



Carnegie Holding AB

Annual Report 2010



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On the cover: Astrid Sylwan: *While drifting into sleep* (2009), acrylic on canvas, 220×200 cm.

After a fascination for the monumental and dynamic abstract painting that has historically been dominated by men, Astrid Sylwan has found her own language. The range of colour often associated with nature and the poetic titles, which act as a complement to her paintings, refer to an experience or a development in the process of their creation. Astrid Sylwan was born in Antwerp in 1970 and lives in Stockholm. She trained at the University College of Arts, Craft and Design in Stockholm 1999–2005. Astrid Sylwan participated in the Carnegie Art Award 2010.

The **Carnegie Art Award** was established in 1998 to support skilled artists in the Nordic countries and to promote contemporary Nordic art. In slightly less than a decade, it has become an established and recognised part of the Nordic art scene. With a total prize sum of SEK 2.1m, 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.

LEADING, INDEPENDENT AND NORDIC

The Carnegie group is the leading independent investment bank with a Nordic focus. Carnegie creates added value for institutions, enterprises and individuals within securities brokering, investment banking, private banking and fund management. Carnegie has approximately 900 employees in eight countries.

SECURITIES

Carnegie Securities targets institutional clients and offers services within research, equity sales, sales trading and equity capital market-related transactions. Carnegie has a leading position in the Nordic countries and an extensive network of investors via offices in London and New York.

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

Percentage
of income¹



38%

Percentage
of personnel²



46%

INVESTMENT BANKING

Carnegie Investment Banking offers professional advisory services in mergers and acquisitions (M&As), equity capital market (ECM) transactions and structured instruments. Carnegie has long had a local presence and a unique understanding and knowledge of industries and equity markets in the Nordic region.

Markets: Denmark, Finland, Norway and Sweden.



28%



21%

PRIVATE BANKING

Carnegie Private Banking targets high net worth individuals, small businesses and foundations and offers tailor-made financial advisory services. As an independent provider with in-depth expertise and a clear focus, Carnegie Private Banking can provide one of the market's most attractive value propositions within wealth management.

Markets: Denmark, Luxembourg, Switzerland and Sweden.



25%



29%

FUNDS

Carnegie Fonder offers high-quality asset management products to fund investors and institutions. Carnegie's strength lies in a long tradition of active asset management, driven by experienced teams and a focused, value-based investment philosophy.

Market: Sweden.



9%



4%

Total 2010

SEK 2,232m

838 full-time
equivalent
employees

¹ Pro forma including HQ Bank and HQ Fonder full-year 2010.

² The group had 886 employees on 31 December 2010, which corresponds to 838 full-time equivalent employees.



2010 IN SUMMARY

- Carnegie acquired HQ Bank and HQ Fonder.
- The acquisition of HQ Bank makes Carnegie the biggest independent provider in Private Banking in Sweden.
- Carnegie has strengthened its market position during the year.
 - Increased number of mergers and acquisitions in the Investment Banking business area.
 - Improved ranking and increased market shares in the Securities business area.
 - Increased number of discretionary mandates in the Private Banking business area.
- At year-end Carnegie had assets under management of approximately SEK 110 billion.
- Carnegie has a strong financial position, with equity that amounted to SEK 2.5 billion and capital adequacy of 18 percent at year-end.
- Income amounted to SEK 1,796 million.
- Expenses before credit provisions amounted to SEK 1,391 million.
Items affecting comparability have reduced net expenses by SEK 395 million.
- Pre-tax profit amounted to SEK 540 million. Adjusted for items affecting comparability, pre-tax profit was SEK 145 million.
- Net profit for the year amounted to SEK 501 million.

AWARDS

Securities: Research company Prospera ranked Carnegie's brokerage as number one in 2010 and Carnegie's research as number two in Sweden.

Investment Banking: Carnegie conducted the largest number of equity capital market transactions in the Nordic region in 2010 and was second-largest Nordic participant on the market for M&A advice in 2010.

Private Banking: Carnegie was ranked in second place among the sector's Nordic participants by Euromoney magazine 2011. Carnegie Private Banking has assets under management of approximately SEK 74 billion.

Funds: Approximately 80 percent of Carnegie Fonder's managed assets of SEK 27.5 billion at year-end had 4 or 5 stars according to research company Morningstar.

STRONG FOUNDATION

This year's most important events were the strategic acquisitions of HQ Bank and HQ Fonder, which consolidate Carnegie's leadership in savings products and advisory services. Meanwhile, Carnegie has continued to strengthen its position in all lines of business.

The world economy has continued to recover from the financial crisis. Corporate profits are expanding, and growth is gaining strength. At the same time, the upturn is fragile, and a number of clouds are darkening the horizon: the conflicts in the Middle East and North Africa, natural disasters in Japan, and a high oil price that could drive up inflation. All this, together with the continued need for substantial government incentives, makes the economy difficult to assess.

These matters should be taken seriously – and at Carnegie we take them seriously. We strive to continually improve our value proposition by exploring new business opportunities. With the autumn's acquisition of HQ Bank and HQ Fonder, we became at a single stroke Sweden's largest independent provider of private banking and savings products. At the same time, we broadened our client base and increased our proportion of recurring revenue, which has given us a more stable foundation to stand on.

Even in our day-to-day work, we have strengthened our Nordic position in securities trading, corporate finance and private banking. We have assisted our clients in a series of acquisitions, equity capital markets transactions, and IPOs, and we have climbed in the ranking tables. The **Carnegie Securities** business area conducted several senior recruitments while ranking improved and market share increased. Similarly, we have received several awards in private banking.

Revenue-wise and in terms of earnings, 2010 was a year of recovery. The biggest improvement was for **Carnegie Investment Banking**, with revenue increasing by over 50 percent. The Securities business area increased revenues as a consequence of higher brokerage revenue, despite the fact that trading on the Nordic stock exchanges remained at low levels. Profitability in Securities was not satisfactory, but improved during the latter part of the year and in the beginning of 2011. **Carnegie Private Banking** showed higher profitability, after lowering costs and increasing the proportion of discretionary mandates. The new business area, **Funds**, which has been part

of the group since October 2010, showed a stable revenue trend and a positive capital inflow towards the end of the year and in early 2011.

Internally, we have invested considerable time and effort into the integration of HQ Bank and HQ Fonder. The first weeks were devoted in particular to the strengthening of risk management in the acquired units, to replacing the old brand and to developing a long-term plan. It is through this plan that we are now moving forward, and the integration has so far exceeded expectations. We have created a joint value proposition and a single organisation in private banking, we

Carnegie will be the leading financial advisor in the Nordic region.

have streamlined the overall business and we have re-established Carnegie Fonder as a leading fund management company.

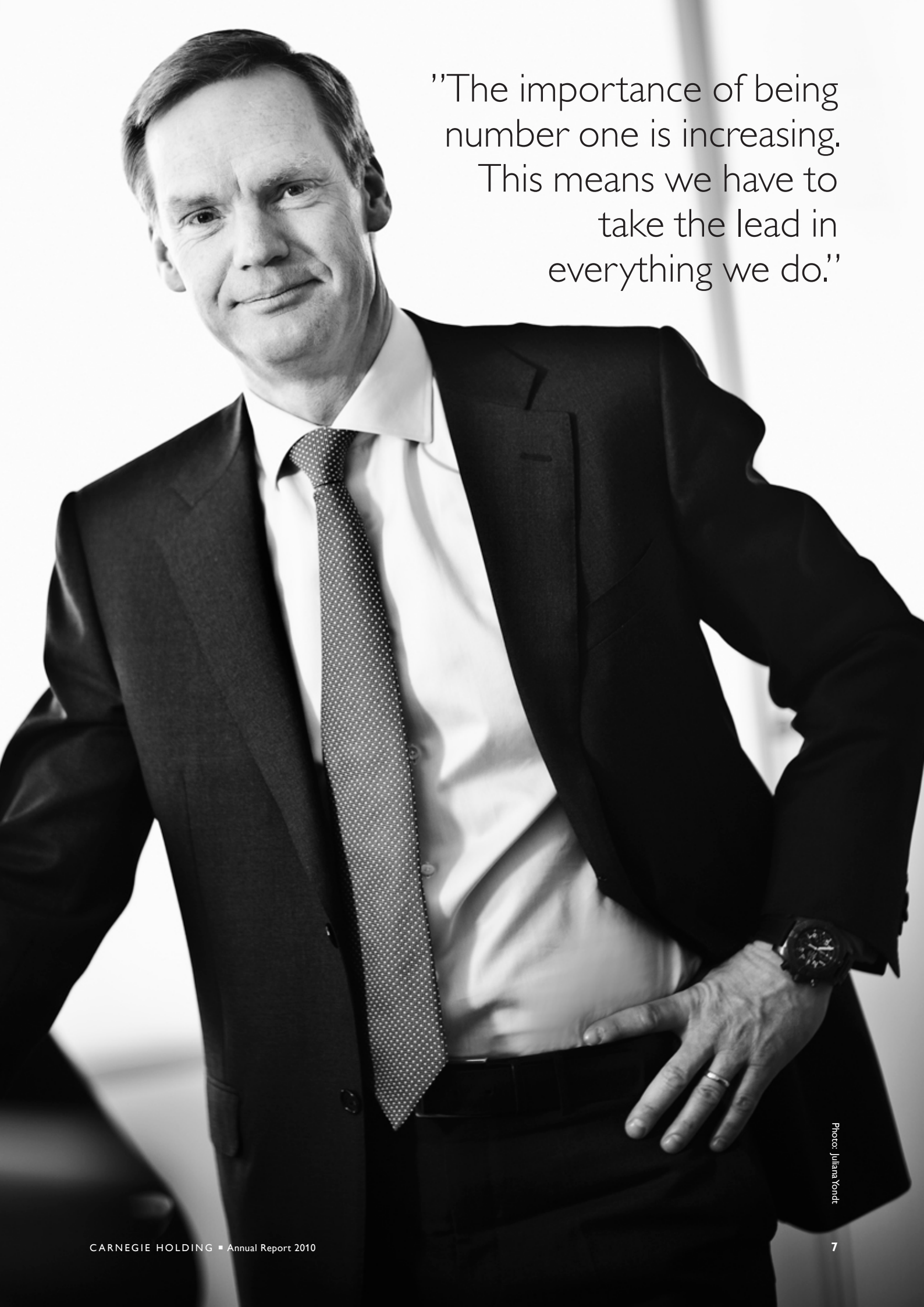
Carnegie as a whole, therefore, has noted both consolidation and improvement in 2010, something that will be of great benefit going forward. There is no doubt that we, and the entire financial industry, still face major challenges. The importance of being number one or at least number two is increasing. This means we have to be a leader in everything we do. To summarise: *Carnegie will be the leading financial advisor in the Nordic region.*

There are no shortcuts in achieving this goal. We must in all areas be able to offer products and services of the highest calibre, and we must be responsive to customer requirements. By offering personal service and customer focus, Carnegie will be a leading provider in selected segments of the banking market.

Carnegie has a strong brand that over the years has attracted the foremost expertise in our chosen areas of operation. We are humbled by the challenges ahead, but given the knowledge capital we possess I feel confident about the future.



Frans Lindelöw
President and CEO



"The importance of being
number one is increasing.
This means we have to
take the lead in
everything we do."

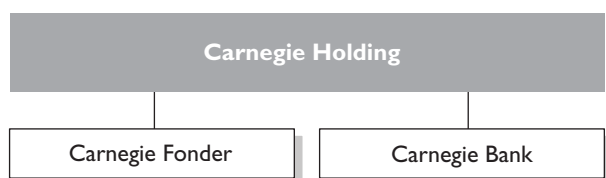
Photo: Juliana Yondt

BOARD OF DIRECTORS' REPORT

The board of directors and president of Carnegie Holding AB (formerly ABCIB Holding AB) hereby present the annual report for the operations in the parent company and group for the financial year 2010. Carnegie Holding is the parent company in the Carnegie group, which in turn comprises wholly-owned companies Carnegie Investment Bank AB (publ) ("Carnegie Bank") and Carnegie Fonder AB ("Carnegie Fonder").

DESCRIPTION OF OPERATIONS

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 associated business. All business operations within the Carnegie group take place within the companies Carnegie Bank and subsidiaries, and Carnegie Fonder. Carnegie Holding is owned by the fund Altor Fund III ("Altor", 44 percent), Bure Equity AB ("Bure", 24 percent), Investment AB Öresund (10 percent) and employees of Carnegie (22 percent). Carnegie Bank was consolidated into Carnegie Holding from 1 June 2009 and Carnegie Fonder was consolidated from 22 September 2010.



INCOME¹

Income during the full-year 2010 amounted to SEK 1,796 (1,288²) million. All business areas showed higher revenue as a consequence of increased market activity, rising asset values and improvement of Carnegie's market position. This develop-

ment is most clearly visible in the Investment Banking business area, driven by Carnegie having been very active as an advisor in mergers and acquisitions, equity capital markets transactions and initial public offerings. The Securities business area is exhibiting higher commission revenue as a result of Carnegie successively improving its relative market position. Private Banking has performed well during the year, with an increased proportion of discretionary mandates. The Fund business area is exhibiting stable income (included in the period 22 September to 31 December 2010).

EXPENSES¹

Expenses before credit provisions for 2010 amounted to SEK 1,391 million (633). These expenses include items affecting comparability, which reduced costs by SEK 395 million (499) net. Of this, SEK 656 million (633) relates to recognition of negative goodwill and SEK -261 million (-134) is related to the costs associated with acquisitions, liquidation and restructuring. Adjusted for these items affecting comparability, expenses before credit provisions were SEK 1,786 million (1,132).

PROFIT¹

Profit before tax for the year amounted to SEK 540 million (811). Recognition of negative goodwill had a positive effect on earnings of SEK 656 million (633), while restructuring

¹ Comparison figures for 2009 relate to the period 1 June–31 December unless otherwise stated.

Carnegie Holding was formed in conjunction with the acquisition of Carnegie Bank by Altor and Bure.

² Income 2009 excluding capital gains from Asset Management.

expenses had a negative effect on earnings of SEK 261 million (134). Adjusted for these items, profit before tax amounted to SEK 145 million (154 excluding capital gains). Net profit for the year amounted to SEK 501 million (828).

MARKET DEVELOPMENT

Carnegie's revenues are closely tied to developments on global stock markets and the general business climate. The Nordic stock exchanges performed strongly during the year, as a consequence of the improved economic situation and a continued recovery from the financial crisis of 2008. Despite the strong stock market performance, commission-driven sales on the exchanges, the most important parameter for profitability in securities transactions, were relatively low. The market for corporate transactions strengthened somewhat in relation to 2009. Similarly, the market for stock market transactions was slightly stronger, driven by a number of major transactions towards the end of the year. The market for mutual funds and private banking has benefited from higher activity among private individuals and rising asset values as a consequence of the strong equity market development.

COMMENTS ON EACH BUSINESS AREA

Securities

In Securities, income amounted to SEK 767 million (746¹). The increase results from higher commission revenue, mostly from stock market transactions. Although the Nordic stock exchanges rose during the year, commission-driven trading remained at a low level and profitability for Securities has not been satisfactory. Carnegie's ranking improved in 2010 as a result of intensive efforts to recruit and strengthen our value proposition towards institutions within and outside the Nordic countries. This has resulted in Carnegie climbing in the rankings and increasing its market share. Carnegie's strong placement capability is demonstrated through a number of

¹ Pro forma full year 2010.

IMPORTANT EVENTS DURING THE YEAR

ACQUISITIONS OF HQ BANK AB AND HQ FONDER SVERIGE AB

On September 3, Carnegie Bank acquired all the outstanding shares of HQ Bank AB in liquidation (HQ Bank) for SEK 268 million, equal to the value of HQ AB's outstanding personnel convertibles. Payment consisted of a promissory note to HQ AB, which is pledged for the benefit of personnel convertible holders.

On September 22, Carnegie Holding acquired all shares of HQ Fonder Sverige AB from Investment AB Öresund. The purchase price, SEK 872 million, was paid in cash. In conjunction with this acquisition, Öresund paid SEK 440 million to Carnegie Holding AB in settlement for newly issued preference shares and SEK 410 million as payment to Carnegie Holding for newly issued convertibles. Investment AB Öresund therefore became a shareholder in Carnegie Holding. For more information on the acquisitions see *Note 30, "Acquired operations"*, page 70.

HQ BANK MERGED INTO CARNEGIE BANK

On 30 September 2010, the Swedish Companies Registration Office registered the merger between Carnegie Bank and HQ Bank. All activities previously referred to as HQ Bank are now part of Carnegie. All HQ Bank's assets, liabilities and other commitments have been taken over by Carnegie. Carnegie is the common brand with effect from 1 October 2010.

LONG-TERM FINANCING

On 1 April 2009 Carnegie joined the state guarantee scheme, and in conjunction with this Carnegie issued a bond loan of a nominal SEK 935 million with a maturity of 36 months. This loan has been extended in 2010 and matures in 2015.

HQ FONDER CHANGED NAME TO CARNEGIE FONDER

Following completion of the acquisition of HQ Fonder Sverige AB the company changed its name to Carnegie Fonder AB. The change of name was registered by the Swedish Companies Registration Office on 14 October 2010.

NEW HEAD OF CARNEGIE DENMARK

In March 2010, Claus Gregersen was appointed new head of Carnegie's Danish operations, Carnegie Bank A/S. Claus Gregersen has extensive experience in the financial sector, including as president of Alfred Berg in Denmark.

stock market transactions during the year. An example of this is that Carnegie, along with Goldman Sachs, brokered shares when Renault sold its stake in Volvo – the largest directly traded stock market transaction ever in the Nordic region, where shares worth SEK 28 billion changed hands.

Investment Banking

The Investment Banking business area had income of SEK 534 million (347¹), an increase of 54 percent over 2009. The improvement relates to increased activity in all Nordic countries and in all segments of the transaction market (corporate acquisitions, capital market transactions and IPOs). Carnegie has taken market share in the Nordic market for corporate acquisitions and, according to statistics from Thomson Financial, Carnegie was the second-largest Nordic operator in 2010, both in terms of volume and number of transactions. Carnegie has for a long time been a leader in equity market transactions, and in 2010 Carnegie conducted more transactions in the Nordic countries than any other provider.

Private Banking

Within the Private Banking business area, income in the year amounted to SEK 463 million (390¹). The increase in income is attributable to greater assets under management and revenues from the former HQ Private Banking. Revenue growth was partially limited by the effects of exchange rate fluctuations between the Swedish krona and foreign currencies. The proportion of stable revenues is increasing alongside a greater proportion of discretionary mandates and expanded asset management through proprietary management products. Following the acquisition of HQ's private banking business, a lot of effort has been invested in integrating operations and creating an even stronger offering to existing and new clients. The private banking operations in Sweden were named best private bank by the magazine Affärsvärlden, and Carnegie achieved top scores in the annual survey by Euromoney magazine.

