

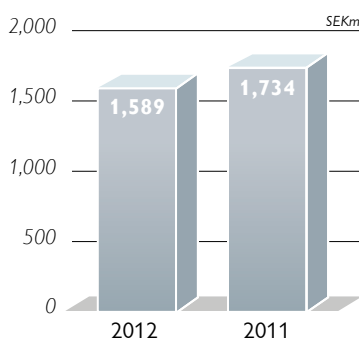
2012 IN SUMMARY

- ◆ Thomas Eriksson appointed new President and CEO of Carnegie.
- ◆ Strong inflow into Carnegie Fonder: up SEK 4.1 billion in 2012.
- ◆ Successful restructuring: annualised costs reduced by SEK 250 million.
- ◆ Carnegie named Private Bank of the Year by Swedish business magazine *Privata Affärer*.
- ◆ Carnegie executed the highest number of equity capital market (ECM) transactions in the Nordic region in 2012.
- ◆ Carnegie Head of Research Peter Lagerlöf named Analyst of the Year for the third consecutive year.

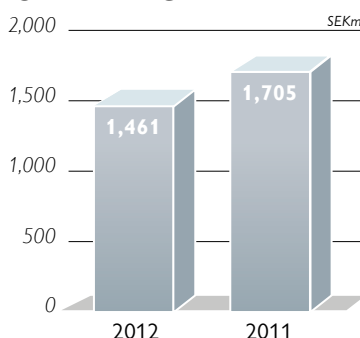
FINANCIAL KEY DATA¹

- ◆ Operating income was SEK 1,589 million (1,734).
- ◆ Operating expenses before variable remuneration² were SEK 1,461 million (1,705).
- ◆ Operating profit before variable remuneration² was SEK 127 million (29).
- ◆ Items affecting comparability, primarily related to restructuring expenses, reduced earnings by SEK 141 million (negative: 237).
- ◆ Operating loss before credit provisions was SEK 196 million (loss: 268).
- ◆ Net loss for the year was SEK 283 million (loss: 254).
- ◆ The Carnegie Group has a strong financial position.
 - Equity: SEK 2.0 billion³ (2.2).
 - Core Tier 1 ratio: 13.1% (12.5), capital adequacy: 19.6%³ (18.2).
- ◆ Assets under management: SEK 104 billion³ (93).

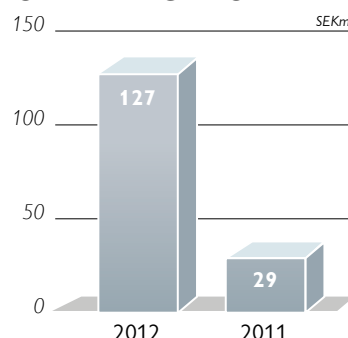
INCOME



OPERATING EXPENSES²



OPERATING PROFIT²



¹ Based on the operative income statement; see page 9. The legal income statements are presented on pages 13 and 23.

² Excluding variable remuneration, financing costs and consolidated amortisation of intangible assets.

³ As of 31 December 2012.

AWARDS IN 2012

CARNEGIE NAMED PRIVATE BANK OF THE YEAR

Carnegie received top ranking in a comparison of leading private banking firms carried out by Swedish business magazine *Privata Affärer*. Praised as 'thoroughly professional,' Carnegie Private Banking received the highest overall ranking of the eight firms included in the survey.



BRILLIANT MORNINGSTAR RATINGS

The Carnegie Corporate Bond fund was given the highest five-star rating by independent fund rating institute Morningstar in 2012. Carnegie Corporate Bond has now joined three other Carnegie funds on the five-star list: Carnegie Sverigefond, Carnegie Sverige Select and Carnegie Likviditetsfond.



STAR MANAGER OF THE YEAR

Swedish business newspaper *Dagens Industri* and Morningstar have named Stefan Ericson of Carnegie Fonder 'Star Manager of the Year' in the Corporate Bonds category. Funds managed by Ericson include Carnegie Corporate Bond.

CARNEGIE ANALYSTS THE BEST IN SWEDEN

Carnegie was awarded more top rankings in Financial Hearings' annual survey of research sectors than any other brokerage house in Sweden. The survey was based on interviews with the largest institutional investors in Sweden and Carnegie analysts achieved top rankings in 9 out of a total of 19 categories.



ANALYST OF THE YEAR

In partnership with Financial Hearings, Swedish business magazine *Affärsvärlden* has named the best analysts of the year. For the third consecutive year, Carnegie Head of Research Peter Lagerlöf was named Analyst of the Year in Sweden.



CARNEGIE NAMED STRUCTURED PRODUCTS ARRANGER OF THE YEAR FOR 2012

Carnegie was named Structured Products Arranger of the Year by insurance brokerage Söderberg & Partners in the firm's *Traffic Light Report*. The rationale for the award was that Carnegie had released products in several markets during the year and was highly successful at offering products with a variety of risk profiles. In addition, green ratings that indicate a recommendation by Söderberg & Partners were assigned to a large share of Carnegie's products.

A FINANCIAL BANK OF KNOWLEDGE

Carnegie is a leading provider of financial advisory services and asset management with focus on the Nordic region. We are independent in order to guarantee optimal research and advice. We generate added value for institutions, corporations and private individuals. Carnegie operates in seven countries and has approximately 700 employees.

SECURITIES

Carnegie Securities targets institutional clients and offers services within research, equity sales, sales trading and equity capital market transactions. Carnegie's top-ranked research and equity sales cover about 300 Nordic companies and enjoy a globally leading position in Nordic equities.

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

INVESTMENT BANKING

Carnegie Investment Banking offers professional advisory services in mergers and acquisitions (M&A) and equity capital market (ECM) transactions. 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.

PRIVATE BANKING

Carnegie Private Banking provides comprehensive financial advisory services to institutions, high net worth individuals, small businesses and foundations. The business area is staffed with experts in several fields including asset allocation, management, law, tax management, pensions and equity sales.

Markets: Denmark, Luxembourg and Sweden.

STRUCTURED FINANCE

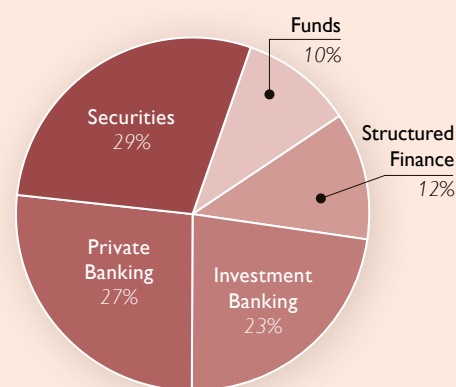
Carnegie is a leading arranger of structured instruments in Sweden for institutions and private individuals. In the Fixed Income unit, Carnegie offers trading and research in interest-bearing bonds and assists corporations in raising capital via corporate bonds.

Market: Sweden.

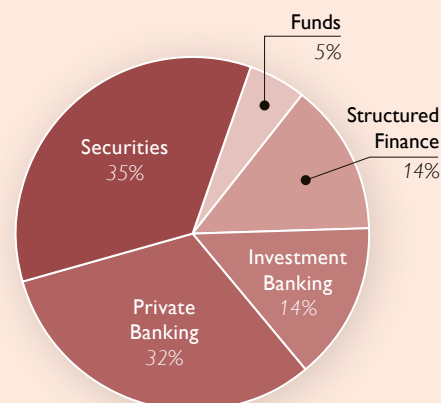
FUNDS

Carnegie Fonder specialises in Swedish equities, Nordic commercial paper and equities in selected emerging markets for institutions and investors in fund units. The funds are invested in a limited number of attractively rated assets according to an investment philosophy Carnegie calls active value management. Approximately 80% of Carnegie Fonder's managed assets are four-star or five-star rated by Morningstar.

Market: Sweden.



Operating income, 2012
Total: **SEK 1,589 million**

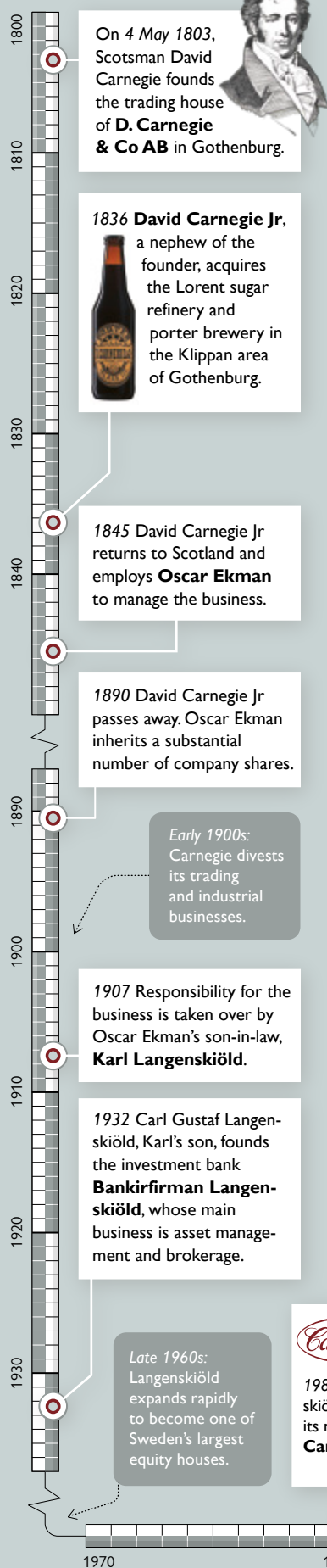


Employees, 2012
Total: **688 employees¹**

¹ The Group had 688 employees on 31 December 2012, corresponding to 653 full-time equivalents.

ONE OF THE OLDEST NORDIC BRANDS

Carnegie's evolution into a leading provider of financial advisory services.



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RENEWED FOCUS ON GROWTH

After two years of restructuring, Carnegie is moving into a more growth-oriented phase.

Carnegie has traditionally been associated with the investment banking business, but our current value proposition is broader. In the process of change over the past few years, we have increased the share of savings-related products and services. As a manifestation of our focus on financial advisory services and management, we call the new Carnegie a 'financial bank of knowledge.'

I had the privilege of taking over as the president and CEO of Carnegie in August 2012 and am delighted at the prospect of developing the company into a more full-spectrum financial institution. My history is primarily within asset management and private banking; I hope this will facilitate our long-term expansion in the savings area.

2012 was an adjustment year in which the paramount task was to reduce costs and adapt the business to market conditions. During the year, we successfully lowered our costs by SEK 250 million on an annualised basis. With this accomplishment, Carnegie has reduced the cost base by more than SEK 400 million since 2010. The ambition is to achieve costs before variable remuneration well below SEK 1,300 million by year-end 2013.

The Carnegie Group is reporting profit before variable remuneration of SEK 127 million for 2012. Including variable remuneration, financing costs and other corporate expenses, the company is reporting a loss of SEK 55 million.

The Funds business area noted a very positive trend. Assets under management rose by SEK 7 billion, including net inflow of about SEK 4 billion. Volumes in Private Banking were stable but income declined year-on-year due to low client activity and low net interest income. Carnegie substantially increased its market shares in the structured products segment. Investment Banking reported strong earnings, primarily due to the successful new initiative in Denmark. The negative impact on Securities of low commission volumes on the Nordic exchanges continued in 2012.

We received ample proof of our strong market position during the year: Carnegie was named Private Bank of the Year in Sweden for 2012; we executed the highest number of equity capital market transactions in the Nordic region; our head of research was named Analyst of the Year and even more of

our funds were given the highest five-star rating by the independent rating institute Morningstar, to mention but a few examples.

Our strong market position, lower costs and market recovery indicate that we are moving in to a more growth-oriented phase.

Conditions for the positive development of Carnegie over the next few years are good. Our cost structure is more competitive than previously and we will continue to streamline operations

on an ongoing basis. We have also observed a favourable market trend towards lower risk aversion and higher interest in equities, which benefits Carnegie. The objectives for 2013 are to continue gaining market shares in the funds market, improve profit performance in private banking by further developing the offering and attracting more capital, capitalise on the higher risk appetite in M&A and ECM and take a larger share of commission trading in the Nordic region.

Our strong market position, lower costs and market recovery indicate that we are moving into a more growth-oriented phase. Moving forward, we will strengthen our offerings in all business areas and maintain our commitment to delivering the highest possible value to our clients.

Carnegie stands for knowledge. We will do our utmost to leverage our collective knowledge to guide our clients towards profitable business.


Thomas Eriksson
President and CEO



“Carnegie stands for knowledge. We will do our utmost to leverage our collective knowledge to guide our clients towards profitable business.”

BOARD OF DIRECTORS' REPORT

Carnegie displayed numerous successes in 2012. The cost base was sharply reduced, our funds continued to attract new capital and activity was high in the Investment Banking segment.

The Board of Directors and president of Carnegie Holding AB hereby present the annual report of operations in the parent company and the Group for the financial year 2012.

MARKET DEVELOPMENT

Carnegie's income is closely linked to stock market trends and trading volumes around the world as well as to the general business climate. Although the Nordic exchanges recorded positive trends in 2012, the general market turbulence in Europe had adverse impact on trading volumes and companies took a cautious approach to structural deals. M&A and ECM transaction numbers declined in the Nordic region. Savings in funds increased slightly in 2012 and net inflows were evenly distributed between equity and bond funds. Growth in the Nordic market for non-rated corporate bonds continued.

