clients. Carnegie's top-ranked research and equity sales enjoy a globally leading position in Nordic equities.

*Markets:* Denmark, Finland, Norway, the UK, Sweden and the US.

► *Carnegie Investment Banking* offers professional advisory services in mergers and acquisitions and equity capital market transactions. Companies are offered capital acquisition via corporate bonds in the Fixed Income segment. Carnegie has a long-established local presence and unique understanding and expertise concerning industries and equity markets in the Nordic region.

*Markets:* Denmark, Finland, Norway and Sweden.

The Knowledge Bank: The sum of our business areas.



## Wealth Management

► *Carnegie Private Banking* provides comprehensive financial advisory ser-

vices to high net worth individuals, small businesses, institutions and foundations. The business area's staff includes experts in asset allocation, asset management, law, tax management, pensions and securities trading.

*Carnegie Investment Strategy* manages the investment strategy and coordination of the asset management offering within Carnegie Private Banking and is responsible for discretionary management on behalf of its clients.

*Markets:* Denmark, Luxembourg and Sweden.

► *Carnegie Structured Finance* is a leading arranger of structured instruments in Sweden. This segment also offers trading and research in interest-bearing bonds.

*Market:* Sweden.

► *Carnegie Fonder* is engaged in focused value management of Swedish equities, Nordic commercial paper and equities in selected emerging markets. Approximately 60% of managed assets are five-star rated by Morningstar.

*Principal market:* Sweden.

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# AWARDS.

## **Five-star funds and Star Manager of the Year**

Swedish business newspaper Dagens Industri and fund rating institute Morningstar named Carnegie Fonder's Stefan Ericson 'Star Manager of the Year' in the Corporate Bonds Category in January 2013. Carnegie Corporate Bond, managed by Stefan, has had Morningstar's five-star top rating since 31 December 2012. Carnegie Sverigefond, Carnegie Sverige Select and Carnegie Rysslandsfond were also rated five stars at year-end 2013.

## **Structured Products Arranger of the Year**

Carnegie was named Structured Products Arranger of the Year by insurance broker Söderberg & Partners in the firm's 2013 'Traffic Light Report.' The rationale for the award was Carnegie's wide range of recommended products.

## **Carnegie analysts the best in Sweden**

Carnegie employs Sweden's top three analysts, according to the Financial Hearings 2013 survey of Swedish brokerage houses, based on interviews with the largest institutional investors in the country. For the fourth consecutive year, the name at the top of the list was Peter Lagerlöf of Carnegie.

## **Investment Bank of the Year in Denmark and Sweden**

In July, Euromoney magazine named Carnegie the best investment bank in Sweden and Denmark for 2013. The award was based on overall assessment of competencies including executed advisory assignments in mergers and acquisitions, equity capital market transactions and corporate bonds.

## **First in corporate finance in Denmark**

In November 2013, Carnegie Denmark was ranked the best corporate finance firm in the Danish market by TNS Sifo Prospera. The ranking reflects a range of competencies in corporate finance including mergers and acquisitions, equity capital market transactions and IPOs. The Swedish operation took first place in the ECM category.

## **Carnegie among top European book-runners**

Carnegie was one of two Nordic investment banks among the top 20 book-runners in the annual Thomson Reuters Equity Capital Markets Review. In 2013, Carnegie was placed number 17, ranked by proceeds from Equity & Equity-Related issuance volume in the EMEA region.

## **Swedish Fund of the Year and Star Manager of the Year**


In January 2014, Simon Blecher, manager of Carnegie Sverigefond, was named 'Star Manager of the Year' in the Swedish Funds category by Morningstar and Swedish business newspaper Dagens Industri. Carnegie Sverigefond was also named Swedish Fund of the Year by Privata Affärer magazine.

## **Best private bank in Sweden**

In February 2014, Euromoney named Carnegie Private Banking the best private bank in Sweden for clients with a net worth of USD 1–10 million. The award is based in part on a survey in which private banks evaluate the products and services of their peers.

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# MAKING CAPITAL GROW IS A VITAL TASK.

Money is one of the most important building blocks in the great project of civilisation.

Companies and organisations need capital to flourish, grow and innovate new products and services. It is this which creates jobs, security and prosperity for families, communities and, ideally, entire countries.

Money is important.

When investments deliver returns and capital grows,

the power of consumption can be unleashed and new capital flow into the market: money that can be reinvested to generate a virtuous circle of sustainable economic growth.

This is what Carnegie does. Our thorough understanding of markets and companies guides investors right and makes capital available to companies.

And thus we play an important role in advancing society.



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# PROFITABILITY AND GROWTH

In 2013, Carnegie returned to profit. Both of our business areas developed favourably and strengthened their market positions, supported by increased business activity as the year drew to a close.

After several tough years in the wake of the global financial crisis, 2013 was the year in which Carnegie returned to profit, operationally and on the bottom line. This is the outcome of a long-term project in which we reduced our costs over a series of years, while revenues are now increasing. I am delighted to announce that today's Carnegie is a group that is developing positively in all segments. While naturally benefiting from the favourable stock market trend, we have also advanced our positions and taken advantage of opportunities in the market.

As 2013 drew to a close, business activity was higher than it had been for many years – and the trend is set to continue in 2014. We saw a strong inflow of advisory assignments in ECM, DCM and M&A in the Investment Banking & Securities business area. Commission income also rose, buoyed by a stronger market position and better stock market performance. In addition, IPOs resurged and Carnegie had a leading role in 5 of the 15 Nordic IPOs in 2013. The order book looks very good for 2014 and we anticipate continued high activity among institutional investors.

**'As 2013 drew to a close, business activity was higher than it had been for many years – and the trend is set to continue in 2014.'**



Our operations in the savings segment, Wealth Management, also developed well in 2013. With record-high net inflow of capital, Carnegie Fonder gained market shares in a growing funds market. High client activity and the strong performance of our asset management products improved results for Private Banking in the second half. Likewise, new issue volumes and the secondary market in structured instruments increased.

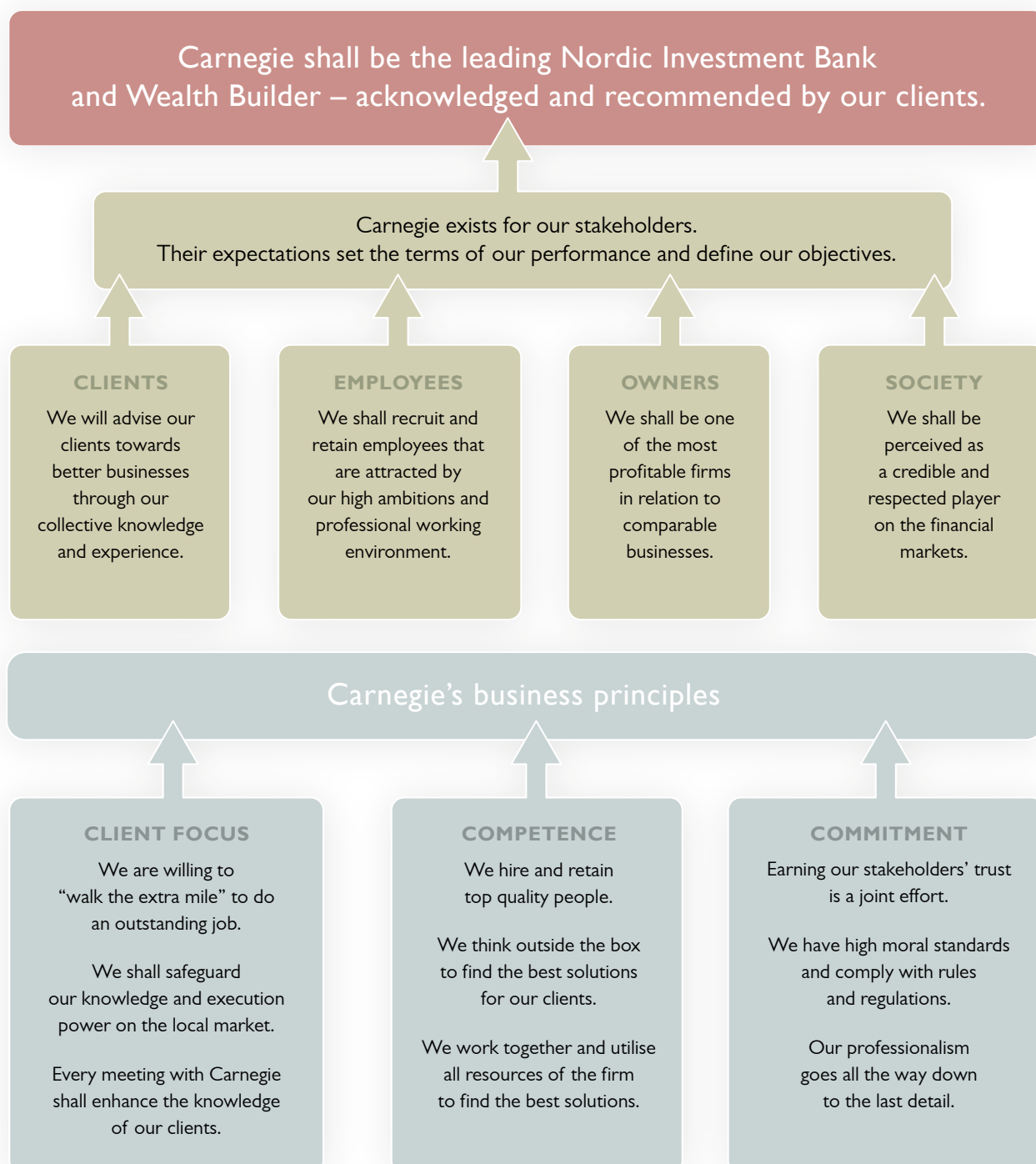
Going forward, increasing our presence in the savings market will be an area of particular focus. Towards that end, we formed the Wealth Management business area in 2013, encompassing all savings-related products and services: Carnegie Fonder, Structured Products, Private Banking and Investment Strategy. By this means, we will jointly derive benefits from synergies and seize new business opportunities in the segment. In many ways, this restructuring also reflects the transformation of Carnegie in recent years from concentrated focus on investment banking to what we are today: a wide-ranging financial bank of knowledge.

In recent years, we have devoted concerted efforts to reducing costs, primarily by streamlining our operation. This work continued in 2013 even as we carried out a number of strategic recruitments within Investment Banking & Securities and Wealth Management. This combination of efficiency improvements and business development is vital to maintaining our position as a market leading and competitive firm. We are taking this trend with us into 2014.

  
**Thomas Eriksson**  
President and CEO



# OUR VISION – GROUNDED IN THE WORLD AROUND US



# BOARD OF DIRECTORS' REPORT

In 2013, Carnegie returned to profitability. Revenues are increasing in both our business areas while operating costs are declining. Carnegie's market position is strong, with a large number of new advisory assignments and capital inflow to our funds.

*The Board of Directors and CEO of Carnegie Holding AB hereby present the annual report of operations in the parent company and the Group for the financial year 2013.*

## MARKET DEVELOPMENT

Carnegie's income is linked to developments in global stock markets and the general business climate. Nordic stock market trends were positive in 2013 despite lingering uncertainty about the macroeconomic outlook. Equity capital market transactions (ECM) in the Nordics, including IPOs, showed strong growth in volume and number year-on-year. Corporate transactions (M&A) also increased in volume, although the number of transactions was essentially on par with 2012. Savings in funds rose steeply in 2013, primarily due to large deposits in December. New savings were highest in mixed funds, followed by equity funds and money market funds.

## INCOME<sup>1</sup>

Total income in 2013 amounted to SEK 1,753 million (1,589), a 10 percent increase year-on-year. The Investment Banking & Securities and Wealth Management business areas both delivered higher income than in 2012. Higher business activity and strengthened market position have resulted in higher ECM fees and management charges from private clients.

## EXPENSES<sup>1</sup>

Operating expenses before variable remuneration, financing expenses and consolidated amortisation amounted to SEK 1,347 million (1,461). The reduction is primarily a consequence of lower personnel expenses and other efficiency gains related to the ongoing restructuring programme. Total operating expenses were SEK 1,592 million (1,643). Items affecting comparability reduced earnings by SEK 13 million net (negative: 141).

## PROFIT<sup>1</sup>

Profit before variable remuneration, financing expenses and consolidated amortisation was SEK 406 million (127). Operating profit before items affecting comparability was SEK 161 million (loss: 55). As mentioned above, items affecting comparability further reduced earnings by SEK 13 million (negative: 141). Operating profit before credit provisions was SEK 148 million (loss: 196). Credit recoveries increased earnings by SEK 25 million (30). Tax income for the year was SEK 21 million (expense: 117) including SEK 36 million in deferred tax on loss carryforwards. Carnegie is reporting a net profit for the year of SEK 194 million (loss: 283).

## BUSINESS AREA COMMENTS<sup>1</sup>

### Investment Banking & Securities

Investment Banking & Securities reported income of SEK 891 million (816) in 2013. Income rose substantially in Securities due to higher commission income and ECM fees. Income from advisory services was on par with 2012.

Carnegie acted as advisor in 15 mergers and acquisitions and 34 equity capital market transactions in 2013.

Overall, Carnegie executed the highest number of ECM transactions in the Nordics and was the ninth-largest player in M&A in terms of transaction volume. Carnegie also played a leading role in 5 out of 15 Nordic IPOs carried out in 2013<sup>2</sup>.

<sup>1</sup> Based on the operative income statement; see page 11.

<sup>2</sup> All figures based on data from Thomson Reuters, Jan-Dec 2013.



## OPERATIVE INCOME STATEMENT FOR THE CARNEGIE HOLDING GROUP

SEKm	Jan-Dec	
	2013	2012
Investment Banking & Securities	891	816
Wealth Management	861	773
<b>Operating income</b>	<b>1,753</b>	<b>1,589</b>
Personnel expenses before variable remuneration	-912	-951
Other expenses <sup>1</sup>	-435	-511
<b>Expenses before variable remuneration<sup>1</sup></b>	<b>-1,347</b>	<b>-1,461</b>
<b>Profit before variable remuneration<sup>1</sup></b>	<b>406</b>	<b>127</b>
Financing expenses, variable remuneration, amortisation of intangible assets	-245	-182
<b>Profit/loss before items affecting comparability</b>	<b>161</b>	<b>-55</b>
Items affecting comparability	-13	-141
<b>Profit/loss before net credit losses</b>	<b>148</b>	<b>-196</b>
Net credit losses	25	30
<b>Profit/loss before tax</b>	<b>173</b>	<b>-166</b>
Tax <sup>2</sup>	21	-117
<b>Profit/loss for the year</b>	<b>194</b>	<b>-283</b>
Average number of full-time equivalent employees	631	704
Number of employees at year-end (FTE)	622	653

<sup>1</sup> Excluding variable remuneration, financing costs and consolidated amortisation of intangible assets.

<sup>2</sup> Including SEK 36 million (-68) in deferred tax on loss carryforwards and - SEK million (-25) in reversals of capitalised coupon tax related to expiration of the offset option.

## Wealth Management

Wealth Management is a newly formed business area that includes the Carnegie Fonder, Private Banking and Structured Finance units. Income in Wealth Management amounted to SEK 861 million (773) in 2013.

Carnegie Fonder reported substantially higher income in 2013 compared with the preceding year owing to strong net inflow of SEK 6 billion and good management outcomes in several funds. Carnegie Corporate Bond had the highest inflow while Swedish equity funds appreciated most in value. Assets under management were SEK 43 billion at year-end.

Private Banking is also reporting higher income year-on-year attributable among else to high client activity in the second half and good discretionary management outcomes in 2013. Income for Structured Finance was on par with 2012.

## LIQUIDITY, FINANCING AND INVESTMENTS

Carnegie's liquidity position is good. Carnegie primarily requires short-term financing, which is secured by borrowing from the public. Fixed assets and a portion of the liquidity reserve are funded by equity and issued bonds with long maturities. The liquidity reserve contains cash and assets that can be refinanced with the Swedish central bank (Riksbanken).

Equity and bonds account for 29 percent of the balance sheet total, deposits from the public for 51 percent and other liabilities for 20 percent. As of 31 December 2013, the liquidity reserve in the Carnegie Holding Group amounted to SEK 3,509 million. Composition of the liquidity reserve:

- Bank balances: SEK 3,230 million
- Covered bonds: SEK 279 million

The liquidity reserve must be able to withstand periods of market turbulence and must exceed the anticipated outflow of cash during a period of stress. The liquidity reserve on 31 December 2013 accounted for 33 percent of the balance sheet total.

Group deposits during the period declined by SEK 197 million (decrease: 1,109), while Group lending increased by SEK 1,287 million (decrease: 4,033). Consolidated investments in fixed assets amounted to SEK 16 million (7) in 2013.

### PROPOSED DIVIDEND

The Board of Directors of Carnegie is proposing that the annual general meeting endorse a cash dividend of SEK 100.1785 per preference share. This corresponds to a total dividend of SEK 22,014,826. The dividend is in accordance with the terms and conditions for preference shares set forth in the Articles of Association.

No dividend is proposed for ordinary shares. Carnegie's capitalisation is expected to be sound and well adapted taking into consideration the demands with respect to the size of equity in the company and the Group which are imposed by the nature, scope and risks associated with operations and the Group's need to strengthen the balance sheet, liquidity and financial position in general.

### Disposition of profit

#### At the disposal of the annual general meeting, SEK

Share premium reserve	1,101,485,929
Retained earnings	958,878,508
Profit/loss for the year	-28,695,549
<b>Total</b>	<b>2,031,668,888</b>

#### The Board of Directors proposes the following disposition of profit:

Dividend of SEK 100.1785 per preference share	22,014,826
To be carried forward	2,009,654,062

### GENERAL INFORMATION ABOUT RISKS AND UNCERTAINTIES

The parent company is financed with both debt and equity. Debt financing inherently entails liquidity and refinancing risks. The substantive risks within the Carnegie Holding Group exist within Carnegie Investment Bank and Carnegie Fonder, which comprise the Group's operational activities. The risks that exist within Carnegie are described in the section *Risk and capital management*, pages 19–24.

### EMPLOYEES

President and CEO Thomas Eriksson is the sole employee of the parent company Carnegie Holding AB. The Carnegie Group, including Carnegie Investment Bank and Carnegie Fonder, had a total of 657 employees in seven countries, representing 622 full-time equivalents, at year-end 2013. Carnegie's ambition is to recruit and retain the best employees by means of active leadership, clear objectives and competitive remuneration systems and by creating a working environment that provides optimal opportunities for personal and professional development. Further data on salaries and other remuneration for the parent company and the Group are provided in *Note 6 Personnel expenses*, pages 44–47.

### ENVIRONMENTAL MANAGEMENT

Carnegie strives to minimise the company's direct and indirect environmental impact. Environmental management involves continuous adaptation of operations, improved procedures and continuous updates of knowledge and information management related to environmental issues. Staff requirements for office premises, IT equipment, consumables, travel and energy consumption are examples of the direct environmental impact resulting from Carnegie's operations.

### SIGNIFICANT EVENTS IN 2013

#### Recruitments for growth

Carnegie carried out several strategic recruitments during the year. In Investment Banking & Securities, brokerage operations were reinforced with new members of staff who will focus on marketing Nordic equities to institutions in Continental Europe. The Research Department also recruited new staff, including in the capital goods, oil and quantitative analysis sectors. Carnegie has also recruited new staff for the Danish investment banking operations. The Norwegian investment banking team was strengthened through the acquisition of NRP Securities, which has increased Carnegie's presence in the oil and gas extraction sectors. New recruitments in Swedish Investment Banking were made primarily to reinforce M&A operations.

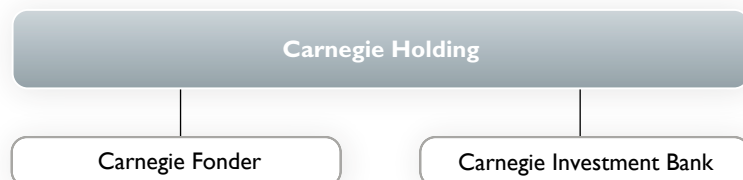
#### New business area established:

##### Wealth Management

Carnegie intends to increase the growth rate in the savings segment. The coordination of operations in Carnegie Fonder, Private Banking and Structured Finance in a joint business area enhances conditions for growth and utilisation of knowledge and skills. CEO Thomas Eriksson is heading this newly formed business area, called Wealth Management.



## LEGAL STRUCTURE



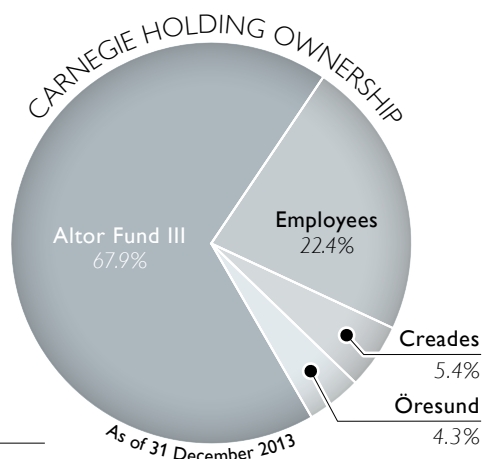
## DESCRIPTION OF OPERATIONS

Carnegie Holding is the parent company in the Carnegie Group, which in turn comprises the wholly owned companies Carnegie Investment Bank AB (publ) and Carnegie Fonder AB. Carnegie Holding's business is to directly or indirectly own, manage, pledge collateral to, and provide loans to banking operations and other Group companies associated

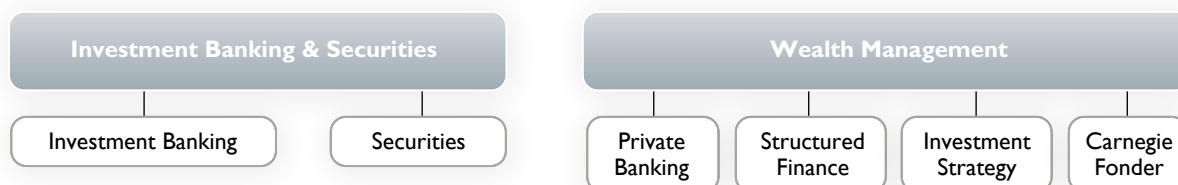
with financial operations and to conduct related business. All business operations within the Carnegie Group take place within the entities Carnegie Investment Bank and subsidiaries and Carnegie Fonder. Carnegie Investment Bank was consolidated into Carnegie Holding as of 1 June 2009 and Carnegie Fonder was consolidated as of 22 September 2010.

