Carnegie Investment Bank AB (publ)

(Corp. reg. no. 516406-0138)

Year-end report

1 January – 31 December 2009

Carnegie Investment Bank AB (publ) is a leading independent investment bank with Nordic focus. Carnegie provides value-added services in securities brokering, investment banking and private banking to institutions, corporations and private clients. Carnegie has approximately 600 employees in eight countries.

As of 1 January 2010, Carnegie's previous business area within Asset Managment is operated as an independent business, under the name Carnegie Asset Management.

Year-end report: 1 January – 31 December 2009

- Gradually increasing revenues during 2009 but lower full-year revenues in relation to 2008. Total revenues amounted to SEK 2,169m (2,742).
- Adjusted for items affecting comparability and credit reserves, expenses totalled SEK 1,895m (2,341), a 19-percent decline compared with 2008.
- Profit before tax amounted to SEK 136m (loss: 1,918).
- Profit for the year amounted to SEK 135m (loss: 2,218).
- Gradually improved market conditions resulted in gradually higher commission income and increased activity in corporate transactions.
- Carnegie was the second largest player in ECM transactions in the Nordic region in 2009.
- The Asset Management business area was separated from Carnegie on 31 December 2009.

CEO's comments

The signs during the beginning of the second half of the year indicating an improved economic climate and gradually increasing market activity became more evident during the fourth quarter. Continued high appreciation among clients, a greater number of transactions and positive capital inflows strengthened our prospects in pace with the positive market trend. At the same time, low turnover throughout the year on the Nordic exchanges, low average activity among clients and a weak market for corporate transactions had clear effects on Carnegie's earnings for the full-year 2009.

The Investment Banking business area was successful despite an otherwise weak market. Carnegie acted as advisor in a number of the largest transactions in the Nordic region, such as Cisco's acquisition of Tandberg (valued at NOK 19 billion). In the wake of the financial crisis, many companies elected to raise new capital via the equity market during spring 2009, which favoured Carnegie's operations in equity capital market (ECM). In total, Carnegie was the second largest player in ECM transactions in the Nordic region during 2009. These transactions included rights issues for Eniro AB (SEK 2.5 billion) and Biovitrum (SEK 1.5 billion).

Turnover on the Nordic exchanges declined more than 30 percent in relation to 2008, which negatively affected revenues in the Securities business area. Commission income was very low at the beginning of 2009 but increased during the latter part of the year in pace with improved market conditions and Carnegie's strengthening of the research and equity sales operations. During the year, work was conducted on a more integrated basis across national borders in the Private Banking business area, which resulted in a stronger offering and improved service. Private Banking showed a positive flow of clients and capital during the year, although activity was lower than in previous years.

On December 31, Carnegie separated its Asset Management operations in a new holding company with Altor and Bure as principal owners. This separation strengthens our independence and focus in the core businesses Securities, Investment Banking and Private Banking, while at the same time retaining the advantages of close cooperation with Asset Management.

Following a difficult start to the year, Carnegie took many steps during 2009 to regain position: A stable ownership situation, with a high proportion of employee ownership, a strengthened management team, a lower cost base and stronger teams. In parallel with a stabilization of the financial markets and a gradual improvement in the general economic climate, economic activity also increased, enabling Carnegie to end the year in a climate of increased optimism.

Frans Lindelöw, President and CEO

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Operative income statement

(SEKm)	Jan-Dec 2009	Jan-Dec 2008
Securities	746	1 120
Investment Banking	347	380
Asset Management	527	794
Private Banking	390	448
Capital gain from discontinued operations	158	-
Total income	**2 169**	**2 742**
Personnel expenses	-1 194	-1 517
Other expenses	-835	-1 187
Expenses before credit losses	**-2 029**	**-2 704**
Operating profit before credit losses	**140**	**38**
Credit losses, net	-4	-1 956
Total expenses	**-2 033**	**-4 660**
Profit/loss before taxes	**136**	**-1 918**
Taxes	-1	-300
Profit/loss for the year	**135**	**-2 218**
Average no. of employees	703	815
Number of employees at year end	602	774

Income

Income during the full-year 2009 amounted to SEK 2,169m (2,742), a 21-percent decline compared with 2008. All business areas showed reduced revenues compared with 2008. Within Securities, revenues amounted to SEK 746m (1,120). The decline was primarily attributable to lower commission income due to the sharp decline in turnover on the Nordic exchanges during the year. The Investment Banking business area reported income of SEK 347m (380). Carnegie was successful in both corporate transactions and ECM transactions, despite a market that declined as a whole during 2009. The Private Banking business area showed positive capital flows during the year, although transaction activity was relatively low. In total, revenues amounted to SEK 390m (448). Asset Management reported revenues of SEK 527m (794). Gains from divested operations had a positive effect of SEK 158m on earnings and were attributable to the separation of the Asset Management business area and the previous sale of asset management operations in Finland.