Funds

Carnegie Fonder was consolidated into Carnegie Holding from 22 September 2010. Income for the period 22 September–31 December amounted to SEK 54 million. Pro forma income over the full year amounted to SEK 197 million (189). The business has inherently very

stable revenue. During the first half of the year, assets under management increased and then decreased due to outflows in August to October as a consequence of the unrest linked to HQ Bank. Towards the end of 2010, the flows stabilised, and in December and early 2011 Carnegie Fonder experienced an inflow into the funds. At the end of 2010, Carnegie Fonder had assets under management of SEK 27.5 billion, compared with SEK 26.6 billion at the end of 2009.

PROPOSED DIVIDEND

Carnegie's board of directors proposes that the annual general meeting endorse a cash dividend of SEK 27.82736 per preference share. This corresponds to a total dividend of SEK 6,115,229.

The dividend is in accordance with the terms and conditions for preference stock set out in the articles of association.

No dividend is proposed for common stock.

Carnegie's capitalisation is expected to be sound and well adapted taken into consideration the demands with respect to the size of shareholders' equity in the company and the group which are imposed by the nature, scope and risks associated with the operations and the group's need to strengthen the balance sheet, liquidity and financial position in general.

DISPOSITION OF PROFIT

At the disposal of the annual general meeting, SEK

Earnings brought forward	997,446,789
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The board of directors proposes that the earnings be disposed of in the following manner:

Dividend to Investment AB Öresund, SEK 27.82736 per preference share	6,115,229
To be carried forward	991,331,560
Total	997,446,789

For a detailed specification of changes in equity in the parent company, see page 28.

LIQUIDITY, FINANCING AND INVESTMENTS

Carnegie's liquidity position is good and has improved during the year following the acquisition of HQ Bank. Carnegie primarily requires short-term financing which is secured by borrowing from the public. Fixed assets and part of the liquidity reserve are funded by equity and issued bonds with long maturities. At the end of the year, the bank changed the definition of liquidity reserves so that only cash and assets that can be refinanced with the Riksbank are included. Investments

¹ Pro forma full year 2010.

in fixed assets amounted to SEK –59 million (–60) during the year. Acquisitions of subsidiaries during the year amounted to SEK 1,241 million (1,715) million, see also *Note 30 "Acquired operations"*, page 70.

The group's deposits during the period increased by SEK 985 million (7,178), while the group's lending decreased by SEK 303 million (increase: 9,439).

GENERAL INFORMATION ON RISKS AND UNCERTAINTIES

The parent company is financed with both debt and equity. Financing with debt inherently means liquidity and refinancing risks. The material risks within the Carnegie Holding group exist within Carnegie Bank and Carnegie Fonder, which encompass the group's operational activities. The risks that exist within Carnegie are described in the section *Risk and capital management*, pages 16–22.

EMPLOYEES

President Frans Lindelöw is the sole employee of the parent company Carnegie Holding AB. The Carnegie group, including Carnegie Bank and Carnegie Fonder, together had 886 employees in eight countries, representing 838 full-time equivalents, at the end of 2010. Carnegie's constant challenge is to recruit and retain the best employees through active leadership, clear goals and competitive incentives to create a working environment that provides the very best opportunities for personal and professional development. More data on salaries and other remuneration for the parent company and the group is shown in *Note 6 "Personnel expenses"*, pages 41–45.

ENVIRONMENTAL WORK

Carnegie's ambition is to minimise the company's impact on the environment, both direct and indirect. Environmental work is conducted through continuous adaptation of operations, improved routines and constant updating of knowledge and information management with respect to environmental issues. Personnel requirements for office premises, IT equipment, consumable items, travel and energy consumption are examples of the direct environmental impact resulting from Carnegie's operations. In 2009, Carnegie's operations in Stockholm, including the head office, were moved to new premises. The move resulted in significantly lower energy consumption, since the new premises are more energy-efficient and because Carnegie invested in data centres with new cooling technology.

IMPORTANT EVENTS AFTER THE END OF THE PERIOD

NEW FUND NAMES AT CARNEGIE FONDER

During the month of January 2011, most Swedish-registered funds changed their name. Previously, these funds had the prefix HQ in each fund name, such as the HQ Strategifond fund. As a natural result of the company name being changed to Carnegie Fonder, the fund names were also changed so that Carnegie is used as a prefix instead, such as the Carnegie Strategifond fund. The funds registered in Luxembourg will change name later in 2011.

CARNEGIE FONDER DISCONTINUES ETF OPERATIONS

Carnegie Fonder has decided to phase out its operations in exchange traded funds, known as ETFs. Thus Carnegie Fonder will once again focus wholly on its core business of actively managed funds.

EXPANDED MANAGEMENT TEAM AT CARNEGIE

The management team at Carnegie has been expanded with three new members: Hans Hedström, president Carnegie Fonder, Katja Levén, chief legal counsel, and Fredrik Leetmaa, CRO. In addition to these individuals the management team includes: Frans Lindelöw, Peter Bäärnhielm, Henric Falkenberg, Claes-Johan Geijer, Claus Gregersen, Björn Jansson, Pia Marions and Anders Onarheim.

CARNEGIE CLAIMS ITS RIGHT TO ACQUIRE SHARE STAKE FROM HQ AB

In conjunction with Carnegie's acquisition of HQ Bank on 3 September 2010, Carnegie also gained a right to acquire HQ AB's shares in subsidiaries and associates. Carnegie intends to exercise this right. The option to take over HQ AB's shares was settled in the initial purchase price and no additional payment will be made. For more information about these companies, see *Note 30 "Acquired operations"*, page 70.

NEW NAME FOR CARNEGIE GROUP'S PARENT COMPANY

On 9 February 2011, the name change of the parent company in the Carnegie group was registered, from ABCIB Holding AB to Carnegie Holding AB.

CORPORATE GOVERNANCE

Corporate governance refers to the decision processes through which the owners, directly or indirectly, govern the company. Governance, management and control are shared by the shareholders, the board of directors and its committees, and the president. Carnegie also has a number of internal control functions. Carnegie's articles of association define the limits for the company's operations. In addition to the articles of association, external regulations and recommendations establish limits for the company. Governance within Carnegie is also regulated by internal policy documents and instructions that are updated and approved annually by the board of directors and president.

BOARD OF DIRECTORS' RESPONSIBILITIES

The board of directors' overall assignment is to manage the company's important matters on behalf of the owners in such a manner that the owners' interests for long-term favourable return on capital are satisfied in the best possible manner. The board of directors shall regularly assess the group's financial situation. The board of directors shall ensure that the company's organisation is dimensioned such that accounting, asset management and the company's other financial circumstances are controlled in a reassuring manner. The central tasks of the board of directors include the following:

- Establishing the overall goals and strategies for the company's operations
- Follow-up of the company's financial development
- Ensuring satisfactory control of the bank's compliance with laws and regulations
- Continuously evaluating the company's operational management
- Ensuring that there are ethical guidelines for the company's actions
- Ensuring that the company's external information is characterised by openness and objectivity

The board of directors shall also issue rules of procedure for its own work, an instruction for the president and other instructions and guidelines as required within and by the operations.

The board of directors was appointed on 19 May 2009 in conjunction with Altor and Bure taking over ownership from the Swedish National Debt Office. The composition is unchanged since then, and is described on page 75.

The board has held 15 ordinary and two extraordinary meetings during 2010. The board has three committees that regularly assist the board in its work: *the audit committee; the remuneration committee; and the credit and risk committee.*

Audit committee

The audit committee prepares and assists the board of directors' follow-ups and reviews of:

- Financial and operational information reported to shareholders and other stakeholders
- The organisation for internal controls
- Internal and external audit work

The audit committee consists of two members of the board of directors. The committee conducts at least six meetings per year, of which at least one meeting in conjunction with publication of quarterly reports. The audit committee reviews reports to the board of directors from the internal audit and compliance functions.

Remuneration committee

The remuneration committee consists of two members of the board of directors. The committee's assignment is to prepare proposals to the board in consultation with Carnegie's

president regarding general remuneration principles and the annual general allocation of available variable remuneration. The remuneration committee shall also review and propose the president's salary and benefits and propose principles and a general policy for salary, benefits and pensions for the group's senior executives. In addition, the remuneration committee shall oversee implementation of the incentive system.

Credit and risk committee

The credit and risk committee shall prepare, examine and provide guidance to the board on matters relating to credit management, risk management (market risk, liquidity risk and operational risk) and capital adequacy issues, which includes the internal capital adequacy assessment process (ICAAP). The credit and risk committee consists of three members of the board of directors. At meetings of the credit and risk committee, credit issues are presented by the chief credit officer, risk control issues by the chief risk officer (CRO) and capital adequacy issues by the chief financial officer (CFO).

President and group management

The president is appointed by the board of directors, works according to instructions issued by the board and reports back to them. Carnegie's president and CEO is responsible for managing the ongoing administration of the company and has operational responsibility for its business. To support his work, the president has appointed a group management consisting of the president, CFO, CRO, chief legal counsel, and seven managers from the four business areas Investment Banking, Securities, Private Banking and Funds. The company's management is presented in more detail on pages 76–77.

REMUNERATION PRINCIPLES

Carnegie's remuneration model is intended to support successful and long-term development of the company. Furthermore, the system shall reward individual performance and encourage long-term value creation for the entire group in part through balanced risk taking.

On 11 December 2009, the Swedish Financial Supervisory Authority issued new regulations and general recommendations regarding remuneration policies in credit institutions, securities companies and fund companies. In accordance with this decision Carnegie's board adopted a new remuneration policy at the start of 2010, which was revised in November 2010.

Description of Carnegie's remuneration model

Overall remuneration model

Carnegie's remuneration model supports the long-term business goals of its owners. The remuneration model is based on shareholder value and includes the following components:

- Fixed remuneration (salary) and other benefits
- Pension benefits
- Professional development

Carnegie has structured a balanced overall remuneration model with a fixed salary, variable remuneration and other components. Furthermore, the model supports long-term development of skills and encourages individual effort. Fixed remuneration, pension and other benefits are not dependent on short-term results. Profit sharing is a tool to ensure that employees' efforts go hand in hand with the business aims decided each year by the board and owners. The mix of remuneration components and deferral of payments support long-term value growth and a healthy risk culture.

The total level of remuneration is determined by the board with regard to, inter alia, Carnegie's ability to be profitable over the economic cycle.

Balance between fixed and variable remuneration

Carnegie's goal is to have competent and committed employees who are highly motivated. This requires that the company can offer employees competitive terms compared to other participants in the labour market. The composition of fixed and variable pay varies between different professions, both in Carnegie and in the labour market in general. Carnegie shall provide total remuneration that is competitive with regard to employees' tasks, skills, responsibilities and work performance.

Fixed remuneration

Fixed remuneration is the main component for a large part of Carnegie's staff. The base salary depends on several parameters, such as employee competence, responsibility and long-term effort. Carnegie monitors developments in the labour market to maintain its position as an attractive and competitive employer for high-performing and talented individuals.

Decision process

Salary, pension and other benefits are determined by each employee's manager and approved by his superiors. Fixed salary and pension benefits for the bank's management are decided by the board.

Variable remuneration

Carnegie's variable remuneration is based on profit sharing. Determining the profit sharing should take into account the group's ability to collectively report a profit over the economic cycle.

The starting point of profit sharing is the group's profit,

the local unit's operating performance and the individual employee's performance. When the operating profit for profit sharing is calculated, consideration should be made of the current and future business risks, together with the cost of capital and liquidity.

Decision-making for variable remuneration

Based on the operational profit for profit-sharing, the president and unit heads draw up proposals for the distribution (between the owners and employees). The proposal shall be based on:

- The extent to which the units have achieved their operational targets
- The absolute level of operating profit for profit sharing to each unit
- Industry practices regarding the balance between fixed and variable pay for the professional groups working in the units
- Risk taking and risk management in the activities of units

The proposal and the reasoning should be sound and documented, including an analysis of the factors mentioned above. In the next step, the president submits the proposal to the remuneration committee.

The remuneration committee conducts an analysis to consider the risks that may be associated with the president's proposal. The analysis should show how payments affect Carnegie's financial position at present and in the future on the basis of the forecasts used in the internal capital evaluation. Special attention should be paid to ensure the capital targets set by the board do not risk being considerably missed. The analysis should take into account the overall operational results when the recommendation for profit sharing is presented to the board.

In addition, the remuneration committee should evaluate whether the proposed level of profit sharing might contribute to risk-taking that is not in line with the bank's desired level of risk. Finally, this analysis should include an assessment of whether any risk exists of potential conflicts of interest and, if so, how these are managed.

The recommendation from the remuneration committee forms the basis of the board's final decision on profit sharing.

Distribution to individuals

All employees can receive allocations from the profit share. The decisive parameters for the individual profit shares are the group's operating profit, the unit's performance and individual performance. Individual goals are an important element in the bank's evaluation. A mandatory part of the evaluation is compliance with internal and external rules and codes of practice.

The distribution of allocated profits at the individual level follows the same decision process as described above. However, the president approves individual distributions with the exception of payments to the bank's management and control functions, whose distributions must be approved by the board.

Risk-takers

One group of employees are known as risk-takers, that is, they exercise a significant influence on the company's risks, which could result in considerable damage to profits or the financial position. This group of staff consists of senior officers, including the president. In addition to these, the group of risk-takers includes members of the credit committee and traders. For this group, 60 percent of variable remuneration is deferred for at least three years. The deferred portion may be withheld if criteria established when deciding on profit sharing are not met.

Employees in control functions

The criteria for variable remuneration to employees in the control functions are designed to ensure their integrity and independence, which, inter alia, includes ensuring that remuneration is independent of the units being controlled. For this group, 60 percent of the variable remuneration is deferred for at least three years.

Monitoring and control

Internal audit conducts an annual independent review to ensure the bank's remuneration complies with its remuneration policy. The internal audit reports its findings to the board not later than in conjunction with the annual report being approved.

Provision for variable remuneration for 2010

Provision for variable remuneration to staff for 2010 amounts to SEK 252 million (177). The amount of the provision is based on the group's operating profit. For individuals that Carnegie has defined as risk-takers in accordance with the above, 60 percent of the variable remuneration is deferred for 36 months.

For more information on remuneration in 2010, see [Note 6 "Personnel expenses"](#), pages 41–45.

Partnership

Carnegie Holding is 23 percent owned by employees in the Carnegie group. Staff ownership is an important component in generating commitment to the entire company's development and for ensuring that employees have the same incentives as the owners for long-term value creation.

TWO-YEAR REVIEW

SEKm	Group	
	2010 ¹ (Jan–Dec)	2009 ² (Jun–Dec)
<i>Income statement</i>		
Securities	745	502
Investment Banking	534	233
Private Banking	463	227
Asset Management	–	326
Carnegie Fonder	54	–
Capital gain from divested operations	–	158
Total revenue	1,796	1,446
Personnel expenses	–1,225	–762
Other expenses	–166	129
Expenses before credit losses	–1,391	–633
Operating profit before credit losses	405	813
Credit losses, net	135	–2
Total expenses	–1,256	–635
Profit before tax	540	811
Tax	–39	17
Net profit for the year	501	828

¹ HQ Bank included from 3 September 2010.

Carnegie Fonder included from 22 September 2010.

² Parent company newly formed 19 March 2009. The Carnegie group was consolidated into Carnegie Holding from 1 June 2009. The income statement therefore only covers the period June–December 2009.

	Group	
	2010 ¹ (Jan–Dec)	2009 ² (Jun–Dec)
<i>Financial key data</i>		
Cost/income (C/I) ratio, %	70	44
Revenue per employee, average, SEKm	2.6	2.1
Profit margin, %	28	57
Return on equity, %	22	20
Total assets, SEKm	15,078	13,997
<i>Tier 1 capital (SEKm)</i>		
Equity	2,459	2,109
Goodwill	–431	–9
Intangible assets	–278	–8
Deferred tax assets	–560	–251
Repayment shareholders' contributions/dividend	–6	–525
Tier 1 capital	1,185	1,316
Tier 2 capital (perpetual convertible debenture)	410	–
Total capital base	1,594	1,316
Capital requirement, SEKm	726	688
Credit risks	166	184
Market risks	93	99
Operational risks	468	405
Tier 1 ratio, %	13.05	15.30
Capital adequacy, %	17.57	15.30
Capital adequacy ratio	2.20	1.91
Average number of full-time equivalent employees	685	689
Average full-time equivalent employees on the closing date	838	603

RISK AND CAPITAL MANAGEMENT

Risk involves uncertainty in various forms and is a natural feature of all types of business. Carnegie's ability to assess and manage risks while maintaining sufficient capital strength to meet unforeseen events is crucial for its long-term profitability and growth.

The purpose of the laws and regulations for the financial sector is to promote stability and efficiency in the financial system as well as to ensure effective consumer protection. From a business perspective, risk management aims at improving the quality of business decisions by ensuring that the associated risks are identified, measured and controlled.

During 2010, efforts continued to strengthen the group's risk control. These efforts included review, update and modification of risk policies and instructions as well as strengthening of the risk control organisation and supervising the integration of HQ Bank.

ORGANISATION AND RESPONSIBILITIES

The board of directors has the ultimate responsibility for Carnegie's operations and is thus responsible for ensuring that the group's risk management is satisfactory. To fulfil this responsibility, the board annually establishes risk policies intended to strengthen the risk awareness across the group and to ensure a sound balance between risk taking and risk control. The board, through compliance and internal audit, is also responsible for monitoring compliance with regulations and policies as well as the efficiency of the group's risk management.

The board has established three committees: the credit and risk committee, the remuneration committee and the audit committee. The principal task of the board committees is to prepare the board's decisions. The credit and risk committee's main duties are to assist the board in risk and credit-related matters and to provide advice on risk management, credit management and capital adequacy issues, including the internal capital adequacy assessment process (ICAAP). The remuneration committee assists the board in matters relating to fixed and variable remuneration and other forms of compensation. The audit committee's main responsibility is to assist the board in fulfilling its oversight responsibility relating to the

integrity of the group's financial reporting and financial reporting process and the evaluation of risk management processes and internal controls.

In Carnegie, the responsibility for risk management is based on the principle of three lines of defence. This entails that every employee is responsible for managing the risks in their area of responsibility and for adhering to external and internal rules and regulations. 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).