## OWNERSHIP

Carnegie Holding AB is owned by Altor Fund III: 68 percent; Creades AB: 5 percent; Investment AB Öresund: 4 percent; and employees of Carnegie: 22 percent.



## OPERATIONAL STRUCTURE



### Management changes

#### *Karin Söderqvist Lindoff new Head of Private Banking*

Karin Söderqvist Lindoff took over in March 2013 as the new Head of Carnegie Private Banking in Sweden. Karin has more than 20 years of experience in asset management and advisory services. Prior to joining Carnegie, she was Vice President of Private Banking at Swedbank.

#### *Brian Cordischi new Chief Investment Officer*

Brian Cordischi became the new Chief Investment Officer (CIO) and Head of Investment Strategy in May 2013. Brian has 20 years of experience in research, asset management and advisory services with firms including Goldman Sachs and Barclays.

#### *Helena Nelson new Chief Legal Counsel*

Effective April 2013, Helena Nelson is the new Chief Legal Counsel and a member of Group management. Helena has previously worked for Swedbank as Group Compliance Officer and Head of Operational Risk.

Helena formerly held positions as Chief Legal Counsel and Corporate Counsel at Skandia.

#### *Anders Antas new Chief Operating Officer*

Anders Antas was appointed Chief Operating Officer (COO) of Carnegie and member of Group management in May 2013. He began as a broker in the Carnegie office in Helsinki in 2004 and has since held a number of positions at the company, including Head of Treasury and most recently Chief Operating Officer for Investment Banking & Securities. Prior to joining Carnegie, Anders was an analyst with SEB Enskilda Securities.

### New legal structure for Carnegie Denmark

Carnegie's Danish operations were transferred during the year from the subsidiary Carnegie Bank A/S, regulated by the Danish Financial Supervisory Authority, to a newly established branch of Carnegie Investment Bank AB. The transfer was carried out in part as a measure to streamline liquidity and capital management at Carnegie.

### Board changes

#### *Bo Magnusson new Chairman of Carnegie Holding*

Bo Magnusson was elected the new Chairman of the Board of Carnegie Holding AB in February 2013. Bo is also the Chairman of SBAB Bank, Fastighetsaktiebolaget Norrporten and 4T and was formerly Deputy President and CEO of SEB.

#### *Fredrik Grevelius elected to the board*

Fredrik Grevelius was elected as a Director of Carnegie Holding AB in February 2013. Fredrik is the CEO of Investment AB Öresund and his other directorships include Bilia and Öresund. He has also run his own investment business and was formerly an asset manager with Öhman Kapitalförvaltning and a financial analyst for a number of financial services firms including Carnegie.

### AWARDS

#### **Five-star funds and Star Manager of the Year**

Early in 2013, Dagens Industri and Morningstar named Carnegie Fonder's Stefan Ericson 'Star Manager of the Year' in the Corporate Bonds category. Carnegie Corporate Bond, the fund managed by Stefan, was also given the highest five-star rating by independent rating institute Morningstar. Carnegie Sverigefond, Carnegie Sverige Select and Carnegie Rysslandsfond were also rated five stars at year-end 2013.

#### **Structured Products Arranger of the Year**

Carnegie was named Structured Products Arranger of the Year in the 2013 edition of Söderberg & Partners' 'Traffic Light Report'. The rationale for the award was Carnegie's wide range of recommended products.

#### **Carnegie analysts the best in Sweden**

The top three analysts in Sweden are found at Carnegie according to the Financial Hearings 2013 survey of brokerage houses in Sweden, based on interviews with the largest institutional investors in the country. For the fourth consecutive year, the name at the top of the list was Peter Lagerlöf of Carnegie. Carnegie was also awarded top rankings in 12 out of the 20 evaluated research sectors.

#### **Investment Bank of the Year in Denmark and Sweden**

Euromoney magazine named Carnegie the best investment bank in Denmark and Sweden for 2013. The award was based on overall assessment of several areas of expertise including advisory assignments in mergers and acquisitions (M&A), equity capital market transactions (ECM) and corporate bonds (DCM).

#### **Best corporate finance firm in Denmark**

In November, Carnegie Denmark was ranked the best corporate finance firm in the Danish market by TNS Sifo Prospera. The ranking was based on assessment of several areas of expertise in corporate finance including M&A, ECM and IPOs. The Swedish operation was ranked first in ECM and second overall.

#### **Carnegie among top European book-runners**

Carnegie was one of two Nordic investment banks among the top 20 book-runners in the annual Thomson Reuters Equity Capital Markets Review. In 2013, Carnegie was placed number 17, ranked by proceeds from Equity & Equity-Related issuance volume in the EMEA (Europe, Middle East and Africa) region. Carnegie was ranked 16th in issuance volume for ordinary shares in the same geographical area. This ranking puts Carnegie in first place among Nordic institutions.

#### **Swedish Fund of the Year and Star Manager of the Year**

In January 2014, Simon Blecher, manager of Carnegie Sverigefond, was named 'Star Manager of the Year' in the Sweden category by Morningstar and Swedish business newspaper Dagens Industri. The award requires superior management outcomes over several years. Carnegie Sverigefond was also named Swedish Fund of the Year by personal finance magazine Privata Affärer.

#### **Best private bank in Sweden**

In February 2014, Euromoney named Carnegie Private Banking the best private bank in Sweden for clients with a net worth of USD 1–10 million. The award is based in part on a survey in which private banks evaluate the products and services of their peers.

### IMPORTANT EVENTS AFTER CLOSING DATE

No important events occurred after the closing date.



SEKm	Group				
	2013	2012	2011	2010 <sup>1</sup>	2009 (Jun-Dec) <sup>2</sup>
<i>Income statement</i>					
<b>Total income</b>	1,735	1,535	1,732	1,796	1,446
Personnel expenses	-1,098	-1,135	-1,309	-1,225	-762
Other expenses	-489	-596	-691	-166	129
<b>Expenses before credit provisions</b>	-1,587	-1,731	-2,000	-1,391	-633
<b>Operating profit/loss before credit provisions</b>	148	-196	-268	405	813
Net credit provisions	25	30	5	135	-2
<b>Profit/loss before tax</b>	173	-166	-263	540	811
Tax <sup>3</sup>	21	-117	9	-39	17
<b>Profit/loss for the year</b>	194	-283	-254	501	828
<i>Financial key data</i>					
C/I ratio, %	90	111	115	70	44
Average income per employee, SEKm	2,8	2,2	2,1	2,6	2,1
Profit margin, %	11	neg.	neg.	28	57
Return on equity, %	9	neg.	neg.	22	39
Total assets, SEKm	10,613	10,741	12,483	15,078	13,997
<i>Tier 1 capital (SEKm)</i>					
Equity	2,136	1,964	2,189	2,459	2,109
Goodwill	-424	-426	-431	-431	-9
Intangible assets	-280	-241	-257	-278	-8
Deferred tax assets	-441	-451	-572	-560	-251
Dividends paid	-22	-22	-22	-6	-525
<b>Tier 1 capital</b>	969	824	906	1,185	1,316
Tier 2 capital (perpetual convertible debentures)	410	410	410	410	-
<b>Total capital base</b>	1,378	1,234	1,316	1,594	1,316
<i>Capital requirement, SEKm</i>					
Capital requirement	523	503	579	726	688
Credit risk	145	132	164	166	184
Market risk	161	109	99	93	99
Operational risk	216	263	317	468	405
Tier 1 capital ratio, %	14.8	13.1	12.5	13.1	15.3
Capital adequacy, %	21.1	19.6	18.2	17.6	15.3
Capital adequacy quotient	2.6	2.5	2.3	2.2	1.9
Average number of full-time equivalent employees	631	704	808	685	689
Number of full-time equivalent employees on the closing date	622	653	758	838	603

<sup>1</sup> Former HQ Bank included as of 3 September 2010. Carnegie Fonder included as of 22 September 2010.

<sup>2</sup> The parent company was formed in 2009. The Carnegie Group was consolidated into Carnegie Holding as of June 2009. The income statement thus covers only the period of June-December 2009.

<sup>3</sup> Tax expense for the year includes capitalization/tax income of SEK 36 million (expense: 68) in deferred tax on loss carryforwards and - SEK million (expense: 25) in reversals of capitalised coupon tax related to expiration of the offset option. See [Note 18](#), page 58.

# CORPORATE GOVERNANCE

Corporate governance refers to the decision processes through which the owners, directly or indirectly, govern the Group. Governance, management and control are distributed among the shareholders, the Board of Directors, Board Committees and the CEO.

The Articles of Association, external regulations and standards set the operational frameworks of the company's business. Governance within the Carnegie Group is also regulated by internal policy documents and instructions that are updated and approved annually by the Board of Directors and the CEO.

## THE BOARD OF DIRECTORS' RESPONSIBILITIES

The Board of Directors' overall assignment is to manage the Group's affairs in such a manner that the owners' interests in achieving favourable long-term return on equity are satisfied in the best possible manner. The Board establishes the general objectives and strategy for business operations, monitors the Group's financial situation, ensures satisfactory risk management and legal and regulatory compliance, continuously evaluates operative management and ensures that external information provision is objective and transparent. The Board of Directors also has final say concerning the appointment/dismissal of the Chief Risk Officer.

The Board of Directors' overarching responsibility cannot be delegated. The Board has however appointed committees that monitor, prepare and evaluate matters within their respective areas of responsibility prior to decision by the Board. The allocation of duties among the Board of Directors, the Chairman and the CEO is decided annually by means of the Board's instructions to the CEO. There are also separate instructions for Board Committees. Committee members are appointed by the Board.

The changes that occurred in the composition of the Board of Directors in 2013 are described on page 14. The company's present Board of Directors is presented in greater detail on page 74. The Board of Directors held 16 meetings in 2013.

## THE BOARD OF DIRECTORS' WORK IN 2013

Much of the Board's strategic work during the year was devoted to ensuring that general plans, which combine business development with continued cost efficiency improvements, are translated to concrete action and activity plans in all segments of the Group. The Board gave considerable attention to the forward-looking issue of how Carnegie should increase its market shares in the savings market. Other matters of particular focus for the Board were the capital and liquidity strategy, risk appetite and the implications of forthcoming regulations. In addition, the Board has regularly monitored risk in ongoing operations including the Internal Capital Adequacy Assessment Process (ICAAP) and devoted time to annual business planning and the variable remuneration process.

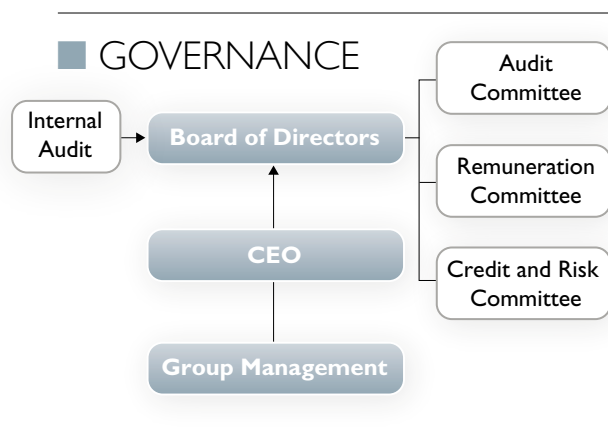
### Audit Committee

The Audit Committee assists the Board with monitoring and review of internal control processes and the effectiveness of the Group Internal Audit department. The Audit Committee is also tasked with assuring the quality of financial reporting.

The Audit Committee is made up of three directors. The Committee holds at least six meetings per year, including at least one meeting in conjunction with each quarter.

### Remuneration Committee

The Remuneration Committee monitors, evaluates and prepares remuneration matters prior to decision by the Board. The Committee's remit includes proposing principles and general policies for salary (including variable remuneration), benefits and pensions and overseeing the implementation of these principles. The Remuneration Committee is made up of two directors.



### Credit and Risk Committee

The Credit and Risk Committee is tasked with preparing, examining and advising the Board on matters relating to credit management, risk management (market risk, credit risk, liquidity risk and operational risk) and capital adequacy, which includes the Internal Capital Adequacy Assessment Process (ICAAP). The Credit and Risk Committee is made up of three directors. The Committee holds at least six meetings per year, including at least one meeting in conjunction with each quarter.

### CEO and Group management

The President and CEO is the executive who is ultimately responsible for ensuring that the strategic direction adopted by the Board is implemented and followed by the business areas and subsidiaries and that risk management, governance, IT systems, organisation and processes are satisfactory, with particular consideration given to risk. The CEO has the option to delegate tasks to subordinates but in so doing is not relieved of his responsibility. To support his work, the CEO has appointed a Group management team for consultation on important matters. The Group's present executive management is presented in greater detail on page 76.

### Internal Audit

The primary duty of the Internal Audit department is to evaluate the adequacy and effectiveness of internal controls and risk management. Internal Audit is independent from the business operations and reports directly to the Board. The principles that govern the work of Internal Audit are reviewed and approved annually by the Board Audit Committee and are adopted by the Board of Directors.

*See pages 19–24 for a more detailed description of risk management at Carnegie.*

## REMUNERATION PRINCIPLES

Carnegie's remuneration model is intended to support successful and long-term development of the Group. The system must also reward individual performance and encourage long-term value creation combined with balanced risk-taking.

### Remuneration model

Skilled and dedicated employees are the key to creating value for Carnegie's clients and thus contributing to the company's long-term development and success. In order to attract, motivate and retain employees, Carnegie offers a competitive remuneration model. The remuneration model must support the owners' long-term objectives and include a balance between fixed and variable remuneration and other components of remuneration. Variable remuneration is an instrument designed to ensure that employee performance is fully aligned with the business objectives set by the owners and the Board of Directors. The mix of remuneration components and deferral of payments supports long-term value growth and a sound risk culture.

The remuneration model includes the following components:

- Fixed remuneration (salary) and other benefits
- Pension benefits
- Variable remuneration

### Remuneration policy

The Board of Directors of Carnegie has adopted a remuneration policy that covers all employees of the Group. The policy is based on a risk assessment performed by Group Risk Management under the direction of the Chief Risk Officer (CRO). The policy is revised annually in a process assisted by the Human Resources Department and CFO Office.

### Fixed remuneration

Fixed remuneration is the base of the remuneration model. The base salary depends on several parameters, such as the employee's competence, responsibility and long-term performance. Carnegie monitors developments in the labour market to maintain its position as an attractive and competitive employer.



### Variable remuneration for the Group and to each unit

Total allocations to variable remuneration for the Group as a whole are based mainly on risk-adjusted earnings. On the basis of risk-adjusted earnings for the full year, the CEO prepares a proposal for allocation of variable remuneration to each unit, based on:

- The extent to which the units have achieved operational targets
- The balance between fixed and variable pay customary in the industry for the professional groups working in the units
- Risk-taking and risk management within the units

The CEO presents the proposal, including his assessment based on the aforementioned factors, to the Remuneration Committee. The Remuneration Committee gives particular consideration to any risks that may be associated with the proposal to ensure that it is consistent with the Carnegie Group's preferred level of risk. The Committee also analyses the impact on Carnegie's present and future financial position. The assessment is based on the forecasts used in the ICAAP. Special attention must be paid to ensuring there is no risk that capital targets set by the Board will be missed. Finally, the Committee assesses whether there is any risk of conflicts of interest and, if so, how the conflicts will be managed.

The recommendation from the Remuneration Committee forms the basis of the Board's final decision on variable remuneration.

### Individual performance assessment

Carnegie applies a corporate-wide annual process to evaluate individual employee performance. The assessment is made against predefined objectives and covers both financial and non-financial criteria. Any allocations of variable remuneration and possible increases in fixed salary are determined in relation to attainment of individual objectives, unit performance and Group performance.

### Defined identified staff

Based on guidelines issued by the Swedish Financial Supervisory Authority, Finansinspektionen, Carnegie has recognized 'Defined identified staff', which refers to employees who exert significant influence over the company's risks that could lead to significant impairment of earnings or financial position. Defined identified staff include:

- Executive management
- Employees in leading strategic positions
- Employees responsible for control functions
- Risk-takers
- Employees whose total remuneration equals or exceeds total remuneration to any member of executive management and who could significantly affect Carnegie's level of risk

For this group, 40–60 percent of variable remuneration is deferred for three to five years. The deferred portion may be withheld if criteria established in conjunction with the decision to allocate variable remuneration are not met.

### Employees in control functions

The criteria for variable remuneration to employees who are responsible for control functions are designed to ensure their integrity and independence, which includes ensuring that remuneration is independent of the units subject to control.

### Allocations to variable remuneration for 2013

Allocations to staff in 2013 for variable remuneration amounted to SEK 157 million (104) excluding social insurance fees. For the individuals defined as risk-takers by Carnegie, as explained above, 40–60 percent of variable remuneration is deferred for three to five years.

For more information about remuneration in 2013, see [Note 6 Personnel expenses](#), pages 44–47.

### Monitoring and control

Internal Audit performs an annual independent review to ensure that the bank's remuneration is in compliance with the remuneration policy and reports its findings to the Board not later than in conjunction with approval of the annual accounts.

### Partnership

Approximately 22.4 percent of equity in Carnegie Holding is owned by employees of the Carnegie Group. Employee ownership is an important aspect of generating commitment to the entire company's development and ensuring that employees have the same incentives as other owners to create long-term value. There are no ongoing incentive programmes in which employees are remunerated in shares or options.

# RISK AND CAPITAL MANAGEMENT

Risk involves uncertainty in various forms and is a natural element of all types of business. Carnegie's ability to assess and manage risks while maintaining adequate capital strength to manage unforeseen events is critical to the Group's long-term profitability.

Risk management involves identifying, analysing and taking action to manage risks that may affect the Group. Operational risk is the greatest risk to which Carnegie is exposed. Strengthening the control over operational risk is an ongoing process. Actions taken in 2013 include the investment in an IT system for operational risk measurement, monitoring and reporting. Financial risks, such as market and credit risks, have been assessed as generally low and the Group had no material losses in 2013.

## ORGANISATION AND RESPONSIBILITIES

Risk management at Carnegie is based on the principle of three lines of defence. The model distinguishes between *functions that own risk and compliance* (first line), *functions that monitor risk and compliance* (second line) and *functions for independent auditing* (third line). The fundamental principle is that responsibility for risk management and control always resides with the source of the risk. This means that every employee is responsible for managing risks in their own area of responsibility. As such, risk management encompasses all employees, from the CEO and other senior executives and downwards.

Beyond the control and monitoring performed by the business units, Carnegie has three control functions that are independent from business operations: *Risk Control*, *Compliance* and *Internal Audit*. Risk Control and Compliance supervise risk management and regulatory compliance within the business areas. The third arm, Internal Audit, is responsible for verifying that the business areas and the other control functions perform their duties in an efficient manner.

### First line of defence: Management

The first line of defence comprises the business areas and support functions under the guidance of operational managers. As the first line of defence, each operational unit bears full responsibility for the risks associated with their operations. Business staff know their clients best and it is they who take everyday business decisions. They are thus in the best position to assess risks and react swiftly if a problem should arise.

### Second line of defence: Risk control and compliance

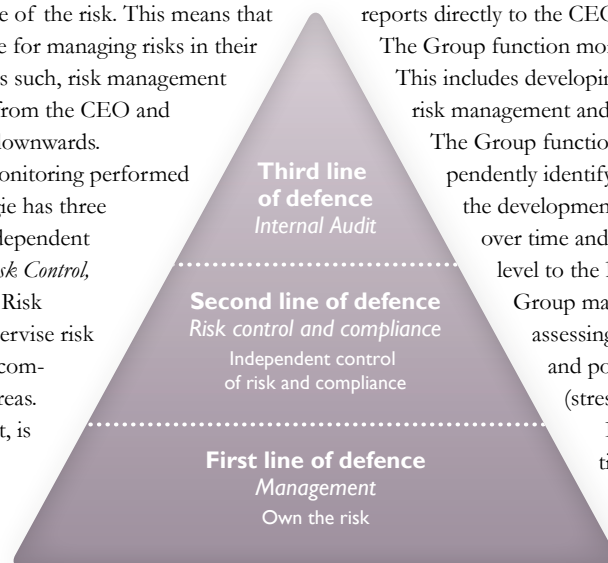
The risk control function is responsible for controlling risk management by the business areas and ensuring that the level of risk is aligned with sound risk-taking. The function consists of risk managers at the Group and local levels. The risk control function at the Group level is headed by the Chief Risk Officer (CRO) who reports directly to the CEO and the Board of Directors.

The Group function monitors risk at a group-wide level.

This includes developing standards and procedures for risk management and monitoring their application.

The Group function is also responsible for independently identifying, measuring and monitoring the development of the Group's risk exposures over time and reporting risk on an aggregate level to the Board of Directors and Group management. This includes assessing the impact of external events and potentially extreme situations (stress testing).

In addition to the Group function, there are local risk control functions in each unit that are responsible for risk control within the local business units. The local risk control



*Risk management at Carnegie is based on three lines of defence.*

functions perform independent risk assessments, monitor limits and perform controls to verify that internal controls and risk management procedures are adequate. The local functions report to the CRO as well as to the local CEO and Board of Directors.