INCOME¹

Total income in 2012 amounted to SEK 1,589 million (1,734). Funds delivered slightly higher income, while the other two business areas, Investment Banking & Securities and Private Banking & Structured Finance, reported lower income than for 2011. Turbulence in the financial markets put a damper on client activity, manifest primarily in lower commission income from institutions and private individuals. In response to risk aversion in the market, many clients reweighted their portfolios from equities to fixed-income assets, for which margins are lower. Despite the weak market for advisory services in M&A and ECM, however, Carnegie is reporting higher income in these areas.

EXPENSES¹

Operating expenses before variable remuneration, financing expenses and consolidated amortisation amounted to SEK 1,461 million (1,705). The decline is primarily a consequence of lower personnel expenses and other efficiency gains. Total operating expenses were SEK 1,643 million (1,765). Operating expenses in 2011 included no variable remuneration. Items affecting comparability, primarily related to restructuring expenses, had a negative impact on earnings of SEK 141 million (negative: 237).

PROFIT¹

Profit before variable remuneration, financing expenses and consolidated amortisation was SEK 127 million (29). The operating loss before items affecting comparability was SEK 55 million (loss: 31). As shown above, items affecting comparability further reduced earnings by SEK 141 million (negative: 237). The operating loss before credit provisions was SEK 196 million (loss: 268). Tax expense for the year was SEK 117 million (9), including SEK 68 million (–) in deferred tax on loss carry-forwards reversed in response to the new lower tax rate and SEK 25 million (–) in reversals of capitalised coupon tax related to expiration of the offset option. The net loss for the year was SEK 283 million (loss: 254).

¹ Based on the operative income statement; see page 9.

OPERATIVE INCOME STATEMENT FOR THE CARNEGIE HOLDING GROUP

SEKm	Jan-Dec	
	2012	2011
Investment Banking & Securities	816	869
Private Banking & Structured Finance	610	708
Funds	162	158
Operating income	1,589	1,734
Personnel expenses before variable remuneration	-951	-1,065
Other expenses ²	-511	-640
Operating expenses before variable remuneration²	-1,461	-1,705
Profit/loss before variable remuneration²	127	29
Financing expenses, variable remuneration, amortisation of intangible assets	-182	-60
Profit/loss before items affecting comparability	-55	-31
Items affecting comparability	-141	-237
Profit/loss before credit losses	-196	-268
Credit losses, net	30	5
Profit/loss before tax	-166	-263
Tax ³	-117	9
Profit/loss for the year	-283	-254
Average number of full-time equivalent employees	704	808
Number of full-time equivalent employees on the closing date	653	758

² Excluding variable remuneration, financing costs and consolidated amortisation of intangible assets.

³ Including SEK 68 million in deferred tax on loss carryforwards reversed in response to the lower tax rate and SEK 25 million in reversals of capitalised coupon tax related to expiration of the offset option.

BUSINESS AREA COMMENTS¹

Investment Banking & Securities

Investment Banking & Securities reported income of SEK 816 million (869) in 2012. Income from advisory services in M&A and ECM rose in relation to the comparison period of 2011. Income declined in the Securities unit, however, due to the winding-up of operations and lower commission income. Carnegie acted as the advisor in 26 mergers and acquisitions and 18 equity capital market transactions in 2012. Overall, Carnegie executed the highest number of ECM transactions in the Nordics and was the fourth-largest player in M&A.⁴

Private Banking & Structured Finance

Private Banking & Structured Finance reported income of SEK 610 million (708) for the full year of 2012. Capital and client inflow were stable for the business area but income declined compared to 2011 for Private Banking due to lower net interest income and lower client activity. Structured Finance reported income on par with the preceding year. Carnegie increased its market share in structured investments by private individuals during the year and was the number one institution in Sweden at year-end 2012.

⁴ Based on statistics from Thomson Reuters.

Funds

Income amounted to SEK 162 million (158) for the full year of 2012. The increase is related to higher assets under management. Assets under management totalled SEK 32 billion as of the closing date, an increase of SEK 7 billion since 1 January. Net inflow during the corresponding period was SEK 4 billion. Carnegie Corporate Bond demonstrated the highest inflow. All Carnegie funds appreciated in value in 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 Riksbank.

Equity and bonds account for 27 percent of the balance sheet total, deposits from the public for 53 percent and other liabilities for 20 percent. As of 31 December 2012, the liquidity reserve in the Carnegie Holding Group amounted to SEK 3,859 million.

Composition of the liquidity reserve:

- Bank balances: SEK 2,383 million
- Government securities: SEK 1,380 million
- Covered bonds: SEK 96 million

The liquidity reserve should always manage periods of market turbulence and must exceed the anticipated outflow of cash during a period of stress. The liquidity reserve on 31 December 2012 accounted for 36 percent of the balance sheet total.

Group deposits during the period declined by SEK 1,109 million (decrease: 1,068), while Group lending decreased by SEK 4,033 million (decreased: 241). Consolidated investments in fixed assets amounted to SEK 7 million (31) in 2012.

NEW ISSUE

Carnegie executed a new share issue in the amount of SEK 100 million in December 2012 to ensure that the restructuring continues at a fast pace and strengthen the organisation while maintaining a strong capital base. Altor Fund III initially subscribed 100 percent of the issue, but will be offering participation to other shareholders in 2013. The outlook that Carnegie will achieve positive development and deliver a profit in the next few years is very good and the new share issue is evidence that the owners are prepared to invest in Carnegie during the realignment phase.

PROPOSED DIVIDEND

The Board of Directors 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 out 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 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

Disposition of profit at the disposal of the annual general meeting, SEK

Retained earnings	980,893,333
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The Board of Directors proposes the following disposition of profit:

Dividend to Carhold Holding AB	
SEK 100.1785 per share	22,014,826
To be carried forward	958,878,507
Total	980,893,333

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 *Risk and capital management* section, pages 17–22.

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 688 employees in seven countries, corresponding to 653 full-time equivalents, at year-end 2012. Carnegie's constant ambition is to recruit and retain the best staff 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 42–45.

DESCRIPTION OF OPERATIONS

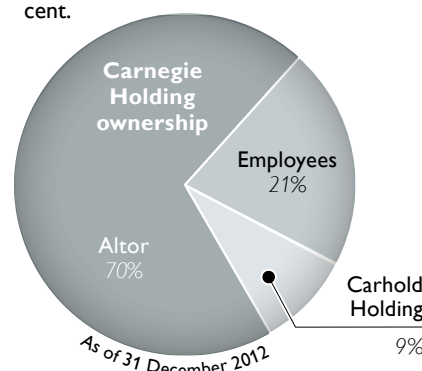


Carnegie Holding is the parent company in the Carnegie Group, which in turn comprises wholly-owned companies Carnegie Investment Bank AB (publ) and Carnegie Fonder AB. Carnegie Holding's business is to directly or indirectly own, manage, pledge collateral to, and provide loans to banking operations and 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 the fund Altor Fund III: 70 percent; Carhold Holding AB (Investment AB Öresund and Creades AB): 9 percent; and employees of Carnegie: 21 percent.



ENVIRONMENTAL MANAGEMENT

Carnegie's ambition is 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 with respect 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.

OTHER SIGNIFICANT EVENTS IN 2012

Ownership change

Bure sold its stake in Carnegie Holding

In May 2012, Bure Equity AB entered into an agreement to sell all of its shares in Carnegie Holding AB to Altor Fund III. The transaction was finalised in August 2012 following approval by the Swedish Financial Supervisory Authority.

Board changes

Patrik Tigerschiöld and Björn Björnsson stepped down from the Board of Directors in conjunction with Bure's sale of its holding in Carnegie Holding in August 2012. Mårten Andersson was appointed as a new director on the Carnegie Board at the same time. Mårten is the CEO of Besikta Bilprovning and is a director of Volati AB. His previous positions include head of European wealth management operations for Old Mutual, CEO of Skandia and chairman of the board of Skandiabanken.

Bo Magnusson was elected to the Board of Directors in 2012. He succeeded to the position of chairman of

the board after the end of the year. Please see *Important events after the period*, page 12. Bo has longstanding experience in the financial sector, primarily within the SEB Group. He has held various positions including Head of Group Staff, Deputy CEO, Head of SEB Retail Banking and several senior positions within SEB Merchant Banking and SEB Enskilda.

Fredrik Cappelen, a director since 2009, left the Board in December 2012.

Management changes

Thomas Eriksson new president and CEO of Carnegie

In May 2012, the Board of Directors of Carnegie Holding appointed Thomas Eriksson as the new president and CEO. Thomas has more than 20 years' experience of operations in asset management and long-term savings, most recently with Swedbank Robur, where he was president and a member of the Swedbank executive management team. His previous positions include head of SEB Private Banking, head of asset management in Sweden for SEB and Nordea, respectively, and head of the savings segment for the Nordea Group. Thomas acceded to the position on 15 August 2012.

Karin Söderqvist Lindoff new head of Private Banking

Karin Söderqvist Lindoff was appointed the new head of Carnegie Private Banking in Sweden in December 2012. She has more than 20 years' experience with asset management and advisory services. Prior to joining Carnegie, she was the vice president of private banking at Swedbank. Karin has previously held a number of senior management positions within SEB Private Banking and SEB Retail Banking. She has also served as a macro analyst and asset manager.

Christian Begby new President of Carnegie AS, Norway

Christian Begby, who has been with Investment Banking at Carnegie since 2010, was appointed president of the Norwegian operation, Carnegie AS. Christian has extensive experience with Norwegian and Nordic equity markets with more than 20 years in the financial services industry. Prior to joining Carnegie, he was with Orkla Finans/SEB Enskilda in positions including head of corporate finance and head of research.

Björn Jansson appointed head of Investment Banking & Securities

Björn Jansson, previously co-head of Securities, was appointed head of the newly formed Investment Banking & Securities (IBS) business area in January 2012. IBS comprises the Securities and Investment Banking units in Sweden and Carnegie's operations in Denmark, Finland, Norway, the UK and the US.

Frans Lindelöw left Carnegie

Carnegie's former president and CEO Frans Lindelöw left Carnegie in May 2012. Upon Lindelöw's departure, CFO Pia Marions was acting president and CEO until Thomas Eriksson took over in August 2012.

Changes in Group management

The composition of Group management changed in conjunction with the reorganisation in late 2011. Effective 1 January 2012, Group management comprised former CEO Frans Lindelöw; the three business area managers: Jan Enberg (Private Banking & Structured Finance), Björn Jansson (Investment Banking & Securities) and Hans Hedström (Fonder); and the following executives: Fredrik Leetmaa (CRO), Katja Levén (Chief Legal Counsel) and Pia Marions (CFO). Frans Lindelöw left Group management in May 2012 when he stepped down as president and CEO. President and CEO Thomas Eriksson joined the management team when he took over in August 2012. The present Group management are presented on page 71.

AWARDS**Carnegie named Private Bank of the Year for 2012**

Carnegie received top ranking in a comparison of leading private banking firms carried out by Swedish business magazine *Privata Affärer* in cooperation with the market research firm Sic Insight. The survey was carried out during the period of May–September 2012. The aim is to study the capacity of banks to instil trust and lay the foundation for good customer relationships. Praised as 'thoroughly professional,' Carnegie Private Banking received the highest overall ranking of the eight firms included in the survey.

Carnegie analysts are the best in Sweden

Carnegie was awarded the highest number of top rankings in various research sectors in Financial Hearings' annual survey of brokerage houses in Sweden (June 2012). The survey was based on interviews with the largest institutional investors in Sweden. For the third consecutive year, Peter Lagerlöf was named Analyst of the Year in Sweden. Carnegie analysts achieved top rankings in 9 out of a total of 19 categories. The Carnegie team was ranked first in the following sectors: strategy, macro, pharmaceuticals, healthcare equipment and services, IT, forestry, small cap, telecoms and real estate. Carnegie was ranked second or third in an additional seven sectors. Overall, Carnegie achieved a shared second place in the survey.

IMPORTANT EVENTS AFTER THE PERIOD**Board changes**

Bo Magnusson was elected chairman of the board of Carnegie Holding AB in February 2013 and succeeded Arne Liljedahl. Mr Liljedahl decided in late 2012 to curtail his board commitments in general and step down as chairman of the board of Carnegie.

Fredrik Grevelius was newly elected to the Board of Directors in February 2013. Mr Grevelius is the CEO of Investment AB Öresund and a director of 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.

As of February 2013, the composition of the Board of Directors is as follows: Bo Magnusson (chairman), Mårten Andersson, Fredrik Grevelius, Harald Mix and Fredrik Strömholm.

Changes in Group management

Katja Levén, former chief legal counsel, left Carnegie and the Group management team in January 2013. Helena Nelson has been appointed to succeed Ms Levén as chief legal counsel. She will accede to the position in April 2013 and will be part of Group management. Current members of Group management are presented on page 71.

Carnegie Fonder achieves top ranking

Swedish business newspaper *Dagens Industri* and Morningstar have named Stefan Ericson of Carnegie Fonder 'Star Manager of the Year' in the Corporate Bonds category. The fund Mr Ericson manages, Carnegie Corporate Bond, has also been given the highest five-star rating by independent rating institute Morningstar. Carnegie Corporate Bond has now joined three other Carnegie funds on the five-star list: Carnegie Sverigefond, Carnegie Sverige Select and Carnegie Likviditetsfond.