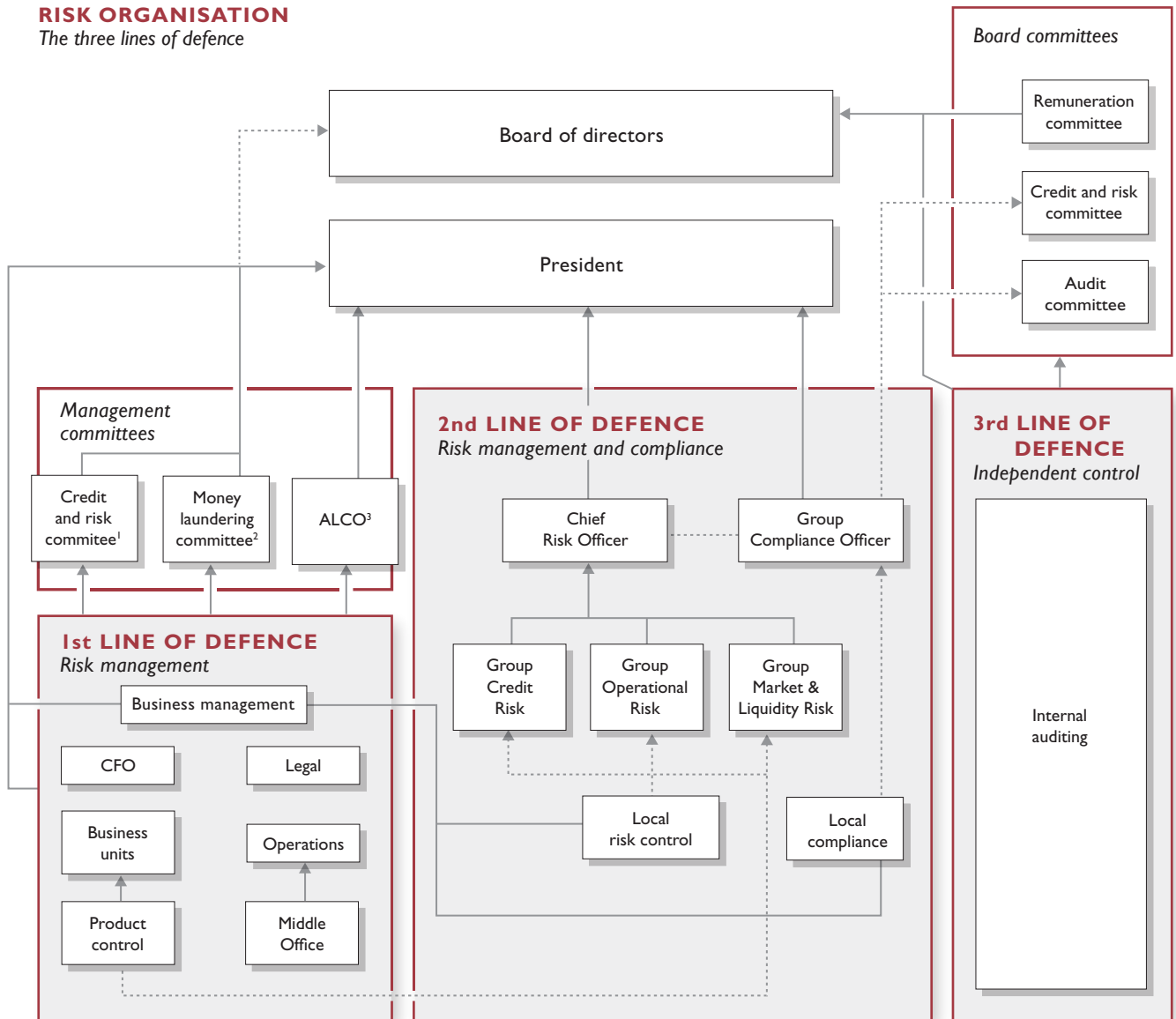
First line of defence

The first line of defence owns risk and risk-management activities and comprises the president, business units and support functions. The president is responsible for ensuring that risk management processes adhere to board policies and risk tolerance. Management and staff in the first line of defence hold the main responsibility for risk management and internal and external regulatory compliance in their operations.

Second line of defence

The second line of defence exercises oversight of the group's risk management and regulatory compliance. The second line of defence comprises risk managers and compliance officers at group level and locally. The second line of defence functions are independent from the business operations and report directly to the board of directors.

The risk control function at group level (CRO office) comprises the group market risk manager, the group credit risk manager and two group operational risk managers who are directly subordinate to, appointed by and reports to the chief risk officer (CRO). Correspondingly, the group compliance officer is the primary responsible for overseeing compliance issues at group level.

RISK ORGANISATION*The three lines of defence*

¹ Comprises CEO, CFO, legal and CCO. With support from CRO.

² Comprises CEO, CRO, compliance officer, legal.

³ ALCO = Asset and Liability Committee.

The second line of defence assists the board and management in the development of internal rules and instructions. The second line of defence also supports the first line of defence in the application of these instructions by assisting in the development of procedures, methods and tools for managing risk and compliance. In addition, the second line of defence provides support and guidance through training sessions, workshops and general advice.

The second line of defence is also responsible for monitoring and testing the adequacy and effectiveness of the

implemented procedures and for monitoring changes in the regulations. The local risk control functions are responsible for coordinating risk management procedures within the unit and independently monitoring and testing the adequacy and effectiveness of implemented procedures. The local risk control functions report to the local managing director and to the CRO office, which aggregates, analyses and reports risk exposures on a consolidated basis to the president and the board. The local compliance functions support management in monitoring regulatory compliance and changes in legislation.

They are also responsible for monitoring and testing the adequacy and effectiveness of the implemented compliance procedures. The local compliance functions report directly to the local managing director and to the group compliance officer, who in turn reports to the board of directors and the president.

Third line of defence

The third line of defence is represented by internal audit. The internal audit function's primary duty is to evaluate the adequacy and effectiveness of internal controls and risk management procedures. This responsibility includes verifying that the independent control functions within the second line of defence are functioning satisfactorily. The internal audit is independent from the business operations and reports directly to the board.

RISK AREAS

Carnegie's business activities generate exposure to different types of risk. Risk is defined as a potential negative deviation from the expected results, which can occur due to internal processes or future internal or external events. Carnegie constantly assesses and analyses its overall risk exposure. Carnegie is mainly exposed to market risk, credit risk, liquidity risk, operational risk, reputation risk and business risk/strategic risk. For more information on the group's risk management see *Note 29 "Risk and capital management"* on pages 65–69.

Market risk

Market risk is the risk of loss due to unexpected changes in prices and volatilities 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 volatilities.

Currency risk The risk of loss due to adverse changes in foreign exchange rates.

Interest rate risk The risk of loss due to adverse changes in interest rates.

Carnegie offers its customers various types of financial services and products in different markets. As a natural consequence, different types of market risk arise. Market risks arise

both in the group's trading operations and from structural positions in non-trading banking activities. There are four main types of market risk: equity price risk, volatility risk, currency risk and interest rate risk. Carnegie applies risk measures and limits specific to each type of market risk which are based on sensitivities to changes in the underlying market factors. Market risk is also measured by stress tests which estimate potential losses from different extreme scenarios. Risk exposures and limit usage are reported on a regular basis to the CRO, the president and the board.

Equity price risk

Equity price risk is the risk of loss due to adverse changes in equity prices. Equity price risk arises when Carnegie acts as market maker for, or trades in, equities and equity-related instruments. The primary objective of Carnegie's activity in financial markets is to facilitate clients' requirements, and to facilitate the group's own financing. The secondary objective is to generate returns through own positions.

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 holdings and issues of 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 different currencies. The largest structural currency risk is associated with the group's subsidiaries in other countries.

Interest rate risk

Interest rate risk arises both in the trading book and in other operations. Interest rate risk in the trading book is defined as the risk of losses due to changes in interest rates. Interest rate risk in the trading 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 revenue 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. As such, interest rate risk in the other operations is low.

Credit risk

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

Counterparty risk The risk of loss due to failure of counterparties in a financial transaction to fulfil their contractual obligations.

Settlement risk The risk that the Group fulfils its commitments in a contractual exchange of financial assets but fail to receive the corresponding settlement in return, due to a delivery failure on the part of the counterparty or other market participants. It also arises in the implementation of securities transactions that cannot be paid in time because the counterparty does not deliver or because of a system fault in regulated markets, clearing houses or other financial market participants.

Concentration risk The credit risk arising from concentrations in the credit portfolio to a single counterparty, industry sector or geographical region or from concentrations in pledged collateral.

Carnegie's credit risk exposure arises from the following activities:

- Deposits with financial institutions and central banks
- Margin lending in connection with client-driven derivative trading and securities lending
- Trading in structured products
- Trading in OTC derivatives

The group's exposure to credit risk is derived mainly from margin lending and secured by collateral in liquid financial instruments, and credit risk exposure from deposits of with

central banks and financial institutions. Carnegie only places deposits with central banks and institutions that are assigned a high rating by approved rating agencies. Credit-related services are also offered within the business areas Investment Banking and Securities as part of the business areas' normal operations and business strategy. These may include, for example, bridge financing and underwriting.

In providing margin lending services, Carnegie assumes the risk that the value of the instrument provided as collateral is no longer sufficient, for example due to a sudden drop in market values that reduces the market value of the underlying security. To reduce this risk, Carnegie applies haircuts when lending against financial instruments posed as collateral. The haircut represents a percentage reduction in the market value of collateral. Credit exposures and the market value of collateral are monitored on a daily basis.

Carnegie's credit risk management is based on the following principles:

- **Collateral** – Collateral for exposures are primarily cash deposits, liquid financial instruments or bank guarantees. When assuming collateral Carnegie shall always have first priority on pledge and thus not be subordinated to other creditors.
- **Diversification** – Carnegie aims to maintain well-diversified portfolios. The credit portfolio and the collateral portfolio shall reflect the development of general economic conditions in each market area.
- **Sound principles** – The approval of credit is based on sound banking principles and high ethical standards. The decision to approve a credit is based on an analysis of the counterparty's financial position and repayment capacity.

Guidelines and instructions are an important part of the framework for risk management as they reflect the risk appetite set by the board. Guidelines and instructions have been reviewed, updated and supplemented in order to provide clear, consistent and rigorous processes and procedures for credit risk management within the group.

During the second quarter of 2010, a group-wide reporting structure was implemented and the system support for credit monitoring at group was enhanced, leading to a strengthened control environment with streamlined consolidation with respect to monitoring, measuring and identifying credit concentrations and conducting stress tests for credit risk.

In 2010, Carnegie also conducted a review of credit limits and decision mandates for different types of exposure classes: government and central banks, institutions and companies, and individuals.

Liquidity risk

Liquidity risk is the risk is the risk of being able to meet liquidity commitments only at increased cost or, ultimately, being unable to meet obligations as they fall due.

In 2010, Carnegie's liquidity policy was revised to strengthen the group's liquidity management and to ensure compliance with the new regulatory framework for liquidity risk management. Liquidity risk consists of market liquidity risk and funding liquidity risk. Market liquidity risk is the risk that Carnegie is unable to liquidate or cover its position due to market conditions that make normally liquid assets illiquid. Market liquidity risk arises mainly on the asset side of the balance sheet. Funding liquidity risk refers to the risk that Carnegie will not have access to sufficiently liquid funds to finance its operations. Funding liquidity risk arises from the liability side of balance sheet. According to Carnegie's finance and capital policy, the group and each of its subsidiaries shall maintain a liquidity reserve that exceeds the expected maximum net cash flow over a 30-day period which is estimated through stress tests. The stress tests are designed to evaluate the potential effects of a series of extreme but possible events. The stress tests take into account the following factors:

- A significant withdrawal of client deposits
- Reduced market values for assets eligible for refinancing
- Reduced collateral values for assets eligible for refinancing

Operational risk

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

As the definition demonstrates, the term operational risk encompasses a wide range of events that can occur across the entire group. Operational risk events may be caused by errors or deficiencies in administrative procedures, system failures or

external disasters. These risks have the potential to cause significant losses. It is therefore imperative that operational risks are identified and managed on a continuous basis to encompass developments in the external and internal environment.

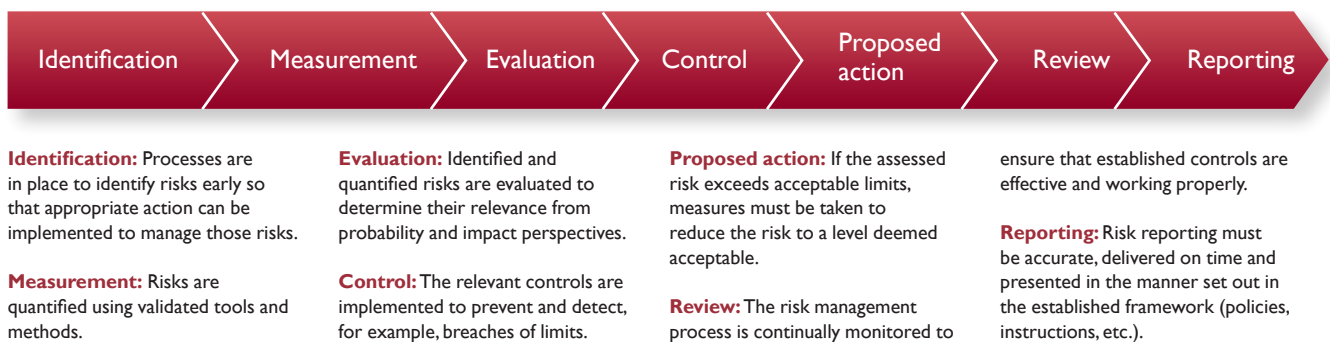
The single biggest change in the group's activities in 2010 was the acquisition of HQ Bank and HQ Fonder which entails new business areas for Carnegie. Furthermore, the integration is in itself a complex process which involves the merger of different organisational structures, processes and IT systems. These risks affect all business areas and support functions either directly or indirectly to varying degrees. As a result of the ongoing integration, the operational risk level was assessed as higher than normal during the third and fourth quarters.

To manage the operational risks of the business, Carnegie has established a group-wide framework, including policy documents, instructions and standardised processes for the identification, measurement, management and reporting of operational risk. The framework includes:

- **Self-assessment** – Each unit within Carnegie 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, i.e. incidents. All employees have a responsibility to report incidents and managers are responsible for addressing unacceptable risks within their area of responsibility. They are also responsible for reporting mitigating actions to the CRO office, which aggregates and analyses incident data in its reporting.
- **Approval of new products and services** – Carnegie also has a process for analysing and approving new, and major changes in, products and services. The routine 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. In 2010 this process was applied to all new products and processes included in activities in connection with the acquisition of HQ Bank AB.

CARNEGIE'S RISK MANAGEMENT PROCESS

Carnegie continuously identifies risks that the business entails. Carnegie's risk management process is designed to identify and analyse risks in the business, determine appropriate restrictions (limits) for these and ensure that effective internal control systems exist. The process covers all risk areas, while the specific activities are tailored to each risk area.



Developing and improving policies and processes for managing operational risk is a continuous process. This work is driven by operational risk managers at group level, in close cooperation with local risk managers in each group unit. Ultimately, however, the responsibility for managing operational risk lies where the risk is taken. This means that each employee is responsible for managing the risks within their area of responsibility with the support of risk managers.

Reputational risk

Reputational risk is the current or prospective risk to earnings and capital arising from exposure to 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, which is triggered by the internal or external events adversely affecting the stakeholder confidence in the bank by clients, regulators and other market participants. Reputation risk is one of the most difficult risks to guard against. At the same time, the consequences can potentially be devastating should the confidence in a bank be damaged. This was particularly evident during the financial crisis, when the market's perception of banks' financial stability affected several institutions' access to liquidity.

The most recent years have been a turbulent period for both Carnegie and HQ. Against this background, Carnegie

places a particular focus on reputational matters and the group works proactively to prevent reputational risk. Carnegie strives to ensure that stakeholders have a positive image of the company and that the bank is perceived as highly transparent. Reputational risk is managed through continuous monitoring and assessing how the bank may be affected by reputational risk and what the consequences may be.

For example, reputational risks are analysed in regular self-assessments. Furthermore, there are internal procedures regarding the management of customer complaints, with a designated complaints officer and clear reporting lines. Reputational risk is also considered in the context of business decisions and the process for approving new products and services.

Business risk and strategic risk

Business risk is the current or prospective risk to earnings and costs arising from changes in the economic and competitive business environment, such as the market environment, client behaviour and technological progress affecting business volumes and margins.

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 and inadequate strategic planning.

Carnegie's business depends on customer demand for banking and financial services as well as macroeconomic changes such as GDP growth, interest rates, exchange rates and equity prices. The bank's operations are conducted in a number of geographical markets. This means that the bank's profitability may be adversely affected by changes in the macroeconomic conditions in these countries or by changes in the conditions for trading operations and related factors.

Strategic risk relates to Carnegie's ability to adapt to changes in the external environment and is closely related to business risk. Business and strategic risk are managed by ensuring that the group is aware of its strategic position and by preparing for changes in external factors. Carnegie continuously reviews its strategic position and market conditions to be prepared for changes in market conditions and the competitive landscape.

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, i.e. the capital base divided by capital requirements, shall exceed 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 a minimum corresponds to the total of the capital requirements for credit risk, market risk and operational risk. The capital adequacy regulations provide different methods for calculating the capital requirement for each of these risks.

- **Credit risk** – Carnegie applies the standardised approach for calculating credit risk and the comprehensive method for financial collateral.
- **Market risk** – Carnegie applies the standardised methods specified 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 the average operating income of 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 shall be at least 1.5. Equity shall also cover the capital needs arrived at in the internal capital adequacy assessment process (ICAAP).

The Carnegie Holding group had a capital quotient of 2.20 on 31 December 2010, corresponding to capital adequacy ratio of 17.6 percent.

Pillar 2 Risk assessment

The bank has an obligation to regulators and stakeholder to maintain appropriate risk management procedures to ensure that its risk exposure does not jeopardise its ability to fulfil its obligations. To fulfil these obligations, the bank is required to have a process for assessing its capital adequacy relative to its risk profile on a continuous basis. This is achieved through the internal capital adequacy assessment process (ICAAP). The ICAAP encompasses the identification, measurement and assessment of significant risks to which the bank is exposed, including risks that are included in Pillar 1. This entails that the bank is expected to maintain a capital base that exceeds the minimum level required under Pillar 1.

In 2010, Carnegie conducted a comprehensive ICAAP. The process encompassed the acquired operations in HQ Bank. The ICAAP report was completed in September and approved by the Swedish Financial Supervisory Authority in October 2010. As part of its internal capital adequacy assessment, an extensive risk analysis was performed, encompassing all significant risks to which the group is exposed. The board of directors and senior management participated throughout the process by contributing to the identification and analysis of risks, definition of scenarios and stress methods, and the approval of the final capital requirement.