The compliance function's area of responsibility includes verifying compliance with laws, regulations and internal rules. Regulatory areas in focus include the Markets in Financial Instruments Directive (MiFID) and regulations intended to prevent money laundering and market abuse. Control procedures are carried out independently of business operations. The tasks of the compliance function include interpreting applicable rules, informing relevant functions about regulatory changes, assisting the business operations with drafting internal rules and providing operations and management advice and support related to compliance.

Carnegie's compliance function is headed by the Group Compliance Officer (GCO), who reports directly to the CEO and the Board of Directors. As for the risk control function, there are compliance officers at each subsidiary and branch. They report to the CRO as well as to the local CEO and Board of Directors.

### Third line of defence:

#### Internal Audit

The Internal Audit department's responsibility is to systematically assess and verify the adequacy and effectiveness of internal control and risk management procedures. This responsibility includes verifying that both the business operations in the first line of defence and the independent control functions in the second line of defence are functioning satisfactorily. Internal Audit is independent from the business operations and reports directly to the Board. The principles that govern the work of the Internal Audit department are reviewed and approved annually by the Board Audit Committee and adopted by the Board of Directors.

## RISK AREAS

Risk represents uncertainty that may adversely impact Carnegie, for example in the form of financial loss or damaged reputation. Carnegie's operations primarily entail exposure to the following risk categories: *market risk*, *credit risk*, *liquidity risk*, *operational risk*, *compliance risk*, *reputational risk* and *business risk/strategic risk*.

### Market risk

► *Market risk is the risk of loss due to movements in prices and volatility in the financial markets.*

<b>Equity price risk</b>	The risk of loss resulting from adverse changes in equity prices.
<b>Volatility risk</b>	The risk of loss due to adverse changes in the price volatility of an instrument.
<b>Currency risk</b>	The risk of loss due to adverse changes in foreign exchange rates.
<b>Interest rate risk</b>	The risk of loss due to adverse changes in market interest rates.

Carnegie offers its clients various types of financial services and products in several markets. Various types of market risk arise as a natural consequence of these operations. There are four main types of market risk: *equity risk*, *volatility risk*, *currency risk* and *interest rate risk*. For each type of risk, Carnegie applies complementary risk measures and limits based on sensitivities to changes in various market prices.

Market risk is also measured through stress tests that estimate potential losses in various extreme scenarios. Risk exposures and limit usages are reported on a regular basis to the CRO, the CEO and the Board.

#### Equity price risk

Equity price risk is the risk of loss due to adverse changes in equity prices. Equity risk arises when Carnegie acts as market maker or trades in equities and equity-related instruments on behalf of clients.

#### Volatility risk

Volatility risk is the risk that the value of a financial instrument may vary due to changes in the instrument's price volatility. Volatility risk arises from positions in held and issued options and warrants.

#### Currency risk

Carnegie is exposed to structural and operational currency risk. Operational currency risk is the currency risk arising when Carnegie holds positions in financial instruments



denominated in foreign currencies. Structural currency risk is defined as the currency exposure arising in the balance sheet through parts of the business being conducted in countries with different currencies. The largest structural currency risk is associated with the Group's foreign subsidiaries.

#### Interest rate risk

Interest rate risk arises both in the trading book and in other operations. Interest rate risk in the trading book is defined as the risk of losses due to changes in interest rates. Interest rate risk in the trading book primarily arises from bond and derivative positions. These risks are hedged where necessary with interest-bearing instruments.

Interest rate risk in other operations is the risk that net interest income will be adversely affected due to changes in market rates. It generally occurs when the fixed-interest periods of assets and liabilities do not coincide. Carnegie's lending and deposits are mainly at variable rates.

#### Credit risk

► *Credit risk is the risk of loss due to failure of counterparties to fulfil contractual obligations.*

<b>Counterparty risk</b>	The risk of loss due to default by a counterparty in a financial transaction prior to final settlement of the cash flows in the transaction.
<b>Concentration risk</b>	Arises from concentrations in the credit portfolio to a single counterparty, industrial sector or geographical region, or from concentrations in pledged collateral.

Carnegie's exposure to credit risk originates mainly from margin lending, securities lending and exposure to central banks and Nordic institutions.

The majority of exposure towards non-financial counterparties is secured by collateral in liquid securities. In order to manage adverse movements in the securities market, collateral values are set based on the risk nature of the collateral. Collateral value is monitored daily. Exposure to central banks and Nordic institutions arises primarily when Carnegie places its surplus liquidity and through collateral pledged for client-driven securities trading.

Credit-related services are offered to a certain extent within Investment Banking & Securities as part of the business area's normal operations and business strategy. The assurance of a secondary market for structured instruments provided by Carnegie gives rise to credit risk in relation to the issuing counterparty.

Counterparty risk is limited and driven mainly by client-driven trading in OTC derivative instruments. The credit policy sets the frameworks for managing credit risk and reflects the risk appetite established by the Board of Directors. The policy establishes that credit operations shall be based on:

- *Counterparty assessment:* Credit decisions are based on careful assessment of the credit risk. This includes assessment of the counterparty's financial position, repayment capacity and the quality of pledged collateral or other credit risk-mitigating measures.
- *Collateral:* Collateral for exposures shall primarily be in the form of cash deposits, liquid financial instruments or bank guarantees. When assuming collateral, the Group shall always have first priority on pledge and thereby not be subordinated to other creditors.
- *Diversification:* The bank's objective is to maintain a well-diversified credit portfolio. The collateral portfolio must reflect developments in general economic conditions in each market area.
- *Sound principles:* Credit approvals are based on sound banking principles and high ethical standards. Legal principles and generally accepted methods must not be jeopardised in any way.

#### Settlement risk

► *Settlement risk is the risk that the bank will fulfil its commitment in a contractual exchange of financial assets but fail to receive the corresponding settlement in return.*

Settlement risk is driven primarily by trading in securities on behalf of clients. Delivery and payment of financial instruments are simultaneous in most transactions. Settlement risk is therefore limited to the potential cost of replacing counterparties in the transaction and is affected by movements in the market price of the underlying instrument.

#### Liquidity risk

► *Liquidity risk is the risk that the bank will be unable to meet its payment obligations or be able to do so only at substantially higher cost.*

According to Carnegie's finance and capital policy, the Group and each of its subsidiaries must maintain a liquidity reserve that exceeds the expected maximum net cash flow over a 30-day period. The liquidity reserve shall consist of cash and assets eligible for refinancing with

the Swedish central bank (Riksbanken). Stress tests are designed to evaluate potential effects of a series of extreme but possible events. The stress tests presume a significant reduction in client deposits simultaneously with a reduction in the market value of refinable assets.

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### Operational risk

► *Operational risk is the risk of loss resulting from an inappropriate organisation, the human factor, inadequate or failed internal processes and systems or external events. The definition includes legal risk.*

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Operational risk encompasses a wide range of circumstances related to everything from transaction processes, internal or external fraud and system errors to natural disasters. These types of risks can be difficult to define and quantify. If left unmanaged, operational risk can, in the worst case, lead to devastating consequences for Carnegie's earnings and reputation. It is therefore imperative that potential operational risks are understood and assessed.

To manage operational risks, Carnegie has established a group-wide framework that encompasses policies and standardised procedures for identifying, assessing and reporting operational risk. The framework is based on a number of components including the following key processes:

- *Self-assessment:* Each unit regularly conducts a self-assessment exercise in which operational risks in all significant processes are identified, assessed and analysed. The purpose of this analysis is to raise awareness of operational risks and address significant risks.
- *Incident reporting:* To assist in the identification, management and assessment of operational risk, there are procedures in place for reporting operational risk events, referred to as incidents. All employees have a responsibility to report incidents and managers are responsible for addressing unacceptable risks within their area of responsibility. The risk control function follows up on and analyses incidents.
- *Approval of new products and services:* Carnegie has a standardised process for examining and approving new products and services and major changes to existing products and services. The procedure involves a review of risks and controls related to new products in which all the concerned functions are involved and give their approval before the product is introduced. The purpose of the process is to ensure that potential operational risks are identified and addressed prior to product launch.

Improving and further developing operational risk management procedures is a continuing process. This work is driven by the Group Operational Risk Manager at the Group level in close cooperation with local risk control functions in each Group unit. Ultimately, however, the responsibility for managing operational risk lies where the risk arises. This means that each employee is responsible for managing the risks within their area of responsibility with the support of the risk control function. Raising risk awareness among all employees is therefore a key component of operational risk management.

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### Compliance risk

► *Compliance risk is the risk of regulatory sanctions, financial losses or damaged reputation due to non-compliance with rules and regulations.*

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Carnegie's business is subject to extensive legislation and regulations intended to provide strong consumer protection and secure the stability of the financial system.

Maintaining the trust of our clients and supervisory authorities is a prerequisite for Carnegie's operations. Inadequate regulatory compliance may have far-reaching consequences in the form of both legal sanctions and damaged reputation. Management of compliance risk is thus a key component of the Group's risk management. This work involves, among else, devising reliable procedures for:

- Our market conduct
- Proactive prevention of market abuse and money laundering
- Identification and management of conflicts of interest
- Drafting of group-wide policies, instructions and procedures

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### Reputational risk

► *Reputational risk is the current or prospective risk to earnings and capital arising from negative publicity, whether true or not, and adverse perception of the image of Carnegie by clients, counterparties, investors or regulators.*

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Reputational risk is primarily a consequential risk that is triggered by internal or external events that have a negative impact on the confidence in the bank among clients, regulators and other market participants.

Reputational risk is one of the most difficult risks to guard against. At the same time, the consequences can potentially be substantial if confidence in a bank is damaged.

Reputational risk is managed primarily through open and frequent dialogue with the Group's stakeholders. Carnegie has a wide range of communications channels towards clients and other market participants that make it possible to pick up any negative signals. In addition, Carnegie aims to maintain frequent and transparent public disclosure of information.

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### Business risk and strategic risk

- *Business risk is the current or prospective risk to earnings arising from changes in the business environment.*
  - *Strategic risk is the current or prospective risk to earnings and capital arising from adverse business decisions, improper implementation of decisions, lack of responsiveness to changes in the business environment or inadequate strategic planning.*
- 

As such, business risk and strategic risk are closely related. Business risk involves external changes, such as trends in global stock markets and the general business climate. Strategic risk is related to the ability to adapt to these changes.

Carnegie continuously reviews its strategic position and business intelligence to be prepared for changes in market conditions and the competitive landscape. For example, Carnegie performs regular scenario analyses to assess the impact of changed market conditions. The purpose of these analyses is to create the best possible basis for strategic decisions.

## CAPITAL ADEQUACY

Capital adequacy is primarily a matter of how much capital the institution must hold in order to cover its risks. The capital adequacy regulations consist of the following three pillars:

### Pillar 1: Minimum capital requirements

The institution must at all times have a capital base that, at minimum, is equal to the total of the capital requirements for credit risk, market risk and operational risk. Capital adequacy regulations give institutions the option to choose among different methods when calculating capital requirements to withstand losses arising from the credit risk, market risk and operational risk that an institution assumes.

- *Credit risk:* Carnegie applies the standardised approach for credit risk and the comprehensive method for financial collateral.
- *Market risk:* Carnegie applies the standardised approach.
- *Operational risk:* Carnegie uses the basic indicator approach by which the capital requirement is calculated as 15 percent of average operating revenue over the three most recent financial years.

According to Carnegie's finance and capital policy, the objective of the Group's capital management is to optimise the capital structure with regard to Tier 1 capital. The policy also states that the capital adequacy ratio must be at least 1.5. Equity must also cover the capital requirement established in the Internal Capital Adequacy Assessment Process (ICAAP).

The Carnegie Group had a capital adequacy ratio of 1.85 on 31 December 2013, corresponding to a Core Tier 1 ratio of 14.8 percent.

### Pillar 2: Risk assessment

Regulations require institutions to maintain satisfactory risk management and risk assessment procedures. The institution must ensure that its total risk exposure does not jeopardise its capacity to perform its obligations. To fulfil these obligations, institutions are required to have processes and methods for continuously assessing and maintaining capital that is adequate in terms of amount, type and allocation to cover the nature and level of the risks to which they are currently exposed or may become exposed. This is achieved through the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP encompasses the identification, measurement and assessment of significant risks, including risks not included in Pillar 1. This entails that the Group is expected to maintain a capital base that exceeds the minimum level required under Pillar 1.



As part of the ICAAP, an extensive risk analysis is performed, encompassing all potential risks that may arise within Carnegie. The Board of Directors and senior management participate throughout the process by contributing to the risk identification and analysis, defining scenarios and stress test methods and approving the final capital requirement.

### **Pillar 3: Public disclosure**

Capital adequacy regulations require institutions to disclose qualitative and quantitative information on their capital adequacy and risk management. Additional disclosures concerning Carnegie's capital adequacy in 2013 are provided in the *Risk and Capital Adequacy Report (Pillar 3)*, available at [www.carnegie.se](http://www.carnegie.se).

### **New capital adequacy rules**

The Basel Committee has drafted new and comprehensive regulatory standards, Basel III. The general objective of the new regulations is to strengthen the capacity of financial institutions to withstand losses and reduce the likelihood of future financial crises. Under Basel III, institutions must have more capital of higher quality. New standards have also been issued for liquidity management. The various components of Basel III will be implemented in phases starting in January 2014 and continuing over the next few years.

The new capital adequacy rules have only marginal effect on Carnegie's capital position.

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SEK 000s	Notes	Jan–Dec 2013	Jan–Dec 2012
Commission income	1	1,947,526	1,673,430
Commission expenses		–336,630	–256,569
<b>Net commission income</b>	2	<b>1,610,897</b>	<b>1,416,861</b>
Interest income	1	131,423	151,136
Interest expenses		–88,012	–105,335
<b>Net interest income</b>	3	<b>43,411</b>	<b>45,801</b>
Other dividend income	1, 4	835	–
Net profit/loss from financial transactions	1, 5	79,809	72,297
<b>Total operating income</b>		<b>1,734,952</b>	<b>1,534,959</b>
Personnel expenses	6	–1,098,181	–1,135,294
Other administrative expenses	7	–426,194	–520,923
Amortisation and depreciation of assets	8	–62,832	–74,915
<b>Total operating expenses</b>		<b>–1,587,207</b>	<b>–1,731,132</b>
<b>Profit/loss before credit losses</b>		<b>147,745</b>	<b>–196,173</b>
Credit losses, net	9	25,416	30,297
<b>Profit/loss before tax</b>		<b>173,161</b>	<b>–165,876</b>
Taxes	10	21,004	–117,141
<b>Profit/loss for the year</b>		<b>194,165</b>	<b>–283,017</b>
<i>Other comprehensive income:</i>			
<i>Items that may subsequently be reclassified to the income statement</i>			
Translation differences, net after tax		326	–19,747
<b>Total comprehensive income for the year</b>		<b>194,491</b>	<b>–302,764</b>

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEK 000s	Notes	31 Dec 2013	31 Dec 2012
<i>Assets</i>			
Cash and bank deposits with central banks		992,991	720,799
Negotiable government securities		–	1,599,298
Loans to credit institutions <sup>1</sup>	11	3,298,841	2,046,294
Loans to the general public	11	2,849,490	2,815,496
Bonds and other interest-bearing securities	12, 13	789,371	568,120
Shares and participations	12, 13	438,795	300,528
Derivative instruments	12	46,820	32,624
Shares in associates	15	5,756	3,085
Intangible assets	16	704,576	734,185
Tangible fixed assets	17	74,203	84,658
Current tax assets		3,385	12,337
Deferred tax assets	18	502,790	451,382
Other assets	19	670,430	1,114,278
Prepaid expenses and accrued income	20	235,176	257,770
<b>Total assets</b>	24	<b>10,612,624</b>	<b>10,740,854</b>
<i>Liabilities and equity</i>			
Liabilities to credit institutions	11	283,051	244,548
Deposits and borrowing from the general public <sup>1</sup>	11	5,506,931	5,741,746
Issued securities	12	935,000	935,000
Short positions, shares	12	43,312	22,274
Derivative instruments	12	26,669	78,912
Current tax liabilities		21,275	6,356
Deferred tax liabilities	18	72,205	72,927
Other liabilities	21	591,180	688,416
Accrued expenses and prepaid income	22	572,099	526,662
Other provisions	23	14,791	50,378
Subordinated liabilities	31	409,702	409,702
<b>Total liabilities</b>	24	<b>8,476,216</b>	<b>8,776,922</b>
<i>Equity</i>			
Share capital (2,388,106 shares, quotient value SEK 100)		238,811	238,811
Other capital contributions		1,101,486	1,101,486
Reserves		–140,543	–140,869
Retained earnings		936,654	764,504
<b>Total equity</b>		<b>2,136,408</b>	<b>1,963,932</b>
<b>Total liabilities and equity</b>		<b>10,612,624</b>	<b>10,740,854</b>
<sup>1</sup> Whereof client funds 113,454 (120,796).			
<i>Memorandum items</i>			
	25		
Assets pledged for own debt		331,410	600,416
Other pledged assets		421,872	579,743
Contingent liabilities		424,140	469,015



# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

SEK 000s	Attributable to parent company shareholders				Total
	Share capital	Other capital contributions	Translation reserve	Retained earnings	
<b>Equity – opening balance 2012</b>	221,976	1,018,321	–121,122	1,069,536	2,188,711
Profit/loss for the year				–283,017	–283,017
<i>Other comprehensive income:</i>					
Translation differences relating to foreign operations			–19,747		–19,747
<b>Total comprehensive income (net after tax)</b>			–19,747	–283,017	–302,764
New share issue (168,350 shares)	16,835	83,165			100,000
Dividends paid				–22,015	–22,015
<b>Equity – closing balance 2012</b>	238,811	1,101,486	–140,869	764,504	1,963,932
Profit/loss for the year				194,165	194,165
<i>Other comprehensive income:</i>					
Translation differences relating to foreign operations			326		326
<b>Total comprehensive income (net after tax)</b>			326	194,165	194,491
Dividends paid				–22,015	–22,015
<b>Equity – closing balance 2013</b>	238,811	1,101,486	–140,543	936,654	2,136,408

# PARENT COMPANY INCOME STATEMENT

SEK 000s	Notes	Jan-Dec 2013	Jan-Dec 2012
Net sales	1	10,200	27,837
Other external expenses	7	-2,453	-6,371
Personnel expenses	6	-12,198	-29,965
<b>Operating profit/loss</b>		<b>-4,451</b>	<b>-8,499</b>
Other interest income and similar income	1, 3	762	1,210
Interest expenses and similar expenses	3	-20,817	-20,999
Profit/loss from participations in subsidiaries	32	-4,635	-5,315
<b>Profit/loss from financial items</b>		<b>-24,690</b>	<b>-25,104</b>
<b>Profit/loss before tax</b>		<b>-29,142</b>	<b>-33,603</b>
Taxes	10	446	127
<b>Profit/loss for the year</b>		<b>-28,696</b>	<b>-33,475</b>

# PARENT COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME

SEK 000s	Jan-Dec 2013	Jan-Dec 2012
Profit/loss for the year	-28,696	-33,475
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>-28,696</b>	<b>-33,475</b>

# PARENT COMPANY BALANCE SHEETS

SEK 000s	Notes	31 Dec 2013	31 Dec 2012
Shares and participations in Group companies	14	2,604,290	2,604,290
Deferred tax assets	18	1,065	619
<b>Total financial fixed assets</b>		<b>2,605,355</b>	<b>2,604,909</b>
Receivables from Group companies	27	142,767	238,566
Other current receivables		6,115	3,623
Prepaid expenses and accrued income		132	658
Cash and bank balances		8,068	19,693
<b>Total current assets</b>		<b>157,082</b>	<b>262,541</b>
<b>Total assets</b>		<b>2,762,437</b>	<b>2,867,449</b>
Share capital (2,388,106 shares, quotient value SEK 100)		238,811	238,811
Share premium reserve		1,101,486	1,101,486
Retained earnings		958,879	1,014,369
Profit/loss for the year		-28,696	-33,475
<b>Total equity</b>		<b>2,270,479</b>	<b>2,321,190</b>
Provisions for pensions		4,841	2,813
Other provisions		3,242	11,977
<b>Total provisions</b>		<b>8,083</b>	<b>14,790</b>
Convertible debentures	31	409,702	409,702
<b>Total non-current liabilities</b>		<b>409,702</b>	<b>409,702</b>
Accounts payable		12	631
Other current liabilities		50,505	96,009
Accrued expenses and prepaid income	22	23,655	25,127
<b>Total current liabilities</b>		<b>74,172</b>	<b>121,767</b>
<b>Total liabilities</b>		<b>491,957</b>	<b>546,259</b>
<b>Total equity and liabilities</b>		<b>2,762,437</b>	<b>2,867,449</b>
<i>Memorandum items</i>	25		
Assets pledged for own debt		—	—
Other pledged assets		—	—
Contingent liabilities		126,811	131,611

# PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

SEK 000s	Share capital	Premium reserve	Retained earnings	Total
<b>Equity – opening balance 2012</b>	221,976	1,018,321	1,036,384	2,276,680
Profit/loss for the year			–33,475	–33,475
<b>Total income and expenses for the year</b>			–33,475	–33,475
New share issue (168,350 shares)	16,835	83,165		100,000
Dividends paid			–22,015	–22,015
<b>Equity – closing balance 2012</b>	238,811	1,101,486	980,894	2,321,190
Profit/loss for the year			–28,696	–28,696
<b>Total income and expenses for the year</b>			–28,696	–28,696
Dividends paid			–22,015	–22,015
<b>Equity – closing balance 2013</b>	238,811	1,101,486	930,183	2,270,479



# CASH FLOW STATEMENTS

SEK 000s	Group		Parent company	
	2013	2012	2013	2012
<i>Operating activities</i>				
Profit/loss before tax	173,161	-165,876	-29,142	-33,603
Adjustments for items not affecting cash flow	16,807	104,566	-2,072	88,237
Paid income tax	-10,221	-38,467	–	–
<b>Cash flow from operating activities before changes in working capital</b>	<b>179,747</b>	<b>-99,777</b>	<b>-31,214</b>	<b>54,634</b>
Changes in working capital	-420,157	-1,675,123	36,749	-42,210
<b>Cash flow from operating activities</b>	<b>-240,410</b>	<b>-1,774,900</b>	<b>5,535</b>	<b>12,424</b>
<i>Investing activities</i>				
Dividends received	–	–	–	70,000
Acquisitions of fixed assets	-16,011	-7,144	–	–
<b>Cash flow from investing activities</b>	<b>-16,011</b>	<b>-7,144</b>	<b>–</b>	<b>70,000</b>
<i>Financing activities</i>				
New issue	–	100,000	–	100,000
Dividends paid	-22,015	-22,015	-22,015	-22,015
<b>Cash flow from financing activities</b>	<b>-22,015</b>	<b>77,985</b>	<b>-22,015</b>	<b>77,985</b>
<b>Cash flow for the year</b>	<b>-278,436</b>	<b>-1,704,059</b>	<b>-16,480</b>	<b>160,409</b>
Cash and cash equivalents – opening balance	3,797,039	5,571,994	167,259	6,850
Translation differences in cash and cash equivalents	50,972	-70,896	–	–
<b>Cash and cash equivalents, closing balance</b>	<b>3,569,575</b>	<b>3,797,039</b>	<b>150,779</b>	<b>167,259</b>

For further disclosures concerning cash flow statements, see *Note 30*, page 69.