SEKm	Group			
	2012 (Jan-Dec)	2011 (Jan-Dec) ¹	2010 (Jan-Dec) ¹	2009 (jun-Dec) ²
<i>Income statement</i>				
Total income	1,535	1,732	1,796	1,446
Personnel expenses	-1,135	-1,309	-1,225	-762
Other expenses	-596	-691	-166	129
Expenses before credit provisions	-1,731	-2,000	-1,391	-633
Operating profit/loss before credit provisions	-196	-268	405	813
Net credit provisions	30	5	135	-2
Profit/loss before tax	-166	-263	540	811
Tax ³	-117	9	-39	17
Profit/loss for the year	-283	-254	501	828
<i>Financial key data</i>				
C/I ratio, %	111	115	70	44
Average income per employee, SEKm	2.2	2.1	2.6	2.1
Profit margin, %	neg.	neg.	28	57
Return on equity, %	neg.	neg.	22	39
Total assets, SEKm	10,741	12,483	15,078	13,997
<i>Tier 1 capital (SEKm)</i>				
Equity	1,964	2,189	2,459	2,109
Goodwill	-426	-431	-431	-9
Intangible assets	-241	-257	-278	-8
Deferred tax assets	-451	-572	-560	-251
Dividends paid	-22	-22	-6	-525
Tier 1 capital	824	906	1,185	1,316
Tier 2 capital (perpetual convertible debentures)	410	410	410	-
Total capital base	1,234	1,316	1,594	1,316
<i>Capital requirement</i>				
Capital requirement	503	579	726	688
Credit risks	132	164	166	184
Market risks	109	99	93	99
Operational risks	263	317	468	405
Tier 1 capital ratio, %	13.1	12.5	13.1	15.3
Capital adequacy, %	19.6	18.2	17.6	15.3
Capital adequacy quotient	2.5	2.3	2.2	1.9
Average number of full-time equivalent employees	704	808	685	689
Number of full-time equivalent employees on the closing date	653	758	838	603

¹ Former HQ Bank included as of 3 September 2010. Carnegie Fonder (former HQ Fonder) included as of 22 September 2010.

² The parent company was newly 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.

³ Tax expense for the year includes SEK 68 million in reversals of deferred tax on loss carryforwards and SEK 25 million referring to reversals of capitalised coupon tax. See [Note 18](#), page 55.

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 define the limits of the company's business. In addition to the Articles of Association, external regulations and standards also set operational frameworks. 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.

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 return on equity over the long term are satisfied in the best possible manner. The Board of Directors must regularly assess the Group's financial situation and ensure that the organisation is dimensioned so that accounting, asset management and other financial conditions are adequately controlled. The central tasks of the Board of Directors include:

- Establishing general business objectives and strategies
- Monitoring financial development
- Ensuring satisfactory risk management and legal and regulatory compliance
- Continuously evaluating operational management
- Ensuring that ethical guidelines are drafted and maintained
- Ensuring public disclosures characterised by openness and objectivity

The Board of Directors must also draft a charter for its own work, an instruction for the CEO and other instructions and guidelines as required within and by the operations.

The changes that occurred in the composition of the Board of Directors in 2012 and early 2013 are described on page 11. The company's present Board of Directors is presented in greater detail on page 70. The Board of Directors held 11 meetings in 2012.

THE BOARD OF DIRECTORS' WORK IN 2012

Carnegie embarked upon a comprehensive restructuring programme in 2011 which continued throughout 2012. Much of the board's work during the year was devoted to monitoring this process. In December, the board proposed to the AGM a new share issue of SEK 100 million in order to ensure that the restructuring continues at a fast pace and strengthen the organisation while maintaining a strong capital base.

Much of the board's strategic work during the year was devoted to drafting long-term plans for the securities and private banking operations. The board's work with risk management was oriented towards understanding the implications of forthcoming regulations, evaluating previous measures and further improving the Internal Capital Adequacy Assessment Process (ICAAP).

Audit Committee

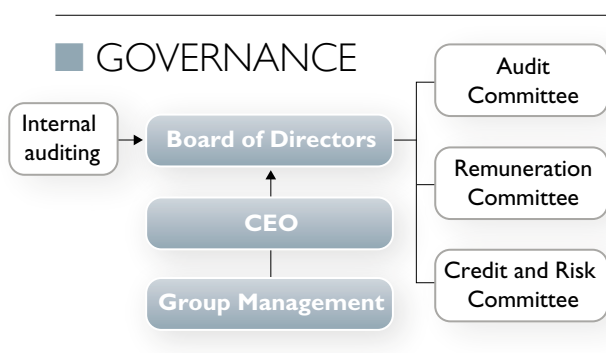
The Audit Committee prepares and assists the Board of Directors in monitoring and reviewing:

- Financial and operational information reported to shareholders and other stakeholders
- Internal control organisation
- Internal and external auditing

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 publication of each quarterly report. The Audit Committee reviews reports to the Board of Directors from the Internal Audit, Compliance and Legal departments.

Remuneration Committee

The Remuneration Committee is made up of two directors. The committee's remit is to prepare proposals to the Board in consultation with the CEO concerning general remuneration policies and annual general allocations of available variable remuneration. The Remuneration Committee is



also tasked with reviewing and proposing salary and benefits for senior executives and proposing principles and a general policy for salary, benefits and pensions for the Group's senior executives. In addition, the Remuneration Committee oversees implementation of the incentive system.

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.

CEO and Group Management

The CEO (president) is appointed by the Board of Directors, works according to instructions issued by the Board and reports to the Board. Carnegie's president and CEO is responsible for the ongoing management of the company and the Group and has operational responsibility for its business. To support his work, the CEO has appointed a Group management team composed of himself, the CFO, the CRO, the Chief Legal Counsel and the heads of the three business areas. The company's present executive management are presented in greater detail on page 71.

Internal audit

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

See pages 17–22 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 (cash remuneration)

Remuneration policy

The Board of Directors has adopted a remuneration policy that covers all employees of the Group. The policy is based on a risk assessment performed by the Chief Risk Officer. The policy is revised annually in a process assisted by the Human Resources Department and Group Treasury and Cash Management.

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 each unit

Total allocations to variable remuneration for the Group as a whole are based mainly on risk-adjusted earnings. Based on 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 assessment of the aforementioned factors, to the Remuneration Committee. The Remuneration Committee performs an assessment that takes into consideration any risks associated with the proposal. The assessment should show how the aggregate effects of the proposed variable remuneration will impact 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.

The Remuneration Committee evaluates whether the proposed level of variable remuneration is consistent with the Group's preferred level of risk. Finally, the assessment should include judgement of whether there is any risk of potential 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 allocation 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 '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. For this group, 40–60 percent of variable remuneration is deferred for three to five years.

Allocations to variable remuneration for 2012

Allocations to staff in 2012 for variable remuneration amounted to SEK 104 million (0) excluding social insurance fees. As the Group as a whole is operating at a loss, the allocation of variable remuneration is highly selective. The variable remuneration pool is allocated primarily to units that reported a profit. 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 2012, see *Note 6 Personnel expenses*, pages 42–45.

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 21 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 for long-term value creation. 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. Anxiety in the financial markets remained high in 2012. During such periods, active risk management is of crucial importance – both for Carnegie and on behalf of our clients.

Risk management involves identifying, analysing and taking action to manage risks that may affect the Group. The most important risks to which Carnegie is exposed are market risk, credit risk and operational risk. Although anxiety remained high in the financial markets in 2012, Carnegie's exposure to market and credit risks was low and the Group did not suffer any substantive losses. Carnegie has no direct exposure against problem countries or banks and has limited institutional exposures in the European countries most severely impacted by the ongoing crisis. During the year, the risk control function maintained focus on managing operational risks associated with the restructuring programme and organisational changes.

ORGANISATION AND RESPONSIBILITIES

Carnegie's risk management is based on the principle of three lines of defence. The model distinguishes between functions that own risk and compliance (first line), functions that control risk and compliance (second line) and functions for independent audit (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 to staff in line functions.

Beyond the control and

monitoring performed by the business units, Carnegie has three independent control functions: Risk Control, Compliance and Internal Audit. Risk Control and Compliance supervise risk management and regulatory compliance within the business areas. 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:

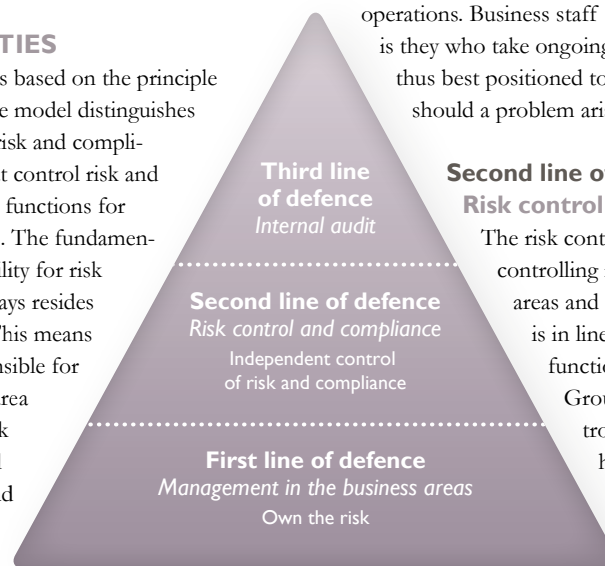
Management in the business areas

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 business unit bears full responsibility for the risks associated with their operations. Business staff know their clients best. Also, it is they who take ongoing business decisions. They are thus best positioned to assess risks and react swiftly should a problem 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 in line with sound risk-taking. The function consists of risk managers at 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



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

a group-wide level. This includes developing standards and procedures for risk management and monitoring the adherence thereof. The Group function is also responsible for independently identifying, measuring and monitoring the development of risk exposures over time and reporting risk on an aggregate level to the Board of Directors and Group management. This includes analysing the potential impact of external events and extreme situations (stress testing).

In addition to the Group functions, there are local risk control functions in each unit that are responsible for risk control within the local business units. The local risk management 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 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 supporting business operations and management with 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. In line with the risk control function, there are compliance officers at each subsidiary and branch. They report to the GCO as well as the local CEO and board of directors.

Third line of defence

Internal audit

The internal audit function's remit is to systematically assess and verify the adequacy and effectiveness of internal controls and risk management procedures from a regulatory perspective and risk-based approach. This responsibility includes verifying that both the operations in the first line of defence and independent control functions in the second line of defence are functioning satisfactorily. The internal audit function is independent from the business operations and reports directly to the Board. The principles that govern the work of the internal audit function are reviewed and approved annually by the 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.

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

Carnegie offers its clients a range 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 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. Carnegie's activity in financial markets is intended to facilitate client liquidity requirements and the Group's own financing.

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 in 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 risk

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

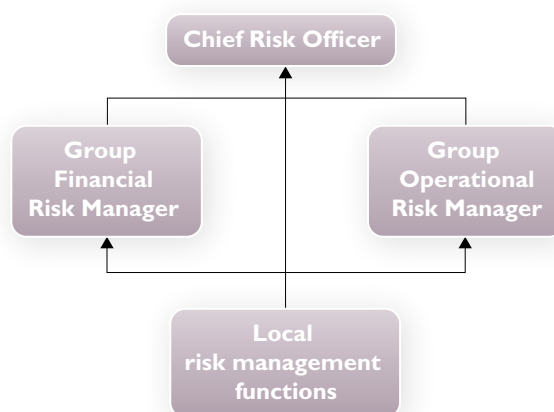
Counterparty risk	The risk of loss due to default by a counterparty in a financial transaction prior to final settlement of the cash flows in the transaction.
Concentration risk	Arises from concentrations in the credit portfolio to a single counterparty, industrial sector or geographical region, or from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

Carnegie's exposure to credit risk originates mainly from margin lending, other 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.

■ RISK MANAGEMENT

The risk control function controls risk management within the business areas and verifies that all risks are confined within the limits set by the Board.



Credit-related services are offered within the business areas of Investment Banking & Securities as part of the business areas' 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. This exposure is primarily towards the Swedish government.

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 practices 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 the financial instrument 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 highly liquid assets; such as overnight bank deposits and assets eligible for refinancing at the Central Bank. 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 refinancable assets.

■ Operational risk

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

Operational risks encompass 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 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 risk, 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 to address significant risks.
- *Incident reporting:* To assist in the identification, management and assessment of operational risk, Carnegie has developed a system for reporting of operational risk events, referred to as incidents. All employees have a responsibility to report incidents. 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 is a continuing process. This work is driven by the Group Operational Risk Manager in close cooperation with local risk control functions. 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.

■ Compliance risk

Compliance risk is the risk of regulatory sanctions, financial losses or damaged reputation due to noncompliance with rules and regulations.

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 overall risk management at the bank. 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 joint policies, instructions and procedures within the Group

■ 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.

Reputational risk is primarily a consequential risk that is triggered by internal or external events that have negative impact on 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.

Carnegie has experienced turbulent times. Proactive management of reputational risk is therefore of particular importance to the Group. Reputational risk is managed primarily through open and frequent dialogue with stakeholders in the company. Carnegie has a wide range of communication channels towards clients and other market participants that make it possible to pick up any negative signals. In addition, Carnegie endeavours to maintain frequent and transparent public disclosure of information.