Pillar 3 Public disclosure

The capital adequacy regulations require banks to disclose qualitative and quantitative information on their capital adequacy and risk management. Additional information regarding Carnegie's capital adequacy is provided in the risk and capital adequacy report (Pillar 3 report) available at www.carnegie.se.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SEK 000s	Notes	Jan-Dec 2010	Jun-Dec 2009		Total
		Total	Continuing operations ¹	Discontinued operations ²	
Commission income	1	1,712,362	789,737	483,195	1,272,932
Commission expenses		-89,664	-2,242	-159,988	-162,230
Net commission income	2	1,622,697	787,495	323,207	1,110,702
Interest income	1	158,960	90,213	2,676	92,889
Interest expenses		-107,211	-65,097	145	-64,952
Net interest income	3	51,749	25,116	2,821	27,937
Other dividend income		20	-	-	-
Net profit/loss from financial transactions	1, 5	122,517	149,291	-	149,291
Capital gain from discontinued operations	1, 11, 15	-791	157,890	-	157,890
Total operating income		1,796,192	1,119,792	326,027	1,445,819
Personnel expenses	6	-1,224,729	-590,042	-172,437	-762,479
Other administrative expenses	7	-719,019	-431,813	-47,922	-479,735
Amortisation and depreciation of assets	8	552,822	611,435	-2,247	609,188
Total operating expenses		-1,390,926	-410,420	-222,606	-633,026
Profit/loss before credit losses		405,266	709,372	103,421	812,793
Credit losses, net	9	135,156	-1,666	-	-1,666
Profit/loss before tax		540,423	707,706	103,421	811,127
Taxes	10	-39,125	39,271	-22,000	17,271
Net profit/loss for the year		501,298	746,977	81,421	828,399
<i>Other comprehensive income:</i>					
Translation differences, net after tax		-66,295			-44,494
Total comprehensive income for the year		435,003			783,905

¹ Continuing operations in 2009 include income and expenses from the Securities, Investment Banking and Private Banking business areas. Profit from continuing operations in 2009 also includes the capital gain from the discontinuation of the Asset Management business area and the divestment of asset management operations in Finland.

² Discontinued operations in 2009 include income and expenses for asset management in Finland up until the date of divestment, i.e. 6 October, and income and expenses for the Asset Management business area up until the date of divestment, i.e. for the full year. See also *Note 11 "Discontinued operations"*, page 49.

The parent company was newly formed on 19 March 2009. The Carnegie group was consolidated into Carnegie Holding from 1 June 2009.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEK 000s	Notes	31 Dec 2010	31 Dec 2009
<i>Assets</i>			
Cash and balances with central banks		286,728	320,807
Treasury bills		827,382	382,582
Loans to credit institutions ¹	12	5,519,376	6,021,239
Loans to the general public	12	3,616,761	3,418,145
Bonds and other interest-bearing securities	13, 14	467,894	583,369
Shares and participations	13, 14	1,681,658	1,388,151
Derivative instruments	13	343,455	661,523
Intangible assets	16	803,019	17,431
Tangible fixed assets	17	125,608	141,062
Current tax assets		26,411	13,825
Deferred tax assets	18	560,011	250,906
Trade and client receivables	19	469,596	141,445
Other assets		107,486	486,462
Prepaid expenses and accrued income	20	242,611	169,568
Total assets	24	15,077,996	13,996,514
<i>Liabilities and equity</i>			
Liabilities to credit institutions	12	552,238	759,656
Deposits and borrowing from the general public ¹	12	7,610,500	6,418,231
Securities issued	13	935,000	935,000
Short positions, shares	13	877,825	569,000
Derivative instruments	13	349,594	556,033
Current tax liabilities		65,379	26,206
Deferred tax liabilities	18	109,184	8,717
Trade and client payables	21	233,656	68,756
Other liabilities		598,061	1,951,988
Accrued expenses and prepaid income	22	715,571	487,493
Other provisions	23	162,080	106,527
Subordinated liabilities	33	409,702	–
Total liabilities	24	12,618,792	11,887,609
<i>Equity</i>			
Share capital (2,219,756 shares)		221,976	200,000
Other capital contributions		1,018,321	1,125,000
Provisions		–110 789	–44,494
Profit/loss brought forward		1 329 697	828,399
Total equity		2,459 205	2,108,905
Total liabilities and equity		15,077,996	13,996,514

¹ Of which client funds 387,956 (–).

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

SEK 000s	Attributable to parent company shareholders				Total
	Share capital	Other capital contributions	Translation reserve	Profit/loss brought forward	
Equity – opening balance 2009	–	–	–	–	–
Profit/loss for the year				828,399	828,399
<i>Other comprehensive income:</i>					
Translation differences relating to foreign operations			–19,947		–19,947
Translation differences relating to discontinued operations			–24,547		–24,547
Total comprehensive income (net after tax)			–44,494	828,399	783,905
New issue	200,000	600,000			800,000
Shareholder contributions received		525,000			525,000
Equity – closing balance 2009	200,000	1,125,000	–44,494	828,399	2,108,905
Net profit/loss for the year				501,298	501,298
<i>Other comprehensive income:</i>					
Translation differences relating to foreign operations			–66,295		–66,295
Total comprehensive income (net after tax)			–66,295	501,298	435,003
New issue	21,976	418,321			440,297
Repayment of shareholder contributions		–525,000			–525,000
Equity – closing balance 2010	221,976	1,018,321	–110,789	1,329,697	2,459,205

PARENT COMPANY INCOME STATEMENTS

SEK 000s	Notes	Jan–Dec 2010	19 Mar– 31 Dec 2009
Net sales	1	12,001	3,500
Other external expenses	7	–1,950	–5,287
Personnel expenses	6	–14,039	–3,566
Operating loss		–3,988	–5,353
Other interest income and similar income	1, 3	15	14
Interest expenses and similar expenses	3	–21,995	–1,485
Profit from participations in subsidiaries	4	505,000	525,000
Profit from financial items		483,021	523,529
Profit/loss before tax		479,033	518,176
Taxes	10	237	–
Net profit/loss for the year		479,270	518,176
<i>Statement of other comprehensive income</i>			
Net profit/loss for the year		479,270	518,176
Other comprehensive income		–	–
Total comprehensive income for the year		479,270	518,176

PARENT COMPANY BALANCE SHEETS

SEK 000s	Notes	31 Dec 2010	31 Dec 2009
Shares and participations in group companies	15	2,638,353	1,715,060
Deferred tax assets	18	237	–
Total financial fixed assets		2,638,590	1,715,060
Receivables from group companies	27	506,000	525,000
Other current receivables		1,449	503
Prepaid expenses and accrued income		303	–
Cash and bank balances		3,665	6,533
Total current assets		511,416	532,036
Total assets		3,150,006	2,247,096
Share capital (2,219,756 shares)		221,976	200,000
Statutory reserve		1,018,321	600,000
Profit/loss brought forward		518,177	525,000
Profit/loss for the year		479,270	518,176
Total equity		2,237,743	1,843,176
Provisions for pensions		903	–
Total provisions		903	–
Convertible debenture	33	409,702	–
Other non-current liabilities		–	250,000
Total non-current liabilities		409,702	250,000
Accounts payable		315	4,562
Liabilities to group companies	27	212,444	147,000
Other current liabilities		279,088	451
Accrued expenses and prepaid income	22	9,811	1,906
Total current liabilities		501,659	153,919
Total liabilities		912,263	403,919
Total liabilities and equity		3,150,006	2,247,096

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

SEK 000s	Share capital	Statutory reserve	Profit brought forward	Total
Equity – opening balance 2009	–	–	–	–
Profit/loss for the year			518,177	518,177
Total income and expenses for the year			518,177	518,177
New issue (2,000,000 common shares)	200,000	600,000		800,000
Shareholder contributions received			525,000	525,000
Equity – closing balance 2009	200,000	600,000	1,043,177	1,843,177
Profit for the year			479,270	479,270
Total income and expenses for the year			479,270	479,270
New issue (219,756 preference shares)	21,976	418,321		440,297
Repayment of shareholder contributions			–525,000	–525,000
Equity – closing balance 2010	221,976	1,018,321	997,447	2,237,744

CASH-FLOW STATEMENTS

SEK 000s	Group		Parent company	
	2010	2009	2010	2009
<i>Cash flow from operations</i>				
Profit/loss before tax	540,423	811,129	479,033	518,177
Adjustments for items not included in cash flow	-499,879	-864,861	-504,097	-525,000
Paid income tax	17,394	37,005	-	-
Cash flow from operations before changes in working capital	57,938	-16,727	-25,064	-6,823
Changes in working capital	-2 617,720	2,537,311	620,491	151,791
Cash flow from operations	-2,559,782	2,520,584	595,427	144,968
<i>Investment activities</i>				
Acquisitions of subsidiaries	1,687,087	3,955,778	-923,293	-861,535
Sales of subsidiaries	-	-285,259	-	-
Acquisitions of fixed assets	-27,939	-60,248	-	-
Cash flow from investment activities	1,659,148	3,610,271	-923,293	-861,535
<i>Financing activities</i>				
New issue	440,297	800,000	440,297	800,000
Shareholder contributions received	-	525,000	-	525,000
Repaid shareholder contributions	-525,000	-	-525,000	-
Repayment of loans	-	-602,000	-	-602,000
Issue of convertible debenture	409,702	-	409,702	-
Cash flow from financing activities	324,999	723,000	324,999	723,000
Cash flow for the year	-575,635	6,853,855	-2,867	6,433
Cash and cash equivalents – opening balance	6,713,390	100	6,533	100
Translation differences in cash and cash equivalents	-400,563	-140,565	-	-
Cash and cash equivalents – closing balance	5,737,192	6,713,390	3,666	6,533

For information on cash flow analyses see [Note 31](#), page 71.

ACCOUNTING PRINCIPLES

GENERAL INFORMATION

Carnegie Holding AB, with 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, provide security and provide loans to banking and other group companies related to financial activities and to conduct associated 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 and Funds. Carnegie offers financial products and services to Nordic and international clients from offices in eight countries: Sweden, Denmark, Norway, Finland, Luxembourg, Switzerland, UK and USA.

Carnegie Holding AB is owned by the fund Altor Fund III, investment company Bure Equity AB, Investment AB Öresund and employees of Carnegie.

BASIS FOR PREPARING FINANCIAL REPORTS

The consolidated accounts were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the EU, with the exception of IFRS 8, which does not need to be applied to companies whose shares are not subject to public trade. In addition the applicable interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU, the *Act on Annual Reports of Credit Institutes and Securities Companies* (ÅRKL 1995:1559), recommendation *RFR 1 Supplementary Accounting Regulations for Corporate Groups* issued by the Swedish Financial Accounting Standards Council and the regulations and general recommendations regarding annual reporting of credit institutions and securities companies issued by the Swedish Financial Supervisory Authority (FFFS 2008:25) were applied. The consolidated accounts were prepared in accordance with the purchase method with the exception of those financial instruments that are measured at fair value. The financial reports for the group and the parent company are presented in thousands of Swedish krona (SEK 000s). SEK is the parent company's functional currency.

The parent company's accounting policies are presented below under "Parent company's accounting principles".

NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS

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

- *IFRS 3 (revised), Business Combinations* and *IAS 27 (revised), Consolidated and Separate Financial Statements* (for calendar year entities with effect from 1 January 2010). The revisions concern consolidated financial statements and accounting for acquisitions. Compared with past acquisitions, all acquisition-related expenses for the acquisitions of HQ Bank and HQ Fonder were expensed in the consolidated financial statements, in accordance with revisions to *IFRS 3*. *IAS 27 (revised)* has not had any impact on the group.
- *IAS 39 (amendment), Financial Instruments: Recognition and Measurement: Eligible Hedged Items* (for calendar year entities with effect from January 2010) is clarification on the application of *IAS 39* on two types of hedging transactions. The change had no effect on the consolidated financial statements.
- *IFRS 2 (amendment) Group Cash-Settled Share-Based Payment Transactions* (applies to calendar year entities from January 2010) had no effect on the group's financial reports, since there are at present no share-based incentive programmes in the group.
- In addition, improvements have occurred to 12 standards within the framework of the IASB's annual review "Improvements to IFRS". None of the changes have had any effect on the consolidated financial statements.
- The International Financial Reporting Interpretations Committee (IFRIC) has issued the following interpretations, which, for calendar year entities, have effect from 2010: *IFRIC 12 Service Concession Arrangements*, *IFRIC 15 Agreements for the Construction of Real Estate*, *IFRIC 16 Hedges of a Net Investment in a Foreign Operation*, *IFRIC 17 Distribution of Non-Cash Assets to Owners* and *IFRIC 18 Transfer of Assets from Customers*. None of the interpretations has had any effect on the consolidated financial statements.

STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT HAVE NOT YET TAKEN EFFECT

A number of new standards, amendments in standards and interpretations will take effect as of the 2011 fiscal year or later, and were not applied in preparing these financial reports. Unless otherwise noted, they are approved by the EU.

- *IFRS 9, Classification and Measurement* is the first part of the major project to replace *IAS 39*. *IFRS 9* contains two primary measurement categories of financial assets: Amortised cost and fair value. Classification is based on the company's business model and the characteristic features of the contractual cash flows. For financial liabilities, most of the current rules in *IAS 39* are maintained. Guidance in *IAS 39* for impairment testing of financial assets and hedge accounting continue to apply until the IASB has completed those parts of *IFRS 9*. The standard is mandatory from January 2013 but early adoption is permitted. *IFRS 9* has not yet been adopted by the EU, however. Carnegie's preliminary assessment is that the introduction of the standard, relating to classification and measurement of financial assets and liabilities, will have limited impact on the financial statements.
- *IAS 24 (amendment), Related Party Disclosures* (applicable for calendar year entities from January 2011) deals primarily with information for state-related enterprises, but also with the definition of related parties. The amendment is not expected to have any effect on the consolidated financial statements.
- *IAS 32 (amendment), Financial Instruments: Presentation: Classification of Rights Issues* (applies from February 2010). The amendment deals with the classification of derivatives issued on own equity instruments. The amendment is not expected to have any effect on the consolidated financial statements.
- The International Financial Reporting Interpretations Committee (IFRIC) has issued the following interpretations, which, for calendar year entities, have effect from January 2011: *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments* and *IFRIC 14 (amendment), Prepayments of a Minimum Funding Requirement*. None of the interpretations are expected to have any effect on the consolidated financial statements.

CONSOLIDATED ACCOUNTS

Consolidation principles

The consolidated accounts 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 accounts. Subsidiaries are included in the consolidated accounts 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 transactions, are eliminated in the consolidated accounts. When necessary, the accounting policies for subsidiaries are modified in order to achieve greater agreement with the group's accounting policies. The equity portion of untaxed reserves is recognised in equity as profit brought forward. 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 is a transaction under common controlling influence and has been reported using the consolidated value method, which means that assets and liabilities are taken over at values that are 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 are positively affected in the acquiring company.

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 revenue from financial transactions at fair value.

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

Income recognition

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. Revenue is normally recognised during the period in which the service was performed. Performance-based fees and commissions are recognised when the revenue 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 revenue from banking operations includes brokerage fees, management revenue from discretionary asset management and fund management and advisory revenue.

In the consolidated accounts, fees relating to advisory services are recognised as commission revenue. 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 revenue is recognised over the maturity period according to the effective-rate method.

The net profit 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 revenue recognition for financial instruments are also described below under the heading "Financial assets and liabilities".

Dividend revenue 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 remuneration after termination of employment is classified and recognised in the same manner as pension commitments.

Share-related remuneration – incentive programmes

No share-related remuneration has been made to employees within the group.

Variable remuneration

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

Severance pay

Severance pay is paid when employment is involuntarily terminated prior to reaching retirement age or when an employee voluntarily resigns in exchange for severance pay. The group reports a cost for a severance payment when the company is demonstrably committed, without realistic possibility of withdrawal, by a formal detailed plan to terminate employment before the normal time. When compensation is offered

to encourage voluntary termination, a cost is recognised if it is likely that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated. Benefits falling due for payment more than 12 months after the closing date are discounted to the present value if they are significant.

Pension commitments

A defined-contribution plan is a pension plan according to which a company pays fixed fees to a separate legal entity. Thereafter, the company has no legal or informal 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 that is normally based on several different factors, including final salary and length of employment. 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 salary tax are expensed at the rate at which pension expenses arise.

Leasing

Financial leasing contracts are contracts according to which the economic benefits and risks associated with ownership of the leased object are transferred in all significant respects from the 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/revenue for the period is the sum of current and deferred tax. Tax is recognised in profit and loss except when the underlying transaction is charged directly against equity, in which case the associated tax effect is also recognised in equity. Current tax is the tax that is calculated on taxable profit for a period. Taxable profit for the year differs in comparison with recognised profit before tax, since taxable profit is adjusted for non-deductible expenses and non-taxable revenue 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 included on the asset side of the balance sheet include cash and cash equivalents, accounts receivable, shares and other equity instruments, loan and bond receivables and derivatives. Liabilities include accounts payable, issued debt instruments, loan obligations, derivative instruments and short positions in various forms of spot instruments.

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

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

Transaction-date accounting is employed for derivative instruments, as well as the sale and purchase of bond and equity instruments on the spot market. Financial assets and financial liabilities in the trading portfolio 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. In cases where there is no active market or listed prices are temporarily unavailable, Carnegie establishes the fair value using various measurement methods. These methods include Black-Scholes-based models. A number of parameters are included in these models, such as assumptions about volatility, interest rates and dividends. Changing the assumptions with regard to these parameters may affect the recognised value of the financial instrument. The assumptions used when observable parameters are lacking in the market are in accordance with the instructions defined by the credit and risk committee (CRC). The measurement methods are primarily used to measure 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 of measurements over time.

Each new measurement model is approved by the group's risk management and all models are reviewed regularly.

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

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

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

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 central bank balances

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

Lending to credit institutions

Lending to credit institutions consists of loan receivables that are payable on demand and which are not listed on an active

market as well as the group's invested surplus liquidity. These are categorised as loan 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 classed as an actual credit loss is that they are losses that are fixed through bankruptcy procedures or composition agreements. A decline in value attributable to a debtor's payment capacity is recognised under "Net credit losses".

Lending to the 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 has no company financing, mortgages, consumer credits or other forms of credit normally associated with bank operations. Carnegie's client base is well-diversified and consists largely of private persons and small enterprises, and the risk of credit losses is linked to each client's collateral, which normally consists of market-listed securities. This means that counterparty classes have the same credit characteristics and thus Carnegie 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 that are fixed 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 for trading" and measured at fair value, with changes in fair value recognised in profit and loss under "Net profit from financial transactions".

Shares and participations

Shares and participations consist mainly of shareholdings intended for trade and are categorised as assets 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 volatility that would otherwise arise as a result of different measurement principles according to IAS 39. Changes in fair value for shares and participations are recognised in profit and loss under “Net profit 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 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 valued at amortised cost.

Deposits and borrowing from the public

Deposits and borrowing from the public consist primarily of short-term borrowing from the public. These liabilities are categorised as “Other financial liabilities” and 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 under “Deposits and borrowing from the 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 public”, depending on the counterparty.

Buy-back transactions

Buy-back transactions, which are also called repo transactions, refer to the sale of securities in conjunction with the parties reaching an agreement that the security will be repurchased at a pre-determined price. Securities that Carnegie sells in a repo

transaction remain on the balance sheet, while securities that Carnegie buys in a reverse repo transaction are not included on the balance sheet. The payment that Carnegie must make in a repo transaction is recognised as a fund cash liability. The payment that Carnegie receives in a reverse repo transaction is recognised as a fund cash claim.