# ACCOUNTING PRINCIPLES

## GENERAL INFORMATION

Carnegie Holding AB, corporate registration number 556780-4983, has its registered office in Stockholm, at Regeringsgatan 56. The company's business is to directly or indirectly own, manage, pledge collateral to and provide loans to the banking operations and other Group companies related to financial activities and to conduct related business. All business in Carnegie Holding takes place in Carnegie Fonder AB and Carnegie Investment Bank AB and its subsidiaries.

Carnegie is an independent Nordic investment bank operating in Securities, Investment Banking, Private Banking, Structured Finance and Funds (Carnegie Fonder). Carnegie offers financial products and services to Nordic and international clients from offices in seven countries: Sweden, Denmark, Norway, Finland, Luxembourg, the UK and the US.

Carnegie Holding AB is owned by Altor Fund III, Creades AB/Investment AB Öresund and employees of Carnegie.

## BASIS FOR PREPARING FINANCIAL STATEMENTS

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU, with the exception of *IFRS 8 Operating Segments* and *LAS 33 Earnings Per Share*, for which application is not mandatory for entities whose shares are not publicly traded. Also applied were applicable interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU; the Swedish *Act on Annual Reports of Credit Institutes and Securities Companies* (ÅRKL 1995:1559); recommendation RFR 1 *Supplementary Accounting Regulations for Corporate Groups* issued by the Swedish Financial Accounting Standards Council; and the *Regulations and General Recommendations Regarding Annual Reporting of Credit Institutions and Securities Companies* issued by the Swedish Financial Supervisory Authority, Finansinspektionen (FFFS 2008:25).

The consolidated financial statements were prepared in accordance with the purchase method with the exception

of certain financial instruments measured at fair value. The financial statements for the Group and the parent company are presented in thousands of Swedish krona (SEK 000s).

The parent company's functional currency is the Swedish krona (SEK).

Accounting principles for the parent company are presented below under 'Parent company's accounting principles'.

## NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS

The following new standard and amendments of existing standards issued by the International Accounting Standards Board (IASB), all adopted by the EU, took effect during the year:

- *IFRS 13, Fair Value Measurement* (with effect from 1 January 2013). The new standard defines fair value and sets out a framework for measuring fair value. The standard replaces guidance on fair value measurement previously found in the respective IFRS. *IFRS 13* also requires new disclosures that must be made in interim and annual financial statements starting in 2013. *IFRS 13* has had no effect on how the Group measures fair value and thus no effect on financial position or results.
- *IFRS 7 (amendment), Financial Instruments: Disclosures* (with effect from 1 January 2013). Starting in 2013, disclosures are required about all financial assets and liabilities whose value is set off in the balance sheet or that are subject to different legally binding master netting arrangements or the like. The amendment has had effect only on disclosures in the consolidated financial statements.
- *LAS 1 (amendment), Presentation of Financial Statements* (with effect from 1 January 2013). Effective 2013, other comprehensive income is allocated in the 'other comprehensive income' section into components that will not be reclassified to profit and loss and components that will be reclassified to profit and loss.

- *IAS 19 (amendment), Employee Benefits* (effective January 2013). The amendments refer to defined benefit pension plans. The Group currently has no defined benefit pension plans and thus the amendments have not affected the consolidated financial statements.

### STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT HAVE NOT YET TAKEN EFFECT

A number of new and revised standards and interpretations are not mandatorily effective until the 2014 financial year or later and were not applied early for these financial statements. Unless otherwise stated, the EU has adopted the following standards and amendments.

- *IFRS 9, Financial Instruments – Classification and Measurement*, is the first part of the major project to replace *IAS 39*. *IFRS 9* contains two primary measurement categories for financial assets: amortised cost and fair value. Classification is based on the company's business model and the characteristic features of contractual cash flows. For financial liabilities, most of the current rules in *IAS 39* are maintained. The IASB has decided to postpone the mandatory effective date of *IFRS 9* from 1 January 2013 to 1 January 2015. No part of *IFRS 9* has yet been adopted by the EU. Carnegie's preliminary assessment is that the introduction of the standard, relating to classification and measurement of financial assets and liabilities, will have limited impact on the financial statements.
- *IFRS 10, Consolidated Financial Statements* (effective January 2014 according to the EU, although the standard states January 2013), is based on existing principles as it identifies control as the critical factor in determining whether an entity must be included in the consolidated financial statements. The standard provides further guidance to assist in determining control when this is difficult to assess. The amendment is not expected to have any effect on the consolidated financial statements.
- *IFRS 11, Joint Arrangements* (effective January 2014 according to the EU, although the standard states January 2013), will supersede *IAS 31 Interests in Joint Ventures*. The new standard will entail mainly two changes compared with *IAS 31*. The first change is whether an investment is assessed as a joint operation or joint venture. Accounting rules differ, depending on which. The second change is that joint ventures must be consolidated using the equity method. Proportionate consolidation is no longer allowed. The amendment is not expected to affect the financial statements.
- *IFRS 12, Disclosures of Interests in Other Entities* (effective January 2014 according to the EU, although the standard states January 2013), covers disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is not expected to have material effect on the financial statements.
- *IAS 27 (amendment), Separate Financial Statements* (effective January 2014 according to the EU, although the standard states January 2013). When *IFRS 10* supersedes *IAS 27* with regard to the rules on consolidated financial statements, *IAS 27* will contain only rules and disclosures concerning subsidiaries, associates and joint ventures in separate financial statements. In all material respects, the rules will correspond to the current *IAS 27*. The amendment is not expected to affect the financial statements.
- *IAS 28 (amendment), Investments in Associates and Joint Ventures* (effective January 2014 according to the EU, although the standard states January 2013). *IAS 28* has been amended in conjunction with the joint arrangements project. The amendment will entail no material differences compared to the earlier *IAS 28* and is thus not expected to affect the financial statements.

No new interpretations effective in 2014 or later have thus far been issued by the International Financial Reporting Interpretations Committee (IFRIC) that are expected to affect Carnegie's financial statements.

### CONSOLIDATED FINANCIAL STATEMENTS

#### Consolidation principles

##### Subsidiaries

The consolidated financial statements include the parent company and all companies over which the parent company directly or indirectly exercises a controlling influence. A controlling influence means that the Group has the right to establish financial and operational strategies intended to achieve economic benefits. Controlling influence is assumed to exist when the ownership share amounts to at least 50 percent of the voting rights in the subsidiary but may also be achieved if a controlling influence is exercised in some other manner than share ownership. In all cases, the parent company owns, directly or indirectly, shares and/or participations in the companies included in the consolidated financial statements. Subsidiaries are included in the consolidated financial statements as of the date on which the controlling influence is attained and are eliminated as of the date on which the controlling influence ceases.

All internal transactions between subsidiaries, as well as intra-group unsettled balances, are eliminated in the consolidated financial statements. When necessary, the accounting principles of subsidiaries are modified in order to achieve greater agreement with Group accounting principles. The equity portion of untaxed reserves is recognised in equity as retained earnings. The tax portion of untaxed reserves is recognised as a deferred tax liability based on the current tax rate in each country.

Subsidiaries are recognised according to the purchase method. This means that identifiable acquired assets, liabilities and contingent liabilities are measured at fair value on the acquisition date. The surplus, comprising the difference between the cost of the acquired shares and the sum of the fair value of the identifiable acquired net assets, is recognised as goodwill. If the cost is less than the fair value of the acquired subsidiary's net assets, the difference is recognised directly in profit and loss. The cost of a subsidiary corresponds to the sum of the fair value of purchased assets, accrued or assumed liabilities and the equity instruments that the purchaser has issued in exchange for the controlling influence in the subsidiaries. Minority owners' interests in the acquired company are initially calculated as the minority share of the net fair value of the recognised assets, liabilities and contingent liabilities.

#### Associates

Associates are entities over which the Group has significant but not controlling influence, which refers to the power to participate in the financial and operating policy decisions, usually through holdings of between 20 and 50 percent of voting power.

As of the date significant influence is obtained, investments in associates are recognised in the consolidated accounts using the equity method of accounting. Under the equity method, the carrying amount of shares in associates corresponds to the Group's share in equity, consolidated goodwill and any other remaining value in consolidated surpluses and deficits. The Group's share of associates' profit or loss is recognised in the consolidated statement of comprehensive income, adjusted for any depreciation, impairments and reversals of acquired surplus or deficit values. This portion of profit or loss constitutes the main change in the carrying amount of investments in associates recognised as an asset in the balance sheet. As of Q3 2011 the Carnegie Group reports holdings in one associate, see *Note 15 Investments in associates*, page 55.

#### Equity instruments

Equity instruments issued by the Group are recognised in the amount received less direct issue costs.

#### Foreign currency

The accounts of subsidiaries and branches are stated in their functional currencies, which in Carnegie's case is the same as local currency, meaning the currency used in the primary economic environment in which the subsidiary or branch operates. Transactions in foreign currency are translated at average rates. Monetary assets and liabilities in foreign currency (such as accounts receivable and accounts payable) are translated at the closing date rate, and the exchange-rate differences thus arising are recognised in profit and loss. Exchange rate differences recognised in profit and loss are included in the item 'Net profit/loss from financial transactions at fair value.'

In preparing the consolidated accounts, the balance sheets of foreign subsidiaries and branches are translated to SEK at the closing date rate, while the income statements are translated based on the average rate for the period. The translation differences thus arising are recognised under other comprehensive income and become a component of equity.

#### Income recognition

Revenue is recognised in profit and loss when it is probable that future economic benefits will be received and these benefits can be calculated in a reliable manner. Revenue is normally recognised during the period in which the service was performed. Performance-based fees and commissions are recognised when the income can be calculated reliably.

Commission income includes brokerage fees, management income from discretionary asset management and fund management and advisory income.

In the consolidated financial statements, fees relating to advisory services are recognised as commission income. These fees are attributable to advisory services within Private Banking and Investment Banking. These services are recognised in profit and loss when the services have been performed and when it is probable that the future economic benefits will accrue to the company and the benefits can be calculated reliably.

Interest income is recognised over the maturity period according to the effective-rate method.

The net profit or loss from financial transactions consists of realised and unrealised changes in the value



of financial instruments based on the fair value of shares, participations, bonds, derivatives and other securities. The net amount also includes interest, share dividends and exchange-rate movements. The principles for income recognition for financial instruments are also described below under 'Financial assets and liabilities.'

Dividend income is recognised when the right to receive payment is established.

### Expense recognition

Operating and administrative expenses, employee benefits, other personnel expenses and borrowing costs are recognised in the period to which they relate.

### Remuneration to employees

Remuneration to employees in the form of salaries, paid holidays, sick pay, other current remuneration and similar items, as well as pensions, are recognised at the rate they are earned. Any other post-employment remuneration is classified and recognised in the same manner as pension commitments.

#### *Share-based remuneration – incentive programmes*

No share-based remuneration has been made to employees within the Group.

#### *Variable remuneration*

The Group reports any expense for variable remuneration as personnel expenses, which are recognised as an accrued expense. The expense is recognised at the rate it is accrued, meaning when it is linked to a contract or when there is an established practice that creates an informal obligation.

#### *Severance pay*

Severance pay is paid when employment is involuntarily terminated prior to reaching retirement age or when an employee voluntarily resigns in exchange for severance pay. The Group reports a cost for a severance payment when the company is demonstrably committed, without realistic possibility of withdrawal, by a formal detailed plan to terminate employment before the normal time. When compensation is offered to encourage voluntary termination, a cost is recognised if it is likely that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated. Benefits falling due for payment more than 12 months after the closing date are discounted to the present value if they are significant.

### *Pension commitments*

A defined contribution plan is a pension plan according to which a company pays fixed fees to a separate legal entity. Thereafter, the company has no legal or constructive obligations to pay additional fees related to the employee's pension entitlement.

A defined benefit plan is a pension plan that guarantees the employee a certain amount as a pension upon retirement, usually based on several different factors including final salary and term of service. The Group only has defined contribution pension plans. Costs for defined contribution pension plans are recognised in profit and loss at the rate benefits are earned, which normally coincides with the date on which pension premiums are paid. Costs for special employer's contribution are recognised as an expense at the rate at which retirement benefit expenses arise.

### Leasing

Financial leasing contracts are contracts according to which the economic benefits and risks associated with ownership of the leased object are transferred in all significant respects from the leaser to the lessee. Leasing contracts that are not financial are classified as operational. At present, Carnegie only has operational leasing contracts.

Leasing fees paid for operational leasing contracts are expensed straight-line over the leasing period. Variable fees are recognised as expenses in the period in which they arise. In cases where the Group receives benefits (such as rent rebates) upon entering an operational leasing contract, such benefits are initially recognised as a liability and thereafter as a reduction in leasing fees straight-line over the leasing period, unless some other systematic method better reflects the benefit to the Group over time.

### Current and deferred income tax

Tax expense/income for the period is the sum of current and deferred tax. Taxes are recognised in profit and loss except when the tax refers to items reported in 'Other comprehensive income' or is charged directly against equity. In such cases, the tax is also reported in 'Other comprehensive income' or, respectively, equity. Current tax is the tax that is calculated on taxable profit for a period. Taxable profit for the year differs in comparison with recognised profit before tax, since taxable profit is adjusted for non-deductible expenses and non-taxable income and other adjustments, such as those resulting

from double-taxation agreements with other countries. The Group's current tax liability is calculated according to the tax rates established or in practice approved (announced) in each country on the closing date.

Deferred tax is reported according to the balance sheet method, by which deferred tax liabilities are recognised in the balance sheet for all taxable timing differences based on differences between carrying amounts and values for taxation of all assets and liabilities. Deferred tax assets are included on the balance sheet for tax-deductible loss carryforwards and tax-deductible timing differences to the extent that it is probable that these amounts may be used against future taxable surplus amounts. The carrying amount of deferred tax assets is assessed at each closing date and reduced to the extent that it is not probable that there will be sufficient taxable surpluses available in the future which can be used against tax-deductible loss carryforwards and/or tax-deductible timing differences. Deferred tax is recognised based on the tax rates expected to apply for the period in which the debt is settled or the asset recovered.

Tax assets and tax liabilities are accounted in net amounts in the balance sheet where there is a legal right to offset them and when the intention is either to receive or pay a net amount or to receive payment for the claim and settle the liability at the same time.

### Financial assets and liabilities

Financial assets included on the asset side of the balance sheet include cash and cash equivalents, accounts receivable, shares and other equity instruments, loan and bond receivables and derivatives. Liabilities include accounts payable, issued debt instruments, loan obligations, derivative instruments and short positions in various forms of spot instruments.

Financial assets and financial liabilities are recognised in the balance sheet when the company becomes a party to the instrument's contractual terms. A liability is included when the counterparty has performed a service and there is a contractual payment obligation, even if an invoice has not yet been received.

A financial asset is eliminated from the balance sheet when the contractual rights have been realised or have expired or when the company loses control over them. The same applies for a portion of a financial asset. A financial liability is eliminated from the balance sheet when the contractual obligation is fulfilled or otherwise expires. The same applies to a portion of a financial liability.

Transaction date accounting is applied to derivative instruments, as well as the sale and purchase of bond and equity capital market instruments on the spot market.

The classification of financial assets and liabilities depends on the intention with the acquisition of the financial item. The categories within *IAS 39* applied by Carnegie are as follows:

- Held for trading
- Available-for-sale financial assets
- Loan receivables and accounts receivable
- Other financial liabilities

Financial assets and financial liabilities held for trading are measured at fair value in the balance sheet, while changes in value are recognised in profit and loss. If market prices in an established marketplace are available, they are used for measurement. When there is no active market or when quoted prices are temporarily unavailable, Carnegie determines the fair value using various measurement techniques. These methods include Black-Scholes-based models. A number of parameters are included in these models, such as assumptions about volatility, interest rates and dividends. Changing the assumptions with regard to these parameters may affect the recognised value of the financial instrument. The assumptions used when observable parameters are lacking in the market are in accordance with the instructions defined by the Capital, Risk and Credit Committee (CRC). The measurement methods are primarily used to value derivative instruments. All measurement models and assumptions are regularly validated by internal risk control, monthly by the CRC and quarterly by an external independent party.

The above models are applied consistently from one period to the next to ensure comparability and continuity in measurements over time.

Each new measurement model is approved by Group Risk Management and all models are reviewed regularly.

For financial instruments for which the fair value deviates from the carrying amount, information regarding the fair value is provided in a note.

### Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances with central banks, lending to credit institutions and short-term liquid investments with a maturity from the acquisition date of less than three months and which are exposed to only insignificant risk of changes in value.

*Cash and bank deposits with central banks*

Cash and balances with central banks are categorised as loans and accounts receivable and measured at amortised cost.

*Loans to credit institutions*

Lending to credit institutions consists of loan receivables that are payable on demand and which are not listed on an active market as well as the Group's invested surplus liquidity. These are categorised as loans and accounts receivable and measured at amortised cost. Provisions are allocated for probable credit losses after individual assessment.

Provisions are allocated relating to probable credit losses in cases where pledges, obligations and guarantees are not estimated to cover the claim amount. The principle for what is classified as an actual credit loss is that they are losses established through bankruptcy procedures or composition agreements. A decline in value attributable to a debtor's payment capacity is recognised under 'Net credit losses.'

*Loans to the general public*

Lending to the public consists of loan receivables that are payable on demand and which are not listed on an active market. These are categorised as loans and accounts receivable and measured at amortised cost.

Provisions are allocated for probable credit losses after individual assessment. Carnegie does not extend corporate financing, home mortgages, consumer loans or other forms of credit normally associated with bank operations. Carnegie's client base is well-diversified and consists largely of private persons and small enterprises, and the risk of credit losses is linked to each client's collateral, which normally consists of market-listed securities. This means that counterparty classes have the same credit characteristics and Carnegie thus does not perform impairment testing on a Group basis. Following individual assessment, reserves are allocated relating to probable credit losses in cases where pledges, obligations and guarantees are not estimated to cover the claim amount.

The principle for what is classed as an actual credit loss is that they are losses established through bankruptcy procedures or composition agreements. A decline in value attributable to a debtor's payment capacity is recognised under 'Net credit losses.'

*Bonds and other interest-bearing securities*

Bonds and other interest-bearing securities consist of chargeable government bonds, housing bonds and other interest-bearing instruments. These are categorised as assets held for trading and are measured at fair value, with changes in fair value recognised in profit and loss under 'Net profit/loss from financial transactions.'

*Shares and participations*

Shares and participations consist mainly of shareholdings intended for trading and are measured at fair value. Changes in fair value for shares and participations are recognised in profit and loss under 'Net profit/loss from financial items at fair value'.

*Derivative instruments*

All derivative instruments are classified as assets held for trading. Derivative instruments are measured at fair value. Changes in fair value are recognised in profit and loss as 'Net profit/loss from financial items at fair value'. In cases where the fair value is positive, it is recognised as an asset. In cases where the fair value is negative, the derivative instrument is recognised as a liability.

*Liabilities to credit institutions*

Liabilities to credit institutions consist mainly of short-term borrowing and are categorised as 'Other financial liabilities' and measured at amortised cost.

*Deposits and borrowing from the general public*

Deposits and borrowing from the general public consist primarily of short-term borrowing from the public. These liabilities are categorised as 'Other financial liabilities' and measured at amortised cost.

*Issued securities*

In May 2010, Carnegie issued a bond loan under the state guarantee scheme in the nominal value of SEK 935 million with a time to maturity of 60 months. Securities issued are measured at amortised cost.

*Lending of securities and short equity positions*

The securities that Carnegie lends remain on the balance sheet. Borrowed securities are not included as assets in the balance sheet. In cases in which a borrowed security is sold in a process known as short-selling, a liability is recognised corresponding to the fair value of the divested

security. Received collateral in the form of cash is recognised under 'Liabilities to credit institutions' or 'Deposits and borrowing from the general public', depending on the counterparty. Pledged collateral in the form of cash is included on the balance sheet under 'Lending to credit institutions' or under 'Lending to the general public', depending on the counterparty.

