



Carnegie

ANNUAL REPORT 2011

Carnegie Holding AB

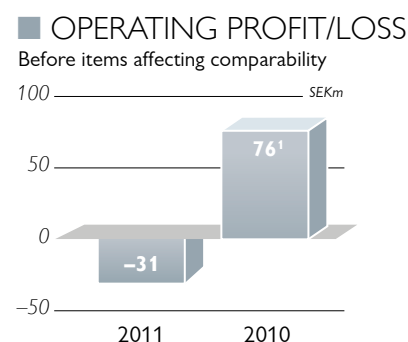
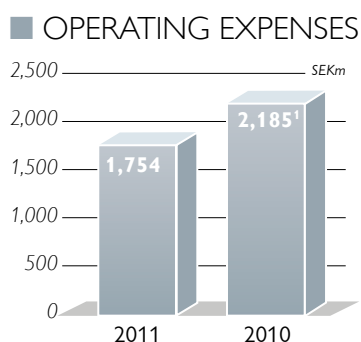
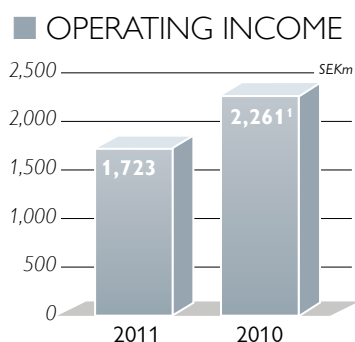
2011 IN SUMMARY

- ◆ Successful integration of HQ Bank and HQ Fonder into the Carnegie Group.
- ◆ Focused value proposition in Securities, trading on own account discontinued.
- ◆ Concern in global financial markets muted client activity.
- ◆ Carnegie initiated a restructuring programme aimed at improving efficiency and creating more streamlined business areas, to position the company for continued growth and development.
- ◆ Strong inflow into Carnegie Fonder: up SEK 1.7 billion on a full-year basis.
- ◆ Ample proof of high client confidence: Carnegie awards include Best Equity House in the Nordic Region. Turn to page 4 for more information.

FINANCIAL KEY DATA¹

Operating results:

- ◆ Operating income was SEK 1,723 million (2,261²).
- ◆ Operating expenses were SEK 1,754 million (2,185²).
- ◆ The operating loss before items affecting comparability was SEK 31 million (profit: 76²).
- ◆ Items affecting comparability had a negative impact on earnings of SEK 237 million (positive: 395²).
- ◆ The net loss for the year was SEK 254 million (profit: 577²).
- ◆ Capital adequacy: 18.2%. Core Tier 1 ratio: 12.5%
- ◆ Assets under management of approximately SEK 100 billion.



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

² Pro forma 2010: Including profit from HQ Bank and HQ Fonder but excluding the trading loss of SEK 1.2 billion in HQ Bank.

Navigating the Carnegie Annual Report



■ PRESIDENT'S MESSAGE

Carnegie President and CEO
Frans Lindelöw discusses
developments in 2011.



■ BOARD OF DIRECTORS' REPORT

Describes Group financial
development in 2011, market
development, business events, the
corporate governance model and
the remuneration policy.



■ RISK AND CAPITAL MANAGEMENT

Describes the potential risks of
banking operations, Carnegie's
approach to risk management
and the structure of the control
organisation.



■ FINANCIAL STATEMENTS

Company statements of compre-
hensive income, balance sheets
and statements of cash flows.



■ ACCOUNTING PRINCIPLES

Describes the rules that govern
financial reporting at Carnegie
and how they are applied.



■ NOTES

Specification and explanation of
line items in Carnegie's financial
statements.



■ BOARD AND MANAGEMENT

Biographies of directors and
executives at Carnegie.

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Awards in 2011

BEST NORDIC EQUITY HOUSE

Carnegie was named Best Equity House in the Nordic and Baltic region by business magazine *Euro-money*. Carnegie received the honour in the third quarter of 2011 at the annual *Euro-money* Awards for Excellence dinner.

IMPROVED MORNINGSTAR FUND RATING

Two Carnegie funds, Likviditetsfond and Sverige Select, were upgraded in 2011 from the second-highest to the highest ranking by fund rating institute Morningstar. The two funds have now joined the Carnegie Sverige-fond on the five-star list.

CARNEGIE NORWAY RANKED BEST EQUITY HOUSE

Carnegie's Norwegian operations, Carnegie ASA, ended up in first place when TNS Sifo Prospera ranked equity houses in Norway in December 2011. Carnegie was ranked second in the 2010 survey. TNS Sifo Prospera's survey is based on phone interviews with about 65 portfolio managers, traders and analysts in Norwegian institutions.

TOP-RANKED IN PRIVATE BANKING

Carnegie was ranked first in 8 out of 18 categories in *Euro-money* magazine's annual assessment of private banks in Sweden in 2011. Carnegie was ranked second overall in the survey and first in the highest net worth category.

CARNEGIE DENMARK RANKED NUMBER ONE IN CORPORATE FINANCE

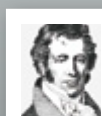
Carnegie's Danish operations ended up in first place when Prospera ranked corporate finance houses in 2011. The survey, conducted every other year, is based on phone interviews with about 90 senior executives.

BEST BACK OFFICE IN SWEDEN

Carnegie was top ranked in the TNS Sifo Prospera survey in December 2011 when institutional clients ranked the administrative performance of their brokerage firms. Back office is the second-most important criterion for institutional clients who respond to TNS Sifo Prospera's surveys.

ONE OF THE OLDEST NORDIC BRANDS

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



On 4 May 1803, Scotsman David Carnegie founds the trading house of **D. Carnegie & Co AB** in Gothenburg.

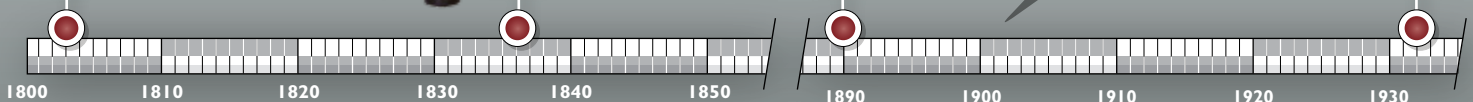


1836: **David Carnegie Jr** acquires the Lorent sugar refinery and porter brewery in the Klippan area of Gothenburg.

1890: David Carnegie Jr passes away. **Oscar Ekman**, who manages the business, inherits a substantial number of company shares.

Early 1900s: Carnegie divests its trading and industrial businesses.

1932 **Carl Gustaf Langenskiöld** founds an investment bank, **Langenskiöld**, whose main business is asset management and brokerage.



A centre of financial excellence

Carnegie's mission is to put money to work. We are independent in order to can guarantee optimal research and advice. We create added value for institutions, corporations and private individuals. Our aim is to be the leading financial advisor in the Nordic region. Carnegie operates in eight countries and has approximately 800 employees.

SECURITIES

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

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

INVESTMENT BANKING

Carnegie Investment Banking offers professional advisory services in mergers and acquisitions (M&A), equity capital market (ECM) transactions and structured instruments. Carnegie has a long-established local presence, with unique understanding and expertise concerning industries and equity markets in the Nordic region.

Markets: Denmark, Finland, Norway and Sweden.

PRIVATE BANKING

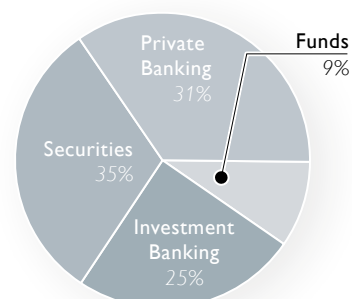
Carnegie Private Banking provides comprehensive financial advisory services to high net worth individuals, small businesses and foundations. Our team of experts understand the details that add up the client's day-to-day concerns: family law, foundation trusteeship, tax management, pensions, management and equity sales, all under the same roof.

Markets: Denmark, Luxembourg, Switzerland and Sweden.

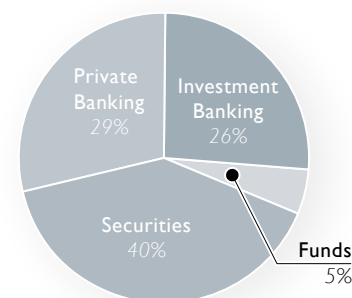
FONDER

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

Market: Sweden.

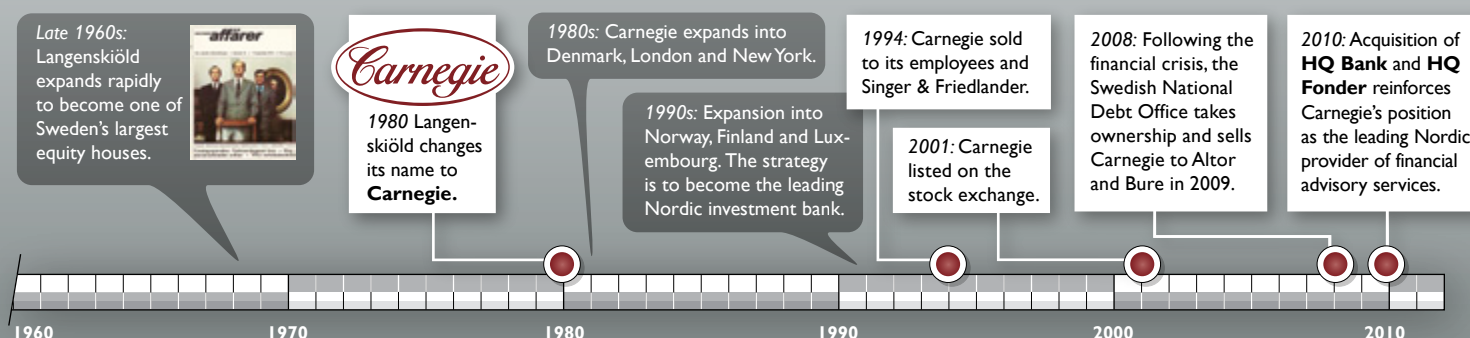



Operating income, 2011
Total: **SEK 1,723 million**



Employees, 2011
Total: **778 employees¹**

¹ The Group had 778 employees on 31 December 2011, corresponding to 758 full-time equivalents.





“The need for professional advice is greatest when economic outlooks are uncertain.”

FOCUS ON ADVISORY SERVICES

In a year characterised by anxiety in the financial markets, Carnegie strengthened its relative market position and began a comprehensive restructuring process.

Carnegie's vision is to be the leading provider of financial advisory services in the Nordic region. In more concrete terms, it means we must offer the best equity research, be the advisor of choice in corporate transactions, the most trusted investment advisor and the most attractive manager of Swedish equity funds, emerging market funds and fixed-income funds.

Carnegie took an important step towards that vision in 2010 with the acquisitions of HQ Bank and HQ Fonder. The two companies were integrated into the Carnegie Group last year and we now have a considerably stronger value proposition, greater resources in private banking and fund operations of the highest rank. In 2011, we also received external confirmation from many sources that we are going in the right direction, as all of our business areas and the support organisation won awards and earned high rankings in prestigious industry surveys.

Nonetheless, 2011 was characterised by grave economic concerns in the Eurozone and subsequent anxiety in the financial markets.

Understandably, this had an impact on Carnegie and we can note that the performance in 2011 was not satisfactory. We delivered a positive contribution at the operational level, but Carnegie is reporting a loss after financing expenses and consolidated depreciation and amortisation. Consolidated earnings were also charged with high items affecting comparability, primarily related to the ongoing restructuring.

At the business area level, Private Banking showed stable development in 2011. Funds were adversely impacted by lower asset values, but attracted new capital and new clients, despite market uncertainty. Our corporate finance business, Investment Banking, did not develop as well as in 2010. The year got off to a strong start, but deteriorated in pace with increasing market turbulence. Lower commission-driven trading on the Nordic stock exchanges than in 2010 had adverse impact on Securities.

Carnegie initiated a comprehensive restructuring process last autumn, aimed at significantly improving profitability. The objective is to cut costs, sharpen business focus in every area and create conditions for growth, particularly in the savings area. As one element of the process, we have organised Carnegie into three new business areas: Funds, Private Banking & Structured Finance, and Investment Banking & Securities. During 2012, these units will form separate legal entities, conducting business under the shared brand.

The financial services market is undergoing transformation for a variety of reasons including changed client behaviour, technical progress and more stringent regulatory requirements. Profitability for Carnegie and the industry as a whole is under pressure, and we must act to ensure that we can deliver satisfactory returns not only in strong markets, but also during economic downturns.

We have the critical mass required to provide a comprehensive value proposition in all business segments.

We saw a rise last year in the number of structural deals in our sector and many of our competitors chose to adjust their operations. We are convinced there is room for a strong, independent entity in the market. Alongside the advantage of being able to offer personal service and flexibility, we have the critical mass required to provide a comprehensive value proposition in our respective segments.

The need for professional advisory services is greatest when economic outlooks are uncertain, and we will tirelessly continue to deliver independent advice with a view to guiding our clients towards better business.



Frans Lindelöw
President and CEO

BOARD OF DIRECTORS' REPORT

2011 was shaped by the market turbulence that impacted finance markets worldwide, as reflected in Carnegie's earnings.

The Board of Directors and president of Carnegie Holding AB hereby present the annual report of operations in the parent company and the Group for the financial year 2011.

Carnegie has a strong market position in all its business areas, for which the company received confirmation from many sources in 2011. A restructuring process was begun during the year towards improving efficiency and streamlining the business areas. The acquired operations, HQ Bank and HQ Fonder, were successfully integrated into Carnegie during the year.

MARKET DEVELOPMENT

Carnegie's income is closely tied to developments in global stock markets and the general business climate. The Nordic stock exchanges were adversely affected by the general market turbulence that hit Europe in the second half of 2011. Stock exchange trading volumes declined during the year, asset values fell, investors became less active and corporations took a more cautious stance on acquisitions and other structural deals. The number of transactions declined in the Nordics for both mergers and acquisitions (M&A) and equity capital market (ECM) transactions. Private banking and the fund market were adversely affected by falling asset values on global stock exchanges. Another effect of the market turbulence was that private investors reweighted their portfolios from equity funds to fixed-income funds.

INCOME¹

Total income in 2011 amounted to SEK 1,723 million (2,261²). All business areas reported lower income as a consequence of anxiety in the financial markets and lower asset values on Nordic stock exchanges.

Securities reported lower income consequent upon discontinued operations in the former HQ Bank and lower client activity in the turbulent market during the second half of 2011.

Income was lower for Investment Banking compared to the strong performance in 2010. Underlying activity was good early in the year but deteriorated successively in the aftermath of the euro crisis.

Private Banking is showing stable development with an inflow of capital and clients during the year, but income declined slightly due to lower asset values.

Funds also showed stable development in 2011, with net inflows of SEK 1.7 billion. Income was lower in relation to 2010, however, as a consequence of clients reweighting their portfolios from equities to fixed-income funds and falling asset values, which reduced average assets under management.

EXPENSES¹

Operating expenses in 2011 amounted to SEK 1,754 million (2,185²). The lower costs were an effect of the ongoing savings programme and that no variable remuneration was paid in 2011. Net items affecting comparability of SEK 237 million (395²) were charged to the Group during the period. These items refer to the restructuring of the business, related primarily to the integration of HQ Bank and the ongoing restructuring programme, as well as additional social insurance fees levied in Norway. See page 11 for more details about these items. In the 2010 figures, items affecting comparability resulted in a net reduction of expenses by SEK 395 million, of which SEK 656 million refers to recognition of negative goodwill and an expense of SEK 261 million related to acquisitions and restructuring.

