



ANNUAL REPORT 2007
CARNEGIE INVESTMENT BANK AB
CORPORATE REGISTRATION NUMBER
516406-0138

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BOARD OF DIRECTORS' REPORT FOR CARNEGIE INVESTMENT BANK AB

CORPORATE REGISTRATION NUMBER 516406-0138

The Board of Directors and the CEO of Carnegie Investment Bank AB hereby submit the annual accounts for the Parent Company and the Group (below mentioned as Carnegie alternatively the Group) for the fiscal year 2007. Carnegie Investment Bank AB, with corporate registration number 516406-0138, is a wholly-owned subsidiary to D. Carnegie & Co AB (publ), with corporate registration number 556498-9449 with registered office in Stockholm, listed in the OMX Nordic Exchange Stockholm with head office in Stockholm.

Carnegie is an independent Nordic investment bank with operations in the business areas Securities, Investment Banking, Asset Management and Private Banking pursuant to banking licenses issued by the financial supervisory bodies in the markets in which Carnegie is active. 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. Operations are conducted in various legal entities that are subsidiaries and branches of Carnegie Investment Bank AB. Branches include operations in London (Carnegie Investment Bank UK Branch), Norway (Carnegie Investment Bank Norway Branch) and Finland (Carnegie Investment Bank Finland Branch).

INCOME – STRONG GROWTH IN ASSET MANAGEMENT

Income for the full-year 2007 amounted to SEK 3,924m (4,239), an decrease of 7 per cent, compared with 2006. The Asset Management business area increased income by 26 per cent to SEK 1,126m (891) driven by high performance-based income and an increase in assets under management. The Private Banking business area's income rose by 3 per cent and amounted to SEK 581m (563). Within Securities, income declined by 19 per cent to SEK 1,534m (1,900),

which was related to trading operations. On 8 May, trading income was adjusted by SEK 280m (250), and for the full-year 2007, Securities recorded a loss of SEK 317m (profit: 66). Customer-related income within Securities increased by 1 per cent and amounted to SEK 1,741m (1,730). Income from the Investment Banking business area fell to SEK 683m (885) or by 23 per cent in relation to the very strong income in 2006.

Further information about the events relating to the trading operations, see pages 5-6.

EXPENSES – ITEMS AFFECTING COMPARABILITY

Expenses before profit share for the full-year 2007 amounted to SEK 1,943m (1,635). Expenses for 2007 include expenses for credit provisions of SEK 95m, fines to the Financial Supervisory Authority and the OMX Nordic Exchange amounting to SEK 57m, a provision of SEK 25m for client-related disputes and other items affecting comparability amounting to about SEK 50m. Adjusted for these items, expenses rose by about 6 per cent in relation to the full-year 2006.

ALLOCATION TO THE PROFIT-SHARE SYSTEM

Compensation to employees consists of a fixed and a variable component. The fixed component consists of salary and a salary-based allocation to the pension system. The variable component consists of a profit share. Allocation to the profit-share system is calculated at a fixed rate of 50 per cent of the D. Carnegie & Co Group's operating profit before profit share and after reduction for capital costs. During 2007, Carnegie deviated from this 50-per cent principle, since the shareholders decided that the profit-share system should not be affected by the downward adjustment of trading income. See also pages 5-6.

Costs for the profit-share system in 2007 amounted to SEK 1,160m (1,265). Costs for 2007 include a write-down of a claim of SEK 175m on the profit-share system for the period from 2005 to 2006. Remaining funds available for payment to the employees thus totalled SEK 985m. The management group's decision to forego its profit share reduced costs in the profit-share system by SEK 68m.

1) On 11 June 2007, the management group at that time decided to forego its profit share for 2007. This decision reduced Carnegie's expenses for 2007 by SEK 68m.

FIVE-YEAR SUMMARY, GROUP

INCOME STATEMENT¹⁾

SEKm	2003	2004	2005	2006	2007
Securities	902	1,199	1,404	1,900	1,534
Investment Banking	368	511	733	885	683
Asset Management ²⁾	798	492	791	891	1,126
Private Banking		467	486	563	581
Total income	2,068	2,669	3,414	4,239	3,924
Personnel expenses	-771	-826	-807	-883	-1,040
Other expenses	-661	-758	-850	-752	-808
Net provisions for credit losses	1	1	-5	-	-95
Total expenses before profit share	-1,431	-1,583	-1,662	-1,635	-1,943
Operating profit before income from associated companies, significant holdings and profit share	637	1,086	1,752	2,604	1,981
Income from associated companies and other significant holdings ³⁾	-2	-14	0	-	-
Operating profit before profit share	635	1,072	1,752	2,604	1,981
Allocation to profit-share system	-287	-524	-859	-1,265	-1,160
Total expenses	-1,718	-2,107	-2,521	-2,900	-3,103
Profit before tax	348	548	893	1,339	821
Tax	-110	-143	-258	-375	-251
Profit for the year	238	405	635	964	570

1) Financial information for 2006 was restated in accordance with IFRS. See note 33.

2) Asset Management's income for 2003 included income from the Private Banking business area.

FINANCIAL KEY DATA

	2003	2004	2005	2006	2007
Profit per share, SEK	595	1,013	1,588	2,410	1,425
Equity per share, SEK	2,780	3,313	4,040	5,805	5,768
Expense ratio, %	83	79	74	68	79
Income per employee, average, SEKm	2.6	3.4	4.6	5.5	4.9
Profit margin, %	12	15	19	23	15
Return on equity, %	28	33	43	49	25
Total assets, SEKm	14,837	23,032	30,780	44,518	43,784
Margin lending, SEKm	3,392	6,701	4,428	8,905	7,897
Deposits and borrowing from general public, SEKm	5,420	5,531	7,430	8,742	10,136
Tier I capital					
Shareholders' equity, SEKm	1,112	1,325	1,616	2,322	2,307
Goodwill, SEKm	-17	-11	-12	-9	-9
Intangible fixed assets, SEKm	-43	-28	-19	-10	-8
Deferred tax assets, SEKm	-126	-95	-95	-110	-231
Anticipated dividend	-225	-396	-660	-600	-527
Tier I capital, SEKm	701	795	830	1,593	1,532
Risk-weighted assets					
Credit risks, SEKm	2,918	3,318	4,723	7,634	-
Market risks, SEKm	1,327	1,327	2,143	4,955	-
Operative risks, SEKm	-	-	-	-	-
Tier I Ratio, %	20.5	17.1	12.1	12.6	-
Capital adequacy, multiple, %	20.5	17.1	12.1	12.6	-
Tier II ratio	-	-	-	-	1.55
Average number of annual employees	793	791	747	775	804
Number of employees at 31 Dec.	774	779	741	798	810
Assets under management within Asset Management at 31 Dec., SEK billions	55	62	92	114	139

INCOME

Income before tax for the full-year 2007 amounted to SEK 821m (1,339). The effects of the reduction of trading profits by SEK 280m and the impairment of a claim of SEK 175m on the profit-share system for the period from 2005 to 2006 were charged against earnings. The total effects of the trading events thus amounted to SEK 455m for the full-year 2007. The corresponding effect of the reduction of trading profits for 2006 amounted to an expense of SEK 125m. Tax expenses for 2007 amounted to SEK 251m (375), corresponding to a recognized tax rate of 30 per cent.

Net profit for 2007 amounted to SEK 570m (964). Return on equity amounted to 25 per cent (49).

LIQUIDITY, FINANCING AND INVESTMENTS

Carnegie's principal need for liquidity is to support day-to-day operations, through secured and unsecured short-term funding. The need for long-term funding is relatively low. The main part of Carnegie's assets are marketable securities inventories (marked-to-market or at theoretical values), lending to the public and loans to credit institutions. As a consequence of this, Carnegie's working capital fluctuates significantly between the financial statement dates. In 2007, the change in working capital was SEK 1,291m (neg: 1,325). A more relevant measure of liquidity is the cash flow from operations before changes in working capital, which was SEK 423m in 2007 (1,090). The difference compared with 2006 is mainly attributable to lower operating profit.

Investments affecting cash flow were attributable to acquisition of intangible assets corresponding to an expense of SEK 21m (expense:1) and acquisition of tangible assets corresponding to an expense of SEK 39m (expense:34).