### Intangible assets

Intangible assets consist of goodwill, client relationships, distribution agreements, acquired IT systems and internally accrued expenses for the development of IT systems.

#### Goodwill

Goodwill is initially recognised as an asset measured at cost and is thereafter carried at cost less any accumulated impairment. Gains or losses arising from the divestment of an operation include the remaining carrying amount of goodwill attributable to the divested unit. Goodwill has an indefinite useful life and is distributed among cash-generating units within the Group that are expected to benefit from the synergy effects arising in conjunction with the acquisition.

Cash-generating units to which goodwill is distributed are tested annually or more frequently when there are indications that an impairment requirement may exist. Impairment arises when the carrying amount exceeds the recoverable amount.

The recoverable amount corresponds to the higher of value in use and fair value less costs to sell. If the cash-generating unit's recoverable amount is lower than the carrying amount, the impairment is first distributed to reduce the carrying amount of any goodwill attributed to the unit and thereafter to the unit's other assets, pro-rata, based on the carrying amount of each asset in the unit. An impairment of goodwill may not be reversed in a later period.

#### Client relationships

Contractual client relationships acquired in a business combination are recognised at fair value as of the acquisition date. Contractual client relationships have a determinable useful life and are carried at cost less accumulated amortisation. The anticipated duration of client relationships is 20 years.

#### Distribution agreements

Distribution agreements acquired in a business combination are recognised at fair value at the acquisition date. Distribution agreements with a determinable useful life are

amortised over eight years, which corresponds to the expected term of the contract. Distribution agreements with an indefinite useful life are not regularly amortised, but are subject to impairment testing.

#### Internally developed intangible assets, including IT systems

An internally developed intangible asset, meaning development expenses, is recognised as an asset only if the following conditions are satisfied:

- The asset is identifiable
- It is probable that the asset will provide economic benefits
- The cost can be measured reliably

Internally developed intangible assets are initially recognised as the sum of expenses that arise as of the first date on which the intangible asset satisfies the above criteria up until the date on which the asset can be used. Internally developed intangible assets are amortised straight-line over their estimated useful life, which is three to five years.

#### Other intangible assets

The cost of intangible assets acquired separately corresponds to the actual acquisition cost, including directly attributable expenses for preparing the asset for its intended use.

### Tangible fixed assets

Tangible fixed assets are recognised at cost less accumulated depreciation and any impairment losses. Tangible fixed assets consist of capitalised refurbishment costs, computer equipment and other equipment.

Depreciation according to plan is based on the cost and estimated useful life of the asset. Capitalised refurbishment costs are depreciated according to plan at a rate of 5 percent to 10 percent per year. Computer equipment and other equipment is depreciated according to plan by 20 percent to 33 percent per year. The gain or loss that arises from divestment or scrapping of tangible fixed assets is recognised in profit and loss.

#### Impairment of intangible assets and tangible fixed assets with determinable useful lives

An impairment loss is recognised when the carrying amount of an intangible asset or a tangible fixed asset exceeds its recoverable amount. The carrying amounts for fixed assets are established on each closing date to determine whether impairment is required; if there is such an indication, the



asset's recoverable amount is estimated. The recoverable amount is the higher of the value in use and fair value less costs to sell.

In calculating the value in use, future cash flows are discounted at an interest rate before tax that is intended to take into account the market's expectations for a risk-free interest rate associated with the asset in question. For an asset that does not generate cash flows independently of other assets, the recoverable amount is calculated for the cash-generating unit to which the asset belongs.

### Provisions

A provision is recognised when there is a legal or constructive obligation as a result of a past event that has taken place and the existence of the obligation will only be confirmed by one or more uncertain future events or it is probable that an outflow of resources will be required to settle the obligation and it is possible to estimate the amount of the obligation in a reliable manner.

A provision for restructuring expenditures is recognised only when a constructive obligation exists to restructure. A constructive obligation arises only when a detailed, formal restructuring plan exists and an entity has raised a valid expectation that it will be carried out in a time frame that makes changes to the plan unlikely, and the implementation of the plan has commenced or the main features of the plan have been announced.

## CRITICAL ASSESSMENT PARAMETERS

### Financial assets and liabilities

Financial assets and liabilities in the trading portfolio are measured at fair value in the balance sheet while changes in value are recognised in profit and loss.

Critical assessment parameters relate to how fair value is determined for these assets and liabilities.

If market prices are available on an established market-place, they are used for the measurement. When there is no active market or when quoted prices are temporarily unavailable, Carnegie determines the fair value using various measurement techniques. These methods include Black-Scholes-based models. A number of parameters are included in these measurement models, such as assumptions about volatility, interest rates and dividends. Changing the assumptions with regard to these parameters may affect the recognised value of the financial instrument. The assumptions used when observable parameters are lacking in the market are in accordance with the instructions defined by Carnegie's Capital, Risk and Credit Committee (CRC).

The measurement methods are primarily used to value derivative instruments. The determined theoretical prices are reconciled regularly against quoted market prices. In addition, all derivative instruments are verified quarterly by an independent party. The above models are applied consistently from one period to the next to ensure comparability and continuity in measurements over time.

### Impairment requirement for goodwill

To assess whether there is a need for impairment of goodwill, a test is required of the goodwill value based on the cash-generating units' value in use. The test includes Carnegie assessing the expected future cash flows from the cash-generating unit and an appropriate discount rate to calculate present value. The carrying amount of goodwill at the balance sheet date was SEK 424,152 thousand (426,242). Information about impairment testing is provided in *Note 16 Intangible assets*, pages 55–56.

### Provision for restructuring reserve

In the fourth quarter of 2011, Carnegie initiated a restructuring programme aimed at reducing the cost base. The programme includes centralisation of several functions, more efficient system solutions and reduced complexity. The cost savings took effect gradually in 2012 and 2013 and will have continued effect in 2014. Provisions to the restructuring reserve have been based on the assessed cost of restructuring. The provision includes costs for IT systems and reductions in staff.

### Recognition of deferred tax assets

Carnegie recognises deferred tax assets attributable to timing differences and tax-deductible deficits. The largest tax deficits are in Sweden and have an unlimited useful life (meaning that there is no expiration date). The ability to utilise deferred tax assets depends on Carnegie's capacity to report taxable profits in the future. Based on Carnegie's future prospects, Carnegie management believes that the company will be able to report taxable profits within the foreseeable near future to be able to utilise the benefits related to tax-deductible deficits. See *Note 18 Deferred tax assets/liabilities*, page 58.

### Recognition of endowment insurance

Certain individual pension commitments are guaranteed through what is called company-owned endowment insurance. Because Carnegie does not have any additional commitments to cover any declines in endowment

insurance or to pay any amount above the paid premium, Carnegie considers these pension plans as defined contribution plans. Accordingly, the premium payments correspond to final settlement of the commitment to the employee. In accordance with *LAS 19* and the rules for defined contribution pension plans, Carnegie therefore recognises neither assets nor liabilities with the exception of the special employer's contribution related to these endowment insurance policies.

## PARENT COMPANY'S ACCOUNTING PRINCIPLES

The parent company's annual accounts were prepared in accordance with the Swedish *Annual Accounts Act* (ÅRL 1995:1554) and recommendation *RFR 2 Accounting of Legal Entities* issued by the Swedish Financial Accounting Standards Council and applicable statements. *RFR 2* requires the parent to apply all IFRS and interpretations approved by the EU to its annual accounts for the legal entity to the extent possible within the framework of the *Annual Accounts Act* and with the consideration taken to the relationship between accounting and taxation. Accordingly, the parent company applies the same accounting principles as the Group except as specified below.

### Financial assets

The parent company's holdings of shares in subsidiaries are recognised according to the historical cost method.

### Anticipated dividends

Anticipated dividends from subsidiaries are recognised when the formal decision has been taken in the subsidiary or the parent company otherwise has full control over the decision process before the parent company publishes its financial statements.

### Group contributions and shareholder contributions

Group contributions received are recognised according to the same principles as an ordinary dividend, that is, as financial income. As a main rule, Group contributions paid are recognised, like shareholder contributions, as an increase in the parent company's investment.

### Deferred tax in relation to untaxed reserves

Due to the relationship between accounting and taxation, the parent company does not separately report deferred tax liabilities attributable to untaxed reserves. These liabilities are thus recognised as gross amounts in the balance sheet, which also applies to appropriations in the income statement. Any amounts allocated to untaxed reserves consist of timing differences.

# NOTES

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## NOTE 1 Geographical distribution of income

	Commission income		Interest income		Other dividend income		Net profit/loss from financial transactions		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
<i>Group</i>										
Denmark	167,141	189,249	3,206	4,848	–	–	86,466	3,034	256,813	197,131
Norway	233,135	153,714	25,481	3,609	835	–	–965	6,133	258,487	163,456
Sweden	1,345,823	1,156,259	77,364	111,085	–	–	44,947	25,974	1,468,134	1,293,318
Other	253,228	232,188	27,614	36,235	–	–	30,555	37,964	311,397	306,387
Eliminations	–51,802	–57,980	–2,242	–4,641	–	–	–81,194	–808	–135,238	–63,429
<b>Total</b>	<b>1,947,527</b>	<b>1,673,430</b>	<b>131,423</b>	<b>151,136</b>	<b>835</b>	<b>–</b>	<b>79,809</b>	<b>72,297</b>	<b>2,159,593</b>	<b>1,896,863</b>
<i>Parent company</i>										
Sweden	10,200	27,837	762	1,210	–	–	–	–	10,962	29,047
<b>Total</b>	<b>10,200</b>	<b>27,837</b>	<b>762</b>	<b>1,210</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>10,962</b>	<b>29,047</b>

**NOTE 2 Net commission income**

	<i>Group</i>	
	2013	2012
Brokerage fees	903,697	759,942
Other commission income	1,083,284	957,605
Marketplace fees	-39,455	-44,117
<b>Total commission income</b>	<b>1,947,526</b>	<b>1,673,430</b>
<b>Total commission expenses</b>	<b>-336,630</b>	<b>-256,569</b>
<b>Net commission income</b>	<b>1,610,897</b>	<b>1,416,862</b>

**NOTE 3 Net interest income**

	<i>Group</i>		<i>Parent company</i>	
	2013	2012	2013	2012
<i>Interest income</i>				
Interest income from lending to credit institutions	38,781	69,737	761	1,224
Interest income from lending to the general public	79,973	72,472	-	-
Interest income from interest-bearing securities	10,492	8,135	-	-
Other interest income	2,177	791	1	-13
<b>Total interest income<sup>1,2</sup></b>	<b>131,423</b>	<b>151,136</b>	<b>762</b>	<b>1,210</b>
<i>Interest expenses</i>				
Interest expenses related to liabilities to credit institutions	-11,856	-19,629	-	-3
Interest expenses related to deposits/borrowing from the general public	-21,883	-30,992	-	-
Other interest expenses	-54,272	-54,713	-20,817	-20,997
<b>Total interest expenses<sup>1</sup></b>	<b>-88,012</b>	<b>-105,334</b>	<b>-20,817</b>	<b>-20,999</b>
<b>Net interest income/expenses<sup>3</sup></b>	<b>43,411</b>	<b>45,801</b>	<b>-20,055</b>	<b>-19,789</b>
<sup>1</sup> Whereof amounts for balance sheet items not measured at fair value:				
Interest income	131,423	151,136	762	1,210
Interest expenses	-88,012	-105,334	-20,817	-20,999
<b>Total</b>	<b>43,411</b>	<b>45,801</b>	<b>-20,055</b>	<b>-19,789</b>
<sup>2</sup> Whereof interest on doubtful receivables	-	125	-	-

<sup>3</sup> Net interest income/expenses measured at fair value is included in 'Net profit/loss from financial transactions'.

**NOTE 4 Other dividend income**

	<i>Group</i>	
	2013	2012
Dividends received on shares and participations of a fixed-asset nature <sup>1</sup>	835	-
<b>Total other dividend income</b>	<b>835</b>	<b>-</b>

<sup>1</sup> Dividends from financial instruments in the trading book are included in the item 'Net profit/loss from financial transactions'.



**NOTE 5 Net profit/loss from financial transactions**

	Unrealised changes in value <sup>1</sup>						
	Realised changes in value	Market price	Observable market data	Non-observable market data	Other method	Effect of exchange rate changes	Total
Group 2013							
Bonds and other interest-bearing securities and attributable derivatives	6,267	2,102	–	–	–	–	8,369
Shares and participations and attributable derivatives	14,524	6,581	508	–	2,671	–	24,283
Other financial instruments and attributable derivatives	24,881	4,537	–	–	–	–	29,417
Exchange-rate changes						17,739	17,739
Net profit/loss from financial transactions	45,672	13,219	508	–	2,671	17,739	79,809

	Unrealised changes in value <sup>1</sup>						
	Realised changes in value	Market price	Observable market data	Non-observable market data	Other method	Effect of exchange rate changes	Total
Group 2012							
Bonds and other interest-bearing securities and attributable derivatives	26,278	−427	2,599	−	−	−	28,450
Shares and participations and attributable derivatives	−14,209	578	5,571	−	−459	−	−8,519
Other financial instruments and attributable derivatives	33,449	6,867	−	−	−	−	40,316
Exchange-rate changes						12,051	12,051
<b>Net profit/loss from financial transactions</b>	<b>45,518</b>	<b>7,017</b>	<b>8,170</b>	<b>−</b>	<b>−459</b>	<b>12,051</b>	<b>72,298</b>

<sup>1</sup> Unrealised profits/losses are attributable to financial items measured at fair value.

Fair value is based on the following measurement methods:

- **Market price:** The value is based on a price listed on an exchange or other marketplace.
- **Observable market data:** The value is based on a price that was calculated with a measurement technique using assumptions consisting of observable market data.
- **Non-observable market data:** The value is based on a price that was calculated with a measurement technique using assumptions that could not be based on observable market data.
- **Other method:** The value is based on a price that was established using another method, such as the historical cost or equity method.

**NOTE 6 Personnel expenses**

	Group		Parent company	
	2013	2012	2013	2012
Salaries and fees	-637,451	-712,039	-7,296	-19,976
Social insurance fees	-142,890	-163,009	-2,166	-5,773
Allocation to variable remuneration <sup>1</sup>	-187,827	-125,000	-	-
Pension expenses for Board of Directors and CEO	-3,188	-2,896	-2,612	-2,320
Pension expenses for other employees	-99,361	-111,532	-	-542
Other personnel expenses	-27,465	-20,818	-125	-1,354
<b>Total personnel expenses</b>	<b>-1,098,181</b>	<b>-1,135,294</b>	<b>-12,198</b>	<b>-29,965</b>

<sup>1</sup> Including social insurance fees.

*Salaries and fees specified by category*

Salaries and fees to directors, CEO and members of Group management	-18,582	-28,867	-7,296	-19,976
Salary and remuneration to other employees not included in the Board of Directors or Group management	-618,869	-683,172	-	-
<b>Total salaries and fees</b>	<b>-637,451</b>	<b>-712,039</b>	<b>-7,296</b>	<b>-19,976</b>

*Average no. of employees (of whom women)*

Denmark	69 (17)	72 (18)	-	-
Finland	19 (8)	35 (15)	-	-
Luxembourg	46 (11)	45 (10)	-	-
Norway	69 (16)	71 (13)	-	-
Switzerland	-	4 (1)	-	-
UK	24 (5)	30 (8)	-	-
Sweden	392 (126)	433 (137)	1 (-)	1 (-)
USA	13 (3)	15 (3)	-	-
<b>Total</b>	<b>631 (185)</b>	<b>704 (204)</b>	<b>1 (-)</b>	<b>1 (-)</b>

*Remuneration to the Board of Directors*

	Group		Parent company	
	2013	2012	2013	2012
Bo Magnusson, <i>Chairman</i>	1,200 <sup>1</sup>	67 <sup>1</sup>	1,000	54
Arne Liljedahl, <i>former Chairman</i>	27 <sup>2</sup>	800 <sup>2</sup>	20	600
Mårten Andersson	500 <sup>3</sup>	167 <sup>3</sup>	350	117
Björn Björnsson	-	333 <sup>4</sup>	-	233
Fredrik Cappelen	-	458 <sup>5</sup>	-	320
Fredrik Grevelius	223 <sup>6</sup>	-	167	-
Harald Mix	250 <sup>7</sup>	-	187	-
Fredrik Strömholm	250 <sup>8</sup>	-	187	-
<b>Total</b>	<b>2,450</b>	<b>1,825</b>	<b>1,911</b>	<b>1,324</b>

<sup>1</sup> Whereof SEK 400 thousand in additional fees for assignments for Carnegie Holding AB and SEK 200 thousand (13) in fees for assignments for Carnegie Investment Bank AB. Bo Magnusson was elected Chairman of the Board in February 2013. The fee for 2012 refers to the period of 7 December–31 December.

<sup>2</sup> Whereof SEK 7 thousand (200) in fees for assignments for Carnegie Investment Bank AB. The fee for 2013 refers to the period of 1 January–12 January.

<sup>3</sup> Whereof SEK 150 thousand (50) in fees for assignments for Carnegie Investment Bank AB. The fee for 2012 refers to the period of 27 August–31 December.

<sup>4</sup> Whereof SEK – thousand (100) in fees for assignments for Carnegie Investment Bank AB. The fee for 2012 refers to the period of 1 January–27 August.

<sup>5</sup> Whereof SEK – thousand (138) in fees for assignments for Carnegie Investment Bank AB. The fee for 2012 refers to the period of 1 January–7 December.

<sup>6</sup> Whereof SEK 56 thousand (-) in fees for assignments for Carnegie Investment Bank AB. The fee for 2013 refers to the period of 12 February–31 December.

<sup>7</sup> Whereof SEK 63 thousand (-) in fees for assignments for Carnegie Investment Bank AB. Harald Mix was paid no fees in 2012.

<sup>8</sup> Whereof SEK 63 thousand (-) in fees for assignments for Carnegie Investment Bank AB. Fredrik Strömholm was paid no fees in 2012.

cont. **NOTE 6** Personnel expenses

*Remuneration to the CEO, deputy CEO and other senior executives*

	Gross salary and benefits	Variable remuneration <sup>1</sup>	Pensions and comparable benefits	Severance pay
<b>■ Parent company 2013</b>				
CEO Thomas Eriksson <sup>2</sup>	5,499	–	1,584	–
<b>■ Carnegie Bank Group and Carnegie Fonder 2013<sup>3</sup></b>				
Other resigning senior executives <sup>4</sup>	2,913	1,233	544	–
Other current senior executives <sup>5</sup>	9,580	221	1,732	–

<sup>1</sup> Variable remuneration includes guaranteed variable remuneration upon new recruitment.

<sup>2</sup> Thomas Eriksson is employed by and receives salary and benefits from the parent company Carnegie Holding AB.

<sup>3</sup> Other senior executives have received salary and benefits from Carnegie Investment Bank AB, its subsidiaries or Carnegie Fonder AB.

<sup>4</sup> Amounts relate to the period they held positions as other senior executives. The group includes four individuals: Jan Enberg (1 January–31 May), Hans Hedström (1 January–31 May), Andreas Koch (1 June–31 December) and Katja Levén (1 January–31 January).

<sup>5</sup> Amounts relate to the period they held positions as other senior executives. The group includes five individuals: Anders Antas (1 June–31 December), Björn Jansson (1 January–31 December), Helena Nelson (15 April–31 December), Fredrik Leetmaa (1 January–31 December) and Pia Marions (1 January–31 December).

*Remuneration to the CEO and other senior executives*

	Gross salary and benefits	Variable remuneration <sup>1</sup>	Pensions and comparable benefits	Severance pay
<b>■ Parent company 2012</b>				
CEO Thomas Eriksson <sup>2</sup>	2,735	–	173	–
Former CEO Frans Lindelöw <sup>2</sup>	2,828	–	1,335	13,700
<b>■ Carnegie Bank Group and Carnegie Fonder 2012<sup>3</sup></b>				
Other current senior executives <sup>4</sup>	14,209	3,244	2,725	–

<sup>1</sup> Variable remuneration includes guaranteed variable remuneration upon new recruitment.

<sup>2</sup> Thomas Eriksson is employed by and receives salary and benefits from the parent company Carnegie Holding AB. The same applied to the former CEO, Frans Lindelöw.

<sup>3</sup> Other senior executives have received salary and benefits from Carnegie Investment Bank AB, its subsidiaries or Carnegie Fonder AB.

<sup>4</sup> Amounts relate to the period they held positions as other senior executives. The group includes six individuals: Jan Enberg, Hans Hedström, Björn Jansson, Fredrik Leetmaa, Katja Levén and Pia Marions. All of these individuals were other senior executives throughout 2012. CFO Pia Marions was also acting president and CEO during the period of 25 May–15 August.

*cont.* **NOTE 6** Personnel expenses*Gender distribution*

The current Board of Directors consists of 0 percent (0) women and 100 percent (100) men.

The current management group consists of 33 percent (17) women and 67 percent (83) men.

*Remuneration*

The Board of Directors reviews the CEO's salary and benefits in accordance with his contract. The Board also establishes principles and general policy for salaries, benefits and pensions for senior executives in the Group.

*Notice period and severance pay*

There are no agreements on severance pay for non-executive directors. The notice period for the CEO is six months, whether the CEO resigns or is terminated by Carnegie. In the event of immediate termination by Carnegie, the CEO receives 12 months' severance pay in lieu of salary during the notice period.

Senior executives at Carnegie have notice periods that vary between 3 and 12 months.

*Pensions*

Carnegie makes salary-based provisions for pension insurance (payments are based on total salary excluding any allocation of profit sharing) in accordance with customary rules in each country. These provisions amounted to the following percentages in relation to total salary costs: Group 16 percent (16), parent company 6 percent (16). All Carnegie's pension commitments consist of defined contribution pension plans and are reinsured with external parties.