PROFIT¹

The operating loss in 2011 before items affecting comparability was SEK 31 million (76²). As shown above, items affecting comparability have further reduced earnings by

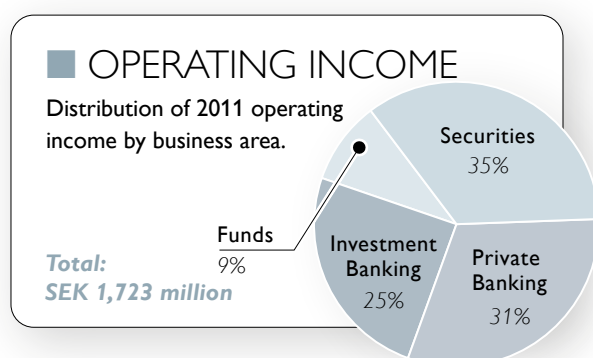
¹ Based on the operative income statement; see page 9.

² Pro forma 2010: Including profit from HQ Bank and HQ Fonder but excluding the trading loss of SEK 1.2 billion in HQ Bank.

SEK 237 million (positive: 395³). The loss before credit provisions thus amounted to SEK 268 million (positive: 472³). Credit recoveries had a positive effect on earnings of SEK 5 million (135³). Carnegie is reporting a net loss of SEK 254 million (profit: 577³) for the year.

OPERATIVE INCOME STATEMENT FOR THE CARNEGIE HOLDING GROUP

SEKm	Jan-Dec	
	2011	Pro forma 2010 ³
Securities	602	854
Investment Banking	427	637
Private Banking	536	573
Carnegie Fonder	158	197
Operating income	1,723	2,261
Personnel expenses	-1,065	-1,412
Other expenses	-689	-773
Operating expenses	-1,754	-2,185
Profit/loss before items affecting comparability	-31	76
Items affecting comparability	-237	395
Profit/loss before credit provisions	-268	472
Net credit provisions	5	135
Profit/loss before tax	-263	607
Tax	9	-29
Profit/loss for the year	-254	577
Average number of full-time equivalent employees	808	874
Average full-time equivalent employees at year end	758	837



BUSINESS AREA COMMENTS¹

Securities

Securities generated income of SEK 602 million (854³). The downturn is attributable to lower income consequent upon discontinued operations in the former HQ Bank and lower client activity in the aftermath of market turbulence in the second half of 2011. Carnegie initiated a comprehensive restructuring process in 2011, which is largely attributable to Securities. The process will include centralisation of the Group's support organisation.

The strong market position in equity trading and equity research was solidified during the year. Prospera ranked Carnegie the best equity house in Norway; the Swedish research business was awarded several top rankings in Prospera's Swedish survey; and Financial Hearings named Carnegie's Head of Research the best analyst in Sweden for the second consecutive year.

Investment Banking

Investment Banking reported income of SEK 427 million (637³). Market activity was high early in the year but slowed as turbulence gathered in the financial markets. With the exception of a small number of large transactions, activity was lower in both M&A and ECM. Carnegie was the advisor in the highest number of Nordic ECM transactions in 2011³. In 2011, Prospera ranked Carnegie number one in corporate finance in Denmark, while *Euromoney* magazine ranked Carnegie the best Nordic investment bank.

Private Banking

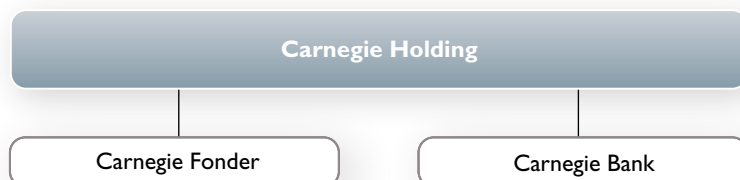
Income in Private Banking amounted to SEK 536 million (573³). Income declined slightly as a consequence of lower asset values related to falling share prices on global stock markets. The integration with the private banking business within HQ Bank acquired in September 2010 has proceeded as planned and the Swedish operation is showing an inflow of both capital and clients. Operations in Luxembourg have continued developing well, with stable income and good cost control. In 2011, Carnegie was given top ranking in the annual Swedish private banking survey by the business magazine *Euromoney*.

Funds

Income in 2011 amounted to SEK 158 million (197³). The decline is related to lower asset values and clients reweighting their portfolios from equity funds to

³ Based on statistics from Thomson Financial.

DESCRIPTION OF OPERATIONS

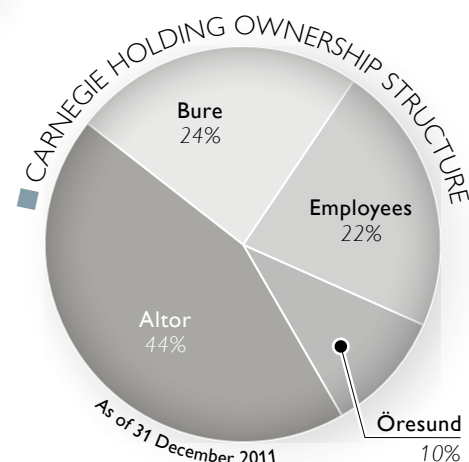


Carnegie Holding is the parent company in the Carnegie Group, which in turn comprises wholly-owned companies Carnegie Investment Bank AB (publ) ('Carnegie Bank') and Carnegie Fonder AB ('Carnegie Fonder'). Carnegie Holding's business is to directly or indirectly own, manage, pledge collateral to, and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

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

OWNERSHIP

Carnegie Holding is owned by the fund Altor Fund III ('Altor', 44%), Bure Equity AB ('Bure', 24%), Investment AB Öresund ('Öresund', 10%) and employees of Carnegie ('Employees', 22%).



fixed-income funds, for which management fees are lower. Despite the turbulent market climate, Carnegie Fonder has successfully attracted new capital and is reporting net inflow in 2011 of SEK 1.7 billion in a market that contracted somewhat overall. The Likviditetsfond, Corporate Bond fund and Sverigefond funds delivered the largest inflows. Assets under management were SEK 25 billion at year-end.

PROPOSED DIVIDEND

The Board of Directors of Carnegie is proposing that the annual general meeting endorse a cash dividend of SEK 100.1785 per preference share.

This corresponds to a total dividend of SEK 22,014,826. The dividend is in accordance with the terms and conditions for preference shares set out in the Articles of Association.

No dividend is proposed for ordinary shares.

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

Disposition of profit

At the disposal of the annual general meeting, SEK

Profit brought forward	1,009,533,512
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The Board of Directors proposes the following disposition of profit:

Dividend to Investment AB Öresund, SEK 100.1785 per preference share	22,014,826
To be carried forward	987,518,686
Total	1,009,533,512

LIQUIDITY, FINANCING AND INVESTMENTS

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

Investments in fixed assets amounted to SEK 31 million (28) during the year. Acquisitions of subsidiaries during the year amounted to SEK 0 million (1,241); see also **Note 30 Acquired operations**, page 70.

Group deposits during the period declined by SEK 1,068 million (increase: 985), while Group lending decreased by SEK 241 million (303).

¹ Pro forma 2010: Including profit from HQ Bank and HQ Fonder but excluding the trading loss of SEK 1.2 billion in HQ Bank.

GENERAL INFORMATION ABOUT RISKS AND UNCERTAINTIES

The parent company is financed with both debt and equity. Debt financing inherently entails liquidity and refinancing risks. The material risks within the Carnegie Holding Group exist within Carnegie Bank and Carnegie Fonder, which comprise the Group's operational activities. The risks that exist within Carnegie are described in the section *Risk and capital management*, pages 17–22.

EMPLOYEES

President and CEO Frans Lindelöw is the sole employee of the parent company Carnegie Holding AB. The Carnegie Group, including Carnegie Bank and Carnegie Fonder, had 778 employees in eight countries, representing 758 full-time equivalents, at year-end 2011. Carnegie's constant challenge is to recruit and retain the best employees by means of

active leadership, clear objectives and competitive remuneration systems which create a working environment that provides optimal opportunities for personal and professional development. Further data on salaries and other remuneration for the parent company and the Group are provided in *Note 6 Personnel expenses*, pages 43–46.

ENVIRONMENTAL MANAGEMENT

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

OTHER SIGNIFICANT EVENTS

Restructuring programme

In the fourth quarter of 2011, Carnegie initiated a restructuring programme to improve efficiency and streamline the business areas to facilitate continued growth and development. As one element of the process, Carnegie will be organised into three separate legal entities: Funds; Private Banking & Structured Finance; and Investment Banking & Securities. One of the programme objectives is to reduce the annualised cost base by at least SEK 250 million. The savings will take effect gradually during 2012. Costs of SEK 103 million related to the restructuring programme were charged to earnings in 2011.

Sharper business focus in Securities

The Board of Directors adopted a new strategic orientation for Securities in 2011 and instructed the business area to focus on client trading with institutions. Accordingly, Carnegie has discontinued the following operations in Securities Sweden: market making in derivatives on the Swedish market, issuance of warrants and arbitrage trading. Carnegie will continue to serve its clients with active market making.

Levy of additional social security contributions

The Norwegian Tax Authority has ordered Carnegie to pay additional employers' social security contributions for the period of 2006–2008. The gross amount of the levy is SEK 66 million, which will have a negative net impact

on consolidated earnings of SEK 41 million after tax. The expense was charged to third-quarter earnings in 2011. Carnegie has appealed the Tax Authority's decision and the court of first instance held in Carnegie's favour.

Ownership of OPM and Burgundy

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 a number of subsidiaries and associates. Carnegie has elected to exercise this right. Payment for the option was included in the original purchase price and no further consideration will be paid. The ownership assessment regarding acquisition of 50% of the shares in Optimized Portfolio Management AB and 7.2% of the shares in Burgundy AB was finalised in July 2011.

Carnegie Fonder discontinues ETF operations

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

Sale of Carnegie Fund Management Company S.A.

The sub-subsidiary Carnegie Fund Management Company S.A. (Luxembourg) was sold during the period with a capital gain of SEK 26 million.

CHANGES IN MANAGEMENT

New head of Private Banking in Luxembourg

Frank Reisböl was appointed president of Carnegie's private banking operations in Luxembourg, Banque Carnegie

Luxembourg S.A. He succeeds Claes-Johan Geijer, who stepped down in November 2011. Frank has been with Carnegie since 2002 and has solid experience in private banking.

New head of Carnegie's Norwegian operations

Natasja Henriksen replaced Anders Onarheim as president of Carnegie's Norwegian operations, Carnegie ASA, in September 2011. Natasja, formerly the head of Carnegie Securities Finance in Norway, has been with Carnegie since 2008.

New internal auditor for the Group

Lars-Göran Älgevik was appointed head of the Group Internal Audit department in 2011. Lars-Göran has previously held positions including head of Group Control at SEB and CFO for Trygg Hansa Liv.

AWARDS**Carnegie named best equity house in the Nordic region**

Carnegie was named best equity house in the Nordic region by business magazine *Euromoney*. Carnegie received the honour in the third quarter of 2011 at the annual *Euromoney* Awards for Excellence dinner.

Carnegie Norway ranked best equity house

Carnegie's Norwegian operation, Carnegie ASA, took first place when TNS Sifo Prospera ranked equity houses in Norway in December 2011. Carnegie was ranked second in the 2010 survey. TNS Sifo Prospera's survey is based on phone interviews with about 65 portfolio managers, traders and analysts with Norwegian institutions.

Carnegie Denmark ranked number one in corporate finance

Carnegie's Danish operations ended up in first place when Prospera ranked corporate finance providers in 2011. The survey is conducted every other year and is based on phone interviews with about 90 senior executives at companies actively involved in transactions.

Improved Morningstar fund ranking

Two Carnegie funds, Likviditetsfond and Sverige Select, were upgraded in 2011 from the second-highest to the highest ranking by fund rating institute Morningstar. The two funds have now joined Carnegie's Sverigefond on the five-star list.

Carnegie top-ranked in Private Banking

Carnegie was ranked first in 8 out of 18 categories in *Euromoney* magazine's annual assessment of private banks in Sweden in 2011. Carnegie was ranked second overall in the survey and first in the highest net worth category.

Carnegie has the best back office in Sweden

Carnegie was top ranked in the TNS Sifo Prospera survey in December 2011 when institutional clients ranked the administrative performance of their brokerage firms. Back office is the second-most important criterion for institutional clients who respond to TNS Sifo Prospera's surveys.

IMPORTANT EVENTS AFTER THE PERIOD

Frans Lindelöw leaving Carnegie as the company enters a new phase

Carnegie President and Chief Executive Officer Frans Lindelöw will be stepping down in autumn 2012 as the Carnegie Group enters a new phase that will entail changes in the role of the CEO.

In the new Carnegie organisation, the three business areas will form separate legal entities under the common Carnegie brand.

Björn Jansson appointed head of Investment Banking & Securities

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

Changes in Group management

In connection with the ongoing reorganisation, the composition of Group management has changed. Effective 1 January 2012, Group management comprises CEO Frans Lindelöw; the three business area managers: Jan Enberg (Private Banking & Structured Finance), Björn Jansson (Investment Banking & Securities) and Hans Hedström (Fonder); and the following executives: Fredrik Leetmaa (CRO); Katja Levén (Chief Legal Counsel); and Pia Marions (CFO). For a specification of Group management in 2011, see *Note 6 Personnel expenses*, page 44.

THREE-YEAR REVIEW

SEKm	Group		
	2011 (Jan–Dec)	2010 ¹ (Jan–Dec)	2009 ² (Jun–Dec)
<i>Income statement</i>			
Securities	623	745	502
Investment Banking	421	534	233
Private Banking	530	463	227
Asset Management	–	–	326
Carnegie Fonder	158	54	–
Capital gain from divested operations	–	–	158
Total revenue	1,732	1,796	1,446
Personnel expenses	–1,309	–1,225	–762
Other expenses	–691	–166	129
Expenses before credit losses	–2,000	–1,391	–633
Operating profit/loss before credit losses	–268	405	813
Credit losses, net	5	135	–2
Profit/loss before tax	–263	540	811
Tax	9	–39	17
Profit/loss for the year	–254	501	828
<i>Financial key data</i>			
Cost/Income (C/I) ratio, %	115	70	44
Income per employee, average	2.1	2.6	2.1
Profit margin, %	neg.	28	57
Return on equity, %	neg.	22	39
Total assets	12,483	15,078	13,997
<i>Capital base</i>			
Equity	2,189	2,459	2,109
Goodwill	–431	–431	–9
Intangible assets	–257	–278	–8
Deferred tax assets	–572	–560	–251
Dividends	–22	–6	–525
Tier 1 capital	906	1,185	1,316
Tier 2 capital	410	410	–
Total capital base	1,316	1,594	1,316
<i>Capital requirement</i>			
Capital requirement, SEKm	579	726	688
Credit risks	164	166	184
Market risks	99	93	99
Operational risks	317	468	405
Tier 1 ratio, %	12.5	13.1	15.3
Capital adequacy, %	18.2	17.6	15.3
Capital adequacy ratio	2.3	2.2	1.9
Average number of full-time equivalent employees	808	685	689
Average full-time equivalent employees on the closing date	758	838	603

¹ HQ Bank included as of 3 September 2010. Carnegie Fonder included as of 22 September 2010.