Expenses

Expenses before credit reserves amounted to SEK 2,029m (2,704) for the full-year 2009. Expenses for 2009 include SEK 134m for items affecting comparability, primarily attributable to costs for restructuring, legal disputes and other personnel-related items of a non-recurring nature. Personnel costs for 2009 include a provision of SEK 177m for variable compensation to employees. Expenses before credit reserves for 2008 included items affecting comparability totalling SEK 516 m and consisted of a write down of a claim of SEK 363m on D. Carnegie & Co AB and SEK 153m in restructuring and personnel costs of a non-recurring nature. Adjusted for these items affecting comparability, expenses amounted to SEK 1,895m (2,341) in 2009, a 19-percent decline compared with 2008.

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Profit

Profit before tax for the full-year 2009 amounted to SEK 136m (loss: 1,918). Earnings for 2009 included items affecting comparability as described above in a net amount of SEK 24m. For 2008, total items affecting comparability amounted to an expense of SEK 2,472m. Adjusted for these items, profit before tax amounted to SEK 112m (554) in 2009. Net profit for 2009 amounted to SEK 135m (loss: 2,218).

Employees

The number of employees at the year end was 395 (445) for the Parent Company and 602 (774) for the Group.

Important events during the fourth quarter and after the period

Separation of Carnegie Asset Management

On 31 December 2009, Carnegie separated its operations in the Asset Management business area in a new holding company with Altor and Bure as principal owners. The separation included asset management operations in Denmark, Norway and Sweden. The transaction requires approval from the relevant authorities in the countries in question and is expected to be completed during the first quarter of 2010.

Lease dispute resolved

Carnegie previously published information regarding a legal process initiated by Midroc Properties relating to a leasing contract on Västra Trädgårdsgatan 15 in Stockholm. There is no longer a dispute between the parties.

Carnegie's Back Office ranked number one in Sweden

Carnegie's Back Office is ranked as number one among the 19 largest brokers in the Swedish market, according to Prospera's Back Office Equity 2009, which was conducted with 41 institutional clients between October and December.

New Head of Carnegie Inc.

Thomas Flakstad, previously equity sales at Carnegie's office in New York, was appointed Head of Carnegie's US operations, Carnegie Inc. in January 2010.

Risks and uncertainties

General information on risks and uncertainties

The business activities of the Carnegie Group expose Carnegie to market, credit, liquidity and operational risks. Market risk is defined as the risk of loss due to changes in market prices, e.g. changes in equity prices, interest rates, or currency exchange rates. Credit risk is defined as the risk of loss due to counterparty defaults on loans. Credit risk mainly arises as a consequence of loans to clients using shares as collateral. Liquidity risk is related to the need for liquidity in the day-to-day operations. Operational risk is the risk of loss resulting from inadequate or failed internal processes and systems, alternatively human error or external events. A more detailed description of the Carnegie Group's risk management is presented in the 2008 Annual Report on pages 7-9 and in Note 30 on pages 40-42.

Market risks

Carnegie's own exposure towards equities and equity-related instruments includes items both on the asset side of the balance sheet and the liability side. As of 31 December 2009, the gross value of such assets and liabilities amounted to SEK 3,175m (5,515), of which SEK 1,957m consisted of shares and SEK 1,218m consisted of derivative instruments. Financial assets and liabilities are reported at fair value. The shareholdings consist of both short and long positions in shares listed in Sweden and on international markets. Derivative positions consisted of holdings of and issued forward contracts, call options, put options and warrants. Of the total position, 76 percent was valued at market prices at the end of the period and 24 percent based on theoretical prices. Theoretical prices are used if market prices are unavailable or of poor quality.

As of 31 December 2009, the maximum maturity period for derivative instruments included in the trading portfolio was 2012. Some 72 percent of derivative instruments had a maturity period of less than one year, while 25 percent had a maturity period of between one and two years and 3 percent had a longer maturity period.

Carnegie's trading portfolio was valued by an external party during the fourth quarter. The valuation supported Carnegie's valuations.