Transactions against the same counterparty are recognised in net amounts.

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 valued 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 indeterminate useful life-time 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 the net sale value. 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.

For goodwill arising in conjunction with acquisitions that took place prior to 1 January 2006, Carnegie has chosen to apply the option granted in IFRS 1 to not recalculate acquisition balance sheets, meaning that goodwill for these acquisitions was fixed as of 1 January 2006.

Client relationships

Contractual client relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a determinate 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 determinate 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 calculated in a reliable manner

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 amounts to three to five years.

Other intangible assets

The cost of intangible assets that were 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. Tangible fixed assets consist of capitalised renovation costs, computer equipment and other equipment.

Depreciation according to plan is based on the asset's cost and estimated useful life. Capitalised renovation costs are depreciated according to plan by 5 to 10 percent per year. Computer equipment and other equipment are depreciated according to plan by 20 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

Impairment is recognised in cases in which 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 if there is a

need for impairment. If there is such an indication, the asset's recoverable amount is calculated. The recoverable amount is the higher of the value in use and fair value less selling costs.

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 formal or informal obligation as a result of an 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 charges is made only when an informal obligation exists to restructure. Informal obligation exists when a detailed restructuring plan has been established, which is expected to be completed in a timeframe that makes changes to the plan unlikely, and the implementation of the plan has commenced or the plan's general outline has 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 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).

All non-observable parameters used in the measurement models must be approved by the 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 (9,207). Information relating to the impairment test is available in *Note 16 "Intangible assets"*, pages 54–55.

Provision for restructuring reserve

In connection with the acquisition of HQ Fonder and the acquisition/merger of HQ Bank, work began on reviewing the organisation and integrating the merged operations, in order to reveal synergies from the acquisitions. A provision has been made based on an assessment of the cost of restructuring. The provision covers the costs of vacant premises and IT systems.

Recognition of deferred tax assets

Carnegie recognises a deferred tax asset attributable to timing differences and tax-deductible deficits. The item also includes assets related to coupon and branch tax falling due in 2013 and 2014 (see *Note 18 "Deferred tax assets/liabilities"*, page 57). 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 deems that the company will be able to report taxable profits within the foreseeable near future to be able to utilise the benefits related to the coupon and branch tax assets and the tax-deductible deficits.

Recognition of endowment insurance

Certain individual pension commitments are guaranteed through what is called company-owned endowment insurance. Because Carnegie does not have any additional commitments to cover any declines in endowment insurance or to pay any amount above the paid premium, Carnegie considers these pension plans as defined-contribution plans. Accordingly, the premium payments correspond to final settlement of

the commitment to the employee. In accordance with *IAS 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 insurances.

PARENT COMPANY'S ACCOUNTING PRINCIPLES

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

Financial fixed assets

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

Anticipated dividends

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

Group contributions and shareholder contributions

Group contributions and shareholder contributions in both legal entities and the group are recognised in accordance with the principles specified by the Swedish Financial Accounting Standards Council's Emerging Issues Task Force. Group contributions (including tax effects) and shareholder contributions are as a general rule recognised directly in equity. Shareholder contributions received are recognised as an increase in the parent company's investment.

Deferred tax in relation to untaxed reserves

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

NOTES

All amounts in SEK 000s, unless otherwise stated.

NOTE 1 Geographical distribution of income

	Commission income		Interest income		Other dividend income		Net income from financial transactions		Gain from divested operations		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
<i>Group</i>												
Denmark	139,542	405,376	9,843	11,829	–	–	15,639	8,360	–	–	165,024	425,565
Finland	49,901	46,019	986	727	–	–	–1,566	–11,460	–	–	49,321	35,286
Luxembourg and Switzerland	137,433	79,579	43,344	24,636	–	–	53,855	22,763	–	–	234,631	126,978
Norway	337,835	151,560	35,317	836	20	–	24,168	33,451	–	–	397,339	185,847
UK	109,493	72,975	3	–	–	–	–2,295	–1,704	–	–	107,200	71,271
Sweden	898,506	488,425	92,061	59,250	–	–	77,190	203,152	–791	157,890	1,066,966	908,717
USA	54,542	30,855	207	98	–	–	–1,278	–453	–	–	53,471	30,500
Eliminations	–14,890	–1,857	–22,800	–4,487	–	–	–43,194	–104,818	–	–	–80,884	–111,162
Total	1,712,362	1,272,932	158,960	92,889	20	–	122,517	149,291	–791	157,890	1,993,067	1,673,002
<i>Parent company</i>												
Sweden	12,001	3,500	15	14	–	–	–	–	–	–	12,017	3,514
Total	12,001	3,500	15	14	–	–	–	–	–	–	12,017	3,514

NOTE 2 Net commission income

	Group	
	2010	2009
Brokerage fees	1,114,678	658,197
Other commission income	635,531	671,565
Marketplace fees	–37,848	–56,831
Total commission income	1,712,362	1,272,931
Total commission expenses	–89,664	–162,231
Total net commission income	1,622,697	1,110,700

NOTE 3 Net interest income

	<i>Group</i>		<i>Parent company</i>	
	2010	2009	2010	2009
<i>Interest income</i>				
Interest income from lending to credit institutions	40,018	23,204	15	12
Interest income from lending to the general public	106,097	23,402	–	–
Interest income from interest-bearing securities	9,978	7,148	–	–
Other interest income	2,867	39,135	–	3
Total interest income^{1,2}	158,960	92,889	15	15
<i>Interest expenses</i>				
Interest expenses for liabilities to credit institutions	–64,201	–32,720	–5,696	–1,160
Interest expenses for deposits/borrowing from the general public	–22,369	–13,654	–	–238
Other interest expenses	–20,640	–18,578	–16,299	–86
Total interest expenses¹	–107,211	–64,952	–21,995	–1,484
Total net interest income/expense³	51,749	27,937	–21,979	–1,469
¹ Of which amounts for balance-sheet items not measured at fair value				
Interest income	158,960	92,889	15	14
Interest expenses	–107,211	–64,952	–21,995	–1,485
Total	51,749	27,937	–21,979	–1,471
² Of which interest on doubtful receivables	462	2,181	–	–

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

NOTE 4 Other dividend income

	<i>Group</i>		<i>Parent company</i>	
	2010	2009	2010	2009
Dividends received on shares and participations of a fixed-asset nature ¹	20	–	505,000	525,000
Total other dividend income	20	–	505,000	525,000

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

NOTE 5 Net profit/loss from financial transactions

	Realised changes in value	Unrealised changes in value ¹			Effect of exchange-rate changes	Total
		Market price	Observable market data	Non-observable market data		
Group 2010						
Bonds and other interest-bearing securities and attributable derivatives	19,535	–3,554	2,545	–		18,525
Shares and participations and attributable derivatives	41,156	25 326	–18 661	–		47,821
Other financial instruments and attributable derivatives	43,025	8,343	–	–		51,368
Exchange-rate changes					4 803	4 803
Net profit/loss from financial transactions	103,716	30 115	–16 116	–	4,803	122,517
Group 2009						
Bonds and other interest-bearing securities and attributable derivatives	–21,821	2,915	7,160	–		–11,746
Shares and participations and attributable derivatives	–43,228	–89,424	287,603	–		154,951
Other financial instruments and attributable derivatives	5,543	980	–	–		6,523
Exchange-rate changes					–437	–437
Net profit/loss from financial transactions	–59,506	–85,529	294,763	–	–437	149,290

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

Fair value is based on the following valuation 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 valuation technique using assumptions consisting of observable market data.
- **Non-observable market data:** The value is based on a price that was calculated with a valuation 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 (e.g. cost method).

NOTE 6 Personnel expenses

	Group		Parent company	
	2010	2009	2010	2009
Salaries and fees ²	-672,846	-407,962	-8,497	-1,928
Social insurance fees	-147,524	-84,776	-1,625	-708
Allocation to variable remuneration ¹	-252,135	-176,691	-	-
Pension expenses for board of directors and president	-3,469	-1,535	-2 959	-394
Pension expenses for other employees	-85,695	-57,171	-	-
Other personnel expenses	-63,060	-34,345	-959	-536
Total personnel expenses	-1,224,729	-762,480	-14,040	-3,566

¹ Including social insurance fees

² a) **Salary and remuneration to other employees not included in the board of directors or group management:**

Denmark	-74,942	-95,264
Finland	-34,916	-24,429
Luxembourg	-33 466	-21,960
Norway	-86,882	-47,896
Switzerland	-5,660	-3,312
UK	-39,560	-19,550
Sweden	-352,755	-167,503
USA	-23,063	-12,287
Total	-651,245	-392,199

b) **Salary and fees to boards of directors and presidents:**

Denmark	-2,727	-2,924	-	-
Finland	-	-2,118	-	-
Luxembourg	-2,715	-951	-	-
Norway	-6,161	-1,559	-	-
Sweden	-8,918	-8,211	-8,497	-1,928
USA	-1,081	-	-	-
Total	-21,601	-15,763	-8,497	-1,928
Total salaries and fees	-672,846	-407,962	-8,497	-1,928

NOTES

contd. **NOTE 6** Personnel expenses

Average no. of employees (of whom women)

	Group		Parent company	
	2010	2009	2010	2009
Denmark	65 (19)	121 (38)	–	–
Finland	45 (18)	55 (22)	–	–
Luxembourg	46 (10)	45 (10)	–	–
Norway	88 (17)	93 (26)	–	–
Switzerland	4 (2)	3 (–)	–	–
UK	36 (15)	37 (14)	–	–
Sweden	386 (118)	318 (101)	1 (–)	1 (–)
USA	15 (3)	17 (4)	–	–
Total	685 (202)	689 (214)	1 (–)	1 (–)

Remuneration to current board of directors¹ (19 May – 31 Dec 2009, 1 Jan – 31 Dec 2010)

Arne Liljedahl, Chairman	1,600 ²	–	1,200	–
Björn Björnsson	1,000 ³	–	700	–
Fredrik Cappelen	1,000 ⁴	–	700	–
Harald Mix	–	–	–	–
Fredrik Strömholm	–	–	–	–
Patrik Tigerschiöld	–	–	–	–
Total	3,600	–	2,600	–

¹ Remuneration for 2009 has been paid retroactively and carried 2010. Fees carried 2010 therefore relate to the period 19 May 2009 – 31 December 2010.

² Of which SEK 400 thousand in fees for assignments for Carnegie Investment Bank AB.

³ Of which SEK 300 thousand in fees for assignments for Carnegie Investment Bank AB.

⁴ Of which SEK 300 thousand in fees for assignments for Carnegie Investment Bank AB.

contd. **NOTE 6** Personnel expenses*Remuneration to president and other senior executives*

	Gross salary and benefits	Variable remuneration ¹	Pensions and similar benefits	Severance pay
■ Parent company 2010				
President Frans Lindelöw ²	5,113	–	2,959	–
■ Carnegie Bank group and Carnegie Fonder 2010³				
Other resigning senior executives ⁴	2,205	–	364	–
Other current senior executives ⁵	15,942	16,961	2,626	–

¹ Variable remuneration includes guaranteed variable remuneration upon new recruitment.

² Frans Lindelöw is employed and receives a 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 payments have been made to these persons from Carnegie Holding AB.

⁴ Amounts relate to the period they held positions as other senior executives. The group includes 2 individuals.

⁵ Amounts relate to the period they held positions as other senior executives. The group includes 8 individuals.

The table above specifies remuneration for other resigning senior executives and includes: Anders Karlsson (1 Jan–23 June) and Anders Antas (24 Jun–31 Sept). The category other current senior executives includes: Björn Jansson (1 Jan–31 Dec), Henric Falkenberg (1 Jan–31 Dec), Peter Bäärnhielm (1 Jan–31 Dec), Claes Johan Geijer (1 Jan–31 Dec), Anders Onarheim (1 Jan–31 Dec), Claus Gregersen (1 May–31 Dec), Hans Hedström (22 Sept–31 Dec) and Pia Marions (1 Oct–31 Dec).

Remuneration to president and other senior executives

	Gross salary and benefits	Variable remuneration	Pensions and similar benefits	Severance pay
■ Parent company 2009				
President Frans Lindelöw ¹	1,928	–	394	–
■ Carnegie Bank group 2009²				
Former president Niklas Johansson ³	1,210	–	280	5,040
Other resigning senior executives ⁴	1,708	–	249	2,638
Other current senior executives ⁵	7,550	10,000	1,177	–

¹ Frans Lindelöw is employed and receives salary and benefits from Carnegie Holding AB. Frans Lindelöw was appointed president of Carnegie Holding on 14 September 2009.

² A former president and other senior executives have received salary and benefits from Carnegie Investment Bank AB or its subsidiaries. No remuneration has been paid to these individuals from Carnegie Holding AB.

³ Niklas Johansson was appointed president of subsidiary Carnegie Investment Bank AB on 17 February 2009. The remuneration in the table above also includes the time from when Carnegie Investment Bank AB was consolidated into the Carnegie Holding group, i.e. from 1 June 2009 until he resigned as president on 13 September 2009.

⁴ Amounts relate to the period they held positions as other senior executives during the period 1 June 2009–31 December 2009. The group includes 4 individuals.

⁵ Amounts relate to the period they held positions as other senior executives during the period 1 June 2009–31 December 2009. The group includes 7 individuals.

In the table above, regarding 2009, remuneration is stated for other resigning senior executives, which includes: Peter Baekgaard (1 Jun–4 Oct), Dag Ernholt (1 Jun–13 Sep), Kristina Schauman (1 Jun–4 Jun), Karin Uebel (5 Jun–20 Aug). The category other current senior executives includes: Steinar Lundström (1 Jun–31 Dec), Björn Jansson (5 Oct–31 Dec), Henric Falkenberg (5 Oct–31 Dec), Peter Bäärnhielm (1 Jun–31 Dec), Claes Johan Geijer (1 Jun–31 Dec), Anders Karlsson (21 Aug–31 Dec) and Anders Onarheim (14 Sep–31 Dec).

Absence due to illness

During 2010, absence due to illness for employees in Swedish companies was 1.3 percent (1.4) of the total number of employees' ordinary working time, of which 0.4 percent (0.4) was consecutive absence of 60 days or more. Absence due to illness was 2.3 percent (0.7) for women and 0.8 percent (1.0) for men.

Gender distribution

The current board of directors consists of 0 percent (0) women and 100 percent (100) men. The current management group consists of 18 percent (0) women and 82 percent (100) men.

contd. **NOTE 6 Personnel expenses**

Remuneration

The board of directors reviews the president'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 board members who are not employed by the group. The notice period for the CEO is 12 months if terminated by the CEO. If terminated by Carnegie, the notice period is 24 months. In the event of immediate termination by Carnegie, the CEO receives 24 months' severance pay in lieu of salary and remuneration for the loss of other benefits during 24 months. Senior executives within Carnegie have notice periods that vary between three and 12 months, while the notice period for termination by Carnegie varies from three 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 the total salary costs:

Group 13 percent (14), parent company 51 percent (24). All Carnegie's pension commitments consist of defined-contribution pension plans and are reinsured with external parties.

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

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

Endowment insurance

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

The total market value amounts to: In the group SEK 364,473 thousand (320,287) of which in the parent company SEK 903 thousand (0). Premiums paid during the year amounted to: In the group SEK 9,004 thousand (630), of which SEK 903 (0) thousand in the parent company.

*Account of Carnegie Holding group's remuneration 2010
in accordance with Swedish Financial Supervisory Authority regulation FFFS 2009:6*

■ **Expensed remuneration 2010**

	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	758,491	838	208,266	392
<i>Of which remuneration to risk takers:</i>				
Executive management	35,140	9 ²	8,001	2
Other risk takers	55,738	46 ²	9,587	17

¹ Variable remuneration comprises cash payments. No share-related payments exist in the group. All other remuneration is reported as fixed remuneration and comprises salary, fees, pension payments, severance pay and benefits such as car benefits in accordance with FFFS 2009:6. The reported remuneration does not include social insurance fees.

² Number of posts.

contd. **NOTE 6 Personnel expenses**

contd. *Account of Carnegie Holding group's remuneration 2010
in accordance with Swedish Financial Supervisory Authority regulation FFFS 2009:6*

■ **Specification of remuneration to all employees of the group 2010**

Variable remuneration 2010	Percentage of total variable remuneration
Cash remuneration	100 %
Share-related remuneration	0 %

■ **Earned and paid remuneration**

Earned 2010 (total remuneration)	966,757
Paid 2010, earned 2010 (total remuneration, excluding variable component)	758,491
Paid 2010, earned 2010 (variable component)	5,327
Paid 2010, earned 2009 or earlier (payment of earned variable components from previous years)	72,219

■ **Cumulative deferred remuneration**

Deferred remuneration, expensed 2010	18,786
Deferred remuneration, expensed 2009 or earlier	32,632

■ **Severance pay¹**

	Amount	Number of employees	Highest individual amount
Expensed 2010	79,912	83	4,133
Committed amount, not yet paid out (expensed previous years)	2,878	4	1,273
Committed amount paid out (expensed 2010)	34,172		
Committed amount paid out (expensed previous years)	46,347		

¹ Amounts also include guaranteed variable remuneration.

Severance pay is determined and payable when employment is involuntarily terminated before reaching retirement age, or when an employee leaves voluntarily in exchange for severance pay. Severance payments in 2010 related to cost savings or changes in management. Guaranteed variable remuneration occurs when recruiting new staff.