² Parent company newly formed 19 March 2009. The Carnegie Group was consolidated into Carnegie Holding as of 1 June 2009. The income statement thus covers only the period of June–December 2009.

CORPORATE GOVERNANCE

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

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

BOARD OF DIRECTORS' RESPONSIBILITIES

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

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

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

The 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

of the Board of Directors has not since changed; please see page 74.

The Board of Directors held 14 meetings in 2011. 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.

THE BOARD OF DIRECTORS' WORK IN 2011

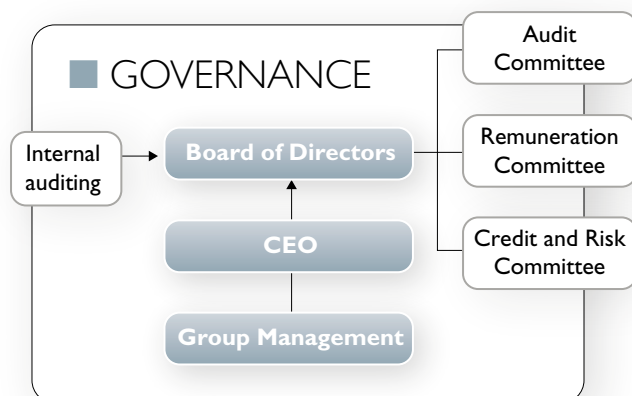
Carnegie acquired HQ Bank in liquidation and HQ Fonder in September 2010. The Board devoted a great deal of time in the early months of 2011 to monitoring the integration of these operations. In the aftermath of the eurozone crisis, the Board assessed the impact on the market and consequences for Carnegie. During the early summer, the Board began evaluating strategies to structurally reduce Carnegie's cost base. This resulted in a restructuring programme that was prepared by management and communicated to the organisation in the autumn. The focus of the Board of Directors' work in the second half of 2011 was on monitoring and developing the programme.

Audit Committee

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

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

The Audit Committee is made up of three directors. The committee holds at least six meetings per year, including at least one meeting in conjunction with publication of each quarterly report. The Audit Committee reviews reports to the Board of Directors from the Internal Audit, Compliance and Legal departments.



Remuneration Committee

The Remuneration Committee is made up of two directors. The committee's remit is to prepare proposals to the Board in consultation with the CEO concerning general remuneration policies and annual general allocations of available variable remuneration. The Remuneration Committee is also tasked with reviewing and proposing salary and benefits for senior executives and proposing principles and a general policy for salary, benefits and pensions for senior executives. In addition, the Remuneration Committee oversees implementation of the incentive system.

Credit and Risk Committee

The Credit and Risk Committee is tasked with preparing, examining and advising the Board on matters relating

to credit management, risk management (market risk, credit risk, liquidity risk and operational risk) and capital adequacy, which includes the Internal Capital Adequacy Assessment Process (ICAAP). The Credit and Risk Committee is made up of three directors.

CEO and Group Management

The CEO is appointed by the Board of Directors, works according to instructions issued by the Board and reports to the Board. Carnegie's president and CEO is responsible for the ongoing management of the company and the Group and has operational responsibility for its business. To support his work, the CEO has appointed a Group management team composed of himself, the CFO, the CRO, Chief Legal Counsel and the heads of the three business areas. Executive management is presented in more detail on page 75.

Internal auditing

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

See pages 17–22 for a more detailed description of risk management at Carnegie.

REMUNERATION PRINCIPLES

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

Remuneration model

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

The remuneration model includes the following components:

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

Remuneration policy

The Board of Directors of Carnegie has adopted a remuneration policy that covers all employees of the Group. The policy is based on a risk assessment performed by the Chief Risk Officer at Carnegie. The policy is revised annually in a process assisted by the Human Resources Department and treasury and cash management at the Group level.

Fixed remuneration

Fixed remuneration is the base of the remuneration model. The base salary depends on several parameters, such as

the employee's competence, responsibility and long-term performance. Carnegie monitors developments in the labour market to maintain its position as an attractive and competitive employer.

Variable remuneration for the Group and to each segment

Total allocations to variable remuneration for the Group as a whole are based on risk-adjusted operating earnings. Based on risk-adjusted earnings for the full year, the CEO and unit heads jointly prepare a proposal for allocation of variable remuneration to each unit, based on:

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

The CEO presents the proposal, including assessment of the aforementioned factors, to the Remuneration Committee. The Remuneration Committee performs an assessment that takes into consideration any risks associated with the proposal. The assessment should show how the aggregate effects of the proposed variable payments will impact Carnegie's present and future financial position. The assessment is based on the forecasts used in the ICAAP. Special attention must be paid to ensuring there is no risk that capital targets set by the Board will be missed.

The Remuneration Committee evaluates whether the proposed level of variable remuneration is consistent with the Group's preferred level of risk. Finally, the assessment should include judgement of whether there is any risk of potential conflicts of interest and, if so, how the conflicts will be managed.

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

Individual performance assessment

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

Code Staff: Employees subject to regulations

Based on guidelines issued by the Swedish Financial Supervisory Authority, Finansinspektionen, Carnegie has

identified 'Code Staff', which refers to employees who exert significant influence over the company's risks that could lead to significant impairment of earnings or financial position. Code Staff include:

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

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

Employees in control functions

The criteria for variable remuneration to employees in control functions are designed to ensure their integrity and independence, which includes ensuring that remuneration is independent of the units subject to control. For this group, 40–60% of variable remuneration is deferred for three to five years.

Allocations to variable remuneration for 2011

The Carnegie Group posted a net loss for the full year 2011. Accordingly, the Board of Directors has resolved that no variable remuneration will be paid for the 2011 financial year.

For more information about remuneration in 2011 and the comparison year 2010, see *Note 6 Personnel expenses*, page 43.

Monitoring and control

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

Partnership

Approximately 22% of equity in Carnegie Holding is owned by employees of the Carnegie Group. Employee ownership is an important aspect of generating commitment to the entire company's development and ensuring that employees have the same incentives as other owners for long-term value creation. There are no ongoing incentive programmes in which employees are remunerated in shares or options.

RISK AND CAPITAL MANAGEMENT

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

Uncertainty in the business environment was the defining characteristic of 2011. The euro crisis combined with the financial crisis in the US caused a high level of turbulence in global financial markets. In the current climate of financial anxiety, active risk management is more important than ever – both for Carnegie and on behalf of our clients.

Risk management involves identifying, analysing and taking action to manage risks that may affect the Group. Carnegie has taken action in 2011, for example, to limit exposures to the PIIGS economies. In addition, Carnegie has decided to discontinue large parts of the Group's trading operations, that is, operations engaged in trading in financial instruments on the Group's account. By means of these and other actions, Carnegie has reduced its exposure to risks associated with the prevailing market situation.

The ongoing restructuring within Carnegie will strengthen conditions for further developing and improving risk management at the bank.

ORGANISATION AND RESPONSIBILITIES

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

Beyond the control and monitoring performed by the business units,

Carnegie has three control functions that are independent from business operations: Risk Management, Compliance and Internal Audit. Risk Management and Compliance supervise risk management and regulatory compliance within the business areas. The third arm, Internal Audit, is responsible for verifying that the business areas and the other control functions perform their tasks as required

First line of defence:

Risk management in the business areas

The first line of defence comprises the business areas and support functions under the guidance of operational managers. As the first line of defence, these functions are fully responsible for the risks associated with their own operations. This includes responsibility for ensuring that processes and systems for risk management and internal control are effective and comply with Board guidelines and external laws and regulations. Operational managers must ensure that their own operations are organised in such a way that risks are managed and controlled in accordance with Group guidelines. They are also responsible for ensuring that their employees are fully cognisant of Group risk management processes and policies.

Second line of defence:

Risk management and compliance

The risk management function is responsible for controlling risk management by the business areas and ensuring that all risks are confined within the limits set by the Board. The function consists of risk managers at the Group and local levels.

The risk management function at the Group



The three lines of defence.

level is headed by the Chief Risk Officer (CRO) who reports directly to the CEO and the Board of Directors. The Group function performs corporate risk management. This includes developing the risk process and risk management methods and monitoring their application. The Group function is also responsible for independently identifying, measuring and monitoring the development of the Group's risks over time and reporting risk on an aggregate level to the Board of Directors and Group management. This includes assessing the impact of external events and potentially extreme situations (stress tests).

In addition to the Group function, there are local risk management functions at each subsidiary and branch. The local functions report to the CRO as well as local presidents and boards of directors. They are responsible for coordinating risk management within the unit and for independently controlling and reporting the unit's risks.

The compliance function's area of responsibility is to verify operational compliance with laws, regulations and internal rules. The function is entirely independent of business operations, but also provides operational support. The tasks of the compliance function include interpreting applicable rules, informing relevant functions about regulatory changes, assisting the business operations with drafting internal rules and supporting business operations and management with advice and support related to compliance. The function also assesses the actions taken to correct any shortcomings.

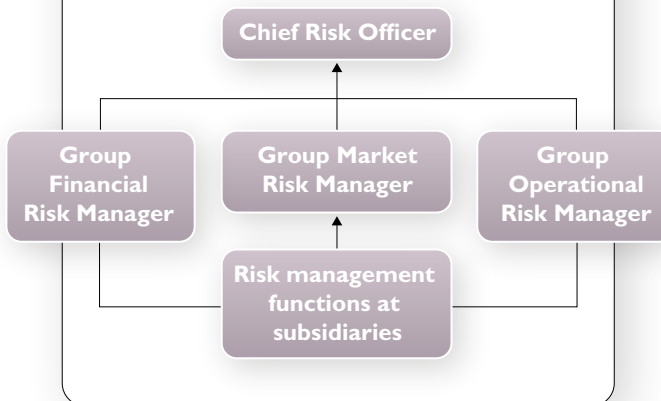
Carnegie's compliance function is headed by the Group Compliance Officer (GCO), who reports directly to the CEO and the Board of Directors. In alignment with the risk management function, there are compliance officers at each subsidiary and branch. Local compliance officers report to the GCO as well as local presidents and boards of directors.

Third line of defence: Internal audit

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

RISK MANAGEMENT

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



RISK AREAS

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

Market risk

Market risk is the risk of loss due to adverse movements in the underlying market factors.

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

Carnegie offers its clients various types of financial services and products in several markets. Various types of market risk arise as a natural consequence of these operations. Market risks may arise when prices are set towards the bank's clients, that is, in connection with

trading operations in the financial markets, as well as structurally in other banking activities. There are four main types of market risk: *equity risk*, *volatility risk*, *currency risk* and *interest rate risk*. For each type of risk, Carnegie applies complementary risk measures and limits based on sensitivities to changes in various market prices. Market risk is also measured through stress tests that estimate potential losses in various extreme scenarios. Risk exposures and limit usages are reported on a regular basis to the CRO, the CEO and the Board.

Equity risk

Equity risk is the risk of loss due to adverse changes in equity prices. Equity risk arises when Carnegie acts as market maker or trades in equities and equity-related instruments. Carnegie's activity in financial markets is intended to facilitate client liquidity requirements and the Group's own financing.

Volatility risk

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

Currency risk

Carnegie is exposed to structural and operational currency risk. Operational currency risk is the currency risk arising when Carnegie holds positions in financial instruments denominated in foreign currencies. Structural currency risk is defined as the currency exposure arising in the balance sheet through parts of the business being conducted in different currencies. The largest structural currency risk is associated with the Group's foreign subsidiaries.

Interest risk

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

Credit risk

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

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

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

Credit-related services are offered within the business areas of Investment Banking and Securities as part of the business areas' normal operations and business strategy. The assurance of a secondary market for structured products provided by Carnegie gives rise to credit risk in relation to the issuing counterparty. This exposure is primarily towards the Swedish government.

Counterparty risk is limited and driven mainly by client-driven trading in OTC derivative instruments.

Risk tolerance was adjusted in 2011 to the prevailing uncertainty in the financial market, especially in the eurozone and particularly in the PIIGS economies.

The credit policy sets the frameworks for managing credit risk and reflects the risk appetite established by the Board of Directors. The policy establishes that credit operations shall be based on:

- **Counterparty assessment:** Credit decisions are based on careful assessment of the credit risk. This includes assessment of the counterparty's financial position, repayment capacity and the quality of pledged collateral or other credit risk-mitigating measures.

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

Settlement risk

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

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

Liquidity risk

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

According to Carnegie's finance and capital policy, the Group and each of its subsidiaries must maintain a liquidity reserve that exceeds the expected maximum net cash flow over a 30-day period. The liquidity reserve shall consist of highly liquid assets, i.e. over-night bank deposits and assets eligible for re-financing at the Central Bank.

Stress tests are designed to evaluate potential effects of a series of extreme but possible events. The stress

tests presume a significant reduction in client deposits simultaneously with a reduction in the market value of refinancable assets.

Operational risk

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

Operational risks encompasses a wide range of events ranging from unintentional errors in transaction processes to internal or external fraud, system errors and natural disasters.

If left unmanaged, operational risk can, in worst case, lead to devastating consequences for Carnegie's earnings and reputation. It is therefore imperative that potential operational risks are understood and assessed. To manage the operational risks of the business, Carnegie has established a corporate-wide framework that encompasses policies and standardised processes for identifying, assessing and reporting operational risk. The framework is based on a variety of components including the following key processes:

- *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, referred to as incidents. All employees have a responsibility to report incidents and managers are responsible for addressing unacceptable risks within their area of responsibility. The risk management function follows up on and analyses incidents.
- *Approval of new products and services:* Carnegie has a standardised process for examining and approving new products and services and major changes to existing

products and services. The procedure involves a review of risks and controls related to new products in which all the concerned functions are involved and give their approval before the product is introduced. The purpose of the process is to ensure that potential operational risks are identified and addressed prior to product launch.

Improving and further developing operational risk management is a continuing process. This work is driven by the Group Operational Risk Manager at the 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 arises. This means that each employee is responsible for managing the risks within their area of responsibility with the support of the risk management function. Raising risk awareness among all employees is therefore a key component of operational risk management.

Compliance risk

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

Carnegie's business is subject to extensive legislation and regulations intended to provide strong consumer protection and secure the stability of the financial system. Maintaining the trust of our clients and supervisory authorities is a prerequisite for Carnegie's operations. Inadequate regulatory compliance may have far-reaching consequences in the form of both legal sanctions and damaged reputation. Management of compliance risk is thus a key component of overall risk management at the bank. This work involves, among else, devising reliable procedures for:

- Our market conduct
- Proactive prevention of market abuse and money laundering
- Identification and management of conflicts of interest
- Drafting of joint policies, instructions and procedures within the Group

Reputational risk

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

Reputational risk is primarily a consequential risk that is triggered by internal or external events that have negative impact on confidence in the bank among clients, regulators and other market participants. Reputational risk is one of the most difficult risks to guard against. At the same time, the consequences can potentially be substantial if confidence in a bank is damaged.

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

Business risk and strategic risk

Business risk is the current or prospective risk to earnings arising from changes in the business environment.