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Capital requirements and capital quotient

Capital requirements and the capital quotient are listed in the table below in accordance with the Swedish Financial Supervisory Authority's regulations FFFS 2007:5 regarding disclosure of information about capital requirements. The capital quotient is calculated as the quotient between the capital base and capital requirements. The capital quotient may not be less than 1.0. As of 31 December 2009, Carnegie had a capital quotient of 3.26. A capital quotient of 3.26 corresponds to a Tier I ratio of 26.0 percent (24.4).

A detailed description of the Carnegie Group's capital adequacy is provided in the 2008 Annual Report on page 9 and in Note 30 on pages 40-42, as well as on Carnegie's web site at www.carnegie.se.

Capital adequacy

	31 Dec	
(SEKm)	**2009**	**2008**
Capital		
Equity capital	2 369	2 413
This years net result	135	-
Equity capital in the capital base	**2 504**	**2 413**
Goodwill	-9	-9
Intangible assets	-7	-9
Deferred tax assets	-251	-102
Tier 1 capital	**2 237**	**2 293**
Tier II capital (subordinated debt)	-	-
Total capital base	**2 237**	**2 293**
Capital requirement		
Capital requirement for credit risk, standardized method	184	152
Capital requirement for equity- and interest rate risk	23	23
Capital requirement for currency risk	76	32
Capital requirement for operational risk, base method	405	545
Total capital requirement	**687**	**752**
Surplus capital	1 550	1 541
Tier I capital quotient	3.26	3.05
Capital quotient	3.26	3.05
Tier I capital ratio %	26.04	24.39

Cash, cash equivalents, financing and investments

Carnegie's liquidity needs result primarily from its daily operations, and they are satisfied mainly by means of short-term borrowing against collateral. Cash flow from operations before changes in working capital was negative in an amount of SEK 299 m (neg. 1,384) for the full year and consisted of profit before tax of SEK 136 m (loss: 1,918), tax payments of SEK 110 m (208) and adjustments for non-cash items of SEK -325 m (742). Of these items, SEK -158m (0) was attributable to an adjustment for the capital gain from the sale of Asset Management, SEK -198m (-1,394) was attributable to unrealized changes in the value of financial instruments and adjustments of SEK 27m (1,956) for credit reserves. Since most of Carnegie's working capital consists of market-listed securities (long and short positions), lending and borrowing to and from the public, and loans to and from credit institutes, Carnegie's working capital fluctuates significantly between reporting dates. The change in working capital during the year had an effect on cash flow of SEK 2,480m (-5,261).

Cash flow from investing activities for the year amounted to SEK -376m (-41), of which SEK -91m (-41) consisted of investments in fixed assets. The remaining effect of SEK -285m (0) related to the effect of sales of subsidiaries, meaning the net of payment received and divested cash and cash equivalents. Since payment for the sales of Carnegie Asset Holding Denmark A/S and Carnegie Asset Management Holding Norge AS will not be received until 2010, the net effect on cash flow for 2009 is negative.

Cash flow from financing activities amounted to an SEK 0m (1,756) during the year. Cash flow from financing activities in the comparison period consisted of a dividend payment of SEK -527m and a capital contribution received of SEK 2,283m.

After adjustment for exchange-rate differences in cash and cash equivalents corresponding to SEK -137m (450), the effect was that cash and cash equivalents increased by SEK 1,805m (decrease: 4,930) during the year. The Group's borrowing decreased SEK 774m (decrease: 14,584) during the year, while lending increased SEK 1,839m (decrease: 12,544).

Summary of the Parent Company

Total income in the Parent Company amounted to SEK 1,227 m (1,583) during the year. Profit before tax during the year amounted to SEK 75 m (loss: 2,021). Net investments during the year amounted to SEK 82 m (21) for the Parent Company. Cash and cash equivalents, defined as cash and lending to credit institutions, amounted to SEK 3,261 m (1,315) for the Parent Company on 31 December 2009. Shareholders' equity amounted to SEK 2,718 m (2,450) on 31 December 2009.