NOTE 7 Other administrative expenses

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

	<i>Group</i>		<i>Parent company</i>	
	2010	2009	2010	2009
<i>Auditing, statutory</i>				
Deloitte	–	–2,721	–	–
Grant Thornton	–	–769	–	–
KPMG	–	–1,809	–	–
PwC	–12,083	–9,494	–300	–150
Regen, Benz & MacKenzie	–288	–201	–	–
Total statutory auditing	–12,371	–14,994	–300	–150
<i>Auditing, other</i>				
PwC	–3,276	–93	–250	–390
Total other auditing	–3,276	–93	–250	–390
<i>Tax advice</i>				
PwC	–587	–8	–	–
Regen, Benz & MacKenzie	–	–245	–	–
Total tax advice	–587	–253	–	–
<i>Other consultant assignments</i>				
Grant Thornton	–	–18	–	–
PwC	–791	–2,509	–	–
Regen, Benz & MacKenzie	–336	–	–	–
Total other consultant assignments	–1,127	–2,527	–	–

The *statutory audit* is an audit of annual financial statements and accounting, the management of the company by the board of directors and president, 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 review of interim reports, government reporting and services related to the provision of certification and the expression of an opinion. *Tax advice* includes general services for foreign residents and other taxation issues. *Other consultancy assignments* includes 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 intangible assets and tangible fixed assets

	Group	
	2010	2009
Computer equipment and other equipment	-57,425	-19,433
Renovations	-4,140	-1,289
Recognised negative goodwill	625,710	633,327
Other intangible assets	-11,322	-3,417
Total depreciation and amortisation of intangible assets and tangible fixed assets	552,822	609,188

NOTE 9 Net credit losses and provisions for doubtful receivables

	Group	
	2010	2009
Provisions for doubtful receivables on the opening date	-692,246	-
Acquisitions through subsidiaries	-3,558	-1,952,821
<i>Effect on income of individually valued credits included in profit and loss (minus is increased provision):</i>		
Reversals of previous provisions	135,279	19,081
Provisions for the year	-122	-20,747
Total net credit losses	135,156	-1,666
Translation differences	27,947	-49,903
Total items affecting income	163,104	-51,569
Previously eliminated as actual, now reversed as income	-10,176	-
Previously reported doubtful receivable now eliminated as actual	45,972	1,312,144
Provisions for doubtful receivables on the closing date	-496,905	-692,246

NOTE 10 Taxes

	Group		Parent company	
	2010	2009	2010	2009
<i>Current tax expense</i>				
Tax expense for the year	-27,745	-35,770	-	-
Adjustment of tax attributable to previous years	2,564	4,123	-	-
Total current tax expense	-25,181	-31,647	-	-
<i>Deferred tax expense (-)/income (+)</i>				
Deferred tax related to timing differences	-57,555	-6,076	-237	-
Deferred tax income in the tax value of loss carryforwards capitalised during the year	43,611	54,994	-	-
Total deferred tax expense/income	-13,944	48,918	-237	-
Total recognised tax expense	-39,125	17,271	-237	-

Reconciliation of effective tax – Group

	2010		2009	
	Tax rate, %	Amount	Tax rate, %	Amount
Profit before tax		540,423		811,129
Tax according to prevailing tax rate for the parent company	26.3	-142,131	26.3	-213,327
<i>Effect of tax rates for:</i>				
Other tax rates for foreign companies	0.4	-2,182	1.1	-8,787
Non-deductible expenses	6.8	-36,887	0.5	-3,905
Non-taxable income	-32.0	173,078	-25.7	208,093
Increase in loss carryforwards without corresponding capitalisation of deferred tax	2.5	-13,518	0.4	-3,047
Acquired loss not capitalised	-	-	-3.6	29,426
Tax attributable to previous years	-0.5	2,564	-0.5	4,123
Other	3.7	-20,048	-0.6	4,695
Recognised effective tax¹	7.2	-39,125	-2.2	17,271

¹ Weighted average tax rate for the group amounts to 25.8 percent (20.6 percent).

contd. **NOTE 10 Taxes**

Reconciliation of effective tax – Parent company

	2010		2009	
	Tax rate, %	Amount	Tax rate, %	Amount
Profit before tax		479,032	–	–6,823
Tax according to prevailing tax rate for the parent company	26.3	–125,985	26.3	1,794
<i>Effect of tax rates for:</i>				
Non-deductible expenses	0	–14	–	–
Anticipated dividends	–27.7	132,815	–	–
Increase in loss carryforwards without corresponding capitalisation of deferred tax	1.4	–6,815	–26.3	–1,794
Other	0	–237	–	–
Recognised effective tax	0	–237	–	–

NOTE 11 Discontinued operations

	Group	
	2010	2009
<i>Operating income from discontinued operations</i>		
Income	–	326,027
Expenses	–	–222,606
Profit before tax	–	103,421
Tax	–	–22,000
Profit after tax	–	81,421
<i>Gain from sale of discontinued operations</i>		
Capital gain from sale of discontinued operations	–	157,890
Tax attributable to the above capital gain	–	–
Gain from sale after tax	–	157,890
Total gain from discontinued operations after tax	–	239,311
<i>Net cash flow from discontinued operations</i>		
Cash flow from operations	–	36,292
Cash flow from investing activities	–	–874
Cash flow from financing activities	–	–
Net cash flow from discontinued operations	–	35,417

NOTE 12 Maturity information

	Group	
	2010	2009
<i>Lending to credit institutions</i>		
Payable on demand	5,011,038	6,010,001
Remaining maturity period < 3 months	508,338	11,238
Total lending to credit institutions	5,519,376	6,021,239
<i>Lending to the general public</i>		
Payable on demand	2,761,391	2,116,882
Remaining maturity period < 3 months	684,359	775,592
Remaining maturity period > 3 months but < 1 year	171,012	525,671
Total lending to the general public	3,616,761	3,418,145
<i>Liabilities to credit institutions</i>		
Payable on demand	546,264	473,506
Remaining maturity period < 3 months	5,974	5,468
Remaining maturity period > 3 months but < 1 year	—	280,682
Total liabilities to credit institutions	552,238	759,656
<i>Deposits and borrowing from the general public</i>		
Payable on demand	7,007,854	5,587,648
Remaining maturity period < 3 months	585,421	829,351
Remaining maturity period > 3 months but < 1 year	17,224	1,232
Total deposits and borrowing from the general public	7,610,500	6,418,231

NOTE 13 Financial assets and liabilities held for trading
– valuation methods and information on maturity periods

Group, 31 Dec 2010	Valuation method ¹				Total	Maturity information					
	Market price (Level 1)	Observable market data (Level 2)	Non-observable market data (Level 3)	Other method		<=1 year	1–2 years	>2 years	Not applicable	Total	Latest due date if >2 years
Bonds and other interest-bearing securities	410,355	57,538	–	–	467,894	416,980	3,371	29,289	18,254	467,894	2015-05-28
Shares and participations	1,471,957	190,033	1,583	18,085	1,681,658	33,916	–	–	1,647,742	1,681,658	–
Derivative instruments	318,783	24,672	–	–	343,455	199,729	143,725	–	–	343,455	–
Total financial assets	2,201,095	272,243	1,583	18,085	2,493,007	650,625	147,096	29,289	1,665,996	2,493,007	
Issued securities	–	–	–	935,000	935,000	–	–	935,000	–	935,000	2015
Short positions, shares	872,401	5,424	–	–	877,825	1,751	–	–	876,074	877,825	–
Derivative instruments	189,386	160,208	–	–	349,594	346,015	3,580	–	–	349,594	–
Total financial liabilities	1,061,788	165,632	–	935,000	2,162,420	347,766	3,580	935,000	876,074	2,162,420	

¹ For information on valuation methods, see *Note 5 “Net profit/loss from financial transactions”*, page 40.

Significant shifts between Level 1 and Level 2

	Level 1	Level 2
Transfer to Level 1 (from Level 2)	–	–
Transfer to Level 2 (from Level 1)	–119 940	119 940
Total financial assets	–119 940	119 940
Transfer to Level 1 (from Level 2)	195	–195
Transfer to Level 2 (from Level 1)	–	–
Total financial liabilities	195	–195

The reason for transfer from Level 1 to Level 2 is the lack of market prices, while the reason for transfer from Level 2 to Level 1 is that market prices now exist.

NOTES

contd. **NOTE 13** Financial assets and liabilities held for trading – valuation methods and information on maturity periods

Group, 31 Dec 2009	Valuation method ¹				Total	Maturity information					
	Market price (Level 1)	Observable market data (Level 2)	Non-observable market data (Level 3)	Other method		<=1 year	1-2 years	>2 years	Not applicable	Total	Latest due date if >2 years
Bonds and other interest-bearing securities	448,993	134,376	–	–	583,369	334,203	15,841	221,416	11,910	583,369	2038-01-01
Shares and participations	1,021,156	353,342	–	13,652	1,388,151	37,573	–	–	1,350,578	1,388,151	–
Derivative instruments	183,379	478,144	–	–	661,523	654,438	7,085	–	–	661,523	–
Total financial assets	1,653,528	965,863	–	13,652	2,633,043	1,026,214	22,925	221,416	1,362,488	2,633,043	
Issued securities	–	–	–	935,000	935,000	–	–	935,000	–	935,000	–
Short positions, shares	546,743	22,257	–	–	569,000	446,863	–	–	122,137	569,000	–
Derivative instruments	323,938	232,096	–	–	556,033	476,499	79,402	132	–	556,033	2012-10-16
Total financial liabilities	870,680	254,353	–	935,000	2,060,033	923,362	79,402	935,132	122,137	2,060,033	

¹ For information on valuation methods, see *Note 5 "Net profit/loss from financial transactions"*, page 40.

Significant shifts between Level 1 and Level 2

	Level 1	Level 2
Transfer to Level 1 (from Level 2)	6,275	–6,275
Transfer to Level 2 (from Level 1)	–199,291	199,291
Total financial assets	–193,016	193,016
Transfer to Level 1 (from Level 2)	–44,372	44,372
Transfer to Level 2 (from Level 1)	66,204	–66,204
Total financial liabilities	21,832	–21,832

The reason for transfer from Level 1 to Level 2 is the lack of market prices, while the reason for transfer from Level 2 to Level 1 is that market prices now exist.

NOTE 14 Other information on financial assets

	Group	
	31 Dec 2010	31 Dec 2009
<i>Bonds</i>		
Bonds, listed	467,892	583,369
Bonds, unlisted	2	–
Total	467,894	583,369
Swedish government	–	220,040
Other Swedish issuers	81,344	113,196
Foreign governments	26,899	14,362
Other foreign issuers	359,651	235,772
Total	467,894	583,369
<i>Shares</i>		
Shares, share warrants, listed	1,657,710	1,370,495
Shares, share warrants, unlisted	23,948	17,656
Total	1,681,658	1,388,151

NOTE 15 Shares and participations in group companies

	Parent company	
	31 Dec 2010	31 Dec 2009
Cost of shares and participations in group companies, on the opening date	1,715,061	–
Acquisitions during the year	923,292	1,715,061
Cost of shares and participations in group companies, on the closing date	2,638,353	1,715,061

	Corporate Reg. No.	Registered office	No. of shares	Carrying amount 2010	Equity 2010 ¹
Carnegie Investment Bank AB (publ) ²	516406-0138	Stockholm	400,000	1,744,147	2,345,970
<i>Subsidiaries of Carnegie Investment Bank AB:</i>					
Carnegie, Inc.	13-3392829	Delaware	100		
Carnegie ASA ²	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 ²	109.861	Copenhagen	1		
Banque Carnegie Luxembourg S.A. ²	1993-2201863	Luxembourg	349,999		
<i>Subsidiaries of Banque Carnegie Luxembourg S.A.:</i>					
Carnegie Fund Management Company S.A.		Luxembourg			
Carnegie Asset Management S.A.		Luxembourg			
Carnegie Fonder AB ³	556266-6049	Stockholm	30,000	894,206	119,472
Total				2,638,353	2,465,442

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

² Entities classified as credit institutions.

³ HQ Fonder Sverige AB was acquired on 22 September 2010 and has since changed its name to Carnegie Fonder AB.

During the year, Valot Holding AB and Valot International AB have been liquidated and balance sheet items have been taken over by their parent, Carnegie Investment Bank AB. The loss on discontinuation was SEK –791 thousand for the group.

NOTE 16 Intangible assets

	Group	
	31 Dec 2010	31 Dec 2009
<i>Goodwill</i>		
Cost on the opening date	9,207	–
Acquisitions through subsidiaries	–	9,207
Acquisitions during the year	421,823	–
Cost on the closing date	431,030	9,207
Carrying amount¹	431,030	9,207

¹ Impairment testing of recognised goodwill is performed each year regardless of whether there is any indication that the carrying amount is in need of impairment.

The carrying amount of goodwill is attributable to the following companies:	2010	2009
Carnegie Fonder AB	421,823	–
Familjeföretagens Pensionsredovisning i Värmland AB	9,207	9,207

Impairment testing of Familjeföretagens Pensionsredovisning i Värmland AB

The calculated value in use of Familjeföretagens Pensionsredovisning i Värmland AB is deemed to exceed the carrying amount, and no reasonable changes in the most important assumptions are deemed to result in the estimated value in use being less than the entity's carrying amount.

Impairment testing of Carnegie Fonder AB

Initial impairment testing of the holding in Carnegie Fonder AB will be conducted on 31 December 2011.

See also *Note 30 "Acquired operations"*, page 70.

contd. **NOTE 16** Intangible assets

	Group	
	31 Dec 2010	31 Dec 2009
<i>Other intangible assets</i>		
Cost on the opening date	25,009	–
Acquisitions through subsidiaries	–	32,867
Translation changes	–10,898	–4,763
Acquisitions during the year	376,345	2,695
Divestments through subsidiaries	–	–3,628
Divestment/scrapping of continuing operations	–16,476	–2,162
Cost on the closing date	373,980	25,009
Amortisation on the opening date	–16,785	–
Acquisitions through subsidiaries	–	–21,119
Translation changes	9,640	4,155
Divestments through subsidiaries	–	1,434
Divestment/scrapping of continuing operations	16,476	2,162
Amortisation for the year	–11,322	–3,417
Amortisation on the closing date	–1,991	–16,785
Carrying amount¹	371,989	8,224
Total carrying amount of intangible assets	803,018	17,430

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

NOTE 17 Tangible fixed assets

	Group	
	31 Dec 2010	31 Dec 2009
<i>Computer equipment and other equipment</i>		
Cost on the opening date	297,854	–
Acquisitions through subsidiaries	86,981	345,488
Translation changes	–22,309	685
Acquisitions during the year	14,607	16,298
Divestments through subsidiaries	–	–29,818
Divestment/scrapping of continuing operations	–78,454	–34,799
Cost on the closing date	298,679	297,854
Depreciation on the opening date	–197,263	–
Acquisitions through subsidiaries	–55,225	–238,766
Translation changes	18,793	169
Divestments through subsidiaries	–	25,967
Divestment/scrapping of continuing operations	78,454	34,799
Depreciation for the year	–57,425	–19,433
Depreciation on the closing date	–212,666	–197,264
Carrying amount	86,013	100,591
<i>Renovation of leased premises</i>		
Cost on the opening date	41,461	–
Acquisitions through subsidiaries	–	64,565
Acquisitions during the year	3,265	41,255
Divestment/scrapping of continuing operations	–	–64,359
Cost on the closing date	44,726	41,461
Depreciation on the opening date	–990	–
Acquisitions through subsidiaries	–	–64,060
Divestment/scrapping of continuing operations	–	64,359
Depreciation for the year	–4,140	–1,289
Depreciation on the closing date	–5,130	–990
Carrying amount	39,596	40,471
Total carrying amount of tangible fixed assets	125,608	141,062

NOTE 18 Deferred tax assets/liabilities

	Group		Parent company	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
<i>Deferred tax assets</i>				
Intangible assets	–	3	–	–
Pensions	95,856	84,602	237	–
Capitalised loss carryforwards ¹	417,991	59,579	–	–
Other ²	46,164	106,722	–	–
Total deferred tax assets	560,011	250,906	237	–
<i>Deferred tax liabilities</i>				
Intangible assets	–94,435	–	–	–
Other	–14,747	–8,717	–	–
Total deferred tax liabilities	–109,182	–8,717	–	–

Changes for the year – deferred tax assets

	Group			
	Opening balance	Deferred tax in income statement (plus is increased asset)	Recognised directly against equity, acquisitions and exchange-rate differences	Closing balance (plus is asset)
Intangible assets	3	–3	–	–
Pensions	84,602	11,620	–367	95,856
Capitalised loss carryforwards ¹	59,579	43,611	314,801	417,991
Other ²	106,722	–74,210	13,652	46,164
Total	250,906	–18,982	328,086	560,011

Changes for the year – deferred tax liabilities

	Group			
	Opening balance	Deferred tax in income statement (minus is increased liability)	Recognised directly against equity, acquisitions and exchange-rate differences	Closing balance (minus is liability)
Intangible assets	–	1,896	–96,333	–94,435
Other	–8,717	3,142	–9,172	–14,747
Total	–8,717	5,038	–105,505	–109,182

¹ Capitalised loss carryforwards of the group: The increase is based largely on the tax loss that HQ Bank has provided for the full year 2010. The capitalised loss carryforwards that HQ Bank had at the acquisition, SEK 17,704 thousand, were attributable to their earlier acquisition of Glitnir, and now in connection with the transfer of ownership have been lost, and therefore dissolved in the acquisition analysis. The tax loss carryforward for the group amounts to SEK 1,909,963 thousand, of which SEK 1,706,414 thousand is attributable to the Swedish business and SEK 203,549 thousand to the Norwegian business. Of the total amount SEK 256,643 thousand is blocked and can not be used until the 2017 fiscal year. The remaining tax loss carryforwards can be utilised indefinitely. No significant deferred tax assets or liabilities are expected to be settled within the next 12 months. The basis for reporting loss carryforwards is the budget for coming years, which shows that Carnegie will demonstrate positive earnings. The parent company has loss carryforwards of SEK 25,911 thousand that are not capitalised.

² Other deferred tax assets comprise mainly coupon and branch taxes.

NOTES

contd. NOTE 18 Deferred tax assets/liabilities

Changes for the year – deferred tax assets

	Parent company			
	Opening balance	Deferred tax in income statement (plus is increased asset)	Expensed directly against equity, acquisitions and exchange-rate differences	Closing balance (plus is asset)
Pensions	–	237	–	237
Total	–	237	–	237

NOTE 19 Trade and client receivables

	Group	
	31 Dec 2010	31 Dec 2009
Fund cash receivables	293,609	97,573
Accounts receivable	175,987	43,872
Total cash and accounts receivable¹	469,596	141,445

¹ The remaining maturity period is less than one year.

NOTE 20 Prepaid expenses and accrued income

	Group		Parent company	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Accrued interest	13,701	7,560	–	–
Rent	21,524	13,038	–	–
Fees	18,046	67,093	–	–
Personnel-related	5,852	6,456	–	–
Pensions	5,091	248	299	–
Other	178,398	75,173	4	–
Total prepaid expenses and accrued income¹	242,611	169,568	303	–

¹ The remaining maturity period is less than one year.

NOTE 21 Trade and client payables

	Group	
	31 Dec 2010	31 Dec 2009
Fund cash payables	148,059	29,483
Accounts payable	85,598	39,274
Total cash and accounts payable¹	233,656	68,756

¹ The remaining maturity period is less than one year.

NOTE 22 Accrued expenses and prepaid income

	Group		Parent company	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Accrued interest	11,490	20,488	–	618
Fees	94,087	88,003	2,928	–
Personnel-related	378,058	232,989	1,306	707
Pensions	2,232	3,338	–	580
Other	229,705	142,675	5,577	–
Total accrued expenses and prepaid income¹	715,571	487,493	9,811	1,905

¹ The remaining maturity period is less than one year.