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

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

The financial services industry is facing serious challenges caused by market turbulence combined with rapid technological progress and regulatory changes. These factors are fundamentally changing market dynamics. In these market conditions, the ability to rapidly take advantage of

opportunities as they arise and reduce potential threats is critical to Carnegie's strategic position.

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

CAPITAL ADEQUACY

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

Pillar 1: Minimum capital requirements

A bank must at all times have a capital base that, at minimum, is equal to the total of the capital requirements for credit risk, market risk and operational risk. Capital adequacy regulations allow the banks to choose among different methods when calculating capital requirements to withstand losses arising from the credit risk, market risk and operational risk they assume.

- *Credit risk:* Carnegie applies the standardised approach to calculating credit risk and the comprehensive method to calculate financial collateral.
- *Market risk:* Carnegie applies the standardised model issued by the Swedish Financial Supervisory Authority.
- *Operational risk:* Carnegie uses the basic indicator approach by which the capital requirement is calculated as 15% of average operating revenue over the three most recent financial years.

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

The Carnegie Holding Group had a capital adequacy ratio of 2.27 on 31 December 2011, corresponding to capital adequacy of 18.18%.

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 capacity to perform its obligations. To fulfil these obligations, the bank is required to have processes and methods for continuously assessing its capital adequacy relative to its risk profile. 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 not 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. Carnegie conducted a comprehensive ICAAP in 2011. The report was approved by the Board of Directors in December and thereafter submitted to the Swedish Financial Supervisory Authority. As part of the ICAAP, 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 testing methods, and approving the final capital requirement.

Pillar 3: Public disclosure

Capital adequacy regulations require banks to disclose qualitative and quantitative information on their capital adequacy and risk management. Additional disclosures concerning Carnegie's capital adequacy in 2011 are provided in the Risk and Capital Adequacy (Pillar 3) Report, available at www.carnegie.se.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SEK 000s	Notes	Jan–Dec 2011	Jan–Dec 2010
Commission income	1	1,750,610	1,712,362
Commission expenses		–230,343	–89,664
Net commission income	2	1,520,267	1,622,697
Interest income	1	210,558	158,960
Interest expenses		–140,437	–107,211
Net interest income	3	70,121	51,749
Other dividend income	4	97	20
Net profit/loss from financial transactions	1, 5	116,221	122,517
Capital gain from discontinued operations	1, 14	25,571	–791
Total operating income		1,732,278	1,796,192
Personnel expenses	6	–1,308,641	–1,224,729
Other administrative expenses	7	–609,859	–719,019
Amortisation and depreciation of assets	8	–81,379	552,822
Total operating expenses		–1,999,880	–1,390,926
Profit/loss before credit losses		–267,602	405,266
Credit losses, net	9	4,587	135,156
Profit/loss before tax		–263,015	540,423
Taxes	10	8,969	–39,125
Net profit/loss for the year		–254,046	501,298
<i>Other comprehensive income:</i>			
Translation differences, net after tax		–4,515	–66,295
Hedge of net assets in foreign operations		–5,818	–
Total comprehensive income for the year		–264,379	435,003

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEK 000s	Notes	31 Dec 2011	31 Dec 2010
<i>Assets</i>			
Cash and balances with central banks		265,203	286,728
Negotiable government securities		144,392	827,382
Loans to credit institutions ¹	11	6,198,212	5,519,376
Loans to the general public	11	2,696,945	3,616,761
Bonds and other interest-bearing securities	12, 13	438,743	467,894
Shares and participations	12, 13	295,231	1,681,658
Derivative instruments	12	211,820	343,455
Shares in associates	15	12,161	–
Intangible assets	16	775,945	803,019
Tangible fixed assets	17	111,340	125,608
Current tax assets		15,572	26,411
Deferred tax assets	18	572,023	560,011
Other assets	19	573,348	577,083
Prepaid expenses and accrued income	20	171,585	242,611
Total assets	24	12,482,519	15,077,996
<i>Liabilities and equity</i>			
Liabilities to credit institutions	11	205,645	552,238
Deposits and borrowing from the general public ¹	11	6,889,314	7,610,500
Securities issued	12	935,000	935,000
Short positions, shares	12	314,428	877,825
Derivative instruments	12	66,765	349,594
Current tax liabilities		31,500	65,379
Deferred tax liabilities	18	94,682	109,184
Other liabilities	21	766,624	831,718
Accrued expenses and prepaid income	22	512,776	715,571
Other provisions	23	67,372	162,080
Subordinated liabilities	32	409,702	409,702
Total liabilities	24	10,293,808	12,618,792
<i>Equity</i>			
Share capital (2,219,756 shares)		221,976	221,976
Other capital contributions		1,018,321	1,018,321
Provisions		–121,122	–110,789
Retained earnings		1,069,536	1,329,697
Total equity		2,188,711	2,459,205
Total liabilities and equity		12,482,519	15,077,996

¹ Of which client funds 504,902 (387,956).

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

SEK 000s	Attributable to parent company shareholders				Total
	Share capital	Other capital contributions	Translation reserve	Retained earnings	
Equity – opening balance 2010	200,000	1,125,000	–44,494	828,399	2,108,905
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
Profit/loss for the year				–254,046	–254,046
<i>Other comprehensive income:</i>					
Translation differences relating to foreign operations			–4,515		–4,515
Hedge of net investment in foreign operations			–5,818		–5,818
Total comprehensive income (net after tax)			–10,333	–254,046	–264,379
Payment of dividends				–6,115	–6,115
Equity – closing balance 2011	221,976	1,018,321	–121,122	1,069,536	2,188,711

PARENT COMPANY INCOME STATEMENTS

SEK 000s	Notes	Jan-Dec 2011	Jan-Dec 2010
Net sales	1	12,000	12,001
Other external expenses	7	-878	-1,950
Personnel expenses	6	-12,523	-14,039
Operating profit/loss		-1,401	-3,988
Other interest income and similar income	1, 3	188	15
Interest expenses and similar expenses	3	-29,538	-21,995
Profit/loss from participations in subsidiaries	33	75,550	505,000
Profit from financial items		46,200	483,021
Profit/loss before tax		44,798	479,033
Taxes	10	254	237
Net profit/loss for the year		45,052	479,270

STATEMENT OF OTHER COMPREHENSIVE INCOME

SEK 000s	Jan-Dec 2011	Jan-Dec 2010
Net profit/loss for the year	45,052	479,270
Other comprehensive income	-	-
Total comprehensive income for the year	45,052	479,270

PARENT COMPANY BALANCE SHEETS

SEK 000s	Notes	31 Dec 2011	31 Dec 2010
Shares and participations in group companies	14	2,674,290	2,638,353
Deferred tax assets	18	492	237
Total financial fixed assets		2,674,782	2,638,590
Receivables from group companies	27	5,037	506,000
Other current receivables		437,559	1,449
Prepaid expenses and accrued income		523	303
Cash and bank balances		2,813	3,665
Total current assets		445,933	511,416
Total assets		3,120,714	3,150,006
Share capital (2,219,756 shares)		221,976	221,976
Share premium reserve		1,018,321	1,018,321
Retained earnings		991,331	518,177
Profit/loss for the year		45,052	479,270
Total equity		2,276,680	2,237,743
Provisions for pensions		1,869	903
Total provisions		1,869	903
Convertible debentures	32	409,702	409,702
Total non-current liabilities		409,702	409,702
Accounts payable		808	315
Liabilities to group companies	27	37,686	212,444
Other current liabilities		369,242	279,088
Accrued expenses and prepaid income	22	24,727	9,811
Total current liabilities		432,463	501,659
Total liabilities		844,034	912,263
Total equity and liabilities		3,120,714	3,150,006

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

SEK 000s	Share capital	Share premium reserve	Retained earnings	Total
Equity – opening balance 2010	200,000	600,000	1,043,177	1,843,177
Profit/loss for the year			479,270	479,270
Total income and expenses for the year			479,270	2,322,447
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
Profit/loss for the year			45,052	45,052
Total income and expenses for the year			45,052	45,052
Payment of dividends			–6,115	–6,115
Equity – closing balance 2011	221,976	1,018,321	1,036,384	2,276,680

CASH FLOW STATEMENTS

SEK 000s	Group		Parent company	
	2011	2010	2011	2010
<i>Cash flow from operations</i>				
Profit/loss before tax	-263,015	540,423	44,798	479,033
Adjustments for items not included in cash flow	70,957	-499,879	-74,584	-504,097
Paid income tax	-46,654	17,394	—	—
Cash flow from operations before changes in working capital	-238,712	57,938	-29,786	-25,064
Changes in working capital	1,336,969	-2,140,720	39,085	620,491
Cash flow from operations	1,098,257	-2,082,782	9,299	595,427
<i>Investment activities</i>				
Acquisitions of subsidiaries	—	1,687,087	—	-923,293
Sales of subsidiaries	50,000	—	—	—
Acquisitions of fixed assets	-31,045	-27,939	—	—
Cash flow from investment activities	18,955	1,659,148	—	-923,293
<i>Financing activities</i>				
New issue	—	440,297	—	440,297
Issue of convertible debenture	—	409,702	—	409,702
Dividends paid	-6,115	—	-6,115	—
Repaid shareholder contributions	—	-525,000	—	-525,000
Cash flow from financing activities	-6,115	324,999	-6,115	324,999
Cash flow for the year	1,111,097	-98,635	3,184	-2,867
Cash and cash equivalents – opening balance	4,475,192	4,974,390	3,666	6,533
Translation differences in cash and cash equivalents	-14,295	-400,563	—	—
Cash and cash equivalents – closing balance	5,571,994	4,475,192	6,850	3,666

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

ACCOUNTING PRINCIPLES

GENERAL INFORMATION

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

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

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

BASIS FOR PREPARING FINANCIAL STATEMENTS

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU, with the exception of *IFRS 8*, where application is not mandatory for entities whose shares are not publicly traded. Also applied were applicable interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU, the Swedish *Act on Annual Reports of Credit Institutes and Securities Companies* (ÅRK 1995:1559), recommendation *RFR 1 Supplementary Accounting Regulations for Corporate Groups* issued by the Swedish Financial Accounting Standards Council and the regulations and general recommendations regarding annual reporting of credit institutions and securities companies issued by the Swedish Financial Supervisory Authority (FFFS 2008:25). The consolidated financial statements were prepared in accordance with the purchase method with the exception of certain financial instruments measured at fair value.

The financial statements for the Group and the parent company are presented in thousands of Swedish krona (SEK 000s). The parent company's functional currency is the Swedish krona (SEK).

Accounting principles for the parent company are presented below under 'Parent company'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:

- *LAS 24 (amendment), Related Party Disclosures* (for calendar-year entities with effect from January 2011) deals primarily with disclosures concerning government-related entities and clarifies the definition of a related party. The revision had no effect on the consolidated financial statements.
- *LAS 32 (amendment), Financial Instruments: Presentation – Classifications of rights issues* (for calendar-year entities with effect from January 2011). The revised standard deals with derivatives issued on the entity's own equity instruments. The revision had no effect on the consolidated financial statements.
- In addition, improvements have been made to five standards within the framework of the IASB's annual review '*Improvements to IFRS*'. None of the amendments 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 2011: *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments* and *IFRIC 14 (amendment), Prepayments of a Minimum Funding Requirement*. 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 and revised standards and interpretations are not mandatorily effective until the financial year ended 31 December 2012 or later and were not applied in preparing these financial statements. Other than IFRS 7, which was adopted by the EU in November 2011, the EU has not yet approved the following new and revised standards.

- *IFRS 7 (amendment), Financial Instruments: Disclosures – Transfers of Financial Assets* (for calendar-year entities with effect from January 2012). The amendment comprises new disclosure with the objective to improve, for users of financial statements, the understanding of the risks that can remain after transfers of financial assets, such as at factoring and lending of shares. The amendment is only expected to have an effect on disclosures in the consolidated financial statements.
- *IFRS 9, Financial Instruments: Classification and Measurement* is the first part of the major project to replace *IAS 39*. *IFRS 9* contains two primary measurement categories for financial assets: Amortised cost and fair value. Classification is based on the company's business model and the characteristic features of contractual cash flows. For financial liabilities, most of the current rules in *IAS 39* are maintained. Guidance in *IAS 39* for impairment testing of financial assets and hedge accounting will continue to apply until the IASB has completed those aspects in *IFRS 9*. The standard has been proposed as mandatory as of January 2015. 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 12 (amendment), Deferred Tax – Recovery of Underlying Assets* (effective January 2012). The amendment entails an exception from the principle that measurement of deferred tax assets and liabilities should reflect tax consequences based on how the entity expects to recover or pay the carrying amount of the asset or liability. The amendment provides that, under certain circumstances, measurement will be based on the presumption that recovery of the carrying amount in its entirety will be through disposal of the asset. The amendment is not expected to affect the financial statements.
- *IFRS 10, Consolidated Financial Statements* (effective January 2013), is based on existing principles, as it identifies control as the critical factor in determining whether an entity must be included in the consolidated financial statements. The standard provides further guidance to assist in determining control when this is difficult to assess. The amendment is not expected to have any effect on the consolidated financial statements.
- *IFRS 11, Joint Arrangements* (effective January 2013), will supersede *IAS 31 Interests in Joint Ventures*. The new standard will entail mainly two changes compared to *IAS 31*. The first change has to do with whether an investment is assessed as a joint operation or joint venture. Accounting rules differ, depending on which. The second change is that joint ventures must be consolidated using the equity method. Proportionate consolidation is no longer allowed. The amendment is not expected to affect the financial statements.
- *IFRS 12, Disclosures of Interests in Other Entities* (effective January 2013), covers disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is not expected to have material effect on the financial statements.
- *IFRS 13, Fair Value Measurement* (effective January 2013), seeks to increase consistency and reduce the complexity of fair value measurements by providing a precise definition and common source in IFRS for fair value measurements and related disclosures. The standard does not expand the application of when fair value should be applied, but provides guidance concerning how it should be applied when other IFRS already require or permit fair value measurement. The standard is not expected to have material effect on the financial statements.
- *IAS 27 (amendment), Separate Financial Statements* (effective January 2013). When *IFRS 10* supersedes *IAS 27* with regard to the rules on consolidated financial statements, *IAS 27* will contain only rules and disclosures concerning subsidiaries, associates and joint ventures in separate financial statements. In all material respects, the rules will correspond to the current *IAS 27*. The amendment is not expected to affect the financial statements.
- *IAS 28 (amendment), Investments in Associates and Joint Ventures* (effective January 2013). *IAS 28* has been amended in conjunction with the joint arrangements project. The amendment will entail no material differences compared to the earlier *IAS 28* and is thus not expected to affect the financial statements.

- *LAS 1 (amendment), Presentation of Financial Statements* (effective January 2013 for calendar-year entities). The amendment is part of the Financial Statement Presentation project, a collaborative project with FASB. The objective of the amendment is to improve the presentation of items in other comprehensive income (OCI) and align the presentation between IFRS and US GAAP. The amendment is not expected to have material effect on the financial statements.
- *LAS 19 (amendment), Employee Benefits* (effective January 2013). The amendments refer to defined benefit pension plans. The Group currently has no defined benefit pension plans and the amendments will not affect the consolidated financial statements.