After adjustment for exchange-rate differences of SEK 265m (loss: 90) in cash and cash equivalents, the effect was that cash flow increased by SEK 1,063m (decline: 931).

MARKET DEVELOPMENT

After a strong first six months, the stock market trend was significantly weaker and more volatile in most markets during the second half of the year, which was a result of rising concern in credit markets, combined with increased uncertainty regarding global economic trends. For the full-year 2007, the Nordic index fell by 12 per cent, which was 6 percentage points better than the world

market index. The value of the OMX Nordic Exchange Stockholm declined by 7 per cent, while the Helsinki exchange rose by 25 per cent, the Oslo exchange rose by 14 per cent and the Copenhagen exchange by 7 per cent. Total turnover on the Nordic exchanges rose by 28 percent during 2007 to a record level of SEK 15.8 billion.

The market for mergers and acquisitions (M&A) was strong at the beginning of 2007 but weakened during the third and fourth quarters. Viewed over the full-year 2007, the value of publicly announced deals in the Nordic region declined to USD 102 billion (122) or by 16 per cent in relation to 2006. The market for equity capital market (ECM) transactions weakened during the latter part of the year, but overall, 2007 was a very strong year for ECM transactions, with growth 40 per cent higher than 2006 and a total volume of USD 26 billion (18).

THE BOARD OF DIRECTORS' STATEMENT REGARDING THE PROPOSED DIVIDEND

Carnegie's Board of Directors propose that the Annual General Meeting approve a cash dividend of SEK 1317.50 (1500) per share, corresponding to a total dividend of SEK 527m (600).

Carnegie's dividend policy is that all capital above a desirable and appropriate capital adequacy level shall be distributed to the shareholders. The Board of Directors' proposed dividend must take into consideration such factors as funds available for distribution, market conditions and other capital requirements. In the Board's view, the proposed dividend is well motivated in consideration of the above. Carnegie's capitalization after the proposed dividend is expected to remain satisfactory and well matched to the requirements that the nature and scope of operations and the associated risks place on shareholders' equity and the Group's consolidation requirements, liquidity and financial position in other respects.

APPROPRIATION OF PROFITS

At the disposal of the Annual General Meeting, SEK

Unrestricted shareholders' equity	2,223,000,659
The Board of Directors and the CEO propose that profits be disposed such that:	
Dividend to shareholders	527,000,000
To be brought forward	1,696,000,659
Total	2,223,000,659

EMPLOYEES

At 31 December, Carnegie had 840 employees in eight countries. Detailed information on the number of employees, salaries and other compensation for the Group and the Parent Company is presented in Note 7. Carnegie's constant challenge is to recruit and retain the best employees by continuing to work with active leadership, clear goals and competitive incentives to create a working environment that provides the very best opportunities for personal and professional development. Carnegie's overriding goal for working environment work is to promote physical and mental health among its employees. All employees have access to preventative company health care. Carnegie encourages meaningful leisure activities, such as sports, cultural activities and social gatherings. By actively working with working environment qualities, job satisfaction is increased, which reduces absence due to illness and improves availability for Carnegie's clients.

COMPENSATION TO SENIOR EXECUTIVES

Because employees are one of Carnegie's most important assets, it is important to have a clear and distinct incentive system. A profit-share system for management and other employees was therefore already introduced in the early 1990s.

ENVIRONMENTAL WORK

Carnegie's ambition is to strive for a sustainable environment that in turn can create prerequisites for a better society for coming generations. Environmental work is performed through continuous adaptation of operations, improved routines and constant updating of knowledge and information processes relating to environmental issues. Carnegie's core business does not have a direct impact on the environment, although the business does result in certain activities that have an effect on the environment. Employee requirements for office premises, IT equipment, consumables, travel and energy consumption are examples of the environmental impact resulting from Carnegie's business.

Carnegie has established an environmental policy for all operations in Sweden, of which certain relevant portions are also applied in Carnegie's other operations. The policy's two main areas concern evaluation and reduction of Carnegie's environmental impact and employee training and commitment on environmental issues. Carnegie conducts an environmental audit each year to follow up these guidelines. The measures taken to date include paper recycling in office premises, electricity consumption and environmentally friendly alternatives in purchasing.

SIGNIFICANT EVENTS AFTER THE CLOSING DATE

On 17 January 2008, the Board of Directors of Carnegie Investment Bank AB appointed Mikael Ericson new President and CEO. Mikael Ericson will assume his position on 1 April. Mikael Ericson comes from Handelsbanken where he has been Vice President since 2006 and Head of Handelsbanken Capital Markets since 2003. From 1987 to 1993, he worked with fixed-income trading at Carnegie. He has been the Chairman of the Swedish Securities Dealers Association since 2006. Anders Onarheim will remain acting CEO of Carnegie until Mikael Ericson assumes his position.

The Annual General Meeting will be held on 7 April 2008 at Västra Trädgårdsgatan 15 in Stockholm.

EVENTS RELATING TO TRADING OPERATIONS IN 2007

In May 2007, it was discovered that the valuation of portions of Carnegie's trading portfolio were overstated during 2005 to 2007, in part through violations of internal valuation rules and in part by manipulation of market prices. The effect on income of the incorrectly valued positions amounted to SEK 630m. Carnegie implemented an extensive action programme to create a strong control environment. In the wake of these events, fines were levied on Carnegie Investment Bank AB by the Financial Supervisory Authority and the OMX Nordic Exchange Stockholm.

BACKGROUND

Within the Securities business area, Carnegie conducts trading on own account or what is called proprietary trading. This means that Carnegie takes positions in various securities, primarily shares and derivative instruments.

The positions that Carnegie takes in proprietary trading must be valued at market value. If there is no clear market value, for example because the market for the instrument in question is not sufficiently liquid a theoretical valuation is performed according to established models.

COURSE OF EVENTS

On 8 May 2007, Carnegie announced that certain positions in the trading department in Sweden were incorrectly valued. After an initial investigation, it was concluded that the trading positions were incorrectly valued by a total of SEK 370m in 2007.

The investigation continued with a review of the period prior to 2007. On 24 May, Carnegie was able to conclude, after completing its investigation, that the trading portfolio was overvalued by a total of SEK 630m during the years 2005-2007. This amount was verified by external international expertise within option valuation and accounting. The investigative work was continuously monitored and reviewed by Carnegie's external auditor. Since the discovery of these events, the value of the trading portfolio has been regularly reviewed by the external accountant in conjunction with each interim report. Further information about the effects of these events is stated in Note 1.

Three employees ("the traders") in the trading department were involved in the manipulations. Put briefly, the manipulations were

performed by deliberately using incorrect parameters in valuing options with limited liquidity, i.e. options that should have been valued using a theoretical model, primarily by entering incorrect volatility assumptions. With the objective of misleading regular internal controls, the traders also manipulated certain market prices on the OMX Nordic Exchange Stockholm and the Eurex derivatives market.

The three traders in question left the company in May 2007. One of the individuals had already resigned his employment when the regulatory transgressions were discovered, and the other two individuals were dismissed in conjunction with the discovery. All three were reported to the police. The legal processes surrounding these events had not been concluded when this annual report was published.

At the end of 2006, the OMX Nordic Exchange Stockholm called attention to the fact that it was possible that the pricing of certain instruments on the market was being manipulated by traders from Carnegie. At that time, Carnegie conducted an internal investigation, which was discontinued, however, when the explanations that the traders presented on that occasion were deemed acceptable.

ACTION PROGRAMME

Immediately after these events were discovered in May 2007, work was initiated on an extensive action programme intended to strengthen the risk and control environment. Carnegie presented the action programme to the Swedish Financial Supervisory Authority in June. The action programme included a general review of trading operations with respect to organization, routines, including control systems, and written instructions. In addition, the quality of the control environment was significantly strengthened. The Middle Office was given expanded responsibilities that include advanced controls of positions and income calculations. Additional qualified resources were allocated to the Risk Management function, and system support was improved. International external expertise was employed to independently validate the valuation of the options portfolio. A separate function was created for Operational Risk Management and to further strengthen security. The Compliance and Internal Audit functions also received additional resources.

REVIEWS BY THE FINANCIAL SUPERVISORY AUTHORITY AND OMX

In May 2007, the Financial Supervisory Authority initiated an investigation of Carnegie as a result of the events in the trading department.