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Consolidated statements of comprehensive income

(SEKm)	January-December 2009 Continuing operations[1]	Discontinued operations[2]	Total	January-December 2008 Continuing operations[1]	Discontinued operations[2]	Total
Comission income	1 172	774	1 946	1 681	983	2 664
Comission expenses	-3	-255	-258	-14	-276	-291
Net comission income	**1 169**	**518**	**1 688**	**1 666**	**707**	**2 373**
Interest income	166	6	173	831	19	851
Interest expenses	-118	0	-117	-780	3	-778
Net interest income	**49**	**7**	**55**	**51**	**22**	**73**
Other dividend income	1	-	1	1	-	1
Net profit financial instruments at fair value	266	1	267	276	0	276
Capital gain from discontinued operations	158	-	158	-	-	-
Other income	-	-	-	-	20	20
Total income	**1 642**	**526**	**2 169**	**1 994**	**748**	**2 742**
Personnel expenses	-949	-242	-1 191	-1 195	-319	-1 514
Other administrative expenses	-657	-140	-797	-1 015	-139	-1 155
Amortisation of intangible assets and depreciation of tangible fixed assets	-37	-4	-41	-31	-4	-35
Total expenses	**-1 643**	**-385**	**-2 029**	**-2 241**	**-463**	**-2 704**
Profit/loss before credit losses	**-1**	**141**	**140**	**-247**	**286**	**38**
Credit losses, net	-4	-	-4	-1 956	-	-1 956
Profit/loss before tax	**-5**	**141**	**136**	**-2 204**	**286**	**-1 918**
Taxes	42	-43	-1	-227	-73	-300
Profit/loss for the year	**37**	**98**	**135**	**-2 431**	**213**	**-2 218**
Other comprehensive income:						
Translation differenses, net after tax			-44			95
Total comprehensive income for the year			**91**			**-2 123**

1) Continuing operations for 2009 include the year's income and expenses for the business areas Securities, Investment Banking and Private Banking. Consistent with IFRS the comparative year is presented accordingly. The profit from continuing operations for 2009 also include the capital gain from separation of the business area Asset Management and from the sale of the asset management in Finland.

2) Discontinued operations for 2009 include the year's income and expenses for asset management in Finland until the date of sale, i.e. October 6, and the year's income and expenses from the business area Asset Management until the date of the separation, i.e. for the full year. Consistent with IFRS the comparative year is presented accordingly.

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Consolidated statements of financial position

(SEKm)	31 Dec 2009	31 Dec 2008
Assets		
Cash and bank deposits with central banks	321	265
Negotiable government securities	383	477
Loans to credit institutions	6 015	4 337
Loans to general public	3 565	3 404
Bonds and other interest-bearing securities	583	625
Shares and participations	1 388	1 220
Derivative instruments	662	1 892
Intangible assets	17	21
Tangible fixed assets	141	93
Current tax assets	13	139
Deferred tax assets	251	192
Trade and client receivables	142	1 209
Other assets	485	320
Prepaid expenses and accrued income	170	318
Total assets	**14 136**	**14 517**
Liabilities and shareholders' equity		
Liabilities to credit institutions	760	1 449
Deposits and borrowing from general public	6 565	6 651
Securities issued	935	-
Short positions, financial instruments	569	960
Derivative instruments	556	1 443
Current tax liabilities	26	116
Deferred tax liabilities	9	11
Trade and client payable	64	407
Other liabilities	1 555	283
Accrued expenses and prepaid income	486	629
Provisions	107	156
Shareholders' equity	2 504	2 413
Total liabilities and shareholders' equity	**14 136**	**14 517**

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Consolidated statements of changes in equity

(SEKm)	31 Dec 2009	31 Dec 2008
Shareholders' equity - opening balance	2 413	2 307
Dividend	-	-527
Capital contribution	-	2 757
Total comprehensive income for the year	91	-2 123
Shareholders' equity - closing balance	**2 504**	**2 413**

Consolidated statements of cash flows

	Jan-Dec	
(SEKm)	**2009**	**2008**
Profit before tax	136	-1 918
Adjustments for items not affecting cash flow	-325	742
Paid tax	-110	-208
Cash flows from operations before changes in working capital	**-299**	**-1 384**
Changes in working capital	2 480	-5 261
Cash flows from operations	**2 181**	**-6 645**
Sale of subsidiaries	-285	-
Acquisition of intangible and tangible assets	-91	-41
Cash flows from investing activities	**-376**	**-41**
Capital contribution	-	2 283
Dividend paid	-	-527
Cash flows from financing activities	**0**	**1 756**
Cash flows for the year	**1 805**	**-4 930**
Cash and cash equivalents at opening balance	5 038	9 518
Exchange-rate effects on cash and cash equivalents	-137	450
Cash and cash equivalents at closing balance	**6 707**	**5 038**

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Income statement of Parent Company