No new interpretations effective 2012 or later have thus far been issued by the International Financial Reporting Interpretations Committee (IFRIC) that are expected to affect Carnegie's financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidation principles

Subsidiaries

The consolidated financial statements include the parent company and all companies over which the parent company directly or indirectly exercises a controlling influence.

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

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

Subsidiaries are recognised according to the purchase method. This means that identifiable acquired assets, liabilities and contingent liabilities are measured at fair value on the acquisition date. The surplus, comprising the difference between the cost of the acquired shares and the sum of

the fair value of the identifiable acquired net assets, is recognised as goodwill. If the cost is less than the fair value of the acquired subsidiary's net assets, the difference is recognised directly in profit and loss. The cost of a subsidiary corresponds to the sum of the fair value of purchased assets, accrued or assumed liabilities and the equity instruments that the purchaser has issued in exchange for the controlling influence in the subsidiaries. Minority owners' interests in the acquired company are initially calculated as the minority share of the net fair value of the recognised assets, liabilities and contingent liabilities.

Merger

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

Associates

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

in the consolidated accounts using the equity method of accounting. Under the equity method, the carrying amount of shares in associates corresponds to the Group's share in equity, consolidated goodwill and any other remaining value in consolidated surpluses and deficits. The Group's share of associates' profit or loss is recognised in the consolidated statement of comprehensive income adjusted for any depreciation, impairments and dissolving of acquired surplus or deficient values. This portion of profit or loss constitutes the main change in the carrying amount of investments in associates recognised as an asset in the balance sheet. As of Q3 2011 the Carnegie Group reports holdings in one associate, see *Note 15 Investments in associates*, page 54.

Equity instruments

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

Foreign currency

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

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

Revenue recognition

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

are recognised when the income can be calculated reliably and are recognised in profit and loss in conjunction with capitalisation. This is normally on a quarterly basis but may also be solely on an annual basis.

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

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

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

The net profit or loss from financial transactions consists of realised and unrealised changes in the value of financial instruments based on the fair value of shares, participations, bonds, derivatives and other securities. The net amount also includes interest, share dividends and exchange-rate changes. The principles for income recognition for financial instruments are also described below under the heading 'Financial assets and liabilities'.

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

Expense recognition

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

Remuneration to employees

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

Share-based remuneration - incentive programmes

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

Variable remuneration

The Group reports any expense for variable remuneration as employee benefits expense, which is recognised as an accrued expense liability. The expense is recognised at the rate it is accrued, meaning when it is linked to a contract or when there is an established practice that creates an informal obligation. No variable remuneration has been paid for 2011.

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 term of service. The Group only has defined contribution pension plans. Costs for defined contribution pension plans are recognised in profit and loss at the rate benefits are earned, which normally coincides with the date on which pension premiums are paid. Costs for special employer's contribution are recognised as an expense at the rate at which retirement benefit expenses arise.

Leasing

Financial leasing contracts are contracts according to which the economic benefits and risks associated with ownership

of the leased object are transferred in all significant respects from the lessor to the lessee. Leasing contracts that are not financial are classified as operational. At present, Carnegie only has operational leasing contracts.

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

Current and deferred income tax

Tax expense/income for the period is the sum of current and deferred tax. Taxes are recognised in profit and loss except when the tax refers to items reported in 'Other comprehensive income' or is charged directly against equity. In such cases, the tax is also reported in 'Other comprehensive income' or, respectively, equity. Current tax is the tax that is calculated on taxable profit for a period. Taxable profit for the year differs in comparison with recognised profit before tax, since taxable profit is adjusted for non-deductible expenses and non-taxable income and other adjustments such as a result of double-taxation agreements with other countries. The Group's current tax liability is calculated according to the tax rates established or in practice approved (announced) in each country on the closing date.

Deferred tax is reported according to the balance sheet method, by which deferred tax liabilities are recognised in the balance sheet for all taxable timing differences based on differences between carrying amounts and values for taxation of all assets and liabilities. Deferred tax assets are included on the balance sheet for tax-deductible loss carry-forwards 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 carry-forwards 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 applied to derivative instruments, as well as the sale and purchase of bond and equity instruments on the spot market. Financial assets and financial liabilities in own stock 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 *LAS 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 the Group's invested surplus liquidity. These are categorised as loans and accounts receivable and measured at amortised cost. Provisions are allocated for probable credit losses after individual assessment.

Provisions are allocated relating to probable credit losses in cases where pledges, obligations and guarantees are not estimated to cover the claim amount. The principle for what is classified as an actual credit loss is that they are losses 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 measured at fair value with changes in fair value recognised in profit and loss under 'Net profit/loss from financial transactions'.

Shares and participations

Shares and participations consist mainly of shareholdings intended for trade and are categorised as assets 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 *LAS 39*. Changes in fair value for shares and participations are recognised in profit and loss under 'Net profit/loss from financial items at fair value'.

Derivative instruments

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

Liabilities to credit institutions

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

Deposits and borrowing from the general public

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

Lending of securities and short equity positions

The securities that Carnegie lends remain on the balance sheet. Borrowed securities are not included as assets in the balance sheet. In cases in which a borrowed security is sold in a process known as short-selling, a liability is recognised corresponding to the divested security's fair value. Received collateral in the form of cash is recognised under 'Liabilities to credit institutions' or 'Deposits and borrowing from the general public', depending on the counterparty. Pledged collateral in the form of cash is included on the balance sheet under 'Lending to credit institutions' or under 'Lending to the general public', depending on the counterparty.

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

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

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

Client relationships

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

Distribution agreements

Distribution agreements acquired in a business combination are recognised at fair value at the acquisition date. Distribution agreements with a determinable useful life are amortised over eight years, which corresponds to the expected term of the contract. Distribution agreements with an indefinite useful life are not regularly amortised, but are subject to impairment testing.

Internally developed intangible assets, including IT systems

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

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

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

Other intangible assets

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

Tangible fixed assets

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

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

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

An impairment loss is recognised when the carrying amount of an intangible asset or a tangible fixed asset exceeds its recoverable amount. The carrying amounts for fixed assets are established on each closing date to determine if there is a need for impairment. If there is such an indication, the asset's recoverable amount is estimated. The recoverable amount is the higher of the value in use and fair value less costs to sell.

In calculating the value in use, future cash flows are discounted at an interest rate before tax that is intended to take into account the market's expectations for a risk-free

interest rate associated with the asset in question. For an asset that does not generate cash flows independently of other assets, the recoverable amount is calculated for the cash-generating unit to which the asset belongs.

Provisions

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

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

CRITICAL ASSESSMENT PARAMETERS

Financial assets and liabilities

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

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

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

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

Impairment requirement for goodwill

To assess whether there is a need for impairment of goodwill, a test is required of the goodwill value based on the cash-generating units' value in use. The test includes Carnegie assessing the expected future cash flows from the cash-generating unit and an appropriate discount rate to calculate present value. The carrying amount of goodwill at the balance sheet date was SEK 431,116 thousand (431,030). Information relating to the impairment test is available in *Note 16 Intangible assets*, pages 54–55.

Provision for restructuring reserve

In the fourth quarter of 2011, Carnegie initiated a restructuring programme aimed at reducing the cost base. The programme includes centralisation of several functions, more efficient system solutions and reduced complexity. The cost savings will take effect gradually in 2012. A provision has been made based on an assessment of the cost of the restructuring programme. The provision includes costs for IT systems and reductions in staff.

Recognition of deferred tax assets

Carnegie recognises deferred tax assets attributable to timing differences and tax-deductible deficits. This item also includes assets related to coupon and branch tax falling due in 2013 and 2014 (see *Note 18 Deferred tax assets and 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 Swedish *Annual Accounts Act* (ÅRL 1995:1554) and recommendation RFR 2 *Accounting of Legal Entities* issued by the Swedish Financial Accounting Standards Council and applicable statements. RFR 2 requires the parent to apply all IFRS and interpretations approved by the EU to its annual accounts for the legal entity to the extent possible within the framework of the *Annual Accounts Act* and with the consideration taken to the relationship between accounting and taxation. Accordingly, the parent applies the same accounting principles as the Group except as specified below.

Financial assets

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

Anticipated dividends

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

Group contributions and shareholder contributions

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

Deferred tax in relation to untaxed reserves

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

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NOTE 1 Geographical distribution of income

	Commission income		Interest income		Other dividend income		Net profit/loss from financial transactions		Net profit/loss from divested operations		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
<i>Group</i>												
Denmark	103,980	139,542	11,772	9,843	–	–	4,690	15,639	–	–	120,442	165,024
Finland	51,546	49,901	1,774	986	–	–	–10,141	–1,566	–	–	43,179	49,321
Luxembourg and Switzerland	107,946	137,433	52,752	43,344	–	–	71,878	53,855	25,571	–	258,147	234,631
Norway	170,095	337,835	7,048	35,317	97	20	–1,117	24,168	–	–	176,123	397,339
UK	89,863	109,493		3	–	–	–2,263	–2,295	–	–	87,600	107,200
Sweden	1,215,285	898,506	151,260	92,061	–	–	47,074	77,190	–	–791	1,413,619	1,066,966
USA	49,044	54,542	123	207	–	–	–268	–1,278	–	–	48,899	53,471
Eliminations	–37,149	–14,890	–14,171	–22,800	–	–	6,368	–43,194	–	–	–44,952	–80,884
Total	1,750,610	1,712,362	210,558	158,960	97	20	116,221	122,517	25,571	–791	2,103,057	1,993,067
<i>Parent company</i>												
Sweden	12,000	12,001	188	15	–	–	–	–	–	–	12,188	12,017
Total	12,000	12,001	188	15	–	–	–	–	–	–	12,188	12,017

NOTE 2 Net commission income

	<i>Group</i>	
	2011	2010
Brokerage fees	933,991	1,114,678
Other commission income	874,724	635,531
Marketplace fees	-58,105	-37,848
Total commission income	1,750,610	1,712,362
Total commission expenses	-230,343	-89,664
Total net commission income	1,520,267	1,622,697

NOTE 3 Net interest income

	<i>Group</i>		<i>Parent company</i>	
	2011	2010	2011	2010
<i>Interest income</i>				
Interest income from lending to credit institutions	93,391	40,018	188	15
Interest income from lending to the general public	103,985	106,097	-	-
Interest income from interest-bearing securities	10,272	9,978	-	-
Other interest income	2,910	2,867	-	-
Total interest income^{1,2}	210,558	158,960	188	15
<i>Interest expenses</i>				
Interest expenses related to liabilities to credit institutions	-19,939	-64,201	-7,516	-5,696
Interest expenses related to deposits/borrowing from the general public	-59,373	-22,369	-	-
Other interest expenses	-61,124	-20,640	-22,023	-16,299
Total interest expenses¹	-140,437	-107,211	-29,538	-21,995
Net interest income/expenses³	70,121	51,749	-29,351	-21,979
¹ Whereof amounts for balance sheet items not measured at fair value:				
Interest income	210,558	158,960	188	15
Interest expenses	-140,437	-107,211	-29,538	-21,995
Total	70,121	51,749	-29,351	-21,979
² Whereof interest on doubtful receivables	-	462	-	-

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

NOTE 4 Other dividend income

	<i>Group</i>	
	2011	2010
Dividends received on shares and participations of a fixed-asset nature ¹	97	20
Total other dividend income	97	20

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

NOTE 5 Net profit/loss from financial transactions

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

		Unrealised changes in value ¹				
	Realised changes in value	Market price	Observable market data	Non-observable market data	Effect of exchange rate changes	Total
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

¹ Unrealised profits/losses are attributable to financial items measured at fair value.
Fair value is based on the following measurement methods:

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

NOTE 6 Personnel expenses

	Group		Parent company	
	2011	2010	2011	2010
Salaries and fees	-877,994	-672,846	-5,521	-8,497
Social insurance fees	-256,948	-147,524	-1,175	-1,625
Allocation to variable remuneration ¹	-	-252,135	-	-
Pension expenses for Board of Directors and CEO	-5,353	-3,469	-4,481	-2,959
Pension expenses for other employees	-118,545	-85,695	-	-
Other personnel expenses	-49,800	-63,060	-1,347	-959
Total personnel expenses	-1,308,641	-1,224,729	-12,523	-14,040

¹ Including social insurance fees.

Salaries and fees specified by category

Salary and fees to directors and CEO's	-23,575	-21,601	-5,521	-8,497
Salary and remuneration to other employees not included in the Board of Directors or Group management	-854,419	-651,245	-	-
Total salaries and fees	-877,994	-672,846	-5,521	-8,497

Average no. of employees (of whom women)

Denmark	78 (23)	65 (19)	-	-
Finland	42 (17)	45 (18)	-	-
Luxembourg	47 (10)	46 (10)	-	-
Norway	89 (16)	88 (17)	-	-
Switzerland	5 (1)	4 (2)	-	-
UK	35 (12)	36 (15)	-	-
Sweden	498 (151)	386 (118)	1 (-)	1 (-)
USA	15 (3)	15 (3)	-	-
Total	808 (233)	685 (202)	1 (-)	1 (-)

Remuneration to the current Board of Directors

	Group		Parent company	
	2011	2010 ¹	2011	2010 ¹
Arne Liljedahl, <i>Chairman</i>	800 ²	1,600 ²	600	1200
Björn Björnsson	500 ³	1,000 ³	350	700
Fredrik Cappelen	500 ⁴	1,000 ⁴	350	700
Harald Mix	-	-	-	-
Fredrik Strömholm	-	-	-	-
Patrik Tigerschiöld	-	-	-	-
Total	1,800	3,600	1,300	2,600

¹ Remuneration for 2009 has been paid retroactively and not carried until 2010.

Fees carried in 2010 therefore relate to the period 19 May 2009–31 December 2010.

² Whereof SEK 200 thousand (400) in fees for assignments for Carnegie Investment Bank AB.

³ Whereof SEK 150 thousand (300) in fees for assignments for Carnegie Investment Bank AB.

⁴ Whereof SEK 150 thousand (300) in fees for assignments for Carnegie Investment Bank AB.

cont. **NOTE 6** Personnel expenses*Remuneration to the CEO and other senior executives*

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

¹ Variable remuneration includes guaranteed variable remuneration upon new recruitment.

Fonder AB. No remuneration has been paid to these individuals by Carnegie Holding AB.

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

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

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

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

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

Remuneration to the CEO and other senior executives

	Gross salary and benefits	Variable remuneration ¹	Pensions and comparable benefits	Severance pay
■ Parent company 2011				
CEO Frans Lindelöw ²	5,113	–	2,959	–
■ Carnegie Bank – Group 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.

Fonder AB. No remuneration has been paid to these individuals by Carnegie Holding AB.

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

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

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

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

In the table above, regarding 2010, remuneration is stated for other resigning senior executives, which includes: Anders Karlsson (1 Jan–23 June) and Anders Antas (24 June–30 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).

cont. **NOTE 6 Personnel expenses**

Gender distribution

The current Board of Directors consists of 0% (0) women and 100% (100) men. The current management group consists of 33% (18) women and 67% (82) men.

Remuneration

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

Notice period and severance pay

There are no agreements on severance pay for 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 during the notice period, and remuneration for the loss of other benefits during the 24-month period. 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% (13), parent company 51% (51). All Carnegie's pension commitments consist of defined contribution pension plans and are reinsured with external parties.