■ 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.

The financial services industry is facing serious challenges caused by market turbulence combined with rapid technological progress and regulatory changes. These factors are fundamentally changing the market dynamics. In these market conditions, the ability to rapidly take advantage of opportunities as they arise and reduce potential threats is critical to Carnegie's strategic position.

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 requirements represent the regulator's view on the amount of capital a bank must hold to support its risk taking. The capital adequacy ratio – the capital base divided by capital requirements – must be above 1.0. The capital adequacy regulations consist of the following three pillars:

Pillar 1: Minimum capital requirements

A bank 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 allow the banks to choose among different methods when calculating capital requirements to withstand losses arising from the credit risk, market risk and operational risk they assume.

- *Credit risk:* Carnegie applies the standardised approach to calculating credit risk and the comprehensive method to calculate financial collateral.

- *Market risk:* Carnegie applies the standardised model issued by the Swedish Financial Supervisory Authority.
- *Operational risk:* Carnegie uses the basic indicator approach by which the capital requirement is calculated as 15 percent of average operating income 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 1.64 on 31 December 2012, corresponding to a Core Tier 1 ratio of 13.1 percent

Pillar 2: Risk assessment

Regulations require the bank to maintain satisfactory risk management and risk assessment. The bank must ensure that its total risk exposure does not jeopardise its capacity to perform its obligations. To fulfil these obligations, the bank is required to maintain 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 the bank is currently exposed or may become exposed. This is achieved through the ICAAP. The ICAAP encompasses the identification, measurement and assessment of significant risks to which the bank is exposed, including risks not included in Pillar 1. Accordingly, the bank 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 identifying and analysing risks, defining scenarios and stress test methods and approving the final capital requirement.

Pillar 3: Public disclosure

Capital adequacy regulations require banks to disclose qualitative and quantitative information on their capital adequacy and risk management. Additional disclosures concerning Carnegie's capital adequacy in 2012 are provided in the *Risk and Capital Adequacy (Pillar 3) Report*, available at www.carnegie.se.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SEK 000s	Notes	Jan-Dec 2012	Jan-Dec 2011
Commission income	1	1,673,430	1,750,610
Commission expenses		-256,569	-230,343
Net commission income	2	1,416,861	1,520,267
Interest income	1	151,136	210,558
Interest expenses		-105,335	-140,437
Net interest income	3	45,801	70,121
Other dividend income	1, 4	–	97
Net profit/loss from financial transactions	1, 5	72,297	116,221
Capital gain from discontinued operations	1, 14	–	25,571
Total operating income		1,534,959	1,732,278
Personnel expenses	6	-1,135,294	-1,308,641
Other administrative expenses	7	-520,923	-609,859
Amortisation and depreciation of assets	8	-74,915	-81,379
Total operating expenses		-1,731,132	-1,999,880
Profit/loss before credit losses		-196,173	-267,602
Credit losses, net	9	30,297	4,587
Profit/loss before tax		-165,876	-263,015
Tax	10	-117,141	8,969
Profit/loss for the year		-283,017	-254,046
<i>Other comprehensive income:</i>			
Translation differences, net after tax		-19,747	-4,515
Hedge of net investment in foreign operations		–	-5,818
Total comprehensive income for the year		-302,764	-264,379

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEK 000s	Notes	31 Dec 2012	31 Dec 2011
<i>Assets</i>			
Cash and bank deposits with central banks		720,799	265,203
Negotiable government securities		1,599,298	144,392
Loans to credit institutions ¹	11	2,046,294	6,198,212
Loans to the general public	11	2,815,496	2,696,945
Bonds and other interest-bearing securities	12, 13	568,120	438,743
Shares and participations	12, 13	300,528	295,231
Derivative instruments	12	32,624	211,820
Shares in associates	15	3,085	12,161
Intangible assets	16	734,185	775,945
Tangible fixed assets	17	84,658	111,340
Current tax assets		12,337	15,572
Deferred tax assets	18	451,382	572,023
Other assets	19	1,114,278	573,348
Prepaid expenses and accrued income	20	257,770	171,585
Total assets	24	10,740,854	12,482,519
<i>Liabilities and equity</i>			
Liabilities to credit institutions	11	244,548	205,645
Deposits and borrowing from the general public ¹	11	5,741,746	6,889,314
Issued securities	12	935,000	935,000
Short positions, shares	12	22,274	314,428
Derivative instruments	12	78,912	66,765
Current tax liabilities		6,356	31,500
Deferred tax liabilities	18	72,927	94,682
Other liabilities	21	688,416	766,624
Accrued expenses and prepaid income	22	526,662	512,776
Other provisions	23	50,378	67,372
Subordinated liabilities	31	409,702	409,702
Total liabilities	24	8,776,922	10,293,808
<i>Equity</i>			
Share capital (2,388,106 shares, quotient value SEK 100)		238,811	221,976
Other capital contributions		1,101,486	1,018,321
Provisions		-140,869	-121,122
Retained earnings		764,504	1,069,536
Total equity		1,963,932	2,188,711
Total liabilities and equity		10,740,854	12,482,519

¹ Whereof client funds: 120,796 (504,902).

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

SEK 000s	Attributable to parent company shareholders				
	Share capital	Other capital contributions	Translation reserve	Retained earnings	Total
Equity – opening balance 2011	221,976	1,018,321	-110,789	1,329,697	2,459,205
Profit/loss for the year				-254,046	-254,046
<i>Other comprehensive income:</i>					
Translation differences relating to foreign operations			-4,515		-4,515
Hedge of net investment in foreign operations			-5,818		-5,818
Total comprehensive income (net after tax)			-10,333	-254,046	-264,379
Payment of dividends				-6,115	-6,115
Equity – closing balance 2011	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
Total comprehensive income (net after tax)			-19,747	-283,017	-302,764
New share issue (168,350 shares)	16,835	83,165			100,000
Payment of dividends				-22,015	-22,015
Equity – closing balance 2012	238,811	1,101,486	-140,869	764,504	1,963,932

PARENT COMPANY INCOME STATEMENTS

SEK 000s	Notes	Jan-Dec 2012	Jan-Dec 2011
Net sales	1	27,837	12,000
Other external expenses	7	-6,371	-878
Personnel expenses	6	-29,965	-12,523
Operating profit/loss		-8,499	-1,401
Other interest income and similar income	1, 3	1,210	188
Interest expenses and similar expenses	3	-20,999	-29,538
Profit/loss from participations in subsidiaries	32	-5,315	75,550
Profit from financial items		-25,104	46,200
Profit/loss before tax		-33,603	44,798
Taxes	10	127	254
Profit/loss for the year		-33,475	45,052

STATEMENTS OF OTHER COMPREHENSIVE INCOME

SEK 000s	Jan-Dec 2012	Jan-Dec 2011
Profit/loss for the year	-33,475	45,052
Other comprehensive income:	-	-
Total comprehensive income for the year	-33,475	45,052

PARENT COMPANY BALANCE SHEETS

SEK 000s	Notes	31 Dec 2012	31 Dec 2011
Shares and participations in group companies	14	2,604,290	2,674,290
Deferred tax assets	18	619	492
Total financial fixed assets		2,604,909	2,674,782
Receivables from group companies	27	148,566	5,037
Other current receivables		93,623	437,559
Prepaid expenses and accrued income		658	523
Cash and bank balances		19,693	2,813
Total current assets		262,541	445,933
Total assets		2,867,449	3,120,714
Share capital (2,388,106 shares, quotient value SEK 100)		238,811	221,976
Share premium reserve		1,101,486	1,018,321
Retained earnings		1,014,369	991,331
Profit/loss for the year		-33,475	45,052
Total equity		2,321,190	2,276,680
Provisions for pensions		2,813	1,869
Other provisions		11,977	–
Total provisions		14,790	1,869
Convertible debentures	31	409,702	409,702
Total non-current liabilities		409,702	409,702
Accounts payable		631	808
Liabilities to group companies	27	–	37,686
Other current liabilities		96,009	369,242
Accrued expenses and prepaid income	22	25,127	24,727
Total current liabilities		121,767	432,463
Total liabilities		546,259	844,034
Total equity and liabilities		2,867,449	3,120,714

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

SEK 000s	Share capital	Share premium reserve	Retained earnings	Total
Equity – opening balance 2011	221,976	1,018,321	997,447	2,237,744
Profit/loss for the year			45,052	45,052
Total income and expenses for the year			45,052	45,052
Payment of dividends			–6,115	–6,115
Equity – closing balance 2011	221,976	1,018,321	1,036,384	2,276,680
Profit/loss for the year			–33,475	–33,475
Total income and expenses for the year				
New share issue (168,350 shares)	16,835	83,165		100,000
Payment of dividends			–22,015	–22,015
Equity – closing balance 2012	238,811	1,101,486	980,894	2,321,190

CASH FLOW STATEMENTS

SEK 000s	Group		Parent company	
	2012	2011	2012	2011
<i>Cash flow from operations</i>				
Profit/loss before tax	-165,876	-263,015	-33,603	44,798
Adjustments for items not affecting cash flow	104,566	70,957	88,237	-74,584
Paid income tax	-38,467	-46,654	-	-
Cash flow from operations before changes in working capital	-99,777	-238,712	54,634	-29,786
Changes in working capital	-1,675,123	1,336,969	-42,210	39,085
Cash flow from operations	-1,774,900	1,098,257	12,424	9,299
<i>Investment activities</i>				
Dividends received	-	-	70,000	-
Sales of subsidiaries	-	50,000	-	-
Acquisitions of fixed assets	-7,144	-31,045	-	-
Cash flow from investment activities	-7,144	18,955	70,000	-
<i>Financing activities</i>				
New issue	100,000	-	100,000	-
Dividends paid	-22,015	-6,115	-22,015	-6,115
Cash flow from financing activities	77,985	-6,115	77,985	-6,115
Cash flow for the year	-1,704,059	1,111,097	160,409	3,184
Cash and cash equivalents – opening balance	5,571,994	4,475,192	6,850	3,666
Translation differences in cash and cash equivalents	-70,896	-14,295	-	-
Cash and cash equivalents, closing balance	3,797,039	5,571,994	167,259	6,850

For further disclosures concerning cash flow statements, see [Note 30](#), page 67.

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, Carhold Holding AB (formerly 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 *IAS 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 (ARKL 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 (*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 accounting principles.'

NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS

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

- *IFRS 7 (amendment), Financial Instruments: Disclosures* (for calendar-year entities with effect from 1 January 2012). The amendment comprises new disclosures concerning transfers of financial assets in situations when the transfer either does not derecognise the entire asset from the balance sheet or when the entire asset is derecognised but the entity still has continuing involvement in the asset. The expanded disclosure requirements have not affected Carnegie's financial statements as Carnegie does not engage in the type of transactions affected by the disclosure requirements.

STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT HAVE NOT YET TAKEN EFFECT

A number of new and revised standards are not mandatorily effective until the 2013 reporting period 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 entity'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 components of *IFRS 9* have 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 a limited effect 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 to *IAS 31*. The first change has to do with 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.
- *IFRS 13, Fair Value Measurement* (effective January 2013), seeks to increase consistency and reduce the complexity of fair value measurements by providing a precise definition and common source in IFRS for fair value measurements and related disclosures. The standard does not expand the application of when fair value should be applied, but provides guidance concerning how it should be applied when other IFRS already require or permit fair value measurement. 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.
- *IAS 1 (amendment), Presentation of Financial Statements* (effective January 2013 for calendar-year entities). The amendment is part of the Financial Statement Presentation project, a collaborative project with FASB. The objective of the amendment is to improve the presentation of items in Other Comprehensive Income and align the presentation between IFRS and US GAAP. The amendment is not expected to have material effect on the financial statements.
- *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 the amendments will not affect the consolidated financial statements.
- *IFRS 7 (amendment), Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (retroactively applied as of January 2013), entails new disclosure requirements intended to allow users to more easily compare US GAAP and IFRS preparers. In conjunction, the IASB decided to expand the application guidance in *IAS 32 Financial Instruments: Presentation*, which clarifies when financial assets and liabilities can be offset in the balance sheet. The amendment is only expected to have an effect on disclosures in the consolidated financial statements.
- In addition, improvements have been made to five standards within the framework of the IASB's annual review 'Improvements to IFRS.' None of the amendments will have any effect on the consolidated financial statements.
- No new interpretations effective in 2013 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.

Merger

The merger of HQ Bank during 2010 was a transaction under common controlling influence and has been reported using the consolidated value method, which means that assets and liabilities were taken over at values based on the acquisition analysis which was established at the initial acquisition of the company being acquired. Since the acquisition was a bargain purchase, it also means that the earnings were positively affected in the acquiring company.

Associates

Associates are entities over which the Group has significant but not controlling influence, which refers to 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 Shares in associates**, page 52.

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 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 in 'Other comprehensive income' and become a component of equity.

Income recognition

Income 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. Income 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 and are recognised in profit and loss in conjunction with capitalisation. This is normally on a quarterly basis, but may also be solely on an annual basis.

Commission income from banking operations 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 changes. The principles for income

recognition for financial instruments are also described below under the heading '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, paid absence due to illness, 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 paid 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 a constructive 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 leases 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 lessor 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 reporting 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 a result of 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 pay the liability at the same time.