Carnegie has no outstanding pension commitments and makes no pension provisions for board members who are not employed by Carnegie.

The CEO is entitled to retire at 65, and the company also has the right to require retirement. Other senior executives are covered by the terms prevailing in each country and may retire at the age of 65–67. Reaching retirement age does not entail any further costs for Carnegie.

*Endowment insurance*

Individual pension commitments, which are fully guaranteed through company-owned endowment insurance and for which Carnegie does not have any further obligation to cover any losses on such insurance or to any additional payment above the premiums already paid are treated according to the rules for defined contribution plans.

The total market value amounts to: In the Group, SEK 361,135 thousand (350,394) and in the parent company SEK 4,841 thousand (2,813). Premiums paid during the year amounted to: In the Group SEK 2,210 thousand (2,028) and in the parent company SEK 1,763 thousand (889).

cont. **NOTE 6 Personnel expenses**

Report on remuneration expensed by the Carnegie Holding Group in 2013 in accordance with Swedish Financial Supervisory Authority regulation FFFS 2007:5 (as amended in FFFS 2011:3):

■ **Expensed remuneration 2013**

Total remuneration to employees in the Group				
	Total remuneration excluding variable component <sup>1</sup>	Total number of employees	Variable remuneration <sup>1</sup>	Number of recipients of variable remuneration
<b>Total remuneration to employees in the Group</b>	<b>704,581</b>	<b>636</b>	<b>156,584</b>	<b>324</b>
Specification of remuneration by category				
Defined identified staff				
	Executive management	Other employees who can affect the risk exposure	Other employees	Total
Fixed remuneration <sup>1</sup>	56,177	94,920	553,484	704,581
Number of employees	26	81	529	636
Variable remuneration <sup>1</sup>	19,114	21,396	116,074	156,584
Number of employees	14	42	268	324
Whereof:				
Cash-based variable remuneration	19,114	21,396	116,074	156,584
Share-based variable remuneration	–	–	–	–
Deferred remuneration <sup>2</sup>	10,720	9,395	–	20,115
Committed and paid remuneration <sup>3</sup>	64,571	106,921	669,557	841,050
Severance pay (paid out) <sup>4</sup>	–	2,528	7,048	9,576
Number of individuals	–	3	20	23
Committed severance pay (not yet paid)	–	2,943	6,225	9,167
Number of individuals	–	4	14	18
Highest individual severance pay (not yet paid)			1,146	1,146

<sup>1</sup> Variable remuneration is defined as remuneration whose amount or size is not predetermined. All other remuneration is reported as fixed remuneration and comprises salary, pension provisions, severance pay and benefits such as car benefits in accordance with FFFS 2011:1. Reported amounts do not include social insurance fees.

<sup>2</sup> The portion subject to deferral ranges between 40–60 percent and the period of deferral ranges from three to five years depending on the amount of variable remuneration awarded and the responsibilities and risk mandates of the identified staff in question.

<sup>3</sup> Includes amounts paid out in the first quarter of 2014.

<sup>4</sup> Amounts also include guaranteed variable remuneration, which occurs in connection with recruiting of new staff.

Severance pay is agreed upon and paid out when employment is involuntarily terminated prior to reaching retirement age or when an employee voluntarily resigns in exchange for severance pay. Severance pay in 2013 is related to the cost-savings programme.



**NOTE 7 Other administrative expenses**

Other administrative expenses include the following amounts paid to elected auditors:

	Group		Parent company	
	2013	2012	2013	2012
<i>Statutory auditing</i>				
PwC	-5,135	-9,996	-689	-780
Regen, Benz & MacKenzie	–	-339	–	–
<b>Total statutory auditing</b>	<b>-5,135</b>	<b>-10,335</b>	<b>-689</b>	<b>-780</b>
<i>Other auditing</i>				
PwC	-1,383	-407	–	–
<b>Total other auditing</b>	<b>-1,383</b>	<b>-407</b>	<b>–</b>	<b>–</b>
<i>Tax advice</i>				
PwC	-244	-1,052	-172	–
<b>Total tax advice</b>	<b>-244</b>	<b>-1,052</b>	<b>-172</b>	<b>–</b>
<i>Other consultancy assignments</i>				
PwC	-777	-154	–	-40
Regen, Benz & MacKenzie	-383	-104	–	–
<b>Total other consultancy assignments</b>	<b>-1,160</b>	<b>-258</b>	<b>–</b>	<b>-40</b>

The *statutory audit* is an audit of annual financial statements and accounting, the management of the company by the Board of Directors and CEO, other tasks required of the company's auditors and providing advice or other assistance as a result of observations during the audit or the implementation of such other tasks. *Other auditing* includes reviews of interim reports, government reporting and services related to the provision of certifications and opinions. *Tax advice* includes general services for foreign residents and other taxation issues. *Other consultancy assignments* include for example advice on accounting issues, services in connection with corporate acquisitions/business transformation, operational efficiency and assessment of internal controls.

**NOTE 8 Depreciation and amortisation of tangible fixed assets and intangible assets**

	Group	
	2013	2012
Computer equipment and other equipment	-18,726	-25,187
Renovations	-7,525	-8,340
Recognised negative goodwill/adjustment of acquisition analysis	-4,635	-5,315
Impairment of goodwill (see <i>Note 16</i> )	-4,419	-4,788
Other intangible assets	-27,527	-31,285
<b>Total depreciation and amortisation of intangible assets and fixed tangible assets</b>	<b>-62,832</b>	<b>-74,915</b>

**NOTE 9 Net credit losses and provisions for doubtful receivables**

	Group	
	2013	2012
<b>Provisions for doubtful receivables on the opening date</b>	-316,216	-365,031
<i>Effect on income of individually evaluated credits included in profit and loss (minus is increased provision):</i>		
Reversals of previous provisions	25,417	39,783
Provisions for the year	—	-9,486
<b>Total net credit losses</b>	<b>25,417</b>	<b>30,298</b>
Translation differences		-2,959
<b>Total items affecting income</b>	<b>25,417</b>	<b>27,339</b>
Previously reported as doubtful receivable, now eliminated as actual	—	21,476
Increased provision for interest on doubtful receivables	-11,817	—
Translation difference	14,209	—
<b>Provisions for doubtful receivables on the closing date</b>	<b>-288,407</b>	<b>-316,216</b>

**NOTE 10 Taxes**

	Group		Parent company	
	2013	2012	2013	2012
<i>Current tax expense</i>				
Tax expense for the year	-24,633	-23,065	—	—
Adjustment of tax attributable to previous years	-8,008	—	—	—
<b>Total current tax expense</b>	<b>-32,641</b>	<b>-23,065</b>	<b>—</b>	<b>—</b>
<i>Deferred tax expense (-) / tax income (+)</i>				
Deferred tax related to timing differences	17,089	-23,310	446	127
Tax effect of changed tax rate	-1,465	-70,766	—	—
Deferred tax income in the tax value of loss carryforwards capitalised during the year	38,021	—	—	—
<b>Total deferred tax expense/income</b>	<b>53,645</b>	<b>-94,076</b>	<b>446</b>	<b>127</b>
<b>Total recognised tax expense</b>	<b>21,004</b>	<b>-117,141</b>	<b>446</b>	<b>127</b>

cont. **NOTE 10 Taxes***Reconciliation of effective tax – Group*

	2013		2012	
	Tax rate, %	Amount	Tax rate, %	Amount
<b>Profit/loss before tax</b>		<b>173,161</b>		<b>–165,876</b>
Tax according to prevailing tax rate for the parent company	22.0	–38,095	26.3	43,625
<i>Tax effects in respect of:</i>				
Other tax rates for foreign companies	4.1	–7,120	1.1	1,766
Non-deductible expenses	12.4	–21,422	–36.0	–59,734
Non-taxable income	–8.4	14,571	21.7	36,043
Increase in loss carryforwards without corresponding capitalisation of deferred tax	5.6	–9,635	–25.5	–42,320
Utilisation of non-capitalised loss carryforwards	–30.2	52,270	–	–
Capitalisation of loss carryforwards in previous years	–22.0	38,021	–	–
Revaluation of deferred tax	0.3	–436	–	–
Tax attributable to previous years	4.6	–8,008	–	–
Adjustments of taxable profit	–1.9	3,282	–	–
Reversal of previously capitalised loss carryforwards/tax assets	–	–	–15.0	–24,916
Revaluation at new tax rate	0.8	–1,465	–42.7	–70,766
Other	0.6	–959	–0.5	–839
<b>Recognised effective tax<sup>1</sup></b>	<b>–12.1</b>	<b>21,004</b>	<b>–70.6</b>	<b>–117,141</b>

<sup>1</sup> The weighted average tax rate for the Group is 25.6 percent (26.1).

*Reconciliation of effective tax – Parent company*

	2013		2012	
	Tax rate, %	Amount	Tax rate, %	Amount
<b>Profit/loss before tax</b>		<b>–29,142</b>		<b>–33,603</b>
Tax according to prevailing tax rate for the parent company	22	6,411	26.3	8,838
<i>Tax effects in respect of:</i>				
Non-deductible expenses	–36.1	–10,516	–129.8	–43,606
Non-taxable income	34.0	9,900		
Anticipated dividends	0.0	0	125.2	42,080
Increase in loss carryforwards without corresponding capitalisation of deferred tax	–18.5	–5,387	–21.4	–7,185
Utilisation of non-capitalised loss carryforwards	–	–	–	–
Other	0.1	38	–	–
<b>Recognised effective tax</b>	<b>1.5</b>	<b>446</b>	<b>0.4</b>	<b>127</b>

**NOTE 11 Maturity information**

	<i>Group</i>	
	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
<i>Loans to credit institutions</i>		
Payable on demand	3,198,137	1,963,637
Remaining maturity period < 3 months	100,703	82,657
<b>Total lending to credit institutions</b>	<b>3,298,841</b>	<b>2,046,294</b>
<i>Loans to the general public</i>		
Payable on demand	2,252,281	2,209,210
Remaining maturity period < 3 months	481,766	491,767
Remaining maturity period > 3 months but < 1 year	115,979	111,177
Remaining maturity period > 1 year but < 2 years	224	–
Remaining maturity period > 5 years	–	3,343
<b>Total lending to the general public</b>	<b>2,850,250</b>	<b>2,815,496</b>
<i>Liabilities to credit institutions</i>		
Payable on demand	283,051	244,860
Remaining maturity period < 3 months	–	-313
<b>Total liabilities to credit institutions</b>	<b>283,051</b>	<b>244,548</b>
<i>Deposits and borrowing from the general public</i>		
Payable on demand	4,961,000	5,180,904
Remaining maturity period < 3 months	545,662	531,265
Remaining maturity period > 3 months but < 1 year	269	29,577
<b>Total deposits and borrowing from the general public</b>	<b>5,506,931</b>	<b>5,741,746</b>

**NOTE 12** Financial assets and liabilities – valuation methods,  
information on maturity periods and disclosures on offsetting

*Measurement method<sup>1</sup>*

Group, 31 Dec 2013	Held for trading			Other method	Total
	Market price (Level 1)	Observable market data (Level 2)	Non-observable market data (Level 3)		
Bonds and other interest-bearing securities	641,998	147,373	–	–	789,371
Shares and participations	415,865	22,930	–	–	438,795
Derivative instruments	41,943	4,877	–	–	46,820
<b>Total financial assets</b>	<b>1,099,806</b>	<b>175,180</b>	<b>–</b>	<b>–</b>	<b>1,274,987</b>
Securities issued <sup>2</sup>	–	–	–	935,000	935,000
Short positions, shares	43,312	–	–	–	43,312
Derivative instruments	26,329	340	–	–	26,669
<b>Total financial liabilities</b>	<b>69,642</b>	<b>340</b>	<b>–</b>	<b>935,000</b>	<b>1,004,981</b>

*Maturity information<sup>3</sup>*

Group, 31 Dec 2013	Upon demand	<= 3 months	3 months – 1 year	1–2 years	2–5 years	>5 years	Total	Latest due date if >2 years
Bonds and other interest-bearing securities	–	3,962	668,223	23,295	98,124	–	807,527	–
Shares and participations	396,263	1,526	12,571	764	16,504	11,166	438,795	–
Derivative instruments	–	12,095	34,725	–	–	–	46,820	–
<b>Total financial assets</b>	<b>396,263</b>	<b>17,584</b>	<b>715,518</b>	<b>24,060</b>	<b>114,628</b>	<b>11,167</b>	<b>1,293,142</b>	
Securities issued <sup>2</sup>	–	3,747	11,241	941,245	–	–	956,233	–
Short positions, shares	43,312	–	–	–	–	–	43,312	–
Derivative instruments	–	274	26,395	–	–	–	26,669	–
<b>Total financial liabilities</b>	<b>43,312</b>	<b>4,021</b>	<b>37,636</b>	<b>941,245</b>	<b>–</b>	<b>–</b>	<b>1,026,214</b>	

<sup>1</sup> For information on measurement methods, see *Note 5 Net profit/loss from financial transactions*, page 43.

<sup>2</sup> In May 2010, Carnegie issued a bond loan under the state guarantee scheme with a time to maturity of 60 months. Securities issued are measured at amortised cost.

<sup>3</sup> Effective 2013, maturity information is specified in a wider range of intervals than previously and includes, where applicable, interest payments. The comparison figures for 2012 have not been adjusted.

There were no significant shifts between Level 1 and Level 2 during the financial year.

*Offset financial assets and liabilities*

Group, 31 Dec 2013	Gross amount	Offset	Net amount in the balance sheet
<b>■ Assets</b>			
Trade and client receivables	2,519,176	–2,091,977	427,199
<b>■ Liabilities</b>			
Trade and client payables	2,412,419	–2,082,255	330,164

The table above shows financial assets and liabilities presented net in the balance sheet. Financial assets and liabilities are recognised net in the balance sheet when Carnegie has a legally enforceable right to net transactions and intends to settle the asset or liability net. On the closing date, these financial instruments comprised fund cash receivables and fund cash payables. The scope of financial assets and liabilities whose value is recognised gross but which are subject to enforceable master netting arrangements or similar agreements is marginal; disclosures have therefore not been provided.



cont. **NOTE 12** Financial assets and liabilities – valuation methods,  
information on maturity periods and disclosures on offsetting

Measurement method<sup>1</sup>

Group, 31 Dec 2012	Held for trading			Other method	Total	Latest due date if >2 years
	Market price (Level 1)	Observable market data (Level 2)	Non-observable market data (Level 3)			
Bonds and other interest-bearing securities	568,120	–	–	–	568,120	28 May 2015
Shares and participations	181,956	105,472	1,515	11,584	300,528	–
Derivative instruments	31,537	1,087	–	–	32,624	–
<b>Total financial assets</b>	<b>781,613</b>	<b>106,559</b>	<b>1,515</b>	<b>11,584</b>	<b>901,271</b>	
Securities issued <sup>2</sup>	–	–	–	935,000	935,000	2015
Short positions, shares	22,274	–	–	–	22,274	–
Derivative instruments	24,084	54,828	–	–	78,912	–
<b>Total financial liabilities</b>	<b>46,358</b>	<b>54,828</b>	<b>–</b>	<b>935,000</b>	<b>1,036,186</b>	

Maturity information

Group, 31 Dec 2012	<=1 year	1–2 years	>2 years	Not applicable	Total	Latest due date if >2 years
Bonds and other interest-bearing securities	409,906	14,080	144,134	–	568,120	28 May 2015
Shares and participations	13,696	226	11,970	274,636	300,528	–
Derivative instruments	32,624	–	–	–	32,624	–
<b>Total financial assets</b>	<b>456,226</b>	<b>14,306</b>	<b>156,105</b>	<b>274,636</b>	<b>901,271</b>	
Securities issued <sup>2</sup>	–	–	935,000	–	935,000	2015
Short positions, shares	–	–	–	22,274	22,274	–
Derivative instruments	78,912	–	–	–	78,912	–
<b>Total financial liabilities</b>	<b>78,912</b>	<b>–</b>	<b>935,000</b>	<b>22,274</b>	<b>1,036,186</b>	

<sup>1</sup> For information on measurement methods, see *Note 5 Net profit/loss from financial transactions*, page 43.

<sup>2</sup> In May 2010, Carnegie issued a bond loan under the state guarantee scheme with a time to maturity of 60 months. Securities issued are measured at amortised cost.

There were no significant shifts between Level 1 and Level 2 during the financial year.

**NOTE 13 Other information on financial assets**

	<i>Group</i>	
	31 Dec 2013	31 Dec 2012
<i>Bonds</i>		
Bonds, listed	641,998	568,016
Bonds, unlisted	147,373	104
<b>Total</b>	<b>789,371</b>	<b>568,120</b>
Swedish government	202	11,864
Other Swedish issuers	147,374	181,792
Foreign governments	25,958	26,049
Other foreign issuers	615,839	348,415
<b>Total</b>	<b>789,371</b>	<b>568,120</b>
<i>Equity</i>		
Shares, share warrants, listed	433,538	283,745
Shares, share warrants, unlisted	5,257	16,783
<b>Total</b>	<b>438,795</b>	<b>300,528</b>

**NOTE 14 Shares and participations in Group companies**

	<i>Parent company</i>	
	31 Dec 2013	31 Dec 2012
<b>Cost of shares and participations in Group companies, on the opening date</b>	<b>2,604,290</b>	<b>2,674,290</b>
Impairment losses during the year <sup>1</sup>	—	–70,000
<b>Cost of shares and participations in Group companies, on the closing date</b>	<b>2,604,290</b>	<b>2,604,290</b>

<sup>1</sup> The impairment loss for 2012 refers to Carnegie Fonder AB and corresponds to dividends received during the year.  
The impairment loss has no effect on the Group.

	Corporate Reg. No.	Registered office	No. of shares	Carrying amount 2013	Equity 2013 <sup>1</sup>
Carnegie Investment Bank AB (publ) <sup>2</sup>	516406-0138	Stockholm	400,000	1,780,084	2,233,285
<i>Subsidiaries of Carnegie Investment Bank AB:</i>					
Carnegie, Inc.	13-3392829	Delaware	100		
Carnegie AS <sup>2</sup>	936 310 974	Oslo	20,000		
Carnegie Ltd	2 941 368	London	1		
Familjeföretagens Pensionsredovisning i Värmland AB	556636-7776	Karlstad	1,000		
Carnegie Properties AB	556680-5288	Stockholm	1,000		
Carnegie AB	556946-9355	Stockholm	50		
Carnegie Fastigheter AB	556946-9371	Stockholm	50		
CB 2013 A/S in liquidation (formerly Carnegie Bank A/S)	794 734 17	Copenhagen	1		
Banque Carnegie Luxembourg S.A. <sup>2</sup>	1993-2201863	Luxembourg	349,999		
<i>Subsidiaries of Banque Carnegie Luxembourg S.A.</i>					
Carnegie Fund Services S.A.		Luxembourg			
Carnegie Fonder AB	556266-6049	Stockholm	30,000	824,206	48,933
<b>Total</b>				<b>2,604,290</b>	<b>2,282,218</b>

<sup>1</sup> Equity in subsidiaries is recognised less anticipated dividends to the parent company. All of the above shares are unlisted and owned 100 percent.

<sup>2</sup> Entities classified as credit institutions.

**NOT 15 Shares in associates**

	Corporate Reg. No.	Registered office	No. of shares	Share of equity /votes, %	Carrying amount in the parent company	Carrying amount in the Group
Optimized Portfolio Management Stockholm AB	556648-6832	Stockholm	1,000,000	50	6,819	5,756

In conjunction with Carnegie's acquisition of HQ Bank in 2010, Carnegie also gained a right to acquire HQ AB's shares in entities including Optimized Portfolio Management Stockholm AB (OPM). Carnegie elected to exercise this right.

Payment for the option was included in the original purchase price and no further consideration has been paid.

The ownership interest is, as shown above, 50 percent, but as controlling influence does not exist under the terms and conditions of the shareholder agreement, OPM was consolidated in the Carnegie Group as an associate under the equity method of accounting.

The difference of SEK –1,063 thousand between the carrying amounts in the Group and the parent company arises from the inclusion of participating interests in earnings of associates in the consolidated accounts.

The share of earnings in 2013 was recognised in the amount of SEK 2,671 thousand. The cumulative share of earnings in previous years amounts to SEK –3,734 thousand.

*Other financial disclosures*

	Assets	Liabilities excluding equity	Income	Operating profit/loss
Optimized Portfolio Management Stockholm AB	21,292	9,779	35,547	5,191

**NOTE 16 Intangible assets**

	Group	
	31 Dec 2013	31 Dec 2012
<i>Goodwill</i>		
<b>Cost on the opening date</b>	431,030	431,030
Acquisitions during the year	2,328	–
<b>Cost on the closing date</b>	433,358	431,030
<b>Impairment losses on the opening date</b>	–4,788	–
Impairment losses during the year	–4,419	–4,788
<b>Impairment losses on the closing date</b>	–9,207	–4,788
<b>Carrying amount<sup>1</sup></b>	424,152	426,242

<sup>1</sup> Impairment testing of recognised goodwill is performed annually regardless of whether there is any indication that the carrying amount requires impairment.

The carrying amount of goodwill is attributable to the following companies:

Carnegie Fonder AB	421,823	421,823
Familjeföretagens Pensionsredovisning i Värmland AB	–	4,419
Carnegie AS <sup>1</sup>	2,328	–

<sup>1</sup> Arose in connection with acquisition/merger of NRP Securities ASA.

*Impairment testing of Familjeföretagens Pensionsredovisning i Värmland AB*

Impairment testing in 2013 has resulted in an impairment loss of SEK 4,419 thousand.

The carrying amount after impairment is zero.

*Impairment testing of Carnegie Fonder AB*

Impairment testing was performed as required by IAS 36 to measure the recoverable amount.