On 27 September, the Financial Supervisory Authority present-

ed its report and its ruling in which strong criticism was directed towards the company. There were sanctions on five counts such that Carnegie Investment Bank AB received warnings supported by two different laws (the Banking Business Act and the Securities Business Act), that the CEO Stig Vilhelmson was ordered to leave the company within three months, that the Board of Directors of Carnegie Investment Bank AB should convene an Extraordinary General Meeting and that Carnegie was obligated to pay a penal charge of SEK 50m.

In addition, with the objective of assessing the composition of the Board of Directors, the Financial Supervisory Authority reported Carnegie's former auditor, as well as the auditor appointed by the authority, to the Supervisory Board of Public Accountants. However, the Financial Supervisory Authority was positive in its assessment of Carnegie's action programme.

CEO Stig Vilhelmson left Carnegie immediately following the Financial Supervisory Authority's ruling. He was replaced by Anders Onarheim, who was appointed acting CEO. An Extraordinary General Meeting of the listed company D. Carnegie & Co AB and of Carnegie Investment Bank AB was held on 21 November with the objective of reviewing the composition of the Board of Directors. The meeting elected a new Board which, with one exception, consisted of new members. The composition of the Board of Directors of D. Carnegie & Co AB and of Carnegie Investment Bank AB is identical.

Following a decision by the Board of Directors at the time, Carnegie Investment Bank AB appealed portions of the Financial Supervisory Authority's ruling.

In addition to the Financial Supervisory Authority's review, OMX Nordic Exchange in Stockholm initiated its own investigation, which was conducted to examine Carnegie in its capacity as an exchange member based on suspicion of market manipulation on the part of the three traders and in its capacity as a listed company based on disclosure of information. On 28 November 2007, after completing its investigation, the Disciplinary Committee of the OMX Nordic Exchange Stockholm levied a penal charge of SEK 5m on Carnegie Investment Bank AB for market manipulation and of SEK 1.8m on D. Carnegie & Co AB for deficiencies in the initial disclosure of information relating to the events.

CONSEQUENCES OF THE EVENTS

The events following the discovery of the incorrectly valued trad-

ing positions were extensive and were a strain on Carnegie as a company. The substantial impairment affected the shareholders, while the extensive publicity and criticism were a strain on employees and naturally had an impact on Carnegie's brand. In October 2007, Carnegie decided to withdraw from its assignments from the Swedish government as a result of the negative effect of the examination on both Carnegie and its client.

At the same time, the process had as its result that Carnegie now has conducted a thorough examination of all processes relating to risk control and control systems to ensure that the company has a control environment of the highest class.

No clients were affected by the events in the trading department. Both clients and employees also showed great loyalty towards Carnegie during several turbulent months. The legal processes resulting from the event will continue for some time, but with the closing of the fiscal year, Carnegie can put these events in the past.

EFFECTS ON PROFIT SHARE

The reduction of trading income by SEK 630m had an effect on Carnegie's profit-share system in which half of profit is allocated for profit share for the employees (what is termed the 50 per cent principle, see also page 1). Because the reduction affected income for 2005-2006 in an amount of SEK 350m, a deficit arose in the profit share already paid for 2005 and 2006 that amounted to SEK 175m. In addition, a deficit arose in the profit share already allocated for 2007 that amounted to SEK 140m. In total, the deficit in the profit-share system thus amounted to SEK 315m.

A competitive compensation system with ample opportunity for profit share is of critical importance for Carnegie in a competitive labour market for being able to attract and retain the best expertise. This was the primary argument when Carnegie's Board of Directors decided to write off the entire deficit in the profit-share system on 11 June.

This decision, which constituted an exception from the 50-per cent principle, was confirmed by an Extraordinary General Meeting on 23 August at which more than 90 per cent of the shareholders supported the Board's decision.

On 11 June 2007, Carnegie's Group Management at that time decided to forego its profit share for 2007 to the benefit of the shareholders. This profit share corresponded to 6.8 per cent of the total profit share, and in the fourth quarter of 2007, its value was established at SEK 68m.

RISK AND CAPITAL MANAGEMENT

Carnegie's business operations mean that the Group is exposed to market, credit, liquidity and operational risks. Operations are therefore conducted in a clear organization with delegated responsibilities and efficient processes for each risk area.

Carnegie operates according to the principle that the line organization has the primary responsibility for internal control; the first line of defence. Responsibility for risk control thus lies where the risk arises. As a second line of defence, the risk control functions are responsible for verifying that the business areas handle risk control in a competent and adequate manner. In the third and final line of defence, internal and external auditors are responsible for verifying that the line organization and the control functions fulfil their assignments.

The goal for Carnegie's risk control organization is to check and in other ways contribute to ensuring that the line organization handles business risks in a satisfactory manner. Guidelines and routines for risk control are established with the objective of identifying, measuring, controlling and following up the most important risk areas. Taking and exposing the business to risks is an important part of Carnegie's business operations. Carnegie is therefore constantly developing clear and practical methods to ensure that risk exposure at any given time is within established limits and mandates.

Preventative actions are a central component in the Group's work with risk control. Both business managers and the risk control functions act to instil high awareness of guidelines and routines among Carnegie's employees that include how they must measure, monitor and evaluate Carnegie's risk profile and maintain it within the prescribed limits.

RISK CONTROL ORGANIZATION

Carnegie's control functions consist of Risk Management, Operational Risk Management, Compliance, Group Security and Internal Audit functions. Internal Audit has a clear independent role, since it also reviews the other control functions.

BOARD OF DIRECTORS

The Board of Directors of D. Carnegie & Co AB is ultimately responsible for the Group's risk control. The Board takes decisions on the Group's risk strategy and the internal rules and principles that supplement the general external rules that regulate operations. These documents are updated regularly and at least once a year.

AUDIT COMMITTEE

The Audit Committee is appointed by the Board of Directors and assists the Board in fulfilling its responsibility for reviewing:

- financial and operative information reported to shareholders and other stakeholders
- the organization for risk control and internal control
- internal and external auditing work.

RISK MANAGEMENT AND OPERATIONAL RISK MANAGEMENT

This control function is divided into two areas of responsibility, Group Risk Manager and Group Operational Risk Manager. The Group Risk Manager is responsible for credit, market and liquidity risks, while the Group Operational Risk Manager is responsible for the operational risks within the Group. Their areas of responsibility primarily comprise monitoring to ensure that risk exposure is within approved limits and that the line organization controls operations in the intended manner. This also includes reporting relevant risk information to management and the Board of Directors. In addition, they are responsible for coordinating and advising on risk control issues and for training employees. The Group Risk Management functions report directly to the Boards of Directors of D. Carnegie & Co AB and Carnegie Investment Bank AB.

In the various subsidiaries, there are local Risk Managers who work independently of business operations. They report directly to the Board of Directors of the company in question and to the Group Risk Manager and Group Operational Risk Manager. Local Risk Managers work in the same manner as the Group Risk Manager with respect to ongoing control and reporting of market, liquidity, credit and operational risks in local operations.

COMPLIANCE

Compliance refers to compliance with external and internal regulations. The Compliance function has an important preventative responsibility with respect to regulatory compliance by ensuring that changes in laws and regulations are implemented in operations and that they are respected. This also includes ensuring that employees are trained so that all personnel have the necessary knowledge of the implications of various regulations. The Head of Compliance reports directly to the Board of Directors of D. Carnegie & Co AB and Carnegie Investment Bank AB.

INTERNAL AUDIT

The Internal Audit function reviews and evaluates the processes for risk management, governance and control in the Group with a focus on operational risks. Internal Audit is independent of business operations and reports directly to the Board of Directors of D. Carnegie & Co AB and Carnegie Investment Bank AB. The audit plan, as well as prioritized focus areas for the Internal Audit function, are established by the Audit Committee. The reports prepared by Internal Audit are submitted to the units affected by the audit and to the Audit Committee. The Internal Audit function audits both ongoing operations in the line organization and the Group's various functions for risk control. Internal Audit also provides guidance for business operations with respect to operational risks.

SECURITY

The Security function is managed by the Head of Group Security, who reports to the Board of Directors and the CEO. The main areas of responsibility are information- and IT security, as well as personal safety for employees. Security work is conducted primarily by establishing guidelines, checking compliance with regulations and employee training. Locally security issues are handled by appointed staff members within IT and administration, reporting directly to the Head of Group Security.