(SEKm)	Jan-Dec 2009	Jan-Dec 2008
Comission income	807	1 107
Comission expenses	-106	-93
Net comission income	**701**	**1 014**
Interest income	88	524
Interest expenses	-88	-558
Net interest income	**0**	**-34**
Dividends received	76	351
Net result from financial transactions	450	253
Total income	**1 227**	**1 583**
Personnel expenses	-627	-760
Other administrative expenses	-502	-848
Amortisation of intangible assets and depreciation of tangible assets	-18	-15
Total expenses	**-1 147**	**-1 624**
Profit/loss before credit losses	**79**	**-40**
Credit losses, net	-4	-1 956
Write-downs of financial assets	0	-25
Profit/loss before tax	**75**	**-2 021**
Tax	69	-158
Profit/loss for the year	**144**	**-2 180**

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Balance sheet of Parent Company

(SEKm)	31 Dec 2009	31 Dec 2008
Assets		
Cash and bank deposits with central banks	19	13
Loans to credit institutions	3 242	1 302
Loans to general public	1 098	1 602
Bonds and other interest-bearing securities	146	174
Shares and participations	1 327	1 179
Shares and participations in Group companies	1 566	1 346
Derivative instruments	572	1 651
Intangible assets	10	8
Tangible fixed assets	105	43
Current tax assets	0	83
Deferred tax assets	243	186
Trade and client receivables	101	1 057
Other assets	901	965
Prepaid expenses and accrued income	127	191
Total assets	**9 455**	**9 802**
Liabilities and shareholders' equity		
Liabilities to credit institutions	721	1 415
Deposits and borrowing from general public	1 859	2 468
Securities issued	935	-
Short positions, financial instruments	543	950
Derivative instruments	481	1 266
Current tax liabilities	4	22
Trade and client payable	29	278
Other liabilities	1 497	204
Accrued expenses and prepaid income	264	208
Pension provisions	320	321
Other provisions	84	131
Shareholders' equity	2 718	2 540
Total liabilities and shareholders' equity	**9 455**	**9 802**

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OTHER

Accounting policies

This report was prepared in accordance with IAS 34 Interim Financial Reporting, the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the Swedish Financial Supervisory Authorities' regulations (FFFS 2008:25) and RFR 2.2 Accounting for Legal Entities issued by the Swedish Financial Reporting Board. The Parent Company's accounts were prepared according to the Annual Accounts Act for Credit Institutions and Securities Companies, FFFS 2008:25 and RFR 2.2. The accounting policies and calculation methods applied in this report are the same as those used in the 2008 Annual Report.

Note that rounding may result in amounts in SEK millions not agreeing when summed. All comparison figures in this report refer to the corresponding period in 2008 unless otherwise specified.

Operations

Carnegie Investment Bank AB (publ) (Carnegie) is a wholly owned subsidiary of ABCIB Holding AB (corp. reg. no. 556780-4983 with registered offices in Stockholm). Carnegie conducts securities trading, advisory services for corporate transactions, asset management and private banking operations in accordance with permits from the Swedish Financial Supervisory Authority. Operations are primarily focused on Nordic securities. In addition to business conducted through branch offices in Finland, Norway and the UK, the company conducts operations through foreign subsidiaries in Norway, Denmark, Luxembourg and the US.

Certification

The Board of Directors and the President hereby certify that this year-end report provides a true and fair summary of the operations, financial position and earnings of the Parent Company and the Group and the risks and uncertainties that the Parent Company and the Group face.

Carnegie Investment Bank AB (publ)

Stockholm, 18 February 2010

Arne Liljedahl
Chairman

Björn Björnsson
Board member

Fredrik Cappelen
Board member

Harald Mix
Board member

Fredrik Strömholm
Board member

Patrik Tigerschiöld
Board member

Frans Lindelöw
President

Auditor's review report

(Translation)

We have conducted a review of the report for Carnegie Investment Bank AB (Corporate Identity Number 516406-0138) and for the Group regarding the period 1 January 2009 to 31 December 2009. The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express an opinion regarding this interim financial information based on our review.

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 2410, Review of Interim Report Performed by the company's chosen auditor. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially more limited in scope than an audit conducted in accordance with Standards on Auditing in Sweden, RS, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Therefore, the conclusion that is expressed on the basis of a review does not give the same level of assurance as a conclusion based on an audit.

No circumstances have come to our attention during our review that causes us to believe that the interim report has not been prepared, in all material respects, on behalf of the Group in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and, on behalf of the Parent Company, in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, 18 February 2010

PricewaterhouseCoopers

Michael Bengtsson
Authorised Public Accountant
Auditor in charge

Sussanne Sundvall
Authorised Public Accountant