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

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

Endowment insurance

Individual pension commitments, which are fully guaranteed through company-owned endowment insurance and for which Carnegie does not have any further obligation to cover any losses on such insurance or to 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 353,703 thousand (364,473), whereof in the parent company SEK 1,869 thousand (903). Premiums paid during the year amounted to: In the Group SEK 1,451 thousand (9,004), whereof in the parent company SEK 901 (903) thousand.

cont. **NOTE 6** Personnel expenses

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

■ Expensed remuneration 2011

	Total remuneration to employees in the Group			
	Total remuneration excluding variable component ¹	Total number of employees	Variable remuneration	Number of recipients of variable remuneration
Total remuneration to employees in the Group	916 540	814	—	—
Specification of remuneration according to categories				
Defined identified staff				
	Executive management	Other employees who can affect the risk exposure	Other employees	Total
Fixed remuneration ¹	62,616	89,096	764,828	916,540
Number of employees	28	65	721	814
Variable remuneration ¹	—	—	—	—
Number of employees	—	—	—	—
Whereof:				
Cash-based variable remuneration	—	—	—	—
Share-based variable remuneration	—	—	—	—
Deferred remuneration ²	—	—	—	—
Committed and paid remuneration ³	62,616	89,096	764,828	916,540
Severance pay (paid out) ⁴	3,500	13,786	67,483	84,769
Number of individuals	3	12	70	85
Committed severance pay (not yet paid)	—	8,657	43,882	52,539
Number of individuals	—	2	66	68
Highest individual severance pay (not yet paid)			3,424	3,424

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

² The amount subject to deferral ranges between 40 to 60 per cent and the period of deferral ranges between three to five years depending on the amount of variable remuneration awarded and the responsibilities and risk mandates of the identified staff in question.

³ Includes amounts paid out in the first quarter of 2012.

⁴ Amounts also include guaranteed variable remuneration, which occurs when new staff is recruited.

Severance pay is agreed upon and paid out when employment is involuntarily terminated prior to reaching retirement age or when an employee voluntarily resigns in exchange for severance pay. Severance payments in 2011 related to cost savings or changes in management.

NOTE 7 Other administrative expenses

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

	Group		Parent company	
	2011	2010	2011	2010
<i>Statutory auditing</i>				
PwC	-11,224	-12,083	-265	-300
Regen, Benz & MacKenzie	-325	-288	-	-
Total statutory auditing	-11,548	-12,371	-265	-300
<i>Other auditing</i>				
PwC	-554	-3,276	-283	-250
Total other auditing	-554	-3,276	-283	-250
<i>Tax advice</i>				
PwC	-506	-587	-	-
Total tax advice	-506	-587	-	-
<i>Other consultant assignments</i>				
PwC	-769	-791	-	-
Regen, Benz & MacKenzie	-367	-336	-	-
Total other consultancy assignments	-1,137	-1,127	-	-

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

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

	Group	
	2011	2010
Computer equipment and other equipment	-33,111	-57,425
Renovations	-8,222	-4,140
Recognised negative goodwill/adjustment of acquisition analysis	-9,087	625,710
Other intangible assets	-30,960	-11,322
Total depreciation and amortisation of tangible fixed assets and intangible assets	-81,379	552,822

NOTE 9 Net credit losses and provisions for doubtful receivables

	Group	
	2011	2010
Provisions for doubtful receivables on the opening date	-496,905	-692,246
Acquisitions through subsidiaries	—	-3,558
<i>Effect on income of individually evaluated credits included in profit and loss (minus is increased provision):</i>		
Reversals of previous provisions	6,202	135,279
Provisions for the year	-1,615	-122
Total net credit losses	4,587	135,156
Translation differences	296	27,947
Total items affecting income	4,883	163,104
Previously eliminated as actual, now reversed as income	-3,479	-10,176
Previously reported as doubtful receivable, now eliminated as actual	130,470	45,972
Provisions for doubtful receivables on the closing date	-365,031	-496,905

NOTE 10 Taxes

	Group		Parent company	
	2011	2010	2011	2010
<i>Current tax expense</i>				
Tax expense for the year	-29,637	-27,745	—	—
Adjustment of tax attributable to previous years	17,238	2,564	—	—
Total current tax expense	-12,399	-25,181	—	—
<i>Deferred tax expense (-)/income (+)</i>				
Deferred tax related to timing differences	5,051	-57,555	254	-237
Deferred tax income in the tax value of loss carryforwards capitalised during the year	16,317	43,611	—	—
Total deferred tax expense/income	21,368	-13,944	254	-237
Total recognised tax expense	8,969	-39,125	254	-237

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

	2011		2010	
	Tax rate, %	Amount	Tax rate, %	Amount
Profit before tax		-263,015		540,423
Tax according to prevailing tax rate for the parent company	26.3	69,173	26.3	-142,131
<i>Tax effects in respect of:</i>				
Other tax rates for foreign companies	-1.0	-2,542	0.4	-2,182
Non-deductible expenses	-48.8	-128,298	6.8	-36,887
Non-taxable income	42.3	111,350	-32.0	173,078
Increase in loss carryforwards without corresponding capitalisation of deferred tax	-23.6	-62,023	2.5	-13,518
Utilisation of non-capitalised loss carryforwards	1.9	5,045	-	-
Tax attributable to previous years	6.6	17,238	-0.5	2,564
Other	-0.4	-974	3.7	-20,048
Recognised effective tax¹	3.4	8,969	7.2	-39,125

¹ The weighted average tax rate for the Group is 10.5% (25.8%).

Reconciliation of effective tax – Parent company

	2011		2010	
	Tax rate, %	Amount	Tax rate, %	Amount
Profit/loss before tax		44,798		479,032
Tax according to prevailing tax rate for the parent company	26.3	-11,782	26.3	-125,985
<i>Tax effects in respect of:</i>				
Non-deductible expenses	211.4	-94,697	0	-14
Anticipated dividends	-211.3	94,680	-27.7	132,815
Increase in loss carryforwards without corresponding capitalisation of deferred tax	0.2	-71	1.4	-6,815
Utilisation of non-capitalised loss carryforwards	-11.3	5,045	-	-
Other	-15.8	7,079	0	-237
Recognised effective tax	-0.5	254	0	-237

NOTE 11 Maturity information

	Group	
	31 Dec 2011	31 Dec 2010
<i>Loans to credit institutions</i>		
Payable on demand	6,134,801	5,011,038
Remaining maturity period < 3 months	63,411	508,338
Total lending to credit institutions	6,198,212	5,519,376
<i>Loans to the general public</i>		
Payable on demand	1,978,591	2,761,391
Remaining maturity period < 3 months	619,004	684,359
Remaining maturity period > 3 months but < 1 year	99,350	171,012
Total lending to the general public	2,696,945	3,616,761
<i>Liabilities to credit institutions</i>		
Payable on demand	205,644	546,264
Remaining maturity period < 3 months	1	5,974
Remaining maturity period > 3 months but < 1 year	—	—
Total liabilities to credit institutions	205,645	552,238
<i>Deposits and borrowing from the general public</i>		
Payable on demand	6,145,263	7,007,854
Remaining maturity period < 3 months	737,255	585,421
Remaining maturity period > 3 months but < 1 year	6,796	17,224
Total deposits and borrowing from the general public	6,889,314	7,610,500

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

Group, 31 Dec 2011	Measurement method ¹					Maturity information					
	Held for trading					<=1 year	1–2 years	>2 years	Not applicable	Total	Latest due date if >2 years
	Market price (Level 1)	Observable market data (Level 2)	Non-observable market data (Level 3)	Other method	Total						
Bonds and other interest-bearing securities	353,535	85,208	–	–	438,743	366,517	24,208	48,017	–	438,743	2015-05-28
Shares and participations	204,175	66,356	1,573	23,126	295,231	27,754	–	–	267,477	295,231	–
Derivative instruments	109,703	102,117	–	–	211,820	211,820	–	–	–	211,820	–
Total financial assets	667,413	253,681	1,573	23,126	945,793	606,090	24,208	48,017	267,477	945,793	
Securities issued	–	–	–	935,000	935,000	–	–	935,000	–	935,000	2015
Short positions, shares	314,428	–	–	–	314,428	24	–	–	314,404	314,428	–
Derivative instruments	48,513	18,252	–	–	66,765	66,314	451	–	–	66,765	–
Total financial liabilities	362,941	18,252	–	935,000	1,316,193	66,338	451	935,000	314,404	1,316,193	

¹ For information on measurement methods, see *Note 5 Net profit/loss from financial transactions*, page 42.

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

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

Group, 31 Dec 2010	Measurement method ¹					Maturity information					
	Held for trading					<=1 year	1–2 years	>2 years	Not applicable	Total	Latest due date if >2 years
	Market price (Level 1)	Observable market data (Level 2)	Non- observable market data (Level 3)	Other method	Total						
Bonds and other interest-bearing securities	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	
Securities issued	–	–	–	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 measurement methods, see *Note 5 Net profit/loss from financial transactions* page 42.

*Significant shifts between
Level 1 and Level 2 in 2010*

	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.

NOTE 13 Other information on financial assets

	Group	
	31 Dec 2011	31 Dec 2010
<i>Bonds</i>		
Bonds, listed	401,421	467,892
Bonds, unlisted	37,322	2
Total	438,743	467,894
Swedish government	4,576	–
Other Swedish issuers	85,221	81,344
Foreign governments	13,782	26,899
Other foreign issuers	335,164	359,651
Total	438,743	467,894
<i>Shares</i>		
Shares, share warrants, listed	274,968	1,657,710
Shares, share warrants, unlisted	20,263	23,948
Total	295,231	1,681,658

NOTE 14 Shares and participations in Group companies

	Parent company	
	31 Dec 2011	31 Dec 2010
Cost of shares and participations in Group companies, on the opening date	2 638 353	1 715 061
Acquisitions during the year	35 937	923 292
Cost of shares and participations in Group companies, on the closing date	2 674 290	2 638 353

	Corporate Reg. No.	Registered office	No. of shares	Carrying amount 2011	Equity 2011 ¹
Carnegie Investment Bank AB (publ) ²	516406-0138	Stockholm	400,000	1,780,084	2,279,306
<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	794 374 17	Köpenhamn	1		
Banque Carnegie Luxembourg S.A. ²	1993-2201863	Luxemburg	349,999		
<i>Subsidiaries of Banque Carnegie Luxembourg S.A.:</i>					
Carnegie Asset Management S.A.		Luxemburg			
Carnegie Fonder AB	556266-6049	Stockholm	30,000	894,206	49,378
Total				2,674,290	2,328,684

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

² Entities classified as credit institutions.

Banque Carnegie Luxembourg S.A. sold the subsidiary entity Carnegie Fund Management Company S.A. during the year.
The Group realised a capital gain of SEK 25,571 thousand.

NOTE 15 Shares in associates

	Corporate Reg. No.	Registered office	No. of shares	Share of equity/votes, %	Carrying amount in the parent company	Carrying amount in the Group
Optimized Portfolio Management Stockholm AB	556648-6832	Stockholm	1,000,000	50	15,436	12,161

In conjunction with Carnegie's acquisition of HQ Bank in 2010, Carnegie also gained a right to acquire HQ AB's shares in entities including Optimized Portfolio Management Stockholm AB (OPM). Carnegie has elected to exercise this right. Payment for the option was included in the original purchase price and no further consideration has been paid. The regulatory ownership assessment regarding OPM was finalised in July 2011. The ownership interest is, as shown above, 50%, but as controlling influence does not exist under the terms and conditions of the shareholder agreement, OPM was consolidated in the Carnegie Group as an associate under the equity method of accounting.

The difference between the carrying amounts in the Group and the parent company arises from the inclusion of participating interests in earnings of associates in the consolidated accounts. The difference, -3,275, consists of participating interests in the associate's loss, less depreciation/impairments of surplus values.

Other financial disclosures

	Assets	Liabilities excluding equity	Income	Operating profit/loss
Optimized Portfolio Management Stockholm AB	27,400	4,196	20,850	-1,429

NOTE 16 Intangible assets

	Group	
	31 Dec 2011	31 Dec 2010
<i>Goodwill</i>		
Cost on the opening date	431,030	9,207
Acquisitions during the year	—	421,823
Cost on the closing date	431,030	431,030
Carrying amount¹	431,030	431,030

¹ Impairment testing of recognised goodwill is performed annually 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:

	31 Dec 2011	31 Dec 2010
Carnegie Fonder AB	421,823	421,823
Familjeföretagens Pensionsredovisning i Värmland AB	9,207	9,207

Impairment testing of Familjeföretagens Pensionsredovisning i Värmland AB

The estimated 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

Impairment testing was performed as required by IAS 36 to measure the recoverable amount. Upon measurement, a P/E ratio calculation with multiples was used including industry comparison. The forecast period is three years. The recoverable amount exceeds the carrying amount.

See *Note 30 Acquired operations* on page 70 for disclosures regarding acquisition of goodwill in the comparison year.

cont. **NOTE 16** Intangible assets

	Group	
	31 Dec 2011	31 Dec 2010
<i>Other intangible assets</i>		
Cost on the opening date	373,980	25,009
Translation differences	-102	-10,898
Acquisitions during the year	4,744	376,345
Sale/scrapping, continuing operations	-2,396	-16,476
Cost on the closing date	376,226	373,980
Amortisation on the opening date	-1,991	-16,785
Translation differences	39	9,640
Sale/scrapping, continuing operations	1,601	16,476
Amortisation for the year	-30,960	-11,322
Amortisation on the closing date	-31,311	-1,991
Carrying amount¹	344,915	371,989
Total carrying amount of intangible assets	775,945	803,018

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

NOTE 17 Tangible fixed assets

	Group	
	31 Dec 2011	31 Dec 2010
<i>Computer equipment and other equipment</i>		
Cost on the opening date	298,679	297,854
Acquisitions through subsidiaries	–	86,981
Translation differences	–112	–22,309
Acquisitions during the year	18,518	14,607
Sale/scrapping, continuing operations	–14,769	–78,454
Reclassifications	–44,078	–
Cost on the closing date	258,238	298,679
Depreciation on the opening date	–212,666	–197,263
Acquisitions through subsidiaries	–	–55,225
Translation differences	136	18,793
Sale/scrapping, continuing operations	14,132	78,454
Depreciation for the year	–33,110	–57,425
Reclassifications	37,527	–
Depreciation on the closing date	–193,981	–212,666
Carrying amount	64,257	86,013
<i>Renovation of leased premises</i>		
Cost on the opening date	44,726	41,461
Translation differences	208	–
Acquisitions during the year	9,288	3,265
Reclassifications	44,078	–
Cost on the closing date	98,300	44,726
Depreciation on the opening date	–5,130	–990
Translation differences	–272	–
Sale/scrapping, continuing operations	–67	–
Depreciation for the year	–8,221	–4,140
Reclassifications	–37,527	–
Depreciation on the closing date	–51,217	–5,130
Carrying amount	47,083	39,596
Total carrying amount of tangible fixed assets	111,340	125,608

NOTE 18 Deferred tax assets/liabilities

	Group		Parent company	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
<i>Deferred tax assets</i>				
Pensions	93,515	95,856	492	237
Capitalised loss carryforwards ¹	434,308	417,991	–	–
Other ²	44,200	46,164	–	–
Total deferred tax assets	572,023	560,011	492	237
<i>Deferred tax liabilities</i>				
Intangible assets	–87,476	–94,435	–	–
Other	–7,205	–14,747	–	–
Total deferred tax liabilities	–94,681	–109,182	–	–

Changes for the year – deferred tax assets

	Group			
	Opening balance	Deferred tax in income statement (plus is increased asset)	Recognised directly against equity, exchange-rate differences, acquisitions and eliminations	Closing balance (plus is asset)
Pensions	95,856	–2,340	–	93,515
Capitalised loss carryforwards ¹	417,991	16,317	–	434,308
Other ²	46,164	–1,964	–	44,200
Total	560,011	12,013	–	572,023

Changes for the year – deferred tax liabilities

	Group			
	Opening balance	Deferred tax in income statement (minus is increased liability)	Recognised directly against equity, exchange-rate differences, acquisitions and eliminations	Closing balance (minus is liability)
Intangible assets	–94,435	6,959	–	–87,476
Other	–14,747	2,396	5,146	–7,205
Total	–109,182	9,355	5,146	–94,682

Changes for the year – deferred tax assets

	Parent company			
	Opening balance	Deferred tax in income statement (plus is increased asset)	Recognised directly against equity, exchange-rate differences, acquisitions and eliminations	Closing balance (plus is asset)
Pensions	237	255	–	492
Total	237	255	–	492

¹ Capitalised loss carryforwards of the Group: The opening balance for capitalised loss carryforwards is attributable to Carnegie Investment Bank AB. Loss carryforwards capitalised during the year arise from Carnegie's Danish subsidiary, SEK 16,317 thousand. Loss carryforwards total SEK 1,932,683 thousand (1,677,150), whereof SEK 270 thousand (19,183) is attributable to the parent company. Of the total amount SEK 256,643 thousand is blocked and cannot be used until the 2017 fiscal year.