CREDIT RISKS

Credit risk is defined as the risk of loss for Carnegie in its relation to a counterparty as a result of the counterparty failing to fulfil its obligations. This risk arises as a result of exposure in conjunction with issuing of credit, investing, securities trading and issuing of guarantees, for example.

Carnegie only accepts low credit risk and primarily lends against collateral in the form of liquid securities. Issuing of credit is based on the counterparty's financial position and payment capacity, as well as whether the counterparty can be reasonably expected to fulfil its obligations to Carnegie.

Carnegie's credit policy describes the approach, organization and responsibility, as well as the process, required for a credit decision. In this respect, the Group is divided into credit units which each board of directors is responsible for ensuring that credit processing proceeds according to prevailing rules. This policy is based on the judgment that credit decisions require local competence and are therefore best handled in a decentralized manner. The credit units' operations differ in their nature in several respects, and there are also differences in the respective legal environments. The

credit unit's Board of Directors may therefore take decisions on specific application instructions, subject to the condition that more general requirements are satisfied.

The credit process is initiated when a proposal for a credit decision is submitted by a business or account manager within a credit unit. A credit decision is then taken, and execution may take place in accordance with the decision. Regular follow-ups of counterparty exposure are performed by the credit manager within each credit unit and by the credit unit's board of directors. At the Group level, follow-ups are performed by the CFO and the Group Risk Manager.

CREDIT AND RISK COMMITTEE

The Credit and Risk Committee takes decision regarding credit and other types of counterparty risks within the mandate established by the Board of Directors. The Committee consists of three persons, of whom the Group's Chief Operating Officer (COO) is the Chairman. The Group's CFO and the Group's Risk Manager are presenters in credit and risk matters. The Credit and Risk Committee is guided by instructions from the Board of Directors of Carnegie Investment Bank AB.

MARKET RISKS

Market risk is defined as the risk of loss as a result of changes in share prices, interest rates and exchange rates.

Market risk constitutes a natural and significant component in operations. Carnegie employs recognized quantitative models for measuring and evaluating market risks and simulating the effects of price movements and volatility fluctuations in the market. Carnegie restricts the ability to take market risks by establishing limits. These limits are designed to limit the maximum loss in the event of large market movements.

Market risk is checked daily by the line organization and monitored by Risk Management. Any transgression limits are identified and reported to business managers and management for immediate action. Income in the trading portfolio is calculated daily and reported to management and Risk Managers, who follow up the reports and perform the necessary reasonability assessments and analyses. International expertise is commissioned to independently validate the valuation of the option portfolio.

LIQUIDITY RISKS

Liquidity risk is defined as the risk of negative effects on income for ensuring that the Group's payment commitments are met on time.

The risk that Carnegie would not be able to meet its payment

obligations is considered low. Carnegie has distributed its financing to a number of banks in different countries. The company has thus reduced the risk that a single institution might reduce its lending to the company. Carnegie also works continuously to reduce the liquidity risk by matching maturity periods for borrowing and lending, for example, and by actively managing and curbing counterparty limits for investments in times of financial unrest.

OPERATIONAL RISKS

Operational risk is defined as the risk of losses as a result of inappropriate internal processes, human error, system faults or external events.

Carnegie has conducted internal development over a long period to optimize internal processes, thus reducing the risk of operative incidents. This work includes a methodology for identifying and reporting operational risks. In addition, internal development is in progress within the framework of Operational Risk Management that is intended to provide a qualitative assessment of risk according to the guidelines set forth in the Basel II capital coverage regulations. During 2007, a new Group Operational Risk Manager function was established that is specially focused on development and implementation of these measures. Ultimately, the responsibility for managing operational risks rests with business managers in each unit.

CAPITAL ADEQUACY

On 1 February 2007, new capital adequacy regulations were introduced in what are called the Basel II rules. The new rules resulted in changes in how Carnegie calculates the capital requirement. The overall effect of the calculated capital requirement, however, is lim-

ited for Carnegie, due to the fact that the effect of a reduced capital requirement for credit risks is offset by the new capital requirement for operational risks.

The new regulations have three components. The first relates to how the minimal capital requirements are satisfied and calculated, while the second involves evaluation and management of capital and risks, as well as supervision by the authorities. The final component addresses disclosure of information regarding risk control and capital adequacy.

Work to adapt Carnegie's risk management to Basel II has been in progress for several years, with a principal focus on the rules regarding the minimum legal capital requirement. During 2007, work continued in adapting Carnegie's routines to the regulations and focused primarily on processes and methods for implementing what is called Internal Capital Adequacy Assessment Process (ICAAP) in operations. Internal Capital Adequacy Assessment Process entails a review of Carnegie's entire business operation with the objective of determining if the existing capital base is adequate for Carnegie's risk profile and ensuring that there are processes and an organization for managing these risks.

FOR FURTHER INFORMATION REGARDING RISK- AND CAPITAL MANAGEMENT, SEE NOTE 32.

CONSOLIDATED INCOME STATEMENT

SEK thousands	note	GROUP		PARENT COMPANY	
		2007	2006	2007	2006
Commission income		4,028,253	3,897,867	1,595,302	1,504,380
Commission expenses		-291,940	-182,279	-92,566	-22,653
Net commission income	3	3,736,313	3,715,588	1,502,736	1,481,727
Interest income		961,740	665,383	589,529	346,447
Interest expenses		-1,018,546	-611,086	-770,333	-404,489
Net interest income	4	-56,806	54,297	-180,804	-58,042
Other dividend income	5	1,339	853	-	-
Net financial items at fair value	6	243,079	467,832	56,459	286,090
Total income		3,923,925	4,238,570	1,378,391	1,709,775
Personnel expenses	7	-2,200,047	-2,147,894	-1,102,132	-1,059,579
Other administrative expenses	8	-754,226	-689,065	-486,106	-406,906
Total administrative expenses		-2,954,273	-2,836,959	-1,588,238	-1,466,485
Write-downs, depreciation, amortization and impairment of tangible and intangible fixed assets	9	-54,219	-63,519	-9,308	-11,248
Total expenses		-3,008,492	-2,900,478	-1,597,546	-1,477,733
Income before credit provisions		915,433	1,338,092	-219,155	232,042
Net credit reserves	10	-94,573	491	-94,573	491
Operating profit		820,860	1,338,583	-313,728	232,533
Anticipated dividend				735,105	658,715
Taxes	11	-250,703	-374,756	66,278	-68,090
Profit for the year	1, 2	570,157	963,827	487,655	823,158
Earnings per share, SEK	12	1,425	2,410	1,219	2,058

Financial data for the preceding year were adjusted. See note 1.

CONSOLIDATED BALANCE SHEET

SEK thousands	note	GROUP		PARENT COMPANY	
		2007 -12-31	2006 -12-31	2007 -12-31	2006 -12-31
Cash and deposits with central banks		457,203	479,610	9,444	10,095
Loans to credit institutions	13	12,387,950	7,710,518	8,017,925	4,373,496
Loans to the general public	13	7,897,418	8,905,810	5,173,034	7,003,969
Bonds and other interest-bearing securities	14, 15	983,718	1,914,996	935	3,158
Shares and participations	14, 15	10,939,104	15,233,720	10,339,439	14,659,991
Shares and participations in Group companies	16	–	–	1,038,351	1,048,001
Derivative instruments	14	2,083,236	3,214,554	2,076,441	3,213,633
Intangible fixed assets	17, 18	17,411	47,623	3,104	2,517
Tangible fixed assets	19	87,278	75,184	41,128	30,216
Current tax assets		171,151	60,918	168,361	58,185
Deferred tax assets	20	231,219	109,875	218,845	92,088
Cash and accounts receivable	21	7,855,632	6,115,072	4,355,147	5,783,607
Other assets	34	107,510	93,319	1,155,808	327,044
Prepaid expenses and accrued income	22	565,554	556,975	193,099	257,846
Subordinated assets	23	–	–	291,620	171,987
Total assets	27	43,784,383	44,518,172	33,082,681	37,035,831
Liabilities to credit institutions	13	12,546,939	15,765,479	12,135,787	14,635,234
Deposits and borrowing from general public	13	10,136,445	8,741,664	4,664,479	4,592,847
Short positions, financial instruments	14	7,439,928	8,036,649	6,474,474	6,495,082
Derivative instruments	14	5,943,635	7,342,269	5,937,795	7,342,269
Current tax liabilities		179,067	141,159	26,193	–
Deferred tax liabilities	20	20,846	22,385	–	–
Cash and accounts payable	24	3,299,616	180,748	128,991	243,827
Other liabilities	34	534,683	330,999	501,911	349,228
Accrued expenses and prepaid income	25	1,368,381	1,631,353	749,470	772,307
Provisions	26	8,323	3,780	580	2,030
Total liabilities	27	41,477,862	42,196,485	30,619,680	34,432,824
Share capital	12	200,000	200,000	200,000	200,000
Other capital contributions		54,568	54,568	40,000	40,000
Reserves		9,579	–50,135	–	–
Profit brought forward		2,042,374	2,117,254	2,223,001	2,363,007
Total shareholders' equity		2,306,521	2,321,687	2,463,001	2,603,007
Total liabilities and shareholders' equity		43,784,383	44,518,172	33,082,681	37,035,831

Financial data for the preceding year were adjusted. See note 1 and 33.