Financial assets and liabilities

Financial assets reported on 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 money market and equity 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 *LAS 39* applied by Carnegie are as follows:

- Held for trading
- Fair value option
- Loan receivables and accounts receivable
- Other financial liabilities

Financial assets and financial liabilities held for trading and the fair value option 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 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 the Credit and Risk Committee (CRC).

The measurement methods are primarily used to value derivative instruments. All measurement models and assumptions are regularly validated by the internal risk control function, 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.

Information regarding fair value is provided in a note concerning financial instruments for which the fair value deviates from the carrying amount.

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, and 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 individuals 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 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 trade and are categorised as assets held for trading measured at fair value. Shares and participations not held for trading are categorised as financial instruments, which are identified on the first reporting date as an item measured at fair value in profit and loss using what is called the fair value option. The fair value option is employed to eliminate the accounting mismatch that would otherwise arise as a result of different measurement principles according to *LAS 39*. 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 with changes in fair value recognised under '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.

Securities issued

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 divested security's fair value. 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-rated 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 are 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 fees 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 marketplace, 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 Credit and Risk 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 431,030 thousand (426,242). Information about impairment testing is provided in *Note 16 Intangible assets*, pages 52–53.

Provisions to the 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 will have continued effect in 2013. 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 and thus be able to utilise the benefits related to the tax-deductible deficits. Consequent upon the government's decision in November 2012 to lower the tax rate in Sweden, Carnegie has however reversed a portion of previously recognised deferred tax assets. Carnegie has also reversed capitalised coupon tax previously included in the balance sheet item due to the expiration of the offset option. See *Note 18 Deferred tax assets/liabilities*, page 55.

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 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 ACCOUNTING PRINCIPLES

The parent company's annual accounts were prepared in accordance with the Swedish *Annual Accounts Act (ARL 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 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 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 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.

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All amounts in SEK 000s, unless otherwise stated.

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NOTE 1 Geographical distribution of income

	Commission income		Interest income		Other dividend income		Net profit/loss from financial transactions		Net profit/loss from divested operations		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
<i>Group</i>												
Denmark	189,249	103,980	4,848	11,772	–	–	3,034	4,690	–	–	197,131	120,442
Finland	38,030	51,546	332	1,774	–	–	1,090	–10,141	–	–	39,452	43,179
Luxembourg and Switzerland	97,555	107,946	35,800	52,752	–	–	37,926	71,878	–	25,571	171,281	258,147
Norway	153,714	170,095	3,609	7,048	–	97	6,133	–1,117	–	–	163,456	176,123
UK	62,602	89,863	–	–	–	–	–	–2,263	–	–	62,602	87,600
Sweden	1,156,259	1,215,285	111,085	151,260	–	–	25,974	47,074	–	–	1,293,318	1,413,619
USA	34,001	49,044	103	123	–	–	–1,052	–268	–	–	33,052	48,899
Eliminations	–57,980	–37,149	–4,641	–14,171	–	–	–808	6,368	–	–	–63,429	–44,952
Total	1,673,430	1,750,610	151,136	210,558	–	97	72,297	116,221	–	25,571	1,896,863	2,103,057
<i>Parent company</i>												
Sweden	27,837	12,000	1,210	188	–	–	–	–	–	–	29,047	12,188
Total	27,837	12,000	1,210	188	–	–	–	–	–	–	29,047	12,188

NOTE 2 Net commission income

	<i>Group</i>	
	2012	2011
Brokerage fees	759,942	933,991
Other commission income	957,605	874,724
Marketplace fees	-44,117	-58,105
Total commission income	1,673,430	1,750,610
Total commission expenses	-256,569	-230,343
Net commission income	1,416,862	1,520,267

NOTE 3 Net interest income

	<i>Group</i>		<i>Parent company</i>	
	2012	2011	2012	2011
<i>Interest income</i>				
Interest income from lending to credit institutions	69,737	93,391	1,224	188
Interest income from lending to the general public	72,472	103,985	-	-
Interest income from interest-bearing securities	8,135	10,272	-	-
Other interest income	791	2,910	-13	-
Total interest income^{1,2}	151,136	210,558	1,210	188
<i>Interest expenses</i>				
Interest expenses related to liabilities to credit institutions	-19,629	-19,939	-3	-7,516
Interest expenses related to deposits/borrowing from the general public	-30,992	-59,373	-	-
Other interest expenses	-54,713	-61,124	-20,997	-22,023
Total interest expenses¹	-105,334	-140,437	-20,999	-29,538
Net interest income/expenses³	45,801	70,121	-19,789	-29,351
¹ Whereof amounts for balance sheet items not measured at fair value:				
Interest income	151,136	210,558	1,210	188
Interest expenses	-105,334	-140,437	-20,999	-29,538
Total	45,801	70,121	-19,789	-29,351
² Whereof interest on doubtful receivables				
	125	-	-	-

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

NOTE 4 Other dividend income

	<i>Group</i>	
	2012	2011
Dividends received on shares and participations of a fixed-asset nature ¹	-	97
Total other dividend income	-	97

¹ Dividends from trading operations are included in the item 'Net profit/loss from financial transactions.'

NOTE 5 Net profit/loss from financial transactions

	Unrealised changes in value ¹						
	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	5,112	−	−	−	−8,519
Other financial instruments and attributable derivatives	33,449	6,867	−	−	−	−	40,316
Exchange-rate changes						12,051	12,051
Net profit/loss from financial transactions	45,518	7,017	7,711	−	−	12,051	72,298

	Unrealised changes in value ¹						
	Realised changes in value	Market price	Observable market data	Non-observable market data	Other method	Effect of exchange rate changes	Total
Group 2011							
Bonds and other interest-bearing securities and attributable derivatives	31,452	–967	–4,848	–	–	–	25,636
Shares and participations and attributable derivatives	46,756	16,080	–33,342	–	–	–	29,494
Other financial instruments and attributable derivatives	82,774	–2,260	–	–	–20,960	–	59,553
Exchange-rate changes						1,537	1,537
Net profit/loss from financial transactions	160,982	12,852	–38,190	–	–20,960	1,537	116,221

¹ 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	
	2012	2011	2012	2011
Salaries and fees	-712,039	-877,994	-19,976	-5,521
Social insurance fees	-163,009	-256,948	-5,773	-1,175
Allocation to variable remuneration ¹	-125,000	–	–	–
Pension expenses for Board of Directors and CEO	-2,896	-5,353	-2,320	-4,481
Pension expenses for other employees	-111,532	-118,545	-542	–
Other personnel expenses	-20,818	-49,800	-1,354	-1,347
Total personnel expenses	-1,135,294	-1,308,641	-29,965	-12,523

¹ Including social insurance fees.

Salaries and fees specified by category

Salaries and fees to directors, CEO and members of Group management	-28,867	-23,575	-19,976	-5,521
Salary and remuneration to other employees not included in the Board of Directors or Group management	-683,172	-854,419	–	–
Total salaries and fees	-712,039	-877,994	-19,976	-5,521

Average no. of employees (of whom women)

Denmark	72	(18)	78	(23)	–	–
Finland	35	(15)	42	(17)	–	–
Luxembourg	45	(10)	47	(10)	–	–
Norway	71	(13)	89	(16)	–	–
Switzerland	4	(1)	5	(1)	–	–
UK	30	(8)	35	(12)	–	–
Sweden	433	(137)	498	(151)	1	(–)
USA	15	(3)	15	(3)	–	–
Total	704	(204)	808	(233)	1	(–)

Remuneration to the Board of Directors

	Group		Parent company	
	2012	2011	2012	2011
Bo Magnusson, chairman	67 ¹	–	54	–
Arne Liljedahl, former chairman	800 ²	800	600	600
Mårten Andersson	167 ³	–	117	–
Björn Björnsson	333 ⁴	500	233	350
Fredrik Cappelen	458 ⁵	500	320	350
Harald Mix	–	–	–	–
Fredrik Strömholm	–	–	–	–
Patrik Tigerschiöld	–	–	–	–
Total	1,825	1,800	1,324	1,300

¹ Whereof SEK 13 thousand (–) in fees for assignments for Carnegie Investment Bank AB. The fee for 2012 refers to the period of 7 December–31 December.

² Whereof SEK 200 thousand (200) in fees for assignments for Carnegie Investment Bank AB. The fee for 2012 refers to the period of 1 January–31 December.

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

⁴ Whereof SEK 100 thousand (150) in fees for assignments for Carnegie Investment Bank AB. The fee for 2012 refers to the period of 1 January–27 August.

⁵ Whereof SEK 138 thousand (150) in fees for assignments for Carnegie Investment Bank AB. The fee for 2012 refers to the period of 1 January–7 December.

cont. **NOTE 6** Personnel expenses

Remuneration to the CEO, deputy CEO and other senior executives

	Gross salary and benefits	Variable remuneration ¹	Pensions and comparable benefits	Severance pay
■ Parent company 2012				
CEO Thomas Eriksson ²	2,735	—	173	—
Former CEO Frans Lindelöw ²	2,828	—	1,335	13,700
■ Carnegie Bank Group and Carnegie Fonder 2012³				
Other current senior executives ⁴	14,209	3,244	2,725	—

¹ Variable remuneration includes guaranteed variable remuneration upon new recruitment.

² 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.

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

⁴ 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.

Remuneration to the CEO and other senior executives

	Gross salary and benefits	Variable remuneration ¹	Pensions and comparable benefits	Severance pay
Parent company 2011				
CEO Frans Lindelöw ²	3,740	—	4,507	—
Carnegie Bank Group and Carnegie Fonder 2011³				
Other resigning senior executives ⁴	6,903	—	1,135	9,835
Other current senior executives ⁵	19,892	—	3,009	—

¹ Variable remuneration includes guaranteed variable remuneration upon new recruitment.

² Frans Lindelöw is employed by and receives salary and benefits from the parent company Carnegie Holding AB.

³ Other senior executives have received salary and benefits from Carnegie Investment Bank AB, its subsidiaries or Carnegie Fonder AB. No remuneration has been paid to these individuals by Carnegie Holding AB.

⁴ Amounts relate to the period they held positions as other senior executives. The group includes three individuals.

⁵ Amounts relate to the period they held positions as other senior executives. The group includes eight individuals.

The table above specifies remuneration for other resigning senior

executives. This group includes: Anders Onarheim (1 Jan–20 Sept), Peter Bäärnhielm (1 Jan–24 Oct) and Claes-Johan Geijer (1 Jan–24 Nov). The category 'other current senior executives' includes: Björn Jansson (1 Jan–31 Dec), Henric Falkenberg (1 Jan–31 Dec), Claus Gregersen (1 Jan–31 Dec), Hans Hedström (1 Jan–31 Dec), Pia Marions (1 Jan–31 Dec), Fredrik Leetmaa (1 Jan–31 Dec), Katja Levén (1 Jan–31 Dec) and Natasja Henriksen (21 Sept–31 Dec).

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 17 percent (33) women and 83 percent (67) 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 within Carnegie have notice periods that vary between 3 and 12 months, while the notice period for termination by Carnegie varies from 3 to 24 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 (13), parent company 16 percent (51). 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 non-executive directors.

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 that 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 any additional payment obligation above the premiums already paid are treated according to the rules for defined contribution plans.

The total market value amounts to SEK 350,394 thousand (353,703) in the Group and SEK 2,813 thousand (1,869) in the parent company. Premiums paid during the year amounted to SEK 2,028 thousand (1,451) in the Group and SEK 889 thousand (901) in the parent company.

cont. **NOTE 6 Personnel expenses**

Report on remuneration expensed by the Carnegie Holding Group in 2012 in accordance with Swedish Financial Supervisory Authority regulation FFFS 2007:5 (as amended in FFFS 2011:3):

■ **Expensed remuneration 2012**

	Total remuneration to employees in the Group			
	Total remuneration excluding variable component ¹	Total number of employees	Variable remuneration ¹	Number of recipients of variable remuneration
Total remuneration to employees in the Group	816,792	720	104,121	222
Specification of remuneration according to categories				
Defined identified staff				
	Executive management	Other employees who can affect risk exposure	Other employees	Total
Fixed remuneration ¹	63,177	105,942	647,672	816,792
Number of employees	27	69	624	720
Variable remuneration ¹	6,525	13,457	84,138	104,121
Number of employees	8	25	189	222
Whereof:				
Cash-based variable remuneration	6,525	13,457	84,138	104,121
Share-based variable remuneration	–	–	–	–
Deferred remuneration ²	3,831	6,331	121	10,283
Committed and paid remuneration ³	65,872	113,069	731,689	910,630
Severance pay (paid out) ⁴	10,300	6,348	37,787	54,435
Number of individuals	2	6	62	70
Committed severance pay (not yet paid)	4,000	5,490	16,464	25,954
Number of individuals	1	6	32	39
Highest individual severance pay (not yet paid)	4,000			4,000

¹ 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.

² 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.

³ Includes amounts paid out in the first quarter of 2013.

⁴ 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 payments in 2012 related to the cost savings programme or changes in management.