Upon measurement, a P/E ratio calculation with multiples was used, including industry comparison.

The forecast period is eight years. The recoverable amount exceeds the carrying amount.

cont. **NOTE 16** Intangible assets

	Group	
	31 Dec 2013	31 Dec 2012
<i>Other intangible assets<sup>1</sup></i>		
<b>Cost on the opening date</b>	374,620	376,226
Translation differences	1,098	-1,280
Acquisitions during the year	1,036	1,309
Sale/scraping	-115	-228
Reclassifications	-	-1,407
<b>Cost on the closing date</b>	376,639	374,620
<b>Depreciation on the opening date</b>	-66,677	-31,311
Translation differences	-1,406	968
Sale/scraping	-605	-5,049
Amortisation for the year	-27,527	-31,285
<b>Depreciation on the closing date</b>	-96,215	-66,677
<b>Carrying amount</b>	280,424	307,943
<b>Total carrying amount of intangible assets</b>	704,576	734,185

<sup>1</sup> Other intangible assets consist of systems developed in-house, client relationships and distribution agreements.

**NOTE 17 Tangible fixed assets**

	<i>Group</i>	
	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
<i>Computer equipment and other equipment</i>		
<b>Cost on the opening date</b>	<b>253,288</b>	<b>258,238</b>
Translation differences	-5,162	-938
Acquisitions during the year	16,531	8,140
Sale/scraping	-8,564	-13,559
Reclassifications	-	1,407
<b>Cost on the closing date</b>	<b>256,093</b>	<b>253,288</b>
<b>Depreciation on the opening date</b>	<b>-209,062</b>	<b>-193,981</b>
Translation differences	4,701	166
Sale/scraping	4,895	9,940
Depreciation for the year	-16,494	-25,187
<b>Depreciation on the closing date</b>	<b>-215,960</b>	<b>-209,062</b>
<b>Carrying amount</b>	<b>40,133</b>	<b>44,226</b>
<i>Renovation of leased premises</i>		
<b>Cost on the opening date</b>	<b>97,471</b>	<b>98,300</b>
Translation differences	185	-1,363
Acquisitions during the year	1,085	1,805
Sale/scraping	-	-1,271
<b>Cost on the closing date</b>	<b>98,741</b>	<b>97,471</b>
<b>Depreciation on the opening date</b>	<b>-57,039</b>	<b>-51,217</b>
Translation differences	-297	1,317
Sale/scraping	-	1,201
Depreciation for the year	-7,335	-8,340
<b>Depreciation on the closing date</b>	<b>-64,671</b>	<b>-57,039</b>
<b>Carrying amount</b>	<b>34,070</b>	<b>40,432</b>
<b>Total carrying amount of tangible fixed assets</b>	<b>74,203</b>	<b>84,658</b>



**NOTE 18** Deferred tax assets/liabilities

	Group		Parent company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
<i>Deferred tax assets</i>				
Pensions	79,450	77,087	1,065	619
Capitalised loss carryforwards <sup>1</sup>	396,206	359,893	–	–
Other <sup>2</sup>	27,135	14,402	–	–
<b>Total deferred tax assets</b>	<b>502,790</b>	<b>451,382</b>	<b>1,065</b>	<b>619</b>
<i>Deferred tax liabilities</i>				
Intangible assets	–61,646	–67,352	–	–
Other	–10,559	–5,575	–	–
<b>Total deferred tax liabilities</b>	<b>–72,205</b>	<b>–72,927</b>	<b>–</b>	<b>–</b>

*Changes for the year – deferred tax assets*

	Group			
	Opening balance	Deferred tax in income statement (plus is increased asset)	Recognised directly against equity, exchange-rate differences, acquisitions and eliminations	Closing balance (plus is asset)
Pensions	77,087	2,363	–	79,450
Capitalised loss carryforwards <sup>1,2</sup>	359,893	37,666	– 1,353	396,206
Other	14,402	12,895	–162	27,135
<b>Total</b>	<b>451,382</b>	<b>52,924</b>	<b>–1,515</b>	<b>502,791</b>

*Changes for the year – deferred tax liabilities*

	Group			
	Opening balance	Deferred tax in income statement (minus is increased liability)	Recognised directly against equity, exchange-rate differences, acquisitions and eliminations	Closing balance (minus is liability)
Intangible assets	–67,352	5,706	–	–61,646
Other	–5,575	–4,985	–	–10,560
<b>Total</b>	<b>–72,927</b>	<b>721</b>	<b>–</b>	<b>–72,206</b>

*Changes for the year – deferred tax assets*

	Parent company			
	Opening balance	Deferred tax in income statement (plus is increased asset)	Recognised directly against equity, exchange-rate differences, acquisitions and eliminations	Closing balance (plus is asset)
Pensions	619	446	–	1,065
<b>Total</b>	<b>619</b>	<b>446</b>	<b>–</b>	<b>1,065</b>

<sup>1</sup> Capitalised loss carryforwards of the Group: The opening balance for capitalised loss carryforwards is attributable to Carnegie Investment Bank AB and Carnegie Bank A/S. The Norwegian branch office capitalised loss carryforwards of SEK 36 million during the year based on projected future taxable profits in Carnegie AS and its capacity to provide a Group contribution to the branch office. Consolidated loss carryforwards at 31 December totalled SEK 2,215,661 thousand (2,242,266), whereof SEK 49,561 thousand (27,590) is attributable to the parent company. Of the total amount SEK 256,643 thousand is blocked and cannot be used until the 2017 fiscal year.

<sup>2</sup> The basis for capitalised loss carryforwards is the budget for coming years, which shows that Carnegie will post positive earnings.

**NOTE 19 Other assets**

	<i>Group</i>	
	31 Dec 2013	31 Dec 2012
Trade and client receivables	427,199	540,099
Accounts receivable	138,525	84,888
Other	104,706	489,291
<b>Total other assets<sup>1</sup></b>	<b>670,430</b>	<b>1,114,278</b>

<sup>1</sup> The remaining maturity period is less than one year.

**NOTE 20 Prepaid expenses and accrued income**

	<i>Group</i>		<i>Parent company</i>	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Accrued interest	12,642	25,399	—	—
Rent	17,877	19,463	—	—
Fees	2,534	2,404	—	—
Personnel-related	9,737	6,419	—	—
Pensions	529	658	132	658
Accrued income	39,344	114,972	—	—
Other	152,513	88,455	—	—
<b>Total prepaid expenses and accrued income<sup>1</sup></b>	<b>235,176</b>	<b>257,770</b>	<b>132</b>	<b>658</b>

<sup>1</sup> The remaining maturity period is less than one year.

**NOTE 21 Other liabilities**

	<i>Group</i>	
	31 Dec 2013	31 Dec 2012
Trade and client payables	330,164	310,811
Accounts payable	120,732	44,362
Other	140,284	333,244
<b>Total other liabilities<sup>1</sup></b>	<b>591,180</b>	<b>688,416</b>

<sup>1</sup> The remaining maturity period is less than one year.

**NOTE 22 Accrued expenses and prepaid income**

	<i>Group</i>		<i>Parent company</i>	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Accrued interest	24,561	26,119	20,770	20,827
Fees	5,953	7,428	466	1,919
Personnel-related	278,159	221,207	—	—
Pensions	4,757	5,123	2,420	2,381
Other	258,668	266,784	—	—
<b>Total accrued expenses and prepaid income<sup>1</sup></b>	<b>572,099</b>	<b>526,662</b>	<b>23,655</b>	<b>25,127</b>

<sup>1</sup> The remaining maturity period is less than one year.

**NOTE 23 Other provisions**

	<i>Group</i>	
	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
<i>Restructuring provisions</i>		
<b>Opening balance</b>	<b>37,304</b>	<b>62,730</b>
Translation differences	555	–483
Utilised amounts	–32,674	–43,034
Reversal, unutilised amounts	–	–6,988
Reclassifications	–	–3,472
Provisions for the year	5,432	28,550
<b>Closing balance</b>	<b>10,617</b>	<b>37,304</b>
<i>Other provisions</i>		
<b>Opening balance</b>	<b>13,075</b>	<b>4,642</b>
Translation differences	–103	–68
Utilised amounts	–8,736	–5,870
Reversal, unutilised amounts	–62	–3,477
Provisions for the year	–	17,848
<b>Closing balance</b>	<b>4,174</b>	<b>13,075</b>
<b>Total other provisions</b>	<b>14,791</b>	<b>50,379</b>

Most of the provisions are expected to be utilised during 2014.

The provisions to the restructuring reserve made in 2011 and 2012 were increased during the year by SEK 5 million, as shown above. The increase is primarily related to IT systems

**NOTE 24 Classification of financial assets and liabilities***Group, 31 Dec 2013*

	Held for trading	Available-for-sale financial assets	Loan and accounts receivable	Other financial liabilities	Non-financial assets/liabilities	Total
Cash and bank deposits with central banks			992,991			992,991
Loans to credit institutions			3,298,841			3,298,841
Loans to the general public			2,849,490			2,849,490
Bonds and other interest-bearing securities	789,371					789,371
Shares and participations	433,538	5,257				438,795
Derivative instruments	46,820					46,820
Shares in associates					5,756	5,756
Intangible assets					704,576	704,576
Tangible fixed assets					74,203	74,203
Current tax assets					3,385	3,385
Deferred tax assets					502,790	502,790
Other assets			670,430			670,430
Prepaid expenses and accrued income			12,642		222,534	235,176
<b>Total assets</b>	<b>1,269,730</b>	<b>5,257</b>	<b>7,824,393</b>	<b>–</b>	<b>1,513,244</b>	<b>10,612,624</b>
Liabilities to credit institutions				283,051		283,051
Deposits and borrowing from the general public				5,506,931		5,506,931
Issued securities				935,000		935,000
Short positions, shares	43,312					43,312
Derivative instruments	26,669					26,669
Current tax liabilities					21,275	21,275
Deferred tax liabilities					72,205	72,205
Other liabilities				453,195	137,985	591,180
Accrued expenses and prepaid income				24,561	547,538	572,099
Other provisions					14,791	14,791
Subordinated liabilities				409,702		409,702
<b>Total liabilities</b>	<b>69,981</b>	<b>–</b>	<b>–</b>	<b>7,612,440</b>	<b>793,794</b>	<b>8,476,216</b>
Equity					2,136,408	2,136,408
<b>Total liabilities and equity</b>	<b>69,981</b>	<b>–</b>	<b>–</b>	<b>7,612,440</b>	<b>2,930,203</b>	<b>10,612,624</b>

cont. **NOTE 24** Classification of financial assets and liabilities

Group, 31 Dec 2012

	Held for trading	Available-for-sale financial assets	Loan and accounts receivable	Other financial liabilities	Non-financial assets/liabilities	Total
Cash and bank deposits with central banks			720,799			720,799
Negotiable government securities			1,599,298			1,599,298
Loans to credit institutions			2,046,294			2,046,294
Loans to the general public			2,815,496			2,815,496
Bonds and other interest-bearing securities	568,120					568,120
Shares and participations	283,745	16,783				300,528
Derivative instruments	32,624					32,624
Shares in associates					3,085	3,085
Intangible assets					734,185	734,185
Tangible fixed assets					84,658	84,658
Current tax assets					12,337	12,337
Deferred tax assets					451,382	451,382
Other assets			1,114,278			1,114,278
Prepaid expenses and accrued income			25,646		232,124	257,770
<b>Total assets</b>	<b>884,488</b>	<b>16,783</b>	<b>8,321,812</b>	<b>–</b>	<b>1,517,770</b>	<b>10,740,854</b>
Liabilities to credit institutions				244,548		244,548
Deposits and borrowing from the general public				5,741,746		5,741,746
Issued securities				935,000		935,000
Short positions, shares	22,274					22,274
Derivative instruments	78,912					78,912
Current tax liabilities					6,356	6,356
Deferred tax liabilities					72,927	72,927
Other liabilities				360,039	328,377	688,416
Accrued expenses and prepaid income				26,119	500,542	526,662
Other provisions					50,378	50,378
Subordinated liabilities				409,702		409,702
<b>Total liabilities</b>	<b>101,186</b>	<b>–</b>	<b>–</b>	<b>7,717,154</b>	<b>958,582</b>	<b>8,776,922</b>
Equity					1,963,932	1,963,932
<b>Total liabilities and equity</b>	<b>101,186</b>	<b>–</b>	<b>–</b>	<b>7,717,154</b>	<b>2,922,514</b>	<b>10,740,854</b>



**NOTE 25 Pledged assets and contingent liabilities**

	Group		Parent company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
<i>Assets pledged for own debt</i>				
■ <i>Assets pledged for:</i>				
Deposited securities <sup>1</sup>	247,252	150,762	—	—
whereof own securities	3,900	130,732	—	—
whereof cash	243,352	20,030	—	—
Derivative instruments <sup>2</sup>	55,008	23,444	—	—
whereof own securities	53,008	—	—	—
whereof cash	2,000	23,444	—	—
Other liabilities	—	426,210	—	—
whereof client securities	—	426,210	—	—
<b>Total pledged assets for own liabilities</b>	<b>302,260</b>	<b>600,416</b>	<b>—</b>	<b>—</b>
<i>Other pledged assets</i>				
■ <i>Assets pledged for:</i>				
Deposited securities on clients' account <sup>3</sup>	165,895	233,794	—	—
whereof client securities	—	110,432	—	—
whereof cash	165,895	123,362	—	—
Derivative instruments on clients' account <sup>4</sup>	114,008	122,155	—	—
whereof own securities	53,008	—	—	—
whereof cash	61,000	122,155	—	—
Trade in securities on clients' account and own account <sup>5</sup>	171,120	223,794	—	—
whereof own securities	—	9,560	—	—
whereof cash	171,120	214,234	—	—
<b>Total other pledged assets</b>	<b>451,023</b>	<b>579,743</b>	<b>—</b>	<b>—</b>
<i>Contingent liabilities and guarantees</i>				
Contingent liabilities	131,225	139,996	126,811	131,611
Guarantees	292,915	329,019	—	—

<sup>1</sup> The collateral requirement was SEK 190,016 thousand (137,661), while 57,236 thousand (13,101) was excess collateral.

<sup>2</sup> The collateral requirement was SEK 9,723 thousand (22,270), while 45,285 thousand (1,174) was excess collateral.

<sup>3</sup> The collateral requirement was SEK 146,016 thousand (233,312), while 19,879 thousand (482) was excess collateral.

<sup>4</sup> The collateral requirement was SEK 66,293 thousand (121,233), while 47,715 thousand (922) was excess collateral.

<sup>5</sup> The collateral requirement was SEK 139,597 thousand (203,051), while 31,523 thousand (20,743) was excess collateral.

**NOTE 26 Operational leasing**

	Group	
	31 Dec 2013	31 Dec 2012
<i>Contracted payments relating to land and buildings</i>		
Within one year	67,985	70,604
Later than one year but within five years	265,125	283,551
Later than five years	–	85,693
<i>Other contracted payments</i>		
Within one year	4,862	7,107
Later than one year but within five years	7,063	6,697
Later than five years	–	–

The amounts in the table primarily relate to rent for premises. Leasing contracts are indexed.  
The current value was not calculated.

**NOTE 27 Related-party transactions**

The following disclosures are presented from Carnegie Holding's perspective, that is, how Carnegie Holding's figures were affected by transactions with related parties. Lending has taken place on market terms. Information on remuneration to key persons in executive positions is presented in *Note 6 Personnel expenses*, pages 44–47.

	Group		Parent company	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
<i>Related-party transactions with the CEO and Board of Directors</i>				
Deposits/liability	1,265	1,685	–	–
Interest expenses	18	81	–	–
Lending/assets	–	–	–	–
Interest income	0	123	–	–
Pledged assets and guarantees	19,146	32,900	–	–
<i>Related-party transactions with Group companies</i>				
Deposits/liability			–	–
Interest expenses			–	3
Lending/assets			142,767	238,566
Interest income			670	1,102
Sales			10,200	27,851
<i>Related-party transactions with the owners</i>				
Deposits/liability	464,492	494,167	430,472	430,529
Interest expenses	20,948	21,950	20,769	20,979
Interest income	–	–	–	–
<i>Related-party transactions with others</i>				
Deposits/liability	5 559	50 013	–	–
Interest expenses	186	817	–	–

Other related parties are Carnegie Personal AB and Stiftelsen D. Carnegie & Co.

**NOTE 28 Significant events after 31 December 2013**

No significant events occurred after the closing date.

The annual report was approved for publication by the Board of Directors on 25 March 2014.

The annual general meeting is scheduled to be held 9 April 2014.

**NOTE 29 Risk and capital management***Credit risk*

Reported amounts refer to the Group. Standard & Poor's long-term credit rating is used to report the credit quality of assets not yet due for payment and whose value has not been impaired.

■ *Carnegie's total credit risk exposure per exposure class*

Group, 31 Dec 2013	AAA, AA–	A+, A–	BBB+, BBB–	No external rating available	Past due but not reserved	Provisions
Governments and central banks	1,046,041	–	–	–	–	–
Institutional exposures	1,432,845	2,141,184	155,646	15,360	–	–
Corporate exposures	13,137	72,626	46,199	2,169,577	–	113,154
Retail exposures	–	–	–	1,723,640	–	175,252
<b>Total</b>	<b>2,492,023</b>	<b>2,213,810</b>	<b>201,845</b>	<b>3,908,577</b>	<b>–</b>	<b>288,406</b>

■ *Pledged assets*

Carnegie's corporate and retail exposures are primarily collateralised with pledged liquid financial securities (referred to as margin lending). Only a small fraction of these exposures are unsecured (in blanco).

Exposures are usually secured by a diversified portfolio of financial collateral.

Exposure refers to the size of outstanding credit secured by the individual instrument. 'Other collateral' refers to funds, structured products, guarantees and pledged custodian accounts with underlying financial collateral.

*Client-pledged collateral in margin lending*

Financial collateral Group, 31 Dec 2013	Market value	Collateral value	Exposure
Equity	13,270,987	6,857,713	1,275,592
Cash	2,247,356	2,247,321	889,966
Bonds	1,710,422	926,450	396,270
Other collateral	2,649,271	1,915,594	1,176,120
<b>Total</b>	<b>20,632,102</b>	<b>11,947,078</b>	<b>3,737,949</b>

*Loss provisions*

Impairments are based on individual assessments for each counterparty (specific reserves). Carnegie has identified this method as the most appropriate because the portfolio contains few homogeneous groups.

Carnegie considers various parameters in assessing whether an asset is impaired. These parameters are described in Carnegie's governing documents. An impairment requirement may arise as a result of various events, such as increased risk due to changes in the client's financial statements and/or changes in the composition of pledged collateral.

Carnegie performs regular reviews of specific impairment requirements.

As of 31 December 2013, the value of collateral the bank is holding for loans where the value has been impaired was SEK 31 million. The collateral consists of equities.

All renegotiated loan receivables were given new terms in the form of renegotiated interest rates and amortisation plans. Financial assets past due for payment for which no provisions have been made are handled according to Carnegie's procedures for doubtful receivables and are assessed regularly in operations. Individual decisions are taken in every case and may include the realisation of collateral through the sale of pledged listed securities.

As of the closing date, there were no financial assets with renegotiated terms and conditions for which provisions had not been made.

The value of financial assets taken over was SEK 11 million (15) at the end of the period. All assets taken over are equity, and Carnegie's strategy is to gradually sell these assets. The entire value of the assets taken over refers to realised pledges.

cont. **NOTE 29 Risk and capital management**

*Market risk*

Reported amounts refer to the Group. Amounts for the preceding year are stated in brackets.

■ **Equity price risk**

Carnegie's own exposure to equity and equity-related instruments consists of both assets and liabilities among balance sheet items. At year-end, the total value of these assets and liabilities amounted to SEK 556 million (434). Of the total for the Group, SEK 482 million (323) related to shares and SEK 73 million (112) to derivative instruments. The net exposure at year-end was SEK 416 million (232).

Assets and liabilities are measured at fair value, which corresponds to the carrying amount. Equity positions consist of both long and short positions in shares and share-based derivative instruments, primarily listed in Sweden and other Nordic marketplaces. A simultaneous price change of -3 percent of all equity holdings in the Group's own book would have had an effect on earnings of SEK -0.2 million (-0.3) at year-end. A +3 percent price change at the same date would have had an effect of SEK 0.2 million (0.5) in the Group. The derivative positions consist of held or sold contracts for forward call options, put options and warrants.

■ **Volatility risk**

Exposure to volatility risk is measured in Vega, which describes the change in value of the position if the volatility in the position increases by one percentage point. At year-end, Carnegie had a volatility risk of Vega of less than SEK 0.1 million (0.1). The exposure in the Group represents the net of positions with negative or positive Vega exposure.

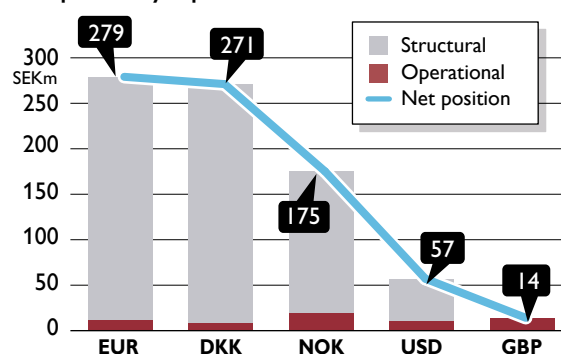
■ **Scenario analysis**

The risks in operations where risk-taking is an element of the business consist mainly of equity price risk and volatility risk. These risks are measured by simulating the effect on earnings of a combined change of share prices and volatility. Carnegie focuses on and has limits for the maximum potential loss for two specific scenarios; a medium scenario and a stress scenario. The medium scenario means that prices in the entire equity market change by  $\pm 3$  percent simultaneously with a change in market volatility of  $\pm 10$  percent. The greatest potential loss in such a scenario is called the Medium Max Loss and was at year-end SEK 0.3 million (0.4). The stress scenario means that prices in the entire equity market change by  $\pm 10$  percent and that market volatility changes by  $\pm 40$  percent. The greatest potential loss in such a scenario is called Stress Max Loss and amounted to SEK 1.7 million (1.9) at year-end.