CHANGES IN SHAREHOLDERS' EQUITY – GROUP

SEK thousands	Attributable to the Parent Company shareholders				Total
	Share capital	Other capital contributions	Translation reserve	Profit brought forward	
Shareholders' equity at 31 Dec. 2005	200,000	60,891	33,578	1,359,845	1,654,314
Effect of restatement of trading income, see Notee I				-50,000	-50,000
Tax effect, see note I				14,000	14,000
Shareholders' equity at 1 January 2006	200,000	60,891	33,578	1,323,845	1,618,314
Translation differences related to foreign operations			-83,713		-83,713
Income and expenses for the period charged directly against shareholders' equity			-83,713		-83,713
Profit for the year				963,827	963,826
Total income and expenses for the period			-83,713	963,827	880,113
Reclassification		-6,323		6,323	
Group contributions				-23,250	-23,250
Tax effect of Group contributions				6,510	6,510
Shareholder contributions				500,000	500,000
Dividend				-660,000	-660,000
Closing balance at 31 December 2007	200,000	54,568	-50,135	2,117,254	2,321,687
Translation differences related to foreign operations			59,714		59,714
Income and expenses for the period charged directly against shareholders' equity			59,714		59,714
Profit for the year				570,157	570,156
Total income and expenses for the period			59,714	570,157	629,870
Tax effect of Group contributions				-62,550	-62,550
Tax effect of Group contributions				17,514	17,514
Dividend				-600,000	-600,000
Closing balance at 31 December 2007	200,000	54,568	9,579	2,042,374	2,306,521

CHANGES IN PARENT COMPANY EQUITY

SEK thousands	Attributable to the Parent Company shareholders			
	Share capital	Statutory reserve	Premium reserve	Total
Shareholders' equity at 31 December 2005	200,000	40,000	1,736,504	1,976,504
Effect of restatement of trading income, see note 1			-50,000	-50,000
Tax effect, see note 1			14,000	14,000
Closing balance at 31 December 2006	200,000	40,000	1,700,504	1,940,504
Income and expenses for the period charged directly against equity			-	-
Profit for the year			823,158	823,158
Total income and expenses for the period			823,158	823,158
Dividend			-660,000	-660,000
Effect of mergers ¹⁾			-475	-475
Shareholder contributions			500,000	500,000
Group contributions, gross			-250	-250
Tax effect of Group contributions			70	70
Closing balance at 31 December 2006	200,000	40,000	2,363,007	2,603,007
Income and expenses for the period charged directly against equity			-	-
Profit for the year			487,655	487,655
Total income and expenses for the period			487,655	487,655
Dividend			-600,000	-600,000
Group contributions, gross			-38,420	-38,420
Tax effect of Group contributions			10,759	10,759
Closing balance at 31 December 2007	200,000	40,000	2,223,001	2,463,001

1) The loss of merger of SEK 475 thousands in 2006 is due to the merger of Carnegie Pension Structuring AB 556606-7756, Gallerie Gustav Adolf AB 556047-2069 and Carnegie Going Forward AB 556616-8018.

CASH-FLOW STATEMENTS

SEK thousands	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Cash flow from operations				
Profit after financial operations	820,859	1,338,583	421,377	891,247
Adjustments for items not included in cash flow, etc.				
Write-downs, depreciation and impairment of assets	54,219	63,520	9,308	11,248
Change in reserves for balance-sheet items	4,543	-837	-1,450	-384
Anticipated dividends	-	-	-735,105	-658,715
Capital gains from the sale of subsidiaries	-10,718	-	-14,133	-
Paid taxes	-445,911	-311,057	-144,462	-82,077
Cash flow from operations before changes in working capital	422,992	1,090,209	-464,465	161,319
Increase (-)/decrease(+) of liabilities from operating activities				
Lending to the general public	915,514	-4,304,215	1,830,935	-4,142,007
Financial assets for trading	6,305,006	-9,087,285	5,440,566	-9,427,598
Other operating assets	-5,134,013	-894,268	655,467	-2,221,586
Increase (+)/decrease(-) of operating liabilities				
Borrowing from the general public	1,383,159	1,312,079	71,632	783,662
Financial liabilities for trading	-1,999,032	8,016,638	-1,429,082	8,000,468
Other operating liabilities	-179,963	3,631,659	-2,515,866	5,920,064
Cash flow from operations	1,713,663	-235,183	3,589,187	-925,678
Investment activities				
Acquisition of subsidiaries	-	-	-	-9,500
Sale of subsidiaries	10,203	-	24,183	-
Acquisition of intangible fixed assets	-20,980	-1,252	-1,929	-615
Acquisition of tangible fixed assets	-39,466	-34,155	-18,878	-8,545
Cash flow from investment activities	-50,243	-35,407	3,376	-18,660
Financing activities				
Dividend paid	-600,000	-660,000	-600,000	-660,000
Cash flow from financing activities	-600,000	-660,000	-600,000	-660,000
Cash flow for the year	1,063,420	-930,590	2,992,563	-1,604,338
Cash and cash equivalents on the opening date	8,190,128	9,210,445	4,383,591	6,002,870
Translation differences in cash and cash equivalents	264,920	-89,727	38,803	-14,941
Cash and cash equivalents on the closing date	9,518,468	8,190,128	7,414,957	4,383,591
Notes on the cash flow statement				
Interest paid	-1,081,830	-537,363	-831,045	-332,887
Interest received	960,915	620,878	587,145	335,534
The following components are included in cash and cash equivalents:				
Cash and balances with central banks	457,203	479,610	9,444	10,095
Lending to credit institutions	12,387,950	7,710,518	8,017,925	4,373,496
Lending to credit institutions but not immediately due for payment	-3,326,685	-	-612,412	-
Sale of subsidiaries				
Sale of assets and liabilities				
Intangible fixed assets	23,813	-	-	-
Tangible fixed assets	532	-	-	-
Other operating assets	5,106	-	-	-
Cash and cash equivalents	13,980	-	-	-
Total assets	43,431			
Operating liabilities	29,966			
Total liabilities	29,966			
Sale price and received purchase price	24,183		24,183	
Of which cash and cash equivalents from the divested business	-13,980		-	
Effects on cash flow	10,203		24,183	

ACCOUNTING PRINCIPLES

GENERAL INFORMATION

Carnegie Investment Bank AB with corporate registration number 516406-0138 (Carnegie or the Group) with subsidiary is an independent Nordic investment bank with operations in Securities, Investment Banking, Asset Management and Private Banking. Carnegie offers financial products and services to Nordic and international customers from offices in eight countries: Sweden, Denmark, Norway, Finland, Luxembourg, Switzerland, the UK and the US. Carnegie has its registered offices in Stockholm, Sweden at Västra Trädgårdsgatan 15. Carnegie Investment Bank AB is a wholly owned subsidiary of D. Carnegie & Co AB (publ), corporate registration number 556498-9449, whose share is listed on the OMX Nordic Exchange.

BASIS FOR PREPARING FINANCIAL REPORTS

The consolidated accounts were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and are approved by the European Commission for application within the EU. In addition, the Act on Annual Reports of Credit Institutes and Securities Companies (1995:1559), Recommendation RR 30:06 Supplementary Accounting Regulations for Corporate Groups issued by the Swedish Financial Accounting Standards Council and the regulations 2006:16, 2007:6 and 2007:13 issued by the Swedish Financial Supervisory Authority were applied.