NOTE 7 Other administrative expenses

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

	Group		Parent company	
	2012	2011	2012	2011
<i>Statutory auditing</i>				
PwC	-9,996	-11,224	-780	-265
Regen, Benz & MacKenzie	-339	-325	-	-
Total statutory auditing	-10,335	-11,548	-780	-265
<i>Other auditing</i>				
PwC	-407	-554	-	-283
Total other auditing	-407	-554	-	-283
<i>Tax advice</i>				
PwC	-1,052	-506	-	-
Total tax advice	-1,052	-506	-	-
<i>Other consultancy assignments</i>				
PwC	-154	-769	-40	-
Regen, Benz & MacKenzie	-104	-367	-	-
Total other consultancy assignments	-258	-1,137	-40	-

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	
	2012	2011
Computer equipment and other equipment	-25,187	-33,111
Renovations	-8,340	-8,222
Recognised negative goodwill/adjustment of acquisition analysis	-5,315	-9,087
Amortisation of goodwill (see Note 16)	-4,788	-
Other intangible assets	-31,285	-30,960
Total depreciation and amortisation of tangible fixed assets and intangible assets	-74,915	-81,379

NOTE 9 Net credit losses and provisions for doubtful receivables

	Group	
	2012	2011
Provisions for doubtful receivables on the opening date	-365,031	-496,905
<i>Effect on income of individually evaluated credits included in profit and loss (minus is increased provision):</i>		
Reversals of previous provisions	39,783	6,202
Provisions for the year	-9,486	-1,615
Total net credit losses	30,298	4,587
Translation differences	-2,959	296
Total items affecting income	27,339	4,883
Previously eliminated as actual, now reversed and recognised as income	-	-3,479
Previously reported as doubtful receivable, now eliminated as actual	21,426	130,470
Provisions for doubtful receivables on the closing date	-316,216	-365,031

NOTE 10 Taxes

	Group		Parent company	
	2012	2011	2012	2011
<i>Current tax expense</i>				
Tax expense for the year	-23,065	-29,637	-	-
Adjustment of tax attributable to previous years	-	17,238	-	-
Total current tax expense	-23,065	-12,399	-	-
<i>Deferred tax expense (-) / tax income (+)</i>				
Deferred tax related to timing differences	-23,310	5,051	127	254
Tax effect of changed tax rate	-70,766	-	-	-
Deferred tax income in the tax value of loss carryforwards capitalised during the year	-	16,317	-	-
Total deferred tax expense/income	-94,076	21,368	127	254
Total recognised tax expense	-117,141	8,969	127	254

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

	2012		2011	
	Tax rate, %	Amount	Tax rate, %	Amount
Profit/loss before tax		–165,876		–263,015
Tax according to prevailing tax rate for the parent company	26.3	43,625	26.3	69,173
<i>Tax effects in respect of:</i>				
Other tax rates for foreign companies	1.1	1,766	–1.0	–2,542
Non-deductible expenses	–36.0	–59,734	–48.8	–128,298
Non-taxable income	21.7	36,043	42.3	111,350
Increase in loss carryforwards without corresponding capitalisation of deferred tax	–25.5	–42,320	–23.6	–62,023
Utilisation of non-capitalised loss carryforwards	–	–	1.9	5,045
Tax attributable to previous years	–	–	6.6	17,238
Reversal of previously capitalised loss carryforwards/tax assets	–15.0	–24,916	–	–
Revaluation at new tax rate	–42.7	–70,766	–	–
Other	–0.5	–839	–0.4	–974
Recognised effective tax¹	–70.6	–117,141	3.4	8,969

¹ The weighted average tax rate for the Group is 26.1% (10.5).

Reconciliation of effective tax – Parent company

	2012		2011	
	Tax rate, %	Amount	Tax rate, %	Amount
Profit/loss before tax		–33,603		44,798
Tax according to prevailing tax rate for the parent company				
<i>Tax effects in respect of:</i>				
Tax according to prevailing tax rate for the parent company	26.3	8,838	26.3	–11,782
Non-deductible expenses	–129.8	–43,606	211.4	–94,697
Anticipated dividends	125.2	42,080	–211.3	94,680
Increase in loss carryforwards without corresponding capitalisation of deferred tax	–21.4	–7,185	0.2	–71
Utilisation of non-capitalised loss carryforwards	–	–	–11.3	5,045
Other	–	–	–15.8	7,079
Recognised effective tax	0.4	127	–0.5	254

NOTE 11 Maturity information

	<i>Group</i>	
	31 Dec 2012	31 Dec 2011
<i>Loans to credit institutions</i>		
Payable on demand	1,963,637	6,134,801
Remaining maturity period < 3 months	82,657	63,411
Total lending to credit institutions	2,046,294	6,198,212
<i>Loans to the general public</i>		
Payable on demand	2,209,210	1,978,591
Remaining maturity period < 3 months	491,767	619,004
Remaining maturity period > 3 months but < 1 year	111,177	99,350
Remaining maturity period > 5 years	3,343	–
Total lending to the general public	2,815,496	2,696,945
<i>Liabilities to credit institutions</i>		
Payable on demand	244,860	205,644
Remaining maturity period < 3 months	–313	1
Remaining maturity period > 3 months but < 1 year	–	–
Total liabilities to credit institutions	244,548	205,645
<i>Deposits and borrowing from the general public</i>		
Payable on demand	5,180,904	6,145,263
Remaining maturity period < 3 months	531,265	737,255
Remaining maturity period > 3 months but < 1 year	29,577	6,796
Total deposits and borrowing from the general public	5,741,746	6,889,314

NOTE 12 Financial assets and liabilities – valuation methods and information on maturity periods

Group, 31 Dec 2012	Measurement method ¹					Maturity information					
	Held for trading					<=1 year	1–2 years	>2 years	Not applicable	Total	Latest due date if >2 years
	Market price (level 1)	Observable market data (level 2)	Non-observable market data (level 3)	Other method	Total						
Bonds and other interest-bearing securities	568,120	–	–	–	568,120	409,906	14,080	144,134	–	568,120	28 May 2015
Shares and participations	181,956	105,472	1,515	11,584	300,528	13,696	226	11,970	274,636	300,528	–
Derivative instruments	31,537	1,087	–	–	32,624	32,624	–	–	–	32,624	–
Total financial assets	781,613	106,559	1,515	11,584	901,271	456,226	14,306	156,105	274,636	901,271	
Securities issued ²	–	–	–	935,000	935,000	–	–	935,000	–	935,000	2015
Short positions, shares	22,274	–	–	–	22,274	–	–	–	22,274	22,274	–
Derivative instruments	24,084	54,828	–	–	78,912	78,912	–	–	–	78,912	–
Total financial liabilities	46,358	54,828	–	935,000	1,036,186	78,912	–	935,000	22,274	1,036,186	

¹ For information on measurement methods, see *Note 5 Net profit/loss from financial transactions*, page 41.

² 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.

Group, 31 Dec 2011	Measurement method ¹					Maturity information					
	Held for trading					<=1 year	1–2 years	>2 years	Not applicable	Total	Latest due date if >2 years
	Market price (level 1)	Observable market data (level 2)	Non-observable market data (level 3)	Other method	Total						
Bonds and other interest-bearing securities	353,535	85,208	–	–	438,743	366,517	24,208	48,017	–	438,743	28 May 2015
Shares and participations	204,175	66,356	1,573	23,126	295,231	27,754	–	–	267,477	295,231	–
Derivative instruments	109,703	102,117	–	–	211,820	211,820	–	–	–	211,820	–
Total financial assets	667,413	253,681	1,573	23,126	945,793	606,090	24,208	48,017	267,477	945,793	
Securities issued	–	–	–	935,000	935,000	–	–	935,000	–	935,000	2015
Short positions, shares	314,428	–	–	–	314,428	24	–	–	314,404	314,428	–
Derivative instruments	48,513	18,252	–	–	66,765	66,314	451	–	–	66,765	–
Total financial liabilities	362,941	18,252	–	935,000	1,316,193	66,338	451	935,000	314,404	1,316,193	

¹ For information on measurement methods, see *Note 5 Net profit/loss from financial transactions*, page 41.

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 2012	31 Dec 2011
<i>Bonds</i>		
Bonds, listed	568,016	401,421
Bonds, unlisted	104	37,322
Total	568,120	438,743
Swedish government	11,864	4,576
Other Swedish issuers	181,792	85,221
Foreign governments	26,049	13,782
Other foreign issuers	348,415	335,164
Total	568,120	438,743
<i>Equity</i>		
Shares, share warrants, listed	283,745	274,968
Shares, share warrants, unlisted	16,783	20,263
Total	300,528	295,231

NOTE 14 Shares and participations in Group companies

	<i>Parent company</i>	
	31 Dec 2012	31 Dec 2011
Cost of shares and participations in Group companies, on the opening date	2,674,290	2,638,353
Acquisitions during the year	–	35,937
Impairment losses during the year ¹	–70,000	–
Cost of shares and participations in Group companies, on the closing date	2,604,290	2,674,290

¹ The impairment loss 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 2012	Equity 2012 ²
Carnegie Investment Bank AB (publ) ³	516406-0138	Stockholm	400,000	1,780,084	2,033,811
<i>Subsidiaries of Carnegie Investment Bank AB:</i>					
Carnegie, Inc.	13-3392829	Delaware	100		
Carnegie AS ³	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 Bank A/S ³	794 734 17	Copenhagen	1		
Banque Carnegie Luxembourg S.A. ³	1993-2201863	Luxembourg	349,999		
<i>Subsidiaries of Banque Luxembourg S.A.</i>					
Carnegie Asset Management S.A.		Luxembourg			
Carnegie Fonder AB	556266-6049	Stockholm	30,000	824,206	49,113
Total				2,604,290	2,082,924

² Equity in subsidiaries is recognised less anticipated dividends to the parent company. All of the above shares are unlisted and owned 100 percent.

³ Entities classified as credit institutions.

NOTE 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	3,085

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 has elected to exercise this right. Payment for the option was included in the original purchase price and no further consideration has been paid. The regulatory ownership assessment regarding OPM was finalised in July 2011. 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 is consolidated in the Carnegie Group as an associate under the equity method of accounting.

The difference 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 difference, -3,734, consists of participating interests in the associate's loss, less depreciation/impairments of surplus values.

Other financial disclosures

	Assets	Liabilities excluding equity	Income	Operating profit/loss
Optimized Portfolio Management Stockholm AB	9,252	3,009	14,899	-1,247

NOTE 16 Intangible assets

	Group	
	31 Dec 2012	31 Dec 2011
<i>Goodwill</i>		
Cost on the opening date	431,030	431,030
Impairment losses	-4,788	-
Cost on the closing date	426,242	431,030
Carrying amount¹	426,242	431,030

¹ 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	9,207

Impairment testing of Familjeföretagens Pensionsredovisning i Värmland AB

Impairment testing has resulted in an impairment loss of SEK 4,788 thousand.

The carrying amount after impairment corresponds to the estimated value in use.

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 2012	31 Dec 2011
<i>Other intangible assets¹</i>		
Cost on the opening date	376,226	373,980
Translation differences	-1,280	-102
Acquisitions during the year	1,309	4,744
Sale/scrapping, continuing operations	-228	-2,396
Reclassifications	-1,407	-
Cost on the closing date	374,620	376,226
Depreciation on the opening date	-31,311	-1,991
Translation differences	968	39
Sale/scrapping, continuing operations	-5,049	1,601
Amortisation for the year	-31,285	-30,960
Depreciation on the closing date	-66,677	-31,311
Carrying amount	307,943	344,915
Total carrying amount of intangible assets	734,185	775,944

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

NOTE 17 Tangible fixed assets

	<i>Group</i>	
	31 Dec 2012	31 Dec 2011
<i>Computer equipment and other equipment</i>		
Cost on the opening date	258,238	298,679
Translation differences	-938	-112
Acquisitions during the year	8,140	18,518
Sale/scraping, continuing operations	-13,559	-14,769
Reclassification to renovation of leased premises	-	-44,078
Reclassifications	1,407	-
Cost on the closing date	253,288	258,238
Depreciation on the opening date	-193,981	-212,666
Translation differences	166	136
Sale/scraping, continuing operations	9,940	14,132
Depreciation for the year	-25,187	-33,110
Reclassifications	-	37,527
Depreciation on the closing date	-209,062	-193,981
Carrying amount	44,226	64,257
<i>Renovation of leased premises</i>		
Cost on the opening date	98,300	44,726
Translation differences	-1,363	208
Acquisitions during the year	1,805	9,288
Sale/scraping, continuing operations	-1,271	-
Reclassifications	-	44,078
Cost on the closing date	97,471	98,300
Depreciation on the opening date	-51,217	-5,130
Translation differences	1317	-272
Sale/scraping, continuing operations	1201	-67
Depreciation for the year	-8,340	-8,221
Reclassifications	-	-37,527
Depreciation on the closing date	-57,039	-51,217
Carrying amount	40,432	47,083
Total carrying amount of tangible fixed assets	84,658	111,340

NOTE 18 Deferred tax assets/liabilities

	Group		Parent company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
<i>Deferred tax assets</i>				
Pensions	77,087	93,515	619	492
Capitalised loss carryforwards ¹	359,893	434,308	–	–
Other ²	14,402	44,200	–	–
Total deferred tax assets	451,382	572,023	619	492
<i>Deferred tax liabilities</i>				
Intangible assets	–67,352	–87,476	–	–
Other	–5,575	–7,205	–	–
Total deferred tax liabilities	–72,927	–94,681	–	–

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	93,515	–16,429	–	77,087
Capitalised loss carryforwards ^{1,2}	434,308	–74,415	–	359,893
Other ²	44,200	–24,986	–4,813	14,402
Total	572,023	–115,830	–4,813	451,382

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	–87,476	20,124	–	–67,352
Other	–7,205	1,630	–	–5,575
Total	–94,682	21,754	–	–72,927

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	492	127	–	619
Total	492	127	–	619

¹ 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. Loss carryforwards total SEK 2,242,266 thousand (1,932,683), whereof SEK 27,590 thousand (270) 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.