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

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

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

NOTE 19 Other assets

	Group	
	31 Dec 2011	31 Dec 2010
Fund cash receivables assets	60,713	293,609
Accounts receivable	432,577	175,987
Other	80,058	107,487
Total other assets¹	573,348	577,083

¹ The remaining maturity period is less than one year.

NOTE 20 Prepaid expenses and accrued income

	Group		Parent company	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Accrued interest	15,787	13,701	—	—
Rent	17,147	21,524	—	—
Fees	5,927	18,046	—	—
Personnel-related	14,315	5,852	—	—
Pensions	804	5,091	523	299
Other	117,604	178,398	—	4
Total prepaid expenses and accrued income¹	171,585	242,611	523	303

¹ The remaining maturity period is less than one year.

NOTE 21 Other liabilities

	Group	
	31 Dec 2011	31 Dec 2010
Fund cash payables	89,821	148,059
Accounts payable	50,410	85,598
Other	626,393	598,062
Total other liabilities¹	766,624	831,718

¹ The remaining maturity period is less than one year.

NOTE 22 Accrued expenses and prepaid income

	Group		Parent company	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Accrued interest	27,612	11,490	20,770	—
Fees	24,523	94,087	1,552	2,928
Personnel-related	131,311	378,058	2,405	1,306
Pensions	3,022	2,232	—	—
Other	326,308	229,705	—	5,577
Total accrued expenses and prepaid income¹	512,776	715,571	24,727	9,811

¹ The remaining maturity period is less than one year.

NOTE 23 Other provisions

	Group	
	31 Dec 2011	31 Dec 2010
<i>Restructuring provisions</i>		
Opening balance	152 592	98 974
Translation differences	-648	-5 967
Utilised amounts	-31 755	-133 513
Reversal, unutilised amounts	-74 215	-1 307
Reclassifications	-26 888	-
Provisions for the year	43 644	194 405
Closing balance	62 730	152 592
<i>Other provisions</i>		
Opening balance	9 488	7 553
Translation differences	595	-
Utilised amounts	-176	-641
Reclassifications	-5 265	-
Provisions for the year	-	2 576
Closing balance	4 642	9 488
Total other provisions	67 372	162 080

Most of the provisions are expected to be utilised during 2012–2013.

During the year, SEK 74 million of the provision for restructuring reserve made in 2010 in connection with the acquisition of HQ Bank, was reversed. The majority of the reversal pertains to provisions for unutilised premises for which there was no need as Carnegie exited the lease earlier than anticipated.

NOTE 24 Classification of financial assets and liabilities*Group, 31 Dec 2011*

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

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

Group, 31 Dec 2010

	Held for trading	Fair value option	Loan and accounts receivable	Other financial liabilities	Non-financial assets/liabilities	Total
Cash and bank deposits with central banks			286,728			286,728
Negotiable government securities			827,382			827,382
Loans to credit institutions			5,519,376			5,519,376
Loans 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
Securities issued				935,000		935,000
Short positions, financial instruments	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 payables				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

NOTE 25 Pledged assets and contingent liabilities

	Group		Parent company	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
<i>Assets pledged for own debt</i>				
■ <i>Assets pledged for:</i>				
Deposited securities ¹	121,708	743,192	—	—
of which own securities	—	204,231	—	—
of which cash	121,708	538,961	—	—
Derivative instruments ²	14,180	131,537	—	—
of which cash	14,180	131,537	—	—
Other liabilities	250,807	564,000	—	400,000
of which own securities	—	400,000	—	400,000
of which cash	—	164,000	—	—
of which client securities	250,807	—	—	—
Total pledged assets for own liabilities	386,696	1,438,729	—	400,000
<i>Other pledged assets</i>				
■ <i>Pledged assets for:</i>				
Deposited securities on clients' account ³	160,639	615,150	—	—
of which client securities	—	358,356	—	—
of which cash	160,639	256,794	—	—
Derivative instruments on clients' account ⁴	91,513	217,834	—	—
of which cash	91,513	217,834	—	—
Credit limits ⁵	—	426,609	—	—
of which client securities	—	426,609	—	—
Trade in securities clients' account and own account ⁶	191,756	454,139	—	—
of which own securities	19,345	25,843	—	—
of which cash	172,411	428,296	—	—
Total other pledged assets	443,908	1,713,732	—	—
<i>Contingent liabilities and guarantees</i>				
Contingent liabilities	13,332	2,763	—	—
Guarantees	77,737	93,510	—	—

¹ The collateral requirement was SEK 118,812 thousand (438,592), while 2,896 thousand (277,915) was excess collateral.

² The collateral requirement was SEK 12,628 thousand (112,612), while 1,552 thousand (18,925) was excess collateral.

³ The collateral requirement was SEK 155,079 thousand (503,691), while 5,560 thousand (106,015) was excess collateral.

⁴ The collateral requirement was SEK 86,133 thousand (190,382), while 5,380 thousand (27,452) was excess collateral.

⁵ In 2010, Carnegie was able to refinance client securities.

A regulatory amendment in the autumn of 2011 eliminated this possibility. Consequently, as of 31 December 2011, there was SEK 0 thousand (426,609) in refinable securities.

⁶ The collateral requirement was SEK 185,758 thousand (454,139), while 5,998 thousand (0) was excess collateral.

NOTE 26 Operational leasing

	Group	
	31 Dec 2011	31 Dec 2010
<i>Contracted payments relating to land and buildings</i>		
Within one year	88,290	63,593
Later than one year but within five years	292,039	263,981
Later than five years	136,672	179,337
<i>Other contracted payments</i>		
Within one year	12,597	13,859
Later than one year but within five years	5,836	24,126
Later than five years	—	—

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

NOTE 27 Related-party transactions

The following disclosures are presented from Carnegie Holding's perspective, that is, how Carnegie Holding's figures were affected by transactions with related parties. Lending has taken place on market terms. Information on remuneration to key persons in executive positions is presented in *Note 6 Personnel expenses*, pages 43–46.

	Group		Parent company	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
<i>Related-party transactions with the CEO and board of directors</i>				
Deposits/liability	10,650	9,336	—	—
Interest expenses	79	15	—	—
Lending/assets	4,904	4,639	—	—
Interest income	240	155	—	—
Pledged assets and guarantees	172,929	279,209	—	—
<i>Related-party transactions with Group companies</i>				
Deposits/liability			37,686	212,444
Interest expenses			7,516	5,696
Lending/assets			440,587	505,000
Interest income			132	—
Purchases			—	73
Sales			12,000	12,000
<i>Related-party transactions with the owners</i>				
Deposits/liability	555,750	1,081,735	430,472	415,279
Interest expenses	25,210	6,734	22,021	5,577
Interest income	5	11	—	—
Purchases	—	376	—	376

For other transactions with owners, see 'Parent company's statements of changes in equity' (page 28) and 'Consolidated statements of changes in equity' (page 25).

Related-party transactions with others

Deposits/liability	60,249	58,704	—	—
Interest expenses	1,011	294	—	—
Interest income	—	—	—	—

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

NOTE 28 Significant events after 31 December 2011

The annual report was approved for publication by the Board of Directors on 29 March 2012.

The annual general meeting is scheduled to be held 4 April 2012.

Frans Lindelöw is leaving Carnegie as the company enters a new phase

Carnegie's President and Chief Executive Officer Frans Lindelöw will be stepping down in autumn 2012 as the Carnegie Group enters a new phase that will entail changes in the role of the CEO.

In the new Carnegie organisation, the three business areas will form separate legal entities under the common Carnegie brand.

Björn Jansson appointed head of Investment Banking & Securities

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

Changes in Group management

In connection with the ongoing reorganisation, the composition of Group management has changed. Effective 1 January 2012, Group management comprises CEO Frans Lindelöw; the three business area managers: Jan Enberg (Private Banking & Structured Finance), Björn Jansson (Investment Banking & Securities) and Hans Hedström (Fonder); and the following executives: Fredrik Leetmaa (CRO), Katja Levén (Chief Legal Counsel) and Pia Marions (CFO). See *Note 6, Personnel expenses*, page 44, for a specification of Group management in 2011.

NOTE 29 Risk and capital management*Credit risk*

Reported amounts refer to the Group. Previous year's amounts are specified in parentheses.

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

■ *Table 1: Carnegie's total credit risk exposure per exposure class*

Koncernen, 31 Dec 2011	AAA, AA-	A+, A-	BBB+, BBB-	No external rating available	Past due but not reserved	Provisions
Governments and central banks	1,734,415	–	–	2	–	–
Institutional exposures	2,895,057	1,574,133	3	24,423	–	729
Corporate exposures	–	–	–	1,664,712	–	207,764
Retail exposures	–	–	–	1,020,958	–	156,539
Total	4,629,472	1,574,133	3	2,710,096	–	365,032

■ *Pledged assets*

Carnegie's corporate and retail exposures are primarily collateralised with pledged liquid financial securities (known as custodian account loans). Only a small fraction of these exposures are unsecured (in blanco). Exposures are usually secured by a diversified portfolio of financial collateral.

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

Table 2: Client-pledged collateral in margin lending

Financial collateral Group, 31 December 2011	Market value	Collateral value	Exposure
Equity	14,753,275	7,674,853	1,332,682
Bonds	5,560,545	3,149,575	611,700
Cash	2,295,737	2,295,256	383,135
Other collateral	3,982,379	2,393,836	665,602
Total	26,591,936	15,513,520	2,993,120

cont. **NOT 29** Risk and capital management

Provisions

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

Carnegie considers various parameters in assessing provision requirements. 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 financial statements and/or changes in the composition of pledged collateral. Carnegie performs regular reviews of specific impairment requirements.

Provisioning in Carnegie's Danish subsidiary, Carnegie Bank A/S, follow the method determined by the local supervisory authority. As of 31 December 2011, provisions in Carnegie Bank A/S were SEK 50 thousand.

As of 31 December, the value of collateral the bank is holding for loans where the value has been impaired was SEK 47 million. The collateral consists mainly of equities, bonds and fund units.

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

Financial assets due for payment for which no provisions has been made are handled according to Carnegie's procedures for doubtful receivables and are assessed regularly in operations. Individual decisions are taken in every case and may include the realisation of collateral through the sale of pledged listed securities.

Table 3: Financial assets under renegotiated terms

	Group	
	31 Dec 2011	31 Dec 2010
Governments and central banks	–	–
Institutional exposures	–	–
Corporate exposures	23,344	42,805
Retail exposures	–	–
Total	23,344	42,805

The value of financial assets taken over was SEK 23 million (29) at the end of the period. All assets taken over are equity, and Carnegie's strategy is to gradually sell these assets. The entire value of the assets taken over refers to realised pledges.

Market risks

Reported amounts refer to the Group. Previous year's amounts are specified in parentheses.

■ Equity price risk

Carnegie's own exposure to equity and equity-related instruments consists of both assets and liabilities among balance sheet items. At year-end, the total value of these assets and liabilities amounted to SEK 888 million (3,253). Of the total for the Group, SEK 610 million (2,559) related to shares and SEK 279 million (693) to derivative instruments. The net exposure at year-end was SEK 126 million (797).

Assets and liabilities are measured at fair value, which corresponds to the carrying amount. Equity positions consist of both long and short positions in shares and share-based derivative instruments, primarily listed in Sweden and international marketplaces. A simultaneous price change of –3% of all equity holdings in the Group's

own book would have had an effect on earnings of SEK –0.4 million (0.9) at year-end. A +3% price change at the same date would have had an effect of SEK 0.7 million (5.2) in the Group. The derivative positions consist of held or sold contracts of forwards call options, put options and warrants.

■ Volatility risk

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

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

■ **Scenario analysis**

The risks in departments at Carnegie exposed to market risk 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 scenario* and a *stress scenario*. The *medium scenario* means that prices in the entire equity market change by $\pm 3\%$ simultaneously with a change in market volatility of ± 10 percent. The greatest potential loss in such a scenario is called the *Medium Max Loss* and was at year-end SEK 0.7 million (2.1). The *stress scenario* means that prices in the entire equity market change by $\pm 10\%$ 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 1.3 million (5.6) at year-end.

■ **Currency risk**

Currency risk is divided into structural and operational currency risk. Structural currency risk arises in financing of foreign subsidiaries with equity or subordinated loans in another currency. Operational currency risk arises in ongoing business operations. Carnegie has limited operational currency exposure and includes only very liquid currencies. Carnegie's own portfolios had no currency exposure on 31 December 2011.

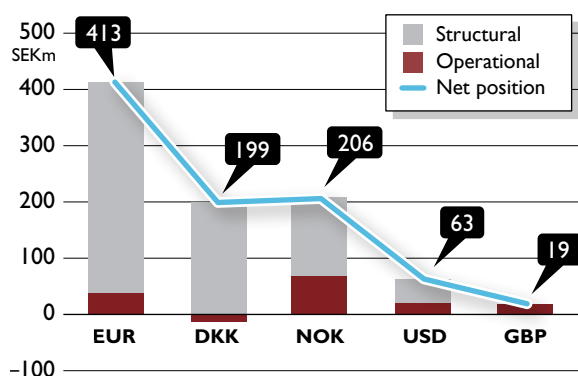
■ **Interest risk in the trading book**

Carnegie's own trading book is affected by interest-rate changes through holdings of bonds and derivative instruments. At year-end, the effect on earnings of the trading book in connection with an interest rate increase of 1 percentage point was SEK 0.3 million (0.7). The interest risk in the trading book is limited and is calculated and reported daily to risk management and senior management.