The consolidated accounts were prepared in accordance with the purchase method with the exception of those financial instruments that are valued at fair value or accrued acquisition value. No business unit was divested during the year, meaning that all figures presented pertain to continuing operations.

The financial reports for the Group and the Parent Company are presented in thousands of Swedish krona (SEK 000). SEK is the Parent Company's functional currency.

The Parent Company's income statement, balance sheet, cash-flow statement and associated notes are prepared in accordance with the Annual Accounts Act (1995:1554) and Recommendation RR 32:06 Reporting of Legal Entities issued by the Swedish Financial Accounting Standards Council. RR 32:06 means that the Parent Company in its annual account for the legal entity must apply all IFRS and statements adopted by the EU as far as possible within the framework of the Annual Accounts Act and with consideration taken to the relation between accounting and taxation. There are therefore no significant differences between the accounting principles for the Group and the Parent Company.

IFRS APPLIED FOR THE FIRST TIME

Carnegie's most recent consolidated accounts were prepared in accordance with generally accepted accounting practices for financial institutions in Sweden. The fiscal year ended on 31 December 2006. The Company decided to apply IFRS as of 1 January 2007 with 1 January 2006 as the transition date.

In the transition to IFRS, the regulations in IFRS 1 First-time Adoption of IFRS were applied which require companies to apply

IFRS retroactively. However, there are a number of voluntary and mandatory exceptions to this general rule that are intended to facilitate the transition to IFRS. A description of how Carnegie applied these exceptions, including a description of how the Company's earnings and financial position were affected by the transition to IFRS and a summary of the changes in accounting principles, is presented in Note 33 of this annual report.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

As of 1 January 2007, Carnegie applied IFRS 7 Financial Instruments: Disclosures. This standard did not result in any effects on reported income or the financial position but did entail supplementary disclosure requirements, compared with the financial reports for 2006.

The International Accounting Standards Board (IASB) issued a new standard, IFRS 8 Operating Segments, that must be applied as of 1 January 2009. IFRS 8 was adopted by the EU and replaces IAS 14. Carnegie has not yet determined if IFRS 8 will affect the Group's segment reporting. IASB also issued the following standards which were significantly amended, compared with the current standard: IAS 1 Presentation of Financial Statements (applicable as of 1 January 2009), IAS 23 Borrowing Costs (applicable as of 1 January 2009), IAS 27 Consolidated and Separate Financial Statements (applicable as of 1 January 2009), IAS 28 Investment in Associates (applicable as of 1 July 2009), IAS 31 Interests in Joint Ventures (applicable as of 1 July 2009), IAS 32 Financial Instruments: Disclosure and Presentation (applicable as of 1 January 2009) and IFRS 3 Business Combinations (applicable as of 1 July 2009). Carnegie has not yet determined what consequences these new standards would have on the Group's financial reporting. None of these amended standards have been adopted by the EU.

The International Financial Reporting Interpretations Committee (IFRIC) has issued the following interpretations: IFRIC 11: IFRS 2 Group and Treasury Share Transactions, including internal transactions (applicable as of 1 March 2007, which in practice means 1 January 2008 for Carnegie), IFRIC 12 Service Concession Arrangements and IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 12 and IFRIC 14 apply as of 1 January 2008) and IFRIC 13 Customer Loyalty Programs (applicable as of 1 July 2008). According to Carnegie's preliminary assessment, these interpretations will not have any significant effect on the Group's financial reporting.

CONSOLIDATED ACCOUNTS

CONSOLIDATION PRINCIPLES

The consolidated accounts comprise the Parent Company and all companies over which the Parent Company directly or indirectly exercises a controlling influence. A controlling influence means that Carnegie has the right to establish financial and operative strategies intended to achieve economic benefits. Controlling influence is assumed to pertain when the ownership share amounts to at least 50 per cent of the voting rights in the subsidiary but may also be achieved if a controlling influence is exercised in some other

manner than share ownership. In all cases, the Parent Company owns directly or indirectly shares and/or participations in the companies included in the consolidated accounts. Subsidiaries are included in the consolidated accounts as of the date at which the controlling influence was attained and are eliminated as of the date at which the controlling influence ceased.

All internal transactions between subsidiaries, as well as intra-Group transactions, are eliminated in the consolidated accounts. When necessary, the accounting principles for subsidiaries are modified in order to achieve greater agreement with the Group's accounting principles. The equity portion of untaxed reserves is recognized in equity as profit brought forward. The tax portion of untaxed reserves is recognized as a deferred tax liability based on the current tax rate in each country.

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

EQUITY INSTRUMENTS

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

FOREIGN CURRENCY

The accounts of foreign subsidiaries 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 recognized in the income statement. Exchange-rate differences recognized in the income statement are included in the item Net income from financial transactions at fair value.

In preparing the consolidated accounts, the balance sheets of foreign subsidiaries are translated to SEK at the closing-date rate, while the income statements are translated based on the average rate for the period. The translation differences thus arising are booked directly against a translation reserve in shareholders' equity

INCOME RECOGNITION

Income is recognized in the income statement when it is probable that future economic benefits will be received and these benefits can be calculated in a reliable manner. Income is normally recognized during the period in which the service was performed. Perform-

ance-based fees and commissions are recognized when the income can be calculated reliably and are recognized in income in conjunction with capitalization. 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 accounts, fees relating to advisory services are recognized as commission income. These fees are attributable to insurance advisory services and to advisory services within Private Banking and Investment Banking. These services are reported in the income statement 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 recognized over the maturity period according to the effective-rate method.

The net result of financial items consists of realized and unrealized 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 recognized when the right to receive payment is established.

EXPENSE RECOGNITION

Operating and administrative expenses, compensation to employees, other personnel costs and borrowing costs are expensed in the period to which they are attributable.

COMPENSATION TO EMPLOYEES

Compensation to employees in the form of salaries, paid holidays, paid absence due to illness, other current compensation and similar items, as well as pensions, are recognized at the rate it is earned. Any other compensation after termination of employment is classified and reported in the same manner as pension commitments.

Share-related compensation – incentive programme

Carnegie Investment Bank AB does not pay any share-related compensation to employees.

Profit sharing

The Group reports an expense for profit sharing, which is recognized as an accrued expense. This expense is recognized at the rate it is earned, meaning when it is linked to a contract or when there is an established practice that creates an informal obligation.

Severance pay

Severance pay is paid when employment is involuntarily terminated prior to reaching retirement age or when an employee voluntarily resigns in exchange for severance pay. The Group reports an expense for severance pay when it is clear that it is a case of either termination of employment as part of an established formal plan that cannot be revoked or an offer of severance pay to encourage voluntary resignation and which is accepted by the employees who receive

the offer. Benefits falling due for payment more than 12 months after the closing date are discounted to the current value if they are significant.

Pension commitments

A defined-contribution plan is a pension plan according to which a company pays fixed fees to a separate legal entity. Thereafter, the company has no legal or informal obligations to pay additional fees related to the employee's pension entitlement. A defined-benefit plan is a pension plan that guarantees the employee a certain amount as a pension upon retirement that is normally based on several different factors, including final salary and length of employment. The Group only has defined-contribution pension plans. Costs for defined-contribution pension plans are recognized in the income statement at the rate benefits are earned, which normally coincides with the date on which pension premiums are paid. Costs for special salary tax are expensed at the rate at which pension expenses arise.

LEASING

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

Leasing fees paid for operational leasing contracts are expensed straightline over the leasing period. Variable fees are recognized 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 recognized as a liability and thereafter as a reduction straightline over the leasing period, unless some other systematic method better reflects the benefit to the Group over time.

INCOME TAX

Tax expense/income for the period consists of current and deferred tax. Tax is recognized in the income statement except when the underlying transaction is charged directly against equity, in which case, the associated tax effect is also charged against equity.

Current tax is the tax that is calculated on taxable income for the period. Taxable income for the year differs in comparison with reported income before tax, since taxable income is adjusted for non-tax deductible expenses and non-tax deductible income and other adjustments as a result of double-taxation agreements with other countries, for example, The Group's current tax is calculated according to the tax rates established or in practice approved (announced) on the closing date in each country.