² The tax rate was lowered from 26.3 percent to 22 percent. Consequently, the deferred tax asset has been revaluated, which led to the reversal of deferred tax assets in the amount of SEK 109,087 thousand and a reduction in deferred tax liabilities of SEK 13,134 thousand. The reversal of deferred tax assets includes SEK 68,341 thousand related to capitalised loss carryforwards. In addition, capitalised coupon tax of SEK 24,916 thousand was reversed due to the expiration of the offset option.

No significant deferred tax assets or liabilities are expected to be settled within the next 12 months.

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

NOTE 19 Other assets

	Group	
	31 Dec 2012	31 Dec 2011
Fund cash receivables assets	540,099	60,713
Accounts receivable	84,888	432,577
Other	489,291	80,058
Total other assets¹	1,114,278	573,348

¹ The remaining maturity period is less than one year.

NOTE 20 Prepaid expenses and accrued income

	Group		Parent company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Accrued interest	25,399	15,787	—	—
Rent	19,463	17,147	—	—
Fees	2,404	5,927	—	—
Personnel-related	6,419	14,315	—	—
Pensions	658	804	658	523
Accrued income	114,972	—	—	—
Other	88,455	117,604	—	—
Total prepaid expenses and accrued income¹	257,770	171,585	658	523

¹ The remaining maturity period is less than one year.

NOTE 21 Other liabilities

	Group	
	31 Dec 2012	31 Dec 2011
Fund cash payables	310,811	89,821
Accounts payable	44,362	50,410
Other	333,244	626,393
Total other liabilities¹	688,416	766,624

¹ The remaining maturity period is less than one year.

NOTE 22 Accrued expenses and prepaid income

	Group		Parent company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Accrued interest	26,119	27,612	20,827	20,770
Fees	7,428	24,523	1,919	1,552
Personnel-related	221,207	131,311	—	2,405
Pensions	5,123	3,022	2,381	—
Other	266,784	326,308	—	—
Total accrued expenses and prepaid income¹	526,662	512,776	25,127	24,727

¹ The remaining maturity period is less than one year.

NOTE 23 Other provisions

	Group	
	31 Dec 2012	31 Dec 2011
<i>Restructuring provisions</i>		
Opening balance	62,730	152,592
Translation differences	-483	-648
Utilised amounts	-43,034	-31,755
Reversal, unutilised amounts	-6,988	-74,215
Reclassifications	-3,472	-26,888
Provisions for the year	28,550	43,644
Closing balance	37,304	62,730
<i>Other provisions</i>		
Opening balance	4,642	9,488
Translation differences	-68	595
Utilised amounts	-5,870	-176
Reversal, unutilised amounts	-3,477	-
Reclassifications	-	-5,265
Provisions for the year	17,848	-
Closing balance	13,075	4,642
Total other provisions	50,379	67,372

Most of the provisions are expected to be utilised during 2013.

The provision to the restructuring reserve made in 2011 was increased during the year by SEK 29 million, as shown above. The increase is primarily related to IT systems. Simultaneously, the restructuring reserve related to reductions in staff (recognised in the balance sheet under 'Accrued expenses and prepaid income') was reversed in the amount of SEK 26 million. The net change in provisions to the restructuring reserve for the year, including the portion related to personnel, is thus an increase of SEK 3 million.

NOTE 24 Classification of financial assets and liabilities

Group, 31 Dec 2012

	Held for trading	Fair value option	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
Total assets	884,488	16,783	8,324,897	–	1,514,685	10,740,854
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
Total liabilities	101,186	–	–	7,717,154	958,582	8,776,922
Equity					1,963,932	1,963,932
Total liabilities and equity	101,186	–	–	7,717,154	2,922,514	10,740,854

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

Group, 31 Dec 2011

	Held for trading	Fair value option	Loans and accounts receivable	Other financial liabilities	Non-financial assets/liabilities	Total
Cash and bank deposits with central banks			265,203			265,203
Negotiable government securities			144,392			144,392
Loans to credit institutions			6,198,212			6,198,212
Loans to the general public			2,696,945			2,696,945
Bonds and other interest-bearing securities	438,743					438,743
Shares and participations	289,908	5,323				295,231
Derivative instruments	211,820					211,820
Shares in associates			12,161			12,161
Intangible assets					775,945	775,945
Tangible fixed assets					111,340	111,340
Current tax assets					15,572	15,572
Deferred tax assets					572,023	572,023
Other assets			573,348			573,348
Prepaid expenses and accrued income			15,787		155,798	171,585
Total assets	940,470	5,323	9,906,047	–	1,630,678	12,482,519
Liabilities to credit institutions				205,645		205,645
Deposits and borrowing from the general public				6,889,314		6,889,314
Issued securities				935,000		935,000
Short positions, shares	314,428					314,428
Derivative instruments	66,765					66,765
Current tax liabilities					31,500	31,500
Deferred tax liabilities					94,682	94,682
Other liabilities				145,301	621,323	766,624
Accrued expenses and prepaid income				27,612	485,164	512,776
Other provisions					67,372	67,372
Subordinated liabilities				409,702		409,702
Total liabilities	381,193	–	–	8,612,574	1,300,041	10,293,808
Equity					2,188,711	2,188,711
Total liabilities and equity	381,193	–	–	8,612,574	3,488,752	12,482,519

NOTE 25 Pledged assets and contingent liabilities

	Group		Parent company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
<i>Assets pledged for own debt</i>				
■ <i>Assets pledged for:</i>				
Deposited securities ¹	150,762	121,708	—	—
whereof own securities	130,732	—	—	—
whereof cash	20,030	121,708	—	—
Derivative instruments ²	23,444	14,180	—	—
whereof cash	23,444	14,180	—	—
Other liabilities	426,210	250,807	—	—
whereof own securities	—	—	—	—
whereof cash	—	—	—	—
whereof client securities	426,210	250,807	—	—
Total pledged assets for own liabilities	600,416	386,696	—	—
<i>Other pledged assets</i>				
■ <i>Assets pledged for:</i>				
Deposited securities on clients' account ³	233,794	160,639	—	—
whereof client securities	110,432	—	—	—
whereof cash	123,362	160,639	—	—
Derivative instruments on clients' account ⁴	122,155	91,513	—	—
whereof cash	122,155	91,513	—	—
Credit limits	—	—	—	—
whereof client securities	—	—	—	—
Trade in securities on clients' account and own account ⁵	223,794	191,756	—	—
whereof own securities	9,560	19,345	—	—
whereof cash	214,234	172,411	—	—
Total other pledged assets	579,743	443,908	—	—
<i>Contingent liabilities and guarantees</i>				
Contingent liabilities	8,385	13,332	—	—
Guarantees	37,219	77,737	—	—

¹ The collateral requirement was SEK 137,661 thousand (118,112), while 13,101 thousand (2,896) was excess collateral.

² The collateral requirement was SEK 22,270 thousand (12,628), while 1,174 thousand (1,552) was excess collateral.

³ The collateral requirement was SEK 233,312 thousand (155,079), while 482 thousand (5,560) was excess collateral.

⁴ The collateral requirement was SEK 121,233 thousand (86,133), while 922 thousand (5,380) was excess collateral.

⁵ The collateral requirement was SEK 203,051 thousand (185,758), while 20,743 thousand (5,998) was excess collateral.

NOTE 26 Operational leasing

	Group	
	31 Dec 2012	31 Dec 2011
<i>Contracted payments relating to land and buildings</i>		
Within one year	70,604	88,290
Later than one year but within five years	283,551	292,039
Later than five years	85,693	136,672
<i>Other contracted payments</i>		
Within one year	7,107	12,597
Later than one year but within five years	6,697	5,836
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 42–45.

	Group		Parent company	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
<i>Related-party transactions with the CEO and Board of Directors</i>				
Deposits/liability	1,685	10,650	—	—
Interest expenses	81	79	—	—
Lending/assets	—	4,904	—	—
Interest income	123	240	—	—
Pledged assets and guarantees	32,900	172,929	—	—
<i>Related-party transactions with Group companies</i>				
Deposits/liability			—	37,686
Interest expenses			3	7,516
Lending/assets			238,566	440,587
Interest income			1,102	132
Sales			27,851	12,000
<i>Related-party transactions with the owners</i>				
Deposits/liability	494,167	555,750	430,529	430,472
Interest expenses	21,950	25,210	20,979	22,021
Interest income	—	5	—	—
For other transactions with owners, see 'Parent company statements of changes in equity' (page 28) and 'Consolidated statements of changes in equity' (page 25).				
<i>Related-party transactions with others</i>				
Deposits/liability	50,013	60,249	—	—
Interest expenses	817	1,011	—	—

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

NOTE 28 Important events after 31 December 2012

The annual report was approved for publication by the Board of Directors on 21 March 2013.
The annual general meeting is scheduled to be held 11 April 2013.

Board changes

Bo Magnusson was elected chairman of the board of Carnegie Holding AB in February 2013 and succeeded Arne Liljedahl, who decided in late 2012 to curtail his board commitments in general and step down from his position as chairman of the board of Carnegie.

Fredrik Grevelius was newly elected to the Board of Directors in February 2013. Fredrik is the CEO of Investment AB Öresund and is a director of 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.

The composition of the Board of Directors, effective February 2013, is: Bo Magnusson (chairman), Mårten Andersson, Fredrik Grevelius, Harald Mix and Fredrik Strömholm.

Changes in Group management

Katja Levén, former chief legal counsel, left Carnegie and the Group management team in January 2013. Helena Nelson has been appointed to succeed Ms Levén as chief legal counsel. She will accede to the position in April 2013 and will be part of Group management. The present Group management are presented on page 71.

Carnegie Fonder achieves top ranking

Swedish business newspaper *Dagens Industri* and rating institute Morningstar have named Stefan Ericson of Carnegie Fonder 'Star Manager of the Year' in the Corporate Bonds category. The fund Ericson manages, Carnegie Corporate Bond, has also been given the highest, five-star, rating by independent rating institute Morningstar. Carnegie Corporate Bond has now joined three other Carnegie funds on the five-star list: Carnegie Sverigefond, Carnegie Sverige Select and Carnegie Likviditetsfond.

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 impaired.

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

Group, 31 Dec 2012	AAA, AA-	A+, A-	BBB+, BBB-	No external rating available	Past due but not reserved	Provisions
Governments and central banks	2,354,198	—	—	—	—	—
Institutional exposures	1,195,999	1,521,995	I	38,572	—	—
Corporate exposures	—	—	—	2,098,962	—	126,210
Retail exposures	—	—	—	1,440,673	—	190,005
Total	3,550,197	1,521,995	I	3,578,207	—	316,215

■ *Pledged assets*

Carnegie's corporate and retail exposures are primarily collateralised with pledged liquid financial securities (known as custodian account loans). 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 2012	Market value	Collateral value	Exposure
Equity	10,402,172	5,190,194	1,291,565
Bonds	2,672,933	1,581,931	834,451
Cash	2,170,567	2,170,408	678,538
Other collateral	1,537,801	1,367,450	771,970
Total	16,783,473	10,309,983	3,576,523

Loss provisions

Provisions are based on individual assessments of 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 provisions are required. These parameters are described in Carnegie's internal control documents. A provision 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 provision requirements.

Provisions in Carnegie's Danish subsidiary, Carnegie Bank A/S, follow the method determined by the local supervisory authority. As of 31 December 2012, provisions in Carnegie Bank A/S were SEK 230 thousand.

As of 31 December 2012, the value of collateral the bank is holding for loans where the value has been impaired was SEK 52 million. The collateral consists mainly of equities, bonds and fund units.

All renegotiated loan receivables have been 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 have not been made.

The value of assumed financial assets was SEK 15 million (23) at the end of the period. All assumed assets are equities, and Carnegie's strategy is to gradually dispose these assets. The entire value of the assumed assets refers to realised pledges.

Market risks

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 434 million (888). Of the total for the Group, SEK 323 million (610) related to shares and SEK 112 million (279) to derivative instruments. The net exposure at year-end was SEK 232 million (126).

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 –0.3 million (–0.4) at year-end. A +3 percent price change at the same date would have had an effect of SEK 0.5 million (0.7) 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 volatility risk of Vega below SEK 0.1 million (0.1). The exposure in the Group represents the net of positions with negative or positive Vega exposure.