NOTE 23 Other provisions

	Group	
	31 Dec 2010	31 Dec 2009
<i>Restructuring provisions</i>		
Opening balance	98,974	147,443
Translation differences	–5,967	–2,190
Utilised amounts	–133,513	–101,598
Reversal, unutilised amounts	–1,307	–
Provisions for the year	194,405	55,319
Closing balance	152,592	98,974
<i>Other provisions</i>		
Opening balance	7,553	7,553
Utilised amounts	–641	–
Provisions for the year	2,576	–
Closing balance	9,488	7,553
Total other provisions	162,080	106,527

Most of the provisions are expected to be utilised during 2011–2012.

In conjunction with the acquisition of HQ Bank, a restructuring provision was made of SEK 139,612 thousand, of which SEK 31,183 thousand was utilised during the year.

NOTES

NOTE 24 Classification of financial assets and liabilities

Group, 31 Dec 2010

	Held for trade	Fair value option	Loan and accounts receivable	Other financial liabilities	Non-financial assets/liabilities	Total
Cash and balances with central banks			286,728			286,728
Treasury bills			827,382			827,382
Lending to credit institutions			5,519,376			5,519,376
Lending to the general public			3,616,761			3,616,761
Bonds and other interest-bearing securities	467,894					467,894
Shares and participations	1,675,795	5,863				1,681,658
Derivative instruments	343,455					343,455
Intangible assets					803,019	803,019
Tangible fixed assets					125,608	125,608
Current tax assets					26,411	26,411
Deferred tax assets					560,011	560,011
Trade and client receivables			469,596			469,596
Other assets			107,486			107,486
Prepaid expenses and accrued income			13,701		228,910	242,611
Total assets	2,487,144	5,863	10,841,031		1,743,959	15,077,996
Liabilities to credit institutions				552,238		552,238
Deposits and borrowing from the general public				7,610,500		7,610,500
Issued securities				935,000		935,000
Short positions, shares	877,825					877,825
Derivative instruments	349,594					349,594
Current tax liabilities					65,379	65,379
Deferred tax liabilities					109,184	109,184
Trade and client payable				233,656		233,656
Other liabilities				284,175	313,886	598,061
Accrued expenses and prepaid income				11,490	704,081	715,571
Other provisions					162,080	162,080
Subordinated liabilities				409,702		409,702
Total liabilities	1,227,420			10,036,761	1,354,611	12,618,792
Equity					2,459,205	2,459,205
Total liabilities and equity	1,227,420			10,036,761	3,813,816	15,077,996

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

Group, 31 Dec 2009

	Held for trade	Fair value option	Loan and accounts receivable	Other financial liabilities	Non-financial assets/liabilities	Total
Cash and balances with central banks			320,807			320,807
Treasury bills			382,582			382,582
Lending to credit institutions			6,021,239			6,021,239
Lending to the general public			3,418,145			3,418,145
Bonds and other interest-bearing securities	583,369					583,369
Shares and participations	1,381,488	6,663				1,388,151
Derivative instruments	661,523					661,523
Intangible assets					17,431	17,431
Tangible fixed assets					141,062	141,062
Current tax assets					13,825	13,825
Deferred tax assets					250,906	250,906
Trade and client receivables			141,445			141,445
Other assets			486,462			486,462
Prepaid expenses and accrued income			6,942		162,626	169,568
Total assets	2,626,380	6,663	10,777,620		585,850	13,996,514
Liabilities to credit institutions				759,656		759,656
Deposits and borrowing from the general public				6,418,231		6,418,231
Issued securities				935,000		935,000
Short positions, financial instruments	569,000					569,000
Derivative instruments	556,033					556,033
Current tax liabilities					26,206	26,206
Deferred tax liabilities					8,717	8,717
Trade and client payables				68,756		68,756
Other liabilities				5,862	1,946,126	1,951,989
Accrued expenses and prepaid income				20,488	467,005	487,493
Other provisions					106,527	106,527
Total liabilities	1,125,033			8,207,993	2,554,581	11,887,609
Equity					2,108,905	2,108,905
Total liabilities and equity	1,125,033			8,207,993	4,663,486	13,996,514

NOTES

NOTE 25 Pledged assets and contingent liabilities

	Group		Parent company	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
<i>Assets pledged for own debt</i>				
■ <i>Assets pledged for:</i>				
Deposited securities ¹	743,192	2,010,486	–	–
of which own securities	204,231	10,054	–	–
of which cash	538,961	2,000,432	–	–
Derivative instruments ²	131,537	331,315	–	–
of which cash	131,537	331,315	–	–
Other liabilities	564,000	979,768	400,000	400,000
of which cash	164,000	579,768	–	–
of which own securities	400,000	400,000	400,000	400,000
Total pledged assets for own liabilities	1,438,729	3,321,569	400,000	400,000
<i>Other pledged assets</i>				
■ <i>Pledged assets for:</i>				
Deposited securities on clients' account ³	615,150	69,157	–	–
of which client securities	358,356	–	–	–
of which cash	256,794	69,157	–	–
Derivative instruments on clients' account ⁴	217,834	99,943	–	–
of which cash	217,834	99,943	–	–
Credit limits ⁵	426,609	415,917	–	–
of which client securities	426,609	415,917	–	–
Trade in securities on clients' account and own account	454,139	170,895	–	–
of which own securities	25,842	170,895	–	–
of which cash	428,296	–	–	–
Total other pledged assets	1,713,732	755,912	–	–
<i>Contingent liabilities and guarantees</i>				
Contingent liabilities	2,763	276,348	–	–
Guarantees	93,510	128,668	–	–

¹ The collateral requirement was SEK 438,592 thousand (791,474), while SEK 277,915 thousand (1,183,309) was excess collateral.

² The collateral requirement was SEK 112,612 thousand (313,668), while 18,925 thousand (16,000) was excess collateral.

³ The collateral requirement was SEK 503,691 thousand (69,157), while 106,015 thousand (0) was excess collateral.

⁴ The collateral requirement was SEK 190,382 thousand (99,943), while 27,452 thousand (0) was excess collateral.

⁵ Carnegie is able to refinance client securities. Per 31 December 2010 there was SEK 426,609 thousand (415,917) in securities that can be refinanced that were placed in a pledged account, of the limit SEK 0 thousand (0) was utilised.

The market value of lent securities was SEK 479,706 thousand (65,864) in the group. The parent company had no lent securities.

NOTE 26 Operational leasing

	Group	
	31 Dec 2010	31 Dec 2009
<i>Contracted payments relating to land and buildings</i>		
Within one year	63,593	60,786
Later than one year but within five years	263,981	267,723
Later than five years	179,337	179,337
<i>Other contracted payments</i>		
Within one year	13,859	8,557
Later than one year but within five years	24,126	14,236

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 information below is presented from Carnegie Holding's perspective, meaning how Carnegie's figures were affected by transactions with related parties. Lending has taken place at market terms. Information on remuneration to key persons in executive positions is presented in [Note 6 "Personnel expenses"](#), pages 41–45.

	Group		Parent company	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
<i>Related-party transactions with the president and the board of directors</i>				
Deposits	2,297	–	–	–
Expenses	6	–	–	–
Lending	4,639	2,895	–	–
Income	151	114	–	–
Pledged assets and guarantees	256,421	151,359	–	–
<i>Related-party transactions with group companies</i>				
Deposits/liability			212,444	147,674
Expenses			5,696	1,157
Lending/assets			505,000	525,000
Income			–	2
Purchases			73	177
Sales			12,000	3,500

NOTES

contd. **NOTE 27** Related-party transactions

	Group		Parent company	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
<i>Related-party transactions with the owners</i>				
Deposits/liability	994,739	3,538	415,279	3,538
Expenses	6,171	–	5,577	–
Purchases	376	–	376	–

For other transactions with the owners, see “*Parent company statements of changes in equity*” (page 28) and “*Consolidated statements of changes in equity*” (page 25).

Related-party transactions with others

Deposits/liability	58,704	61,653	–	–
Expenses	294	719	–	–
Revenue	–	263	–	–

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

NOTE 28 Significant events after 31 December 2010

The annual report was approved for publication by the board of directors 31 March 2011.
The annual general meeting is scheduled to be held on 16 May 2011.

New fund names at Carnegie Fonder

During the month of January 2011, most Swedish-registered funds changed their name. Previously, these funds had the prefix HQ in each fund name, such as the HQ Strategifond fund. As a natural result of the company name being changed to Carnegie Fonder, the fund names were also changed so that Carnegie is used as a prefix instead, such as the Carnegie Strategifond fund. The funds registered in Luxembourg will change name later in 2011.

Carnegie Fonder discontinues ETF operations

Carnegie Fonder has decided to phase out its operations in exchange traded funds, known as ETFs. Thus Carnegie Fonder will once again focus wholly on its core business of actively managed funds.

Expanded management team at Carnegie

The management team at Carnegie has been expanded with three new members: Hans Hedström, president Carnegie Fonder, Katja Levén, chief legal counsel, and Fredrik Leetmaa, CRO. In addition to these individuals the management team includes: Frans Lindelöw, Peter Bäärnhielm, Henric Falkenberg,

Claes-Johan Geijer, Claus Gregersen, Björn Jansson, Pia Marions and Anders Onarheim.

Carnegie claims its right to acquire share stake from HQ AB

In conjunction with Carnegie's acquisition of HQ Bank on 3 September 2010, Carnegie also gained a right to acquire HQ AB's subsidiaries and shares in associates and in Burgundy AB. Carnegie intends to exercise this right, which includes the following companies: Stockholm Å.V. AB (100 percent), HQ Fondförvaltning AB in liquidation (100 percent), United Securities AB (51 percent), Optimised Portfolio Management Stockholm AB (50 percent), HQ Private Equity Holding AB (50 percent) and Burgundy AB (approx. 7 percent).

The option to take over HQ AB's shares was settled in the initial purchase price and no additional payment will be made.

New name for Carnegie group's parent company

On 9 February 2011, the name change of the parent company in the Carnegie group was registered, from ABCIB Holding AB to Carnegie Holding AB.

NOTE 29 Risk and capital management*Credit risks*

Carnegie's credit portfolio is reviewed regularly using various methods as described in the bank's control documents for credit management and credit risk management. The credit quality in the portfolio is deemed as sound and is based on an analysis of counterparties and their credit worthiness. To further reduce credit risk, Carnegie applies various methods. The most commonly used are pledging of listed securities and netting contracts.

■ *Carnegie's total credit risk exposure by unit and exposure class:*

Group, 31 December 2010	Sweden	Denmark	Norway	Luxembourg	Finland	Other	Total
Governments and central banks	698,117	334,581		1,117,933			2,150,631
Institutional exposure	3,600,701	266,789	241,182	290,967	16,625	87,471	4,503,735
Company exposure	1,475,376	145,897	169,982	1,072,914			2,864,169
Consumer exposure	943,348	65,957	43,724	661,319	34,402		1,748,750
Total	6,717,542	813,224	454,888	3,143,133	51,027	87,471	11,267,285

■ *Carnegie's total credit risk exposure by unit and exposure class:*

Group, 31 December 2009	Sweden	Denmark	Norway	Luxembourg	Finland	Other	Total
Governments and central banks	–	599,137	72,183	2,553,653	10,475	–	3,235,448
Institutional exposure	3,242,104	69,255	248,875	386,896	130,056	64,259	4,141,445
Company exposure	574,141	909,237	294,355	2,526,864	7,156	52,656	4,364,409
Consumer exposure	326,645	–	70,075	476,922	10,162	–	883,804
Total	4,142,890	1,577,629	685,488	5,944,335	157,849	116,915	12,625,106

■ *Credit quality and pledged assets:*

Relates to financial assets that are neither due for payment nor have an impaired value.

a) **Carnegie's exposure towards governments and central banks and institutions divided by counterparty risk**

Group, 31 December 2010	Credit quality steps ¹	Standard & Poor's short-term credit valuations	Exposure	Percentage of total
Governments and central banks	I	A-1+, A-1	2,150,631	32%
Institutional exposure	I	A-1+, A-1	4,503,735	68%
Total			6,654,360	100%

The majority of exposures are the management of surplus liquidity without collateral with short or no fixed periods.

¹ Credit quality steps according to the regulations and general advice of the Swedish Financial Supervisory Authority (FFFS 2007:1) regarding capital adequacy and large exposures, where 1 is the highest quality.

b) **Clients' pledged collateral for custodian account loans**

Carnegie's exposure to companies and consumers is largely collateralised with pledged liquid financial securities (known as custodian account loans). Carnegie has a very small proportion without collateral (in blanco).

Financial collateral Group, 31 December 2010	Market value	Pledge value	Exposure	Percentage of total	Average pledge percentage
Shares	46,433,275	23,995,494	2,238,779	51%	52%
Bonds	5,662,651	3,310,066	802,584	18%	58%
Cash	3,122,614	3,111,092	620,093	14%	100%
Other collateral	5,458,759	3,428,651	744,679	17%	63%
Total	60,677,299	33,845,303	4,406,135	100%	56%

Exposure in custodian account loans is usually collateralised with a portfolio of financial securities.

Exposure is calculated according to how large a proportion of pledged financial securities are attributable to an exposure.

Other pledged securities are funds, structured products, guarantees and pledged custodian accounts with underlying financial securities.

contd. **NOTE 29 Risk and capital management**contd. *Credit risks*■ **Credit losses**

A large portion of Carnegie's lending is to private persons and companies within the Private Banking segment. Individual analyses are performed for each counterparty. Since there are few homogenous groups within the segment, Carnegie has decided to always perform individual assessments of impairment needs and not to allocate provisions by group. The assessment is that impairment testing by group would not result in significant additional impairment.

	Group	
	2010	2009
Credit exposures	11,267,285	12,625,106
Specific provisions	-122	-20,747
Provisions by group	-	-
Provisions for homogenous groups	-	-
Total provisions	-122	-20,747

As of 31 December, Carnegie had a total exposure for renegotiated loan receivables without provisions of SEK 43 million (170).

All of these loan receivables were given new terms in the form of renegotiated interest rates and amortisation plans.

Financial assets due for payment without impairment are handled according to Carnegie's routines for doubtful receivables and are assessed regularly in operations. Individual decisions are taken in each individual case and may include realisation of collateral through the sale of pledged listed securities¹.

Carnegie considers various parameters in assessing impairment need. These parameters are described in Carnegie's internal control documents. An impairment need may arise as a result of various events, such as increased risk due to changes in the client's income statement and balance sheet or changes in the composition of pledged collateral. Carnegie performs regular reviews of specific impairment requirements.

The value at year end of financial assets taken over was SEK 29 million (30). All assets taken over are shares, and Carnegie's strategy is to gradually sell these assets.

The entire value of the assets taken over refers to realised pledges.

¹ At the end of 2010, Carnegie had no doubtful receivables that were not fully impaired. Therefore no further analysis will be conducted of financial assets or securities for these receivables.

Market risks

Reported amounts refer to the Group.

Previous year's amounts are specified in parentheses.

■ **Share 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 3,253 million (3,175). Of the group's amount, SEK 2,559 million (1,957) related to shares and SEK 693 million (1,218) related to derivative instruments. The net exposure at year-end was thus SEK 797 million (798).

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-related derivative instruments, primarily listed in Sweden and in international marketplaces. A simultaneous price change of -3 percent of all equity holdings in the group's trading inventory would have had an effect on earnings of SEK 0.9 million (1.1) at year end. A +3 per cent price change at the same date would have had an effect of SEK 5.2 million (2.9) in the group. The derivative positions consist of holdings and issued forward contracts, call options, put options and warrants.

■ **Volatility risk**

Exposure to volatility risk is measured with Vega, which describes the change in value of the position if the volatility in the specific position changes by one percentage point. At year-end, Carnegie had volatility risk of Vega SEK -0.1 million (-0.6). The exposure in the group represents the net of positions with a negative or positive Vega exposure.

■ **Scenario analysis**

The risks in Carnegie's trading departments consist primarily of share 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 and a stress scenario. The medium scenario means that prices in the entire equity market change by ± 3 percent while market volatility changes by ± 10 percent. The greatest potential loss in such a scenario is called medium max loss (MML) and was at year-end SEK 2.1 million (2.8). The stress scenario means that prices in the entire equity market change by ± 10 percent and that market volatility changes by ± 30 percent. The greatest potential loss in such a scenario is called stress max loss and amounted to SEK 5.6 million (9) at year-end.

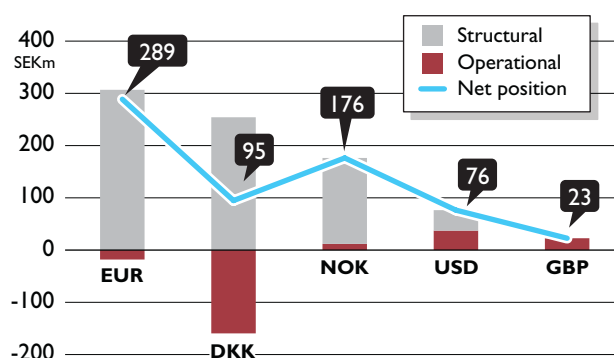
contd. **NOTE 29 Risk and capital management**

contd. *Market risks*

■ **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 and includes only very liquid currencies. The trading portfolio had no currency exposure on 31 December 2009.

The group's currency exposure on 31 December 2010:



■ **Interest risk in the trading inventory**

Carnegie's trading inventory is affected by interest-rate changes through holdings of bonds and derivative instruments. At year-end, the effect on earnings in the trading inventory of an increase in interest of 1 percentage point was SEK 0.7 million (–2.5). The interest risk in the trading inventory is limited and 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 interest points applied on the yield curves to which the positions are linked. At year-end, the loss risk from such downward shift of 100 interest points was SEK 2.1 million (5.6).

■ **Liquidity risk**

Liquidity risk is the risk of not being able to fulfil payment obligations or only being able to do so at increased expense. Liquidity risk consists of market liquidity risk and financing risk. Financing risk refers to the risk that Carnegie does not have sufficient cash and cash equivalents to finance its operations. Financing risk is closely linked to what is called market

liquidity. Market liquidity risk arises primarily among assets, while financing risk arises primarily among liabilities on the balance sheet. Market liquidity risk arises if Carnegie is unable to realise or cover a position at prevailing market prices, since the market is not sufficiently deep or is not functioning due to some disturbance.

According to Carnegie's finance and capital policy, the group and each subsidiary must maintain a liquidity reserve that exceeds the expected maximum net cash flow during a period of 30 days of extreme stress. The liquidity reserve must consist of cash, cash equivalents and unutilised credit facilities.

Stress tests are designed to evaluate potential effects of a series of extreme but possible events. The stress tests take the following factors into consideration:

- A marked outflow of deposits from clients
- Reduced market values for assets that can be refinanced
- Reduced pledge values for assets that can be refinanced

Carnegie calculates the liquidity reserve daily to ensure that the liquidity targets are met and that cash and cash equivalents are available to meet contracted and simulated cash flows.

The effects of derivatives on liquidity in the event of exercise of options, for example, are reported by the business units to the treasury department, which is responsible for guaranteeing cash and cash equivalents and the liquidity reserves. If the estimated effect on liquidity may be greater than the treasury department considers appropriate for the moment, the business unit is given the task of taking actions to reduce the effect on liquidity.