Deferred tax is reported according to the balance-sheet method, by which deferred tax liabilities are recognized on the balance sheet for all taxable temporary differences based on differences between carrying amounts and values for taxation of all assets and liabilities. Deferred tax assets are recognized on the balance sheet for tax-deductible loss carryforwards and tax-deductible temporary differences to the extent that it is probably that these amounts may be used against future taxable surplus amounts. The reported value 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 that can be used against tax-deductible loss carryforwards and/or tax-deductible temporary differences. Deferred tax is reported based on the tax rates expected to apply for the period in which the debt is eliminated or the asset reclaimed.

Tax assets and tax liabilities are recognized in net amounts on 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 debt at the same time.

FINANCIAL ASSETS AND LIABILITIES

Financial assets recognized in 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 recognized in the balance sheet when the company becomes a party to the instrument's contractual terms. Accounts receivable are included on the balance sheet when an invoice has been issued. 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. Accounts payable are included when an invoice is received. A financial asset is eliminated from the balance sheet when the contractual rights have been realized 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 asset.

Transaction-date accounting is employed for derivative instruments, as well as the sale and purchase of bond and equity instruments on the spot market.

Financial assets and financial liabilities in the trading portfolio are valued at fair value on the balance sheet, while changes in value are recognized in the income statement. If market prices in an established marketplace are available, they are used for valuation. In cases where there is no active market or listed prices are temporarily unavailable, Carnegie establishes the fair value using various valuation methods. These methods include models based on observable market data, as well as models in which certain parameters are not observable. A number of parameters are included in these models, such as volatility assumptions. These techniques include models based on observable market data and models in which certain parameters are not observable. A number of parameters are included in the above valuation models, such as volatility assumptions. Changing the assumptions with regard to these parameters may affect the reported value of the financial instrument.

The valuation methods are primarily used to value derivative instruments. All valuation models are regularly validated at random intervals by both the internal Risk Control function and external independent parties. The models are also reconciled regularly against quoted market prices.

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

Each new validation model is approved by the Group's Risk Management, and all models are reviewed regularly.

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

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

- Assets for trading
- Fair value options
- Loan receivables and accounts receivable
- Assets available for sale
- Other financial liabilities
- Financial liabilities for which hedge accounting is applied

Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances with central banks, lending to credit institutions and current investments with a maturity from the acquisition date of less than three months and which are not exposed to significant risk of changes in value.

Cash and central bank balances

Cash and bank balances with central banks are categorized as loan and accounts receivables and valued at accrued acquisition value.

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. These are categorized as loans and accounts receivable and valued at accrued acquisition value. Reserves are allocated for probable credit losses after individual assessment. Reserves for probable credit losses are allocated in cases where collateral, commitments or other guarantees are not expected to cover the payment due. 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 reported under Net credit reserves.

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 categorized as loan and accounts receivable and valued at accrued acquisition value. Reserves are allocated for probable credit losses after individual assessment. Reserves for probable credit losses are allocated in cases where collateral, commitments or other guarantees are not expected to cover the payment due. 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 reported under Net credit reserves.

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 categorized as Assets for trading and valued at fair value, with changes in fair value recognized in the income statement under Net income from financial transactions.

Shares and participations

Shares and participations consist mainly of shareholdings intended for trade and are categorized as assets for trade valued at fair value. Shares and participations not held for trade are categorized as financial instruments, which are identified on the first reporting date as an item valued at fair value via the income statement 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 valuation principles according to IAS 39. Changes in fair value for shares and participations are recognized in the income statement under Net income from financial items at fair value.

Derivative instruments

All derivative instruments are classified as assets held for trading. Derivative instruments are valued at fair value with changes in fair value recognized in the income statement under Net income from financial items at fair value. In cases where the fair value is positive, it is recognized as an asset. In cases where the fair value is negative, it is recognized as a liability.

Liabilities to credit institutions

Liabilities to credit institutions consist mainly of short-term borrowing and are categorized as Other financial liabilities and valued at accumulated acquisition value.

Deposits and borrowing from the public

Deposits and borrowing from the public consists primarily of short-term borrowing from the public. These liabilities are categorized as Other financial liabilities and valued at accrued acquisition value.

Lending of securities and short equity positions

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

Buy-back transactions

Buy-back transactions, which are also called repo transactions, refer to the sale of securities in conjunction with the parties reaching an agreement that the security will be repurchased at a pre-determined price. Securities that Carnegie sells in a repo transaction remain on the balance sheet, while securities that Carnegie buys in a reverse repo transaction are not included on the balance sheet. The payment that Carnegie must make in a repo transaction is recognized as a fund cash liability. The payment that Carnegie receives in a reverse repo transaction is recognized as a fund cash claim. Amounts with the same counterparty are reported as net amounts in the consolidated accounts.

INTANGIBLE ASSETS

Intangible assets consist of goodwill, client relations, brands,

acquired IT systems and internally accrued expenses for the development of IT systems.

Goodwill

Goodwill is initially recognized as an asset valued at acquisition value and is thereafter carried at acquisition value less any accumulated impairment. Gains or losses arising from the divestment of an operation include the remaining carrying amount of goodwill attributable to the divested unit. Goodwill has an indeterminate useful lifetime 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 assessed annually, or more frequently when there are indications that an impairment requirement may pertain. Impairment arises when the carrying amount exceeds the recovery value. The recovery value corresponds to the higher of value in use and the net sale value. If the cash-generating unit's recovery value is lower than the carrying amount, the impairment is first distributed to reduce the carrying amount of any goodwill attributed to the unit and thereafter to the unit's other assets pro rata based on the carrying amount of each asset in the unit. An impairment of goodwill may not be reversed in a later period.

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

Other intangible assets

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

Internally developed intangible assets, including IT systems

An internally developed intangible asset, meaning development expenses, is reported 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 acquisition cost can be calculated in a reliable manner

Internally developed intangible assets are initially reported as the sum of expenses 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 amortized linearly over their estimated useful life, which amounts to three to five years.

TANGIBLE FIXED ASSETS

Tangible fixed assets are reported at acquisition value less accumulated depreciation and any impairments. Tangible fixed assets consist of capitalized renovation costs, computer equipment and fixtures.

Depreciation according to plan is based on the asset's acquisition value and estimated useful life. Capitalized renovation costs are depreciated according to plan by 5 to 10 per cent per year. Computer equipment and fixtures are depreciated according to plan by 20 to 33 per cent per year.

The gain or loss that arises from divestment or scrapping of tangible fixed assets is recognized in the income statement.

IMPAIRMENT OF INTANGIBLE FIXED ASSETS AND WRITE-DOWNS OF TANGIBLE FIXED ASSETS WITH DETERMINABLE USEFUL LIFE

Impairment or write-downs are recognized in cases in which the carrying amount of an intangible asset or a tangible fixed asset exceeds its recovery value. The carrying amounts for fixed assets are established on each closing date to determine if there is a need for a write-down. If there is such an indication, the asset's recovery value is calculated. The recovery value is the higher of the value in use and fair value less selling costs.

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

SEGMENT REPORTING

The Group's business areas are reported according to the internal organization.

The Group's business areas are defined as primary segments, meaning that the Group's primary segments consist of operating units. In addition to the income statement, assets, liabilities, provisions and investments attributable to the primary segments are reported. Furthermore, figures are provided for income, assets and liabilities distributed by geographic areas, which are defined as secondary segments.

Reporting by segment is based on directly attributable income, expenses, assets and liabilities. The allocation of joint expenses per business area is based on an estimated degree of usage. Allocations to the profit-sharing system are distributed by business area according to a fixed percentage rate to facilitate analysis by business area. The actual distribution in the profit-sharing system is based on income for the full year and distributed on a discretionary basis.

Non-allocated items are associated companies and other significant holdings.

PROVISIONS

A provision is reported when there is a formal or informal commitment arising from an event that has taken place and the occurrence of which will only be confirmed by one or more uncertain future events or when it is probable that an outflow of resources will be required to settle the commitment and it is possible to estimate the amount of the commitment in a reliable manner.

CRITICAL ASSESSMENT PARAMETERS

FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities in the trading portfolio are valued at fair value on the balance sheet while changes in value are recognized in the income statement.

Critical parameters that affect the accounting principles 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 valuation. When there is no active market or when quoted prices are temporarily unavailable, Carnegie deter-

mines the fair value using various valuation techniques.