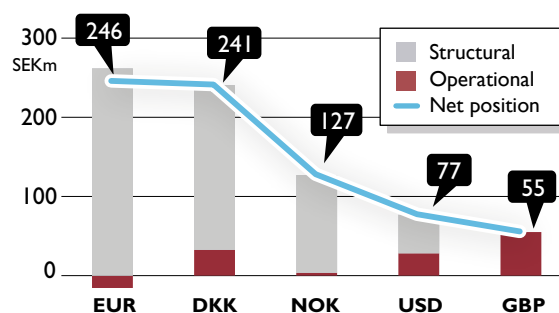
■ Scenario analysis

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 ± 3 percent simultaneously with a change in market volatility of ± 10 percent. The greatest potential loss in such a scenario is called the *Medium Max Loss* and was at year-end SEK 0.4 million (0.7). The stress scenario means that prices in the entire equity market change by ± 10 percent and that market volatility changes by ± 40 percent. The greatest potential loss in such a scenario is called *Stress Max Loss* and amounted to SEK 1.9 million (1.3) 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, which includes only liquid currencies. Carnegie's own portfolios had no currency exposure on 31 December 2012.

Group currency exposure on 31 December 2012:



cont. **NOTE 29** Risk and capital management■ *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 2.3 million (0.3). 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 6.0 million (2.1).

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 50. 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 2012*

Group, 31 Dec 2012	Payable on demand	Up to 3 months	3–12 months	More than 1 year, but less than 5 years
Liabilities to credit institutions	244,447	–	–	–
Deposits and borrowing from the general public	5,180,904	531,265	29,577	–
Issued securities	–	–	–	935,000
Short positions	22,274	–	–	–
Other liabilities	–	455,520	–	–
Accrued expenses and prepaid income	–	526,622	–	–
Total	5,447,625	1,513,407	29,577	935,000

■ *Derivatives*

Liabilities at market value	–	–	78,912	–
Assets at market value	–	–	32,624	–

■ *Contracted maturities of financial liabilities, 31 Dec 2011*

Group, 31 Dec 2011	Payable on demand	Up to 3 months	3–12 months	More than 1 year, but less than 5 years
Liabilities to credit institutions	205,644	1	–	–
Deposits and borrowing from the general public	6,145,263	737,255	6,796	–
Issued securities	–	–	–	935,000
Short positions	314,404	–	–	–
Other liabilities	–	514,388	–	–
Accrued expenses and prepaid income	–	27,612	–	–
Total	6,665,311	1,279,256	6,796	935,000

■ *Derivatives*

Liabilities at market value	–	–	66,314	451
Assets at market value	–	–	211,820	–

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

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 participations in Group companies*, page 51.

Carnegie analyses future capital requirements through the Internal Capital Adequacy Assessment Process (ICAAP), which means that future capital requirements can be met. For more information about the ICAAP, see page 22.

	Group	
	31 Dec 2012	31 Dec 2011
■ Capital adequacy		
Capital base	1,233,404	1,315,907
Capital requirement	-503,366	-579,173
Surplus capital	730,038	736,734
Capital adequacy ratio	2.45	2.27
Tier 1 capital ratio	1.64	1.56
■ Capital base		
Share capital	238 811	221,976
Other capital contributions/statutory reserve	1,101 486	1,018,321
Provisions	-162,884	-121,122
Retained earnings	786,519	1,069,536
Anticipated dividends	-22,015	-22,015
■ Deductions		
Goodwill and intangible assets	-666,833	-688,468
Deferred tax assets	-451,382	-572,023
Total Tier 1 capital	823,703	906,205
■ Tier 2 capital		
Perpetual convertible debentures	409,702	409,702
Total capital base	1,233,404	1,315,907

cont. **NOTE 29 Risk and capital management***Capital requirement for credit risks*

Carnegie applies the standard method for calculating credit risks.

	Group	
	31 Dec 2012	31 Dec 2011
■ <i>Capital requirements from exposures to:</i>		
Governments and central banks	–	–
Municipalities and comparable public bodies and authorities	–	–
Institutional exposures	39,788	76,864
Corporate exposures	41,481	37,757
Retail exposures	12,985	12,409
Exposures secured by real estate property	–	–
High-risk items	–	–
Exposures to funds	6,547	2,674
Other items	31,129	34,059
Total capital requirement for credit risks	131,930	163,763
<i>Capital requirement for market risks</i>		
■ <i>Capital requirement for risks in the trading book</i>		
Settlement risk	1,380	281
Total capital requirement for settlement risks	1,380	281
Equity price risk		
Specific risk	16,784	15,193
General risk	2,894	3,815
Total capital requirement for equity price risks	19,678	19,008
Interest risk		
Specific risk	19,072	5,916
General risk	5,093	2,924
Total capital requirement for interest risks	24,165	8,840
Currency risk	63,652	70,490
Total capital requirements for currency risks	63,652	70,490
<i>Capital requirement for operational risks</i>		
Carnegie applies the base method for calculating operational risks. The capital requirement is calculated as 15 percent of the income indicator, which represents the average operating income of the three most recent financial years.		
Income indicator	1,750,405	2,111,939
Capital requirement for operational risks	262,561	316,791

NOTE 30 Information on statements of cash flows

	Group		Parent company	
	2012	2011	2012	2011
Interest paid	159,037	179,538	62,595	50,308
Interest received	141,276	208,472	1,210	188
<i>Adjustments for items not affecting cash flow</i>				
Anticipated dividends and Group contributions from subsidiaries	–	–	–90,000	–435,550
Expense related to additional purchase consideration, as yet unpaid	95,315	360,000	95,315	360,000
Income from Valot Group, not yet received	–90,000	–360,000	–	–
Depreciation, amortisation and impairment of assets	98,563	89,967	70,000	–
Credit provisions	9,486	1,615	–	–
Change in provisions for balance sheet items	–16,581	–94,641	12,922	966
Capital gain/loss from sale/liquidation of subsidiaries	–	–25,513	–	–
Participating interests in earnings of associates	459	3,274	–	–
Unrealised changes in value of financial instruments	–13,676	30,483	–	–
Recognised negative goodwill/adjustment of acquisition analysis	–	9,087	–	–
Other profit and loss items that do not affect liquidity	21,000	56,685	–	–
Total adjustments for items not included in cash flow	104,566	70,957	88,237	–74,584
<i>Cash and cash equivalents</i>				
Cash and bank deposits with central banks	720,799	265,203	–	–
Negotiable government securities	1,599,298	144,392	–	–
Loans to credit institutions	1,925,498	5,693,310	167,259	6,850
Loans to credit institutions, not payable on demand	–82,657	–63,411	–	–
Less: pledged cash and cash equivalents	–365,900	–467,500	–	–
Cash and cash equivalents, closing balance	3,797,038	5,571,994	167,259	6,850

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. The total nominal amount was SEK 409,702,015.

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

NOTE 32 Profit/loss from participations in subsidiaries

	Parent company	
	31 Dec 2012	31 Dec 2011
Anticipated dividends from subsidiaries	90,000	360,000
Group contributions from subsidiaries	–	75,550
Cost of supplementary purchase consideration related to the acquisition of Carnegie Investment Bank AB ¹	–95,315	–360,000
Total result from investments in subsidiaries	–5,315	75,550

¹ The cost refers to additional purchase consideration paid to the Swedish National Debt Office.

The subsidiary Carnegie Investment Bank AB has income of SEK 90 million (360) from the Valot Group attributable to its sale of Norrvidden. Accordingly, the effect in the Carnegie Holding Group is a loss of SEK 5,315 thousand (–).

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)* and Swedish Financial Reporting Board Recommendation RFR 2, *Reporting of Legal Entities*; 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 (ÅRKL)*; 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 of the Group's operations, financial position and earnings and describes significant risks and uncertainties facing the companies included in the Group.

Stockholm, 21 March 2013

The consolidated financial statements will be presented to the annual general meeting on 11 April 2013 for resolution.

Bo Magnusson
Chairman

Mårten Andersson

Fredrik Grevelius

Fredrik Strömholm

Harald Mix

Thomas Eriksson
President and Chief Executive Officer

Our audit report was submitted on 21 March 2013

PricewaterhouseCoopers AB

Michael Bengtsson
Authorised Public Accountant,
auditor in charge

Susanne Sundvall
Authorised Public Accountant

AUDITOR'S REPORT

To the annual meeting of the shareholders of Carnegie Holding AB (publ), corporate registration 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 2012.

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 opinion.

Opinion

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 2012 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 2012 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 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 2012.

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 opinion.

Opinion

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.



Michael Bengtsson
Authorised Public Accountant, auditor in charge

Stockholm, 21 March 2013
PricewaterhouseCoopers AB

Sussanne Sundvall
Authorised Public Accountant



BOARD OF DIRECTORS



Bo Magnusson

Chairman, born 1962.

Bo also serves as chairman of the boards of SBAB Bank and 4T. He was formerly acting president and CEO of SEB.



Mårten Andersson

Director, born 1971.

Mårten is the CEO of Besikta Bilprovning and a director of Volati AB. His previous positions include head of European wealth management operations for Old Mutual, CEO of Skandia and chairman of the board of Skandiabanken.



Fredrik Grevelius

Director, born 1968.

Fredrik is the CEO of Investment AB Öresund and a director of Bilja 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.



Harald Mix

Director, born 1960.

Harald is a founding partner of Altor Equity Partners. He is also a director of the Lindorff Group, N Holding and Papyrus Holding.



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 and Åkers. His previous positions include managing director of Goldman Sachs and director of Nordic Capital.

GROUP MANAGEMENT



Thomas Eriksson

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 of SEB Asset Management. Thomas has also held several positions in the Nordea Group Asset Management and Life Division.



Jan Enberg

Born 1966.

Head of the Private Banking & Structured Finance business area. Jan joined Carnegie in 1993, when the Structured Finance Department was formed. He has been head of Structured Finance operations since 1999. Prior to joining Carnegie, Jan was involved in the start-up of equivalent operations at Handelsbanken.



Hans Hedström

Born 1957.

President of Carnegie Fonder since December 2010, Hans was previously chairman of Carnegie Fonder. He was president of HQ Fonder from 2000 until March 2010. Formerly employed by Hagströmer & Qviberg, where his positions included pharmaceuticals analyst, corporate finance project manager, head of strategy and head of research.



Björn Jansson

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.



Andreas Koch

Born 1977. Co-opted director.

Head of Communications and Marketing since 2007. Prior to joining Carnegie, Andreas was vice president of investor relations at SCA. Other previous positions include business analyst for group management at SCA. MBA, Stockholm School of Economics.



Fredrik Leetmaa

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.



Pia Marions

Born 1963.

Chief Financial Officer (CFO) since October 2010. Before joining Carnegie, Pia was COO for the Nordic region at the Royal Bank of Scotland. Her previous positions include CFO of Skandia Liv and senior positions with Länsförsäkringar Liv and the Swedish Financial Supervisory Authority.

A BRIGHTER FUTURE FOR CHILDREN

Carnegie and our employees have been helping give opportunities to more than 10,000 disadvantaged children and youth to create a brighter future since 2002. Our contributions are made through Carnegie Social Initiative, a voluntary association.

The Carnegie Social Initiative is a voluntary association started in 2002 in which employees at Carnegie offices in all countries are involved. The overarching theme of the Carnegie Social Initiative is to 'invest in the futures of disadvantaged children and youth.' In specially selected projects, Carnegie and Carnegie employees are making a difference by contributing to future-oriented initiatives for children and youth in Uganda, India and Latvia.

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



Dardedze in Latvia have developed a treatment centre for children.

CHILDREN ARE CREATING THEIR OWN BRIGHTER FUTURES – WITH CARNEGIE'S HELP



INDIA: **Teaching children in the slums of Mumbai**

The Door Step School is giving children in the slums educational opportunity by teaching children at the times and places they are able to attend school. Supported by the people of Carnegie, the Door Step School is teaching more than a thousand children every year.

Read more: doorstepschool.org



LATVIA: **Preventing child abuse**

The Centre Against Abuse Dardedze has developed a treatment centre for children who have been victims of psychological, physical or sexual abuse. With Carnegie's support, they have developed the 'Safety Trip,' a programme in which children aged 7–8 learn through games and role playing to avoid becoming victims of abuse.

Read more: centrsdardedze.lv



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

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 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.

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.

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.

Number of employees at year-end (FTE)

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

Profit margin

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

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.



On the cover

Christian Schmidt-Rasmussen
Bus Stop, Autumn
(2009)
Oil on canvas,
115×83 cm

Photo: Johann Bergenholtz.

Christian Schmidt-Rasmussen: Carnegie Art Award 2012 winner

Danish artist Christian Schmidt-Rasmussen was the Third Prize winner of the Carnegie Art Award 2012. Several motifs found in his recent works depict South Harbour, a traditional working-class neighbourhood on the southern outskirts of Copenhagen, where he lives. In these everyday settings, poetic and imaginative elements often emerge to show that not everything in the world is what it seems. *Bus Stop, Autumn* depicts two people waiting in an ordinary bus shelter, entirely unaware of the magnificent explosions of yellow that autumn is setting off in the trees behind them.

Carnegie Art Award

The Carnegie Art Award was established in 1998 to support outstanding artists in the Nordic countries and promote contemporary Nordic art. In slightly less than a decade, it has become an established and recognised part of the Nordic art scene. With total prizes of SEK 2.1 million, the Carnegie Art Award is one of the world's largest art awards. Several of the artists recognised through the Carnegie Art Award are now well known not only in the Nordic region, but also internationally.

Read more: www.carnegieartaward.com

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