■ **Interest risk in other operations**

Carnegie regularly performs sensitivity analyses that calculate the effects on the balance sheet of interest rate changes. In the analysis, an interest-rate shock is simulated that corresponds to a sudden and sustained parallel shift of 100 basis points applied on the yield curves to which the positions are linked. At year-end, the loss risk from such downward shift of basis points was SEK 0.5 million (2.1).

Group currency exposure on 31 December 2011:



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

Liquidity risk

The table below provides a maturity analysis of the contracted maturity of financial liabilities. Corresponding information for financial assets is presented in *Note 14 Financial assets and liabilities*, pages 51–52.

■ **Table 6: Contracted maturities of financial liabilities, 31 Dec 2011**

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

■ **Derivatives**

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

■ **Table 7: Contracted maturities of financial liabilities, 31 Dec 2010**

Group, 31 December 2010	Payable on demand	Up to 3 months	3–12 months	More than 1 year, but less than 5 years
Liabilities to credit institutions	546,264	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	–
Other liabilities	–	517,832	–	–
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

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

Capital adequacy analysis

The capital adequacy analysis applies to Carnegie Holding AB and subsidiaries (the Group). For a specification of subsidiaries, see *Note 14 Shares and participating interests 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 22.

	Group	
	31 Dec 2011	31 Dec 2010
■ Capital adequacy		
Capital base	1,315,907	1,594,199
Capital requirement	-579,173	-725,967
Surplus capital	736,734	868,232
Capital adequacy ratio	2.27	2.20
Tier I capital ratio	1.56	1.63
■ Capital base		
Share capital	221,976	221,976
Other capital contributions/statutory reserve	1,018,321	1,018,321
Provisions	-121,122	-110,789
Retained earnings	1,069,536	1,329,697
Anticipated dividends	-22,015	-6,115
■ Deductions		
Goodwill and intangible assets	-688,468	-708,582
Deferred tax assets	-572,023	-560,011
Total Tier I capital	906,205	1,184,497
■ Tier 2 capital		
Perpetual convertible debenture	409,702	409,702
Total capital base	1,315,907	1,594,199

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

Capital requirements for credit risks

Carnegie applies the standard method for calculating credit risks.

	Group	
	31 Dec 2011	31 Dec 2010
■ <i>Capital requirements from exposures to:</i>		
Governments and central banks	–	–
Municipalities and comparable public bodies and authorities	–	–
Institutional exposures	76,864	61,793
Corporate exposures	37,757	36,381
Retail exposures	12,409	19,057
Exposures secured by real estate property	–	28
High-risk items	–	–
Exposures to funds	2,674	2,814
Other items	34,059	40,812
Total capital requirement for credit risks	163,763	160,885
■ <i>Capital requirement for risks in the trading book</i>		
<i>Settlement risk</i>	281	4,813
Total capital requirement for settlement risks	281	4,813
<i>Equity price risk</i>		
Specific risk	15,193	17,463
General risk	3,815	8,425
Total capital requirement for equity price risks	19,008	25,889
<i>Interest risk</i>		
Specific risk	5,916	1,409
General risk	2,924	12,120
Total capital requirement for interest risks	8,840	13,528
<i>Currency risk</i>		
Total capital requirements for currency risks	70,490	53,341
■ <i>Capital requirement for operational risks</i>		
Carnegie applies the base method for calculating operational risks. The capital requirement is calculated as 15% of the income indicator, which represents the average operating revenue of the three most recent financial years.		
Income indicator	2,111,939	3,116,738
Capital requirement for operational risks	316,791	467,511

NOTE 30 Acquired operations*HQ Bank AB*

On 3 September 2010, Carnegie Investment Bank AB acquired all shares in HQ Bank AB in liquidation. A preliminary acquisition analysis, presented in the 2010 Annual Report, resulted in negative goodwill of SEK 656 million, which was recognised as income in the consolidated statements of comprehensive income for 2010. No adjustments were made to the acquisition analysis during the year. The acquisition has had the following determined effects on the Carnegie Group:

Acquisition HQ Bank, 2010, SEKm	Carrying amount	Fair value recognised in the Group
Intangible 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 2010, Carnegie Holding AB acquired all shares in HQ Fonder Sverige AB (name changed to Carnegie Fonder AB) from Investment AB Öresund. A preliminary acquisition analysis was presented in the 2010 Annual Report, which resulted in goodwill of SEK 422 million. No adjustments were made to the acquisition analysis during the year. The acquisition has had the following determined effects on the Carnegie Group:

Acquisition HQ Fonder Sverige AB, 2010, SEKm	Carrying amount	Fair value recognised in the Group
Intangible 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 paid		872
Cash and equivalents in acquired companies		–241
Effect on cash flow		–631

For more detailed information about both acquisitions in 2010, please refer to the 2010 Annual Report (Note 30, page 70).

NOTE 31 Information on statements of cash flows

	Group		Parent company	
	2011	2010	2011	2010
Interest paid	179,538	139,138	50,308	22,613
Interest received	208,472	152,200	188	15
<i>Adjustments for items not affecting cash flow</i>				
Anticipated dividends and Group contributions from subsidiaries	–	–	–435,550	–505,000
Expense related to additional purchase consideration, as yet unpaid	360,000	–	360,000	–
Income from Valot Group, not yet received	–360,000	–	–	–
Depreciation, amortisation and impairment of assets	89,967	72,887	–	–
Credit provisions	1,615	211	–	–
Change in provisions for balance sheet items	–94,641	58,837	966	903
Capital gain/loss from sale/liquidation of subsidiaries	–25,513	791	–	–
Participating interests in earnings of associates	3,274	–	–	–
Unrealised exchange rate differences	–	13,407	–	–
Unrealised changes in value of financial instruments	30,483	–20,302	–	–
Recognised negative goodwill/adjustment of acquisition analysis	9,087	–625,710	–	–
Other profit and loss items that do not affect liquidity	56,685	–	–	–
Total adjustments for items not included in cash flow	70,957	–499,879	–74,584	–504,097
<i>Cash and cash equivalents</i>				
Cash and bank deposits with central banks	265,203	286,728	–	–
Negotiable government securities	144,392	827,382	–	–
Loans to credit institutions	5,693,310	5,131,420	6,850	3,665
Loans to credit institutions, not payable on demand	–63,411	–508,338	–	–
Less: pledged cash and cash equivalents	–467,500	–1,262,000	–	–
Cash and cash equivalents, closing balance	5,571,994	4,475,192	6,850	3,665

See *Note 30 Acquired operations* on page 70 regarding effects of acquisitions in 2010 on the statements of cash flows.

NOTE 32 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% amounts to SEK 20,770 thousand for this year and is included in the balance sheet item 'Accrued expenses and prepaid income'.

NOTE 33 Profit/loss from participations in subsidiaries

	Parent company	
	31 Dec 2011	31 Dec 2010
Anticipated dividends from subsidiaries	360,000	505,000
Group contributions from subsidiaries	75,550	–
Cost of supplementary purchase consideration related to the acquisition of Carnegie Investment Bank AB ¹	–360,000	–
Total result from investments in subsidiaries	75,550	505,000

¹ The cost refers to additional purchase consideration paid to the Swedish National Debt Office. The subsidiary Carnegie Investment Bank AB has income of SEK 360 million from the Valot Group attributable to its sale of Norrvidden. Accordingly, the effect in the Carnegie Holding Group is zero.

CERTIFICATION

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

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

Stockholm, 29 March 2012

The consolidated financial statements will be presented to the annual general meeting on 4 April 2012 for resolution.

Arne Liljedahl
Chairman of the Board

Björn Björnsson

Fredrik Cappelen

Harald Mix

Fredrik Strömholm

Patrik Tigerschiöld

Frans Lindelöw
President and Chief Executive Officer

Our audit report was submitted on 29 March 2012

PricewaterhouseCoopers AB

Michael Bengtsson
Authorised Public Accountant,
Auditor in charge

Sussanne Sundvall
Authorised Public Accountant

AUDITOR'S REPORT

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Carnegie Holding AB for the year 2011.

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

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

Auditor's responsibility

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

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

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

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Carnegie Holding AB for the year 2011.

Responsibilities of the Board of Directors and the Managing Director

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

Auditor's responsibility

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

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

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

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

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

Opinions

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



Michael Bengtsson
Authorized Public Accountant, auditor in charge

Stockholm 29 March 2012

PricewaterhouseCoopers AB



Sussanne Sundvall
Authorized Public Accountant

BOARD OF DIRECTORS



Arne Liljedahl

Chairman, born 1950.

Arne Liljedahl is chairman of SBAB Bank, a director of the Lindorff Group and Electroengine in Sweden and Senior Advisor to Ernst & Young. Arne previously held positions as CFO/VP and a member of Group management at Nordea.



Björn Björnsson

Director, born 1946.

Björn Björnsson is chairman of the board of Bure Equity, Carnegie Asset Management Holding A/S, Cape Capital AG and Eikos.



Fredrik Cappelen

Director, born 1957.

Fredrik Cappelen is chairman of the board of Byggmax, Munksjö, Dustin and Sanitec. Fredrik is also a director of Securitas and Granngården.



Harald Mix

Director, born 1960.

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



Fredrik Strömholm

Director, born 1965.

Fredrik Strömholm is a founding partner of Altor Equity Partners. Fredrik is a director of Apoteket Hjärtat, Ferrosan Medical Devices, 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 the board at Vitrolife, PartnerTech and Carnegie Fonder. He is also a director of Micronic Mydata and a member of the Board of Directors of Stockholm University.

GROUP 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 Group management. Previous positions include Head of European Equities for HSBC in London and Stockholm.



Jan Enberg

Born 1966.

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



Hans Hedström

Born 1957.

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



Björn Jansson

Born 1963.

Head of Investment Banking & Securities since February 2012. Prior to his present appointment, Björn was co-head of the Securities business area. Björn worked for 11 years at SEB Enskilda Securities, including positions as global head of research and co-head. He was global head of research at Alfred Berg.



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.



Katja Levén

Born 1966.

Katja joined the company as legal counsel and was appointed Chief Legal Counsel for the bank in 2008. Prior to joining Carnegie, she was legal counsel at Nordea Bank and Nordea Securities from 1999 to 2008. Previous experience includes the 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 positions with Länsförsäkringar Liv and the Swedish Financial Supervisory Authority.

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.
- ◆ **Capital requirement**
A measure of how much capital an institution must have taking into consideration the risks involved in the business. Capital requirements are calculated for credit risk, market risk and operational risk.
- ◆ **Cost/income (C/I) ratio**
Total costs (including allocations to the profit sharing system) as a percentage of total income (including income from associates and other significant holdings).
- ◆ **Discretionary asset management**
Asset management on behalf of an individual client according to specific guidelines and investment strategies.
- ◆ **Earnings per share**
Profit for the period divided by the average number of shares.
- ◆ **Liquidity reserve**
Reserve of high-quality liquid assets intended to secure the bank's payment capacity.
- ◆ **Loans to the general public**
Lending to the public, primarily to private clients, against collateral in the form of shares.
- ◆ **Number of employees at year-end (FTE)**
The number of annual employees (full-time equivalents) on the closing date.
- ◆ **Profit margin**
Profit for the period as a percentage of total income (including income from associated companies and other significant holdings).
- ◆ **Profit per share**
Profit or loss for the period divided by the average number of shares.
- ◆ **Regulatory capital base**
Tier 1 capital plus Tier 2 capital.
- ◆ **Return on equity**
Profit for the most recent 12-month period as a percentage of average equity.
- ◆ **Risk-weighted assets**
A measure of the total risk exposure at any given time.
- ◆ **Specific provisions**
Loan receivables which have undergone individual impairment testing and where there are objective circumstances that have led to impairment of the asset.
- ◆ **Tier 1 capital**
Equity plus the equity portion of untaxed reserves minus goodwill, any proposed dividends, deferred tax assets, intangible assets and any treasury shares.
- ◆ **Tier 1 capital ratio**
Tier 1 capital as a percentage of risk-weighted assets.
- ◆ **Tier 2 capital**
Subordinated debt obligations, debentures and other capital infusions permitted to be included in Tier 2 capital.

A BRIGHTER FUTURE FOR CHILDREN

Carnegie and our employees have been helping give opportunities to more than 10,000 disadvantaged children and youth to create a brighter future since 2001.

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

As a good corporate citizen, Carnegie values strong social engagement. Our engagement in Carnegie Social Initiative

projects contributes to cohesiveness and unites our employees from various parts of the business in a common cause. Regular feedback makes it easy to follow developments in the projects. Employees also have opportunities to work as volunteers in the projects.

Donations are allocated in their entirety to the projects. The Carnegie Social Initiative assesses quality and follows up projects to ensure that the contributions are put to the best possible use.



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

INDIA: The Door Step School teaches literacy and IT skills

The Door Step School uses innovative methods to educate children in the slums of Mumbai. Carnegie supports the organisation's preschools, which give 520 children a year a strong learning foundation. With Carnegie's support, Door Step also runs two computer centres that give 1,500 children basic IT skills every year.

Read more: doorstepschool.org

LATVIA: Dardedze is making children safer

Dardedze is dedicated to preventing child abuse. With Carnegie's support, they have developed the 'Safety Trip', a programme in which children aged 7–8 learn through games and role playing to avoid becoming victims of abuse. So far, 2,350 children and 110 teachers in Latvia have participated in Dardedze's educational programme.

Read more: centrsdardedze.lv

UGANDA: Girls are creating better local living conditions

The Uganda Rural Development Training Programme (URDT) is giving the people of western Uganda the tools they need to drive local development themselves. The URDT School for Girls involves the pupils and their families. Together, they create a vision of their ideal home environment and then work to achieve their dream.

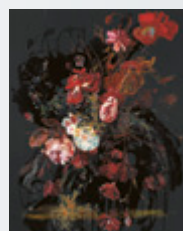
Read more: urdt.net

The works included in the Carnegie Art Award 2012 exhibition are touring the Nordic capitals. Below is the winner of the first prize, Heikki Marila's oil paintings *Flowers*, here shown exhibited at the Royal Swedish Academy of Fine Arts in Stockholm during the spring of 2012.





Photo: Joakim Braun



On the cover

Heikki Marila
Flowers XXVII (2009)
Oil on canvas, 250×200 cm
Photo: Johann Bergenholtz.

*The painting used on the cover
has been cropped.*

Heikki Marila: Carnegie Art Award 2012 winner

Heikki Marila was born in Lahti, Finland, in 1966 and now lives in Helsinki. He studied at the Turku Arts Academy from 1988 to 1992. Heikki Marila has shown his works since the early 1990s in a wide range of galleries and museums in Finland and all over Europe. He was awarded first prize in the 2012 Carnegie Art Award.

Heikki Marila has explored several themes in his expressive paintings. On large canvases, he has reproduced details of religious motifs by 16th century artists like Albrecht Dürer and Matthias Grünewald. He has painted dynamic self-portraits and painterly cartographic pictures based on aerial photographs, mainly of small industrial towns. In recent years, Marila has once again allowed himself to be influenced by the Old Masters. In his likewise large-scale paintings of flowers, he has with his characteristically flowing and expressive technique created modern relatives of heavily symbolic 17th century Dutch floral still life paintings.

Read more: www.heikkimarila.fi

Carnegie Art Award

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

Read more: www.carnegieartaward.com

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