NOTES

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

contd. *Market risks – liquidity risk*

The table below provides a due date analysis for financial liabilities' contracted maturity.

The corresponding information for financial assets is presented in *Note 13 "Financial assets and liabilities held for trading"*, pages 51–52.

Group, 31 Dec 2010	Payable on demand	Up to 3 months	3–12 months	More than 1 year, but less than 5 years
Liabilities to credit institutions		5,974	–	–
Deposits and borrowing from the general public	7,007,854	585,421	17,224	–
Issued securities	–	–	–	935,000
Short positions	–	876,074	1,751	–
Fund cash payments and accounts payable	–	233,657	–	–
Other liabilities	–	284,175	–	–
Accrued expenses and prepaid income	–	11,490	–	–
Total	7,554,118	1,996,791	18,975	935,000
■ Derivatives				
Liabilities at market value	–	–	346,015	3,580
Assets at market value	–	–	199,729	143,725

Group, 31 Dec 2009	Payable on demand	Up to 3 months	3–12 months	More than 1 year, but less than 5 years
Liabilities to credit institutions	473,506	5,468	280,682	–
Deposits and borrowing from the general public	5,734,648	829,351	1,232	–
Issued securities	–	2,239	31,494	998,475
Short positions	–	569,000	–	–
Fund cash payments and accounts payable	–	64,249	–	–
Other liabilities	66	5,862	–	–
Accrued expenses and prepaid income	–	20,488	–	–
Total	6,208,220	1,496,657	313,408	998,475
■ Derivatives				
Liabilities at market value			476,499	79,534
Assets at market value			654,438	7,085

contd. **NOTE 29 Risk and capital management***Capital adequacy analysis*

Capital adequacy analysis applies to Carnegie Holding AB and subsidiaries (the group). For specification of subsidiaries, see *Note 15 "Shares and participations in group companies"*, page 53.

Carnegie analyses future capital requirements through the internal capital adequacy assessment process (ICAAP), which means that future capital requirements can be guaranteed. For more information about the ICAAP, see page 16.

	Group	
	31 Dec 2010	31 Dec 2009
■ Capital adequacy		
Capital base	1,594,199	1,315,568
Capital requirements	-725,967	-675,353
Surplus capital	868,232	640,215
Capital adequacy ratio	2.20	1.95
Tier 1 ratio	1.63	1.95
■ Capital base		
Share capital	221,976	200,000
Other capital contributions/ statutory reserve	1,018,321	600,000
Provisions	-110,789	480,506
Profit/loss brought forward	1,329,697	828,399
Anticipated dividends	-6,115	-525,000
■ Deduction items		
Goodwill and intangible assets	-708,582	-17,431
Deferred tax assets	-560,011	-250,906
Total Tier 1 capital	1,184,497	1,315,568
■ Tier 2 capital		
Perpetual convertible debenture	409,702	
Total capital base	1,594,199	1,315,568

■ Capital requirements for credit risks

Carnegie applies the standard method for calculating credit risks.

	Group	
	31 Dec 2010	31 Dec 2009
■ Capital requirements from exposure to:		
Governments and central banks		5,352
Municipalities and comparable public bodies and authorities		
Institutional exposure	61,793	48,603
Company exposure	36,381	79,258
Consumer exposure	19,057	10,093
Exposure with collateral in real estate	28	
High-risk items		
Exposure to funds	2,814	
Other items	40,812	39,867
Divestment risks in the trading inventory	4,813	417
Total capital requirements for credit risks	165,698	183,590

■ Capital requirements for risks in the trading inventory

<i>Equity price risk</i>		
Specific risk	17,463	9,197
General risk	8,425	11,072
Total capital requirements for equity price risks	25,889	20,269
<i>Interest risk</i>		
Specific risk	1,409	543
General risk	12,120	2,369
Total capital requirements for interest risks	13,528	2,912

■ Capital requirements for currency risks

Total capital requirements for currency risks	53,341	75,675
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■ Capital requirements for operational risks

Carnegie applies the base method for calculating operational risks.

	Group	
	31 Dec 2010	31 Dec 2009
Income indicators – average of income over the past three years	3,116,738	2,697,777
Capital requirements for operational risks, 15% of income indicator	467,511	404,667

NOTE 30 Acquired operations*HQ Bank AB*

On 3 September 2010, Carnegie Investment Bank AB acquired all shares in HQ Bank AB in liquidation. The purchase consideration of SEK 268 million was made in the form of a promissory note. At the same time, a liability of SEK 101 million owed by HQ Bank AB to HQ AB at the time of acquisition was taken over as purchase consideration for the acquisition of assets from HQ AB. HQ Bank was merged with Carnegie Investment Bank AB on 30 September 2010.

A preliminary acquisition analysis, in which assets and liabilities were measured at market value, has resulted in negative goodwill of SEK 656 million, which is recognised as revenue in the consolidated income statement.

The acquisition has had the following preliminary effects on the Carnegie group:

Acquisition HQ Bank, SEKm	Carrying amount	Fair value recognised in group
Intangible fixed assets	30	–
Tangible fixed assets	31	31
Other assets excluding cash and cash equivalents	3,313	3,331
Cash and cash equivalents	2,318	2,318
Subordinated liabilities	–171	–
Deferred tax liability	–11	–14
Other liabilities	–4,667	–4,641
Net identifiable assets and liabilities	843	1,025
Negative goodwill		–656
Purchase price		369
Assumed liabilities		–101
Promissory notes		–268
Purchase price paid		–
Cash and equivalents in acquired companies		2,318
Effect on cash flow		2,318

HQ Fonder Sverige AB

On 22 September, Carnegie Holding AB acquired all shares in HQ Fonder Sverige AB (name changed to Carnegie Fonder AB) from Investment AB Öresund. The purchase price of SEK 872 million was paid in cash. At the same time, Öresund paid SEK 440 million to Carnegie Holding for a new issue of preference shares, and SEK 410m to Carnegie Holding for an approved issue of convertibles. The investment company Öresund thus became a shareholder in Carnegie Holding.

The acquisition of HQ Fonder has, after preliminary allocation of surplus values, resulted in goodwill of SEK 422 million, which is mainly attributable to future synergy effects and human capital. Identified intangible assets, SEK 366 million, are made up of client relationships and distribution agreements.

Carnegie Fonder AB was consolidated into Carnegie from the date of acquisition on 22 September 2010 and has subsequent to the acquisition contributed SEK 14 million to the group's profit after tax during 2010. If the acquisition had taken place on 1 January 2010, the group's revenues would have been SEK 143 million higher and profit after tax SEK 60 million higher.

In 2010, Carnegie Fonder AB had sales of SEK 197 million (189), profit after financial items of SEK 100 million (113) and profit after tax of SEK 74 million (93). Total capital employed per 31 December was SEK 327 million (273).

Acquisition HQ Fonder Sverige AB, SEKm	Carrying amount	Fair value reported in group
Intangible fixed assets	–	366
Tangible fixed assets	1	1
Other assets excluding cash and cash equivalents	35	35
Cash and cash equivalents	241	241
Deferred tax liability	–	–96
Other liabilities	–97	–97
Net identifiable assets and liabilities	180	450
Goodwill		422
Purchase price		872
Cash and equivalents in acquired companies		241
Effect on cash flow		–631

NOTE 31 Information on statements of cash flow

	Group		Parent company	
	2010	2009	2010	2009
Interest paid	139,138	326	22,613	1,485
Interest received	152,200	11	15	14
<i>Adjustment for items not included in cash flow</i>				
Anticipated dividends from subsidiaries	–	–	–505,000	–525,000
Depreciation, amortisation and impairment of assets	72,887	24,138	–	–
Credit provisions	211	20,747	–	–
Change in provisions for balance sheet items	58,837	6,792	903	–
Capital gain/loss from sale/liquidation of subsidiaries	791	–157,890	–	–
Unrealised exchange rate differences	13,407	4,629	–	–
Unrealised value changes in financial instruments	–20,302	–129,950	–	–
Recognised negative goodwill	–625,710	–633,327	–	–
Total adjustments for items not included in cash flow	–499,879	–864,861	–504,097	–525,000
<i>Cash and cash equivalents</i>				
Cash and balances with central banks	286,728	320,807	–	–
Treasury bills	827,382	382,582	–	–
Lending to credit institutions	5,131,420	6,021,239	3,665	6,533
Lending to credit institutions, not payable on demand	–508,338	–11,238	–	–
Cash and cash equivalents, closing balance	5,737,192	6,713,390	3,665	6,533
<i>Divestment of subsidiaries</i>				
<i>Divested assets and liabilities:</i>				
Intangible assets	–	2,194	–	–
Tangible assets	–	3,876	–	–
Operational receivables	–	494,805	–	–
Cash and cash equivalents	–	376,931	–	–
Operational liabilities	–	–515,288	–	–
Net divested assets and liabilities	–	362,518	–	–
<i>Sale of subsidiaries</i>				
Purchase price paid	–	495,861	–	–
Promissory notes	–	–404,189	–	–
Purchase price received	–	91,672	–	–
Less cash and cash equivalents in the divested business	–	–376,931	–	–
Effect on cash flow	–	–285,259	–	–

NOTE 32 Other assets and other liabilities

	<i>Parent company</i>	
	2010	2009
Non-current liabilities, due for payment within 1–5 years	–	250,000

The non-current liabilities that existed on 31 December 2009 have been moved to “Other current liabilities” 31 December 2010.

NOTE 33 Subordinated liabilities

The parent company has issued 204,486 convertibles, paid for by Investment AB Öresund, with a nominal and settled amount corresponding to SEK 2,003.57 per convertible. Total nominal amount: SEK 409,702,015.

Accrued interest calculated at 5 percent amounts this year to SEK 5,577 thousand, and is included in the balance sheet item “Accrued expenses and prepaid revenue”.

CERTIFICATION

The board of directors and the president hereby certify that the annual report was prepared in accordance with the Swedish *Annual Accounts Act for Credit Institutions and Securities Companies* (ÅRKL), the Swedish Financial Supervisory Authority's regulations and general recommendations regarding annual reports for credit institutions and securities companies (FFFS 2008:25) and recommendation *RFR 2 Reporting of Legal Entities*, that it provides a true and fair view of the parent company's financial position and earnings and that the board of directors' report provides a true and fair overview of the company's business, financial position and earnings and that it describes significant risks and uncertainties facing the company.

The board of directors and the president hereby certify that the consolidated accounts 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*, FFFS 2008:25 and *RFR 1 Supplementary Accounting Principles for Corporate Groups*, that they provide a true and fair view of the group's financial position and earnings and that the board of directors' report provides a true and fair view overview of the group's business, financial position and earnings and describes significant risks and uncertainties facing the companies included in the group.

STOCKHOLM, 31 MARCH 2011

The consolidated income statements and balance sheets will be presented to the annual general meeting of 16 May 2011 for resolution.



Arne Liljedahl
Chairman of the Board



Björn Björnsson



Fredrik Cappelen



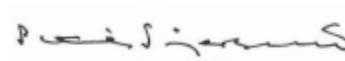
Harald Mix



Fredrik Strömholm



Frans Lindelöw
President



Patrik Tigerschiöld

Our audit report was submitted on 31 March 2011

PricewaterhouseCoopers AB



Michael Bengtsson
Authorised Public Accountant,
Lead Auditor



Sussanne Sundvall
Authorised Public Accountant

AUDITOR'S REPORT

*To the annual general meeting of Carnegie Holding AB (publ),
corporate registration number 556780-4983.*

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the president of Carnegie Holding AB for the year 2010. The board of directors and the president are responsible for these accounts and the administration of the company, as well as for the application of the *Annual Accounts Act* when preparing the annual accounts and the application of international financial reporting standards (IFRS) as adopted by the EU, and the *Annual Accounts Act* when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the president and significant estimates made by the board of directors and the president when preparing the annual accounts and consolidated accounts, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined

significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the president. We also examined whether any board member or the president has, in any other way, acted in contravention of the *Companies Act*, the *Banking and Finance Business Act*, the *Annual Accounts Act* or the articles of association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the *Annual Accounts Act* and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards (IFRS) as adopted by the EU and the *Annual Accounts Act* and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the board of directors' report and that the members of the board of directors and the president be discharged from liability for the financial year.

STOCKHOLM, 31 MARCH 2011
PricewaterhouseCoopers AB


Michael Bengtsson
Authorised Public Accountant,
Lead Auditor


Sussanne Sundvall
Authorised Public Accountant

BOARD OF DIRECTORS



Arne Liljedahl
Chairman, born 1950.

Arne Liljedahl is chairman of SBAB (Sveriges Bostadsfinansieringsaktiebolag), director of Lindorff Group and Electroengine in Sweden and Senior Advisor to Ernst & Young. Arne previously held positions as CFO/VP and group management at Nordea.



Björn Björnsson
Director, born 1946.

Björn Björnsson is chairman of Bure Equity, Oasmia Pharmaceutical and Carnegie Asset Management Holding.



Fredrik Cappelen
Director, born 1957.

Fredrik Cappelen is chairman of Byggmax, Munksjö, Dustin and Sanitec. Fredrik is also director at Securitas, Granngården and Cramo.



Harald Mix
Director, born 1960

Harald Mix is a founding partner at Altor Equity Partners. Harald is also director of Lindorff Group, Relacom Holding, Dustin Group, N Holding, Papyrus Holding, Valot and Skrindan



Fredrik Strömholm
Director, born 1965.

Fredrik Strömholm is a founding partner at Altor Equity Partners. Fredrik is a director of Apoteket Hjärtat, Ferrosan, Nimbus, Q-Matic and Åkers. He has previously held positions as managing director at Goldman Sachs and director at Nordic Capital.



Patrik Tigerschiöld
Director, born 1964.

Patrik Tigerschiöld is president of Bure Equity. Patrik is chairman of Vitrolife, PartnerTech, Carnegie Fonder and The Chimney Pot. He is also a director of Micronic Mydata.

MANAGEMENT



Frans Lindelöw – born 1962.

President and CEO since September 2009. Frans worked previously within the Nordea group, most recently as head of the Swedish retail operations, and prior to that as president of Nordea Securities. He was also a member of the group management. Previous positions include head of European equities for HSBC in London and Stockholm.



Peter Bäärnhielm – born 1958.

Co-head of the Investment Banking business area since November 2008. Head of Investment Banking in Stockholm since 2006. Prior to joining Carnegie in 1997, Peter was one of the founders and partners of the law firm Danowsky & Partners. Previous experience includes SEB Enskilda and Lagerlöf & Leman.



Henric Falkenberg – born 1960.

Co-head of the Securities business area since 2009. From 1998 to 2009, Henrik held the corresponding position at Enskilda Securities. Prior to that he was head of Swedish equities at Alfred Berg for eight years and he has also worked at Öhman Fondkommission and Consensus Fondkommission within equity sales.



Claes Johan Geijer – born 1957.

Head of the Private Banking business area since November 2008. Head of Banque Carnegie Luxembourg S.A. since 2001. Prior to this, Claes Johan was a partner at the Nordic venture capital company IT Provider. Previous experience includes Swedbank, Lexmar Corporation, Stora and Swedish Match in Sweden and other countries.



Claus Gregersen – born 1961.

Head of Carnegie's Danish operations, Carnegie A/S, since May 2010. Claus was previously head of Alfred Berg's operations in Denmark and the UK, and head of European equities and EMEA at ABN Amro Bank. He has previously worked with private equity investment and asset management at Select Partners.



Hans Hedström – born 1957.

President of Carnegie Fonder since December 2010. Previously Hans was chairman of Carnegie Fonder. President of HQ Fonder from 2000 until March 2010. Formerly employed by Hagströmer & Qviberg as a pharmaceuticals analyst, a project manager in Corporate Finance, head of strategy and head of research. Employed as a fund manager since the end of 1999.



Björn Jansson – born 1963.

Co-head of the Securities business area since October 2009. Björn worked for 11 years at SEB Enskilda Securities, including positions as global head of research and co-head. From 1993 until 1998 he was global head of research at Alfred Berg and prior to that sector analyst and local head of research at Enskilda Fondkommission in Stockholm.



Fredrik Leetmaa – born 1971.

Chief risk officer (CRO) since December 2010. Fredrik started at Carnegie in August 2009 and worked as head of group credit until December 2010. Prior to this he was head of credit at SEB Luxembourg. Previous experience includes BOS Bank Poland and various senior positions at the SEB group.



Katja Levén – born 1966.

Initially company legal counsel and then chief legal counsel at the bank since 2008. Prior to this Katja was company legal counsel at Nordea Bank and Nordea Securities during the period 1999 until 2008. Previous experience includes law firm Linklaters advokatbyrå.



Pia Marions – born 1963.

Chief financial officer (CFO) since October 2010. Pia comes from Royal Bank of Scotland, where she was chief operating officer for the Nordic region. Prior to this Pia was CFO at Skandia Liv. Previous experience includes Länsförsäkringar Liv, Finansinspektionen and authorised public accountant at Arthur Andersen in Sweden and New York.



Anders Onarheim – born 1959.

Co-head of the Investment Banking business area. Head of Carnegie's Norwegian operations, Carnegie ASA, since 1996. Prior to this, Anders was head of equity trading at Enskilda Securities in Norway, and previously also executive director of Investment Banking at Goldman Sachs in London.

Auditors:



Michael Bengtsson
– born 1959.

Authorised public accountant, lead auditor at Carnegie since 2009.



Sussanne Sundvall
– born 1964.

Authorised public accountant at Carnegie since 2009.

DEFINITIONS AND GLOSSARY

■ **Average number of full-time equivalent 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.

■ **C/R ratio**

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

■ **Currency risk**

The risk of deviation in the value of assets, liabilities and derivatives due to exchange-rate fluctuations.

■ **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.

■ **Equity price risk**

The risk of losses due to changes in share prices.

■ **Interest risk in the trading inventory**

The risk of a decline in value of financial instruments whose value is affected by changes in interest rates.

■ **Interest risk on the balance sheet**

The risk that net interest revenue is negatively affected by changes in market interest rates.

■ **Lending to the general public**

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

■ **Liquidity risk**

The risk of a negative effect on earnings for ensuring that the group's payment obligations are fulfilled on time.

■ **Number of employees on the closing date**

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

■ **Profit margin**

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

■ **Return on equity**

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

■ **Regulatory capital base**

Tier 1 capital plus Tier 2 capital.

■ **Risk-weighted assets**

A measure of the total risk exposure at any given time. Risk-weighted assets consist of credit risks (lending or counterparty risks) and market risks (from proprietary trading and market making). As of 1 February 2007, operational risks are also included. The carrying amount of assets valued in accordance with the Swedish Financial Supervisory Authority's capital adequacy rules.

■ **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.

■ **Volatility risk**

The risk of deviation in the value of a financial instrument as a result of the magnitude of price movements changing.

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