■ **Currency risk**

Currency risk is divided into structural and operational currency risk. Structural currency risk arises in financing of foreign subsidiaries with equity or subordinated loans in another currency. Operational currency risk arises in ongoing business operations. Carnegie has limited operational currency exposure that includes only liquid currencies. Carnegie's own portfolios had no currency exposure on 31 December 2013.

Group currency exposure on 31 December 2013:



■ **Interest risk in the trading book**

Carnegie's own trading book is affected by interest-rate changes through holdings of bonds and derivative instruments. At year-end, the effect on earnings of the trading book in connection with an interest rate increase of 1 percentage point was SEK 1.2 million (2.3). The interest risk in the trading book is limited and is calculated and reported daily to risk management and senior management.

■ **Interest risk in other operations**

Carnegie regularly performs sensitivity analyses that calculate the effects on the balance sheet of interest rate changes. In the analysis, an interest-rate shock is simulated that corresponds to a sudden and sustained parallel shift of 100 basis points applied on the yield curves to which the positions are linked. At year-end, the loss risk from such downward shift of basis points was SEK 3.1 million (6.0).

cont. **NOTE 29 Risk and capital management**

*Liquidity risk*

The table below provides a maturity analysis of the contracted maturity of financial liabilities. Corresponding information for financial assets is presented in *Note 12 Financial assets and liabilities*, page 52. Carnegie calculates and stress tests the liquidity reserve daily to ensure that liquidity targets are met and that liquid assets are available to meet contractual and modelled cash flows.

■ **Contracted maturities of financial liabilities, 31 Dec 2013**

Group, 31 Dec 2013	Payable on demand	Up to 3 months	3–12 months	1–2 years	2–5 years	More than 5 years	Total
Liabilities to credit institutions	283,051	–	–	–	–	–	283,051
Deposits and borrowing from the general public	4,875,342	545,662	269	–	–	–	5,421,273
Issued securities	–	3,747	11,241	941,245	–	–	956,233
Short positions	121,312	–	–	–	–	–	121,312
Other liabilities	–	591,180	–	–	–	–	591,180
Accrued expenses and prepaid income	–	24,561	–	–	–	–	24,561
<b>Total</b>	<b>5,279,705</b>	<b>1,165,150</b>	<b>11,510</b>	<b>941,245</b>	<b>–</b>	<b>–</b>	<b>7,397,610</b>

■ **Derivatives**

Liabilities at market value	–	274	26,395	–	–	–	26,669
Assets at market value	–	12,095	34,725	–	–	–	46,820

*Capital adequacy analysis*

The capital adequacy analysis applies to Carnegie Holding AB and subsidiaries (the Group). For a specification of subsidiaries, see *Note 14 Shares and participating interests in Group companies*, page 54.

Carnegie analyses future capital requirements through the Internal Capital Adequacy Assessment Process (ICAAP), which means that future capital requirements can be guaranteed. For more information about the ICAAP, see page 23.

	Group	
	31 Dec 2013	31 Dec 2012
■ <b>Capital adequacy</b>		
Capital base	1,378,376	1,233,404
Capital requirement	–522,759	–503,366
Surplus capital	855,618	730,038
Capital adequacy ratio	2.63	2.45
Tier 1 capital ratio	1.85	1.64
■ <b>Capital base</b>		
Share capital	238,811	238,811
Other capital contributions/statutory reserve	1,101,486	1,101,486
Provisions	–140,543	–162,884
Retained earnings	936,654	786,519
Anticipated dividends	–22,015	–22,015
■ <b>Deductions</b>		
Goodwill and intangible assets	–704,576	–666,833
Deferred tax assets	–441,144	–451,382
Total Tier 1 capital	968,674	823,703
■ <b>Tier 2 capital</b>		
Perpetual convertible debentures	409,702	409,702
<b>Total capital base</b>	<b>1,378,376</b>	<b>1,233,404</b>

cont. **NOTE 29 Risk and capital management**

*Capital requirements for credit risk*

Carnegie applies the standard method for calculating credit risk.

	<i>Group</i>	
	31 Dec 2013	31 Dec 2012
■ <i>Capital requirements from exposures to:</i>		
Governments and central banks	—	—
Municipalities and comparable public bodies and authorities	—	—
Institutional exposures	58,966	39,788
Corporate exposures	23,136	41,481
Retail exposures	14,007	12,985
Exposures secured by real estate property	—	—
High-risk items	—	—
Exposures to funds	13,397	6,547
Other items	34,999	31,129
<b>Total capital requirement for credit risk</b>	<b>144,506</b>	<b>131,930</b>

*Capital requirement for market risk*

■ *Capital requirement for risks in the trading book*

<i>Settlement risk</i>	498	1,380
<b>Total capital requirement for settlement risk</b>	<b>498</b>	<b>1,380</b>
<i>Equity price risk</i>		
Specific risk	46,763	16,784
General risk	30,728	2,894
<b>Total capital requirement for equity price risk</b>	<b>77,490</b>	<b>19,678</b>
<i>Interest rate risk</i>		
Specific risk	6,598	19,072
General risk	3,471	5,093
<b>Total capital requirement for interest risk</b>	<b>10,069</b>	<b>24,165</b>
<i>Currency risk</i>	73,824	63,652
<b>Total capital requirements for currency risk</b>	<b>73,824</b>	<b>63,652</b>

*Capital requirement for operational risk*

Carnegie applies the basic indicator approach for calculating the capital requirement for operational risk. The capital requirement is calculated as 15 percent of the income indicator, which represents the average operating revenue of the three most recent financial years.

Income indicator	1,442,482	1,750,405
<b>Capital requirement for operational risk</b>	<b>216,372</b>	<b>262,561</b>



**NOTE 30** Information on statements of cash flows

	Group		Parent company	
	2013	2012	2013	2012
Interest paid	118,409	159,037	62,414	62,595
Interest received	124,144	141,276	762	1,210
<i>Adjustments for items not affecting cash flow</i>				
Anticipated dividends and Group contributions from subsidiaries	–	–	–45,000	–90,000
Expense related to additional purchase consideration, as yet unpaid	49,635	95,315	49,635	95,315
Income from Valot Group, not yet received	–45,000	–90,000	–	–
Depreciation, amortisation and impairment of assets	58,197	98,563	–	70,000
Credit provisions	–	9,486	–	–
Change in provisions for balance sheet items	–35,534	–16,581	–9,949	12,922
Participating interests in earnings of associates	–2,671	459	–	–
Unrealised changes in value of financial instruments	–16,412	–13,676	–	–
Other profit and loss items that do not affect liquidity	8,592	21,000	–	–
<b>Total adjustments for items not included in cash flow</b>	<b>16,807</b>	<b>104,566</b>	<b>–5,314</b>	<b>88,237</b>
<i>Cash and cash equivalents</i>				
Cash and bank deposits with central banks	992,991	720,799	–	–
Negotiable government securities	–	1,599,298	–	–
Loans to credit institutions	3,185,387	1,925,498	150,779	167,259
Loans to credit institutions, not payable on demand	–100,703	–82,657	–	–
Less: pledged cash and cash equivalents	–508,100	–365,900	–	–
<b>Cash and cash equivalents, closing balance</b>	<b>3,569,575</b>	<b>3,797,038</b>	<b>150,779</b>	<b>167,259</b>

**NOTE 31 Subordinated liabilities**

The parent company issued 204,486 convertibles in 2010, which were purchased by Investment AB Öresund.

The nominal and settled amount per convertible was SEK 2,003.57.

Total nominal amount: SEK 409,702,015.

Accrued interest calculated at 5 percent amounts to SEK 20,770 thousand (20,827) for this year and is included in the balance sheet item 'Accrued expenses and prepaid income'.

**NOTE 32 Profit/loss from participations in subsidiaries**

	<i>Parent company</i>	
	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
Anticipated dividends from subsidiaries	45,000	90,000
Cost of supplementary purchase consideration related to the acquisition of Carnegie Investment Bank AB <sup>1</sup>	-49,635	-95,315
<b>Total result from investments in subsidiaries</b>	<b>-4,635</b>	<b>-5,315</b>

<sup>1</sup> The cost refers to additional purchase consideration paid to the Swedish National Debt Office. The subsidiary Carnegie Investment Bank AB has income of SEK 45 million (90) from the Valot Group attributable to its sale of Norrvidden. Accordingly, the effect in the Carnegie Holding Group is a loss of SEK 4,635 thousand (-5,315).

# DEFINITIONS AND GLOSSARY

## **Average number of employees**

The total number of paid working hours for all employees divided by the normal number of working hours per employee for the entire period.

## **Capital requirement**

A measure of how much capital an institution must have taking into consideration the risks involved in the business. Capital requirements are calculated for credit risk, market risk and operational risk.

## **Capital adequacy**

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

## **Capital adequacy ratio**

Total regulatory capital base divided by the total capital requirement for credit risk, market risk and operational risk.

## **Cost/income (C/I) ratio**

Total costs (including allocations to the profit sharing system) as a percentage of total income (including income from associates and other significant holdings).

## **Discretionary asset management**

Asset management on behalf of an individual client according to specific guidelines and investment strategies.

## **Earnings per share**

Profit for the period divided by the average number of shares.

## **Liquidity reserve**

Reserve of high-quality liquid assets intended to secure the bank's payment capacity.

## **Loans to the general public**

Lending to the public, primarily to private clients, against collateral in the form of shares.

## **Profit margin**

Profit for the period as a percentage of total income (including income from associated companies and other significant holdings).

## **Number of employees at year-end (FTE)**

The number of annual employees (full-time equivalents) on the closing date.

## **Profit per share**

Profit or loss for the period divided by the average number of shares.

## **Regulatory capital base**

Tier 1 capital plus Tier 2 capital.

## **Return on equity**

Profit for the most recent 12-month period as a percentage of average equity.

## **Risk-weighted assets**

A measure of the total risk exposure at any given time.

## **Specific provisions**

Loan receivables which have undergone individual impairment testing and where there are objective circumstances that have led to impairment of the asset.

## **Tier 1 capital**

Equity plus the equity portion of untaxed reserves minus goodwill, any proposed dividends, deferred tax assets, intangible assets and any treasury shares.

## **Tier 1 capital ratio**

Tier 1 capital as a percentage of risk-weighted assets.

## **Tier 2 capital**

Subordinated debt obligations, debentures and other capital infusions permitted to be included in Tier 2 capital.

# CERTIFICATION

The Board of Directors and the CEO hereby certify that the annual report was prepared in accordance with the Swedish *Annual Accounts Act* (ÅRL), recommendation RFR 2 *Reporting of Legal Entities*; and that it provides a fair presentation of the parent company's financial position and earnings and that the Board of Directors' Report provides a fair presentation of the company's operations, financial position and earnings; and that it describes significant risks and uncertainties facing the company.

The Board of Directors and the CEO hereby certify that the consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, the Swedish *Annual Accounts Act for Credit Institutions and Securities Companies* (ÅRKIL), FFFS 2008:25 and RFR 1, *Supplementary Accounting Principles for Corporate Groups*; that the consolidated financial statements provide a fair presentation of the Group's financial position and earnings; and that the Board of Directors' Report provides a fair presentation the Group's operations, financial position and earnings and describes significant risks and uncertainties facing the companies included in the Group.

Stockholm, 25 March 2014

*The consolidated financial statements will be presented to the annual general meeting on 9 April 2014 for resolution.*

**Bo Magnusson**  
Chairman

**Mårten Andersson**

**Fredrik Grevelius**

**Fredrik Strömholm**

**Harald Mix**

**Thomas Eriksson**  
President and CEO

Our audit report was submitted on 25 March 2014  
**PricewaterhouseCoopers AB**

**Michael Bengtsson**  
Authorised Public Accountant

# AUDITOR'S REPORT

To the annual meeting of the shareholders of Carnegie Holding AB, corporate identity number 556780-4983.

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Carnegie Holding AB for the year 2013.

### Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act for credit institutions and securities companies, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal

control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2013 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Carnegie Holding AB for the year 2013.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

### Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence

in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, Banking and Financing Business Act, Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.



Stockholm 25 March 2014  
**PricewaterhouseCoopers AB**

**Michael Bengtsson**  
Authorised Public Accountant

# BOARD OF DIRECTORS







### **Harald Mix**

*Director. Born 1960.*

Harald is a founding partner of Altor Equity Partners. Harald is the Chairman of CAM Group Holding A/S and a Director of the Lindorff Group, N Holding and Carnegie Asset Management Holding Danmark A/S.

### **Mårten Andersson**

*Director. Born 1971.*

Mårten is the CEO of Besikta Bilprovning, Chairman of the Board of me&I, and a Director of Volati and Corroventa. His previous positions include Head of European wealth management operations for Old Mutual, CEO of Skandia and Chairman of Skandiabanken.

### **Fredrik Strömholm**

*Director. Born 1965.*

Fredrik is a founding partner of Altor Equity Partners. He is also a Director of Apotek Hjärtat, Ferrosan Medical Devices, Q-Matic, Åkers and Ortica 3D. His previous positions include Managing Director of Goldman Sachs and Director of Nordic Capital.

### **Fredrik Grevelius**

*Director. Born 1968.*

Fredrik is the CEO of Investment AB Öresund and a Director of Acne Studios Holding, Bilia and Öresund, among others. He has also run his own investment business and was formerly an asset manager with Öhman Kapitalförvaltning and a financial analyst for a number of financial services companies including Carnegie.

### **Bo Magnusson**

*Chairman. Born 1962.*

Bo also serves as Chairman of the boards of SBAB Bank, 4T and Fastighetsaktiebolaget Norrporten. He was formerly deputy CEO and president of SEB.

# GROUP MANAGEMENT





### **Björn Jansson**

*Head of Investment Banking & Securities.  
Born 1963.*

Head of Investment Banking & Securities since February 2012. Björn was co-head of the Securities business area from October 2009 until his present appointment. He was with SEB Enskilda Securities for eleven years, where his positions included global Head of research and co-head.

### **Pia Marions**

*CFO. Born 1963.*

Chief Financial Officer (CFO) since October 2010. Pia comes from the Royal Bank of Scotland, where she was Chief Operating Officer for the Nordic region. Prior to this, she was CFO at Skandia Liv. Pia formerly held positions with Länsförsäkringar Liv and the Swedish Financial Supervisory Authority.

### **Thomas Eriksson**

*President and CEO. Born 1963.*

President and CEO since August 2012. Prior to joining Carnegie, Thomas was the CEO of Swedbank Robur AB. Previously, he was Head of SEB Private Banking and COO for SEB Asset Management. Thomas has also held several positions in the Nordea group's Asset Management and Life Division.

### **Anders Antas**

*COO. Born 1975.*

Chief Operating Officer (COO) since May 2013. Anders began as a broker in the Carnegie office in Helsinki in 2004 and has since held a number of positions at the company, most recently Chief Operating Officer for Investment Banking & Securities. Prior to joining Carnegie, Anders was an analyst with SEB Enskilda Securities.

### **Helena Nelson**

*Chief Legal Counsel. Born 1965.*

Chief Legal Counsel since April 2013. Helena has previously worked for Swedbank as Group Compliance Officer and Head of Operational Risk. Helena formerly held positions as Chief Legal Counsel and Corporate Counsel at Skandia.

### **Fredrik Leetmaa**

*CRO. Born 1971.*

Chief Risk Officer (CRO) since December 2010. Fredrik has been with Carnegie since August 2009 and held the position of Group Credit Manager until December 2010. Prior to this he was Credit Manager at SEB Luxembourg.



# HELPING CHILDREN AROUND THE WORLD

Carnegie and our employees have been helping disadvantaged children and youth create a brighter future since 2002.

The Carnegie Social Initiative is a voluntary association that supports projects aimed at helping disadvantaged children create a better future. The projects are run by dedicated and results-oriented social entrepreneurs, often with an educational focus. Carnegie pays all administrative expenses for the Carnegie Social Initiative so that 100 percent of donated funds, mainly given by Carnegie employees, go directly to the projects.

As a good corporate citizen, Carnegie values strong social engagement. The Carnegie Social Initiative contributes to cohesiveness and unites our employees in a common cause. Regular feedback makes it easy to follow developments in the projects.

At present, the Carnegie Social Initiative is supporting projects in Uganda and India. During 2013, 4,000 children and youth participated in projects supported by the association.



## INDIA: Teaching children in the slums of Mumbai

The Door Step School gives children in the slums educational opportunity. Carnegie contributes particularly to preschool education and computer skills training. Supported by the people of Carnegie, the Door Step School is teaching more than 1,000 children every year.

Read more: [doorstepschool.org](http://doorstepschool.org)



## UGANDA: Better living conditions for girls

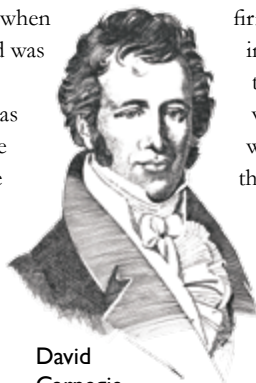
Poverty is widespread in Uganda, where most people are subsistence farmers. Carnegie is supporting the Uganda Rural Development Training Programme, which gives girls and young women in western Uganda the tools and opportunity to improve their lives and drive local development.

Read more: [urdt.net](http://urdt.net)

## CARNEGIE'S PIONEERING SPIRIT

Founded by David Carnegie as a trading house in 1803, Carnegie is one of the oldest Nordic brands. The concentration to financial services began when Bankirfirman Langenskiöld was founded in 1932.

The modern Carnegie was established when brokerage operations expanded in the late 1960s. The research business grew and Carnegie evolved in the 1980s into a broader investment bank focused



David Carnegie.

on selling Nordic equities to local and global institutions, followed by robust growth in the 1990s. Powered by Nordic business expertise, the firm expanded advisory services in M&A, IPO and ECM. Over time, Carnegie built up a network of high net worth clients within private brokerage and laid the foundation for private banking, a separate business area by 2004. With the acquisition of HQ Bank and HQ Fonder in 2010, Carnegie took a leading role in private

banking and actively managed funds in Sweden.

There is a proud entrepreneurial heritage at Carnegie, which has been a pioneer in many areas: Carnegie revolutionised stock brokerage in Sweden, was early to recognise the potential in selling Nordic equities to foreign institutions and was the first Nordic bank to have offices in London and New York.

Carnegie's success is the product of its driven people, strong track record, superb service, deep understanding of the Nordic markets and strong global distribution.

# “MY HOBBY IS MY JOB”

He loves equities and loves his job – and was recently named Star Manager of the Year. Meet *Simon Blecher*, manager of *Carnegie Sverigefond*.

**M**orningstar and the Swedish business newspaper Dagens Industri singled out Simon Blecher as Star Manager of the Year in the Swedish Funds category for outstanding performance in recent years. In 2013, Carnegie Sverigefond rose 30.4%, compared with 24.2% on average for Swedish funds.

‘It’s a bit unusual for us to beat the market in a year as strong as 2013. With our prudent style, we are not always along for the ride when the market shoots up,’ says Simon.

## What equities do you prefer?

‘I invest in value companies, always, and 2013 was no exception. As usual, we looked for low P/E ratios, high dividends, stability, strong balance sheets and equity discounts. The more of those five boxes I can tick, the more I like the share.’

## Which equity tops your list?

‘If I had to pick one stock to hold in 2014 and five years ahead, it would be Skanska. It has it all: stability, a big operation that just keeps rolling along, hidden assets in various properties and projects, an outstanding balance sheet and high dividend yield.’

## What equities do you avoid?

‘I hate to lose money, so I avoid anything that feels too risky. Index fixation can lead you down the garden path, though some think you’re taking a risk by not buying a particular share included in an index. We know Carnegie Sverigefond has a lower standard deviation than many, but to me, risk is not a number.’



Simon Blecher.

## What is your best savings tip?

‘Think long-term. Keep your savings horizon at no less than five years. I have all my savings in my own funds, Carnegie Sverige Select and Carnegie Sverigefond, and I save monthly.’

## How do you feel about the award?

‘I am delighted and proud, especially because we were recognised for long-term performance. We invest for the long term and want to be judged accordingly. The award is proof that our consistent investment philosophy has paid off.’

## What is the most important ingredient in your recipe for success?

‘I am lucky enough to be able to make a living at my hobby. And I’m having a great time.’

Identifying client needs and proactively recommending solutions is a success factor for Carnegie.

# SEK 3.5 BILLION FOR SAS

**I**t became clear in autumn 2013 that Scandinavian Airlines needed to strengthen its equity capital. The company also needed funds for extensive investments in airliners.

Carnegie contacted SAS and proposed an issue of preference shares. The proposed transaction would bring in capital for investments while strengthening the equity ratio, improving financial capacity and reducing the company’s dependence on banks.

SAS decided in December 2013 to investigate the prerequisites for a preferred share issue and commissioned Carnegie, along with two other banks, to lay the groundwork for a capital acquisition.

In February 2014, SAS announced the invitation to subscribe for preferred shares totalling SEK 2 billion. In response to unusually keen interest among Swedish and foreign investors as well as the public in Sweden, Denmark and Norway, the offer was expanded to the maximum size of SEK 3.5 billion.

‘The opportunity to invest in preferred shares was a good fit for most Carnegie clients and Securities, Private Banking and Fixed Income Sales all actively contacted clients to inform them about the offer. SAS were very pleased with the solution to their needs and the execution of the transaction,’ explains Peter Bergmann-Stumpp, Head of Debt Capital Markets at Carnegie.



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