These techniques include models based on observable market data, as well as models in which certain parameters are not observable. A number of parameters are included in these valuation models, such as time and volatility values. Changing assumptions with respect to these parameters in the valuation models can affect the reported value of the financial instrument.

All non-observable parameters used in the valuation models must be approved by Carnegie's Credit Risk Committee.

The valuation methods are primarily used to value derivative instruments. All valuation models are regularly validated at random intervals by both the internal Risk Control function and independent external parties. The models are also reconciled regularly against quoted market prices.

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

REPORTING OF DEFERRED TAX ASSETS

Carnegie reported a net deferred tax asset of SEK 231,219 attributable to temporary differences and tax-deductible deficits. The largest deferred tax assets are in Sweden and have an unlimited useful life, meaning that there is no expiration date. The ability to utilize deferred tax assets depends on Carnegie's capacity to report taxable profits in the future. Based on Carnegie's future prospects and historically favourable earnings capacity, Carnegie deems that the company will be able to report taxable profits within the foreseeable near future and in sufficient extent to be able to utilize the benefits related to the tax-deductible deficits and thus the recognized receivable.

REPORTING OF ENDOWMENT INSURANCE

Certain individual pension commitments are guaranteed through what is called 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 reports neither assets nor liabilities with the exception of the special payroll tax related to this endowment insurance.

PARENT COMPANY ACCOUNTING PRINCIPLES

The Parent Company's annual accounts were prepared in accordance with the Annual Accounts Act and Recommendation RR 32 Reporting of Legal Entities issued by the Swedish Financial Accounting Standards Council as well as applicable statements from its Urgent Issues group. RR 32 means that the Parent Company in its annual accounts for the legal entity must apply all IFRS and interpretations approved by the EU as far as possible within the framework of the Annual Accounts Act and the Act on Safeguarding of Pension Commitments and with consideration taken to the relationship between accounting and taxation. This means that the Parent Company applies the same accounting principles as the Group with the exceptions noted below.

FINANCIAL FIXED ASSETS

The Parent Company's holdings of shares in foreign subsidiaries and associated companies are reported according to the purchase method.

ANTICIPATED DIVIDEND

Anticipated dividends from subsidiaries are reported in cases where the decision is taken in the subsidiary or where the Parent Company otherwise has full control over the decision process before the Parent Company publishes its financial reports.

GROUP CONTRIBUTIONS AND SHAREHOLDER CONTRIBUTIONS

Group contributions and shareholder contributions in both legal entities and the Group are reported in accordance with the principles specified by the Swedish Financial Accounting Standards Council's Urgent Issues group. Group contributions (including tax effects) and shareholder contributions are as a general rule recognized directly in shareholders' equity. Shareholder contributions received are recognized as an increase in the Parent Company's investment.

DEFERRED TAX IN RELATION TO UNTAXED RESERVES

Due to the relation between accounting and taxation, the Parent Company does not separately report deferred tax liabilities attributable to untaxed reserves. These liabilities are thus reported as gross amounts on the balance sheet, which also applies to appropriations in the income statement. Any amounts allocated to untaxed reserves consist of temporary differences.

FINANCIAL GUARANTEES

The Parent Company applies the exception provision in RR 32 and thus does not apply the rules in IAS 39 with respect to financial guarantees relating to guarantee agreements entered on behalf of subsidiaries and associated companies. In these cases, the rules in IAS 37 are applied, meaning that such guarantee agreements must be recognized as a provision on the balance sheet when the Parent Company has a legal or informal commitment as a result of a previous event and it is probable that an outflow of resources will be required to settle the commitment and it is possible to reliably estimate the commitment.

REPORTING OF ENDOWMENT INSURANCE

The Parent Company's pension commitments, which are guaranteed in the form of Company-owned endowment insurance, are carried in net amounts in the Parent Company. The asset is reported under the heading Other assets, and the liability is reported under the heading Other liabilities. See Note 34.

There is no difference with respect to recognized earnings, however, between the Parent Company and the consolidated accounts.

NOTES

NOTE 1 ADJUSTMENT OF FINANCIAL DATA PERTAINING TO THE PRECEDING YEAR

As a result of a breach of the internal rules for valuation of holdings of financial instruments in Carnegie's trading portfolio and in violation of the rules for valuation of financial instruments according to IAS 39, reported income for 2005 and 2006 was overstated. Holdings in the trading portfolio include various combinations of spot and derivative instruments. The positions are valued based on market prices when such are available (observable market data). In situations where market prices are lacking or are considered unreliable, valuations are performed according to market practice by applying relevant theoretical models and reasonable assumptions. In May, Carnegie's management discovered that these valuations were based historically on incorrect assumptions not only with respect to observable market data but also in cases where reliable market data was lacking, which resulted in income for 2005 and 2006 being overstated. See also the section Events relating to trading operations for further information.

The adjustment of historical financial data primarily affected the income statement

items Net income from financial items valued at fair value, Personnel costs (allocation to the profit-sharing system) and Taxes. On the balance sheet, the items primarily affected were Derivative instruments, Taxes and Profit brought forward. For 2006, this resulted in a reduction of total assets by SEK 22 m.

In addition, a change was made in the reporting of net and gross positions in shares and derivatives that affected the comparison figures for 2006. This resulted in total assets increasing by SEK 2,584 m. As of 2007, shares and derivatives are reported in net amounts only in cases in which there is a legal right of offset and where Carnegie intends to settle the item with a net amount or settle the debt at the same time the asset is realized. This was primarily motivated by Equity Finance transactions in which clients are offered such solutions as share lending, repo transactions and swaps. This normally takes place without market risk, and Carnegie therefore previously reported such positions in net amounts regardless of the counterparty. In addition, other reclassifications between shares and derivatives resulted in a reduction of total assets for 2006 by SEK 73 m. The effects of the above adjustments of historical financial reports are presented in the table below.

CONSOLIDATED INCOME STATEMENT

SEKm	2005			2006				
	Reported	Trading portfolio adjustment	After adjustment	Reported	Adjustment reclassification	Adjustment net/gross reporting	Trading portfolio adjustment	After adjustment
Net commission income	2,959		2,959	3,716				3,716
Net interest income	76		76	54				54
Other dividend income	2		2	1				1
Net gain/loss from financial items at fair value	478	-100	378	718			-250	468
Total income	3,514	-100	3,414	4,489			-250	4,239
Personnel costs	-1,716	50	-1,666	-2,273			125	-2,148
Other administrative expenses	-794		-794	-689				-689
Total administrative expenses	-2,510	50	-2,460	-2,962			125	-2,837
Depreciation, amortization and impairment of tangible and intangible fixed assets	-56		-56	-64				-64
Total expenses	-2,566	50	-2,516	-3,026			125	-2,901
Income before credit reserves	948	-50	898	1,463			-125	1,338
Profit from participations in associated companies	0		0	0				0
Net credit reserves	-5		-5	1				1
Operating profit	943	-50	893	1,464			-125	1,339
Taxes	-272	14	-258	-410			35	-375
Profit for the year	671	-36	635	1,054			-90	964
Earnings per share (SEK)	1,678	-89	1,589	2,632			-225	2,407

CONSOLIDATED BALANCE SHEET

Shares and participations	7,089		7,089	14,173	-421	1,482		15,234
Derivative instruments	2,379	-5	2,374	1,786	348	1,102	-22	3,214
Total other assets	21,316		21,316	26,070				26,070
Total assets	30,785	-5	30,780	42,029	-73	2,584	-22	44,518
Short positions, shares				9,419	-568	-814		8,037
Derivative instruments	2,645	95	2,740	3,121	495	3,398	328	7,342
Current tax liability	92	-14	78	190			-49	141
Accrued expenses and prepaid income	1,213	-50	1,163	1,806			-175	1,631
Shareholders' equity	1,652	-36	1,616	2,448			-126	2,322
Total other liabilities	25,182		25,182	25,045				25,045
Total liabilities and shareholders' equity	30,785	-5	30,780	42,029	-73	2,584	-22	44,518
Return on shareholders' equity, %	45		43	51				49

NOTES

Note 1, cont'd.

PARENT COMPANY		2005			2006				
INCOME STATEMENT		Reported	Trading portfolio adjustment	After adjustment	Reported	Adjustment reclassification	Adjustment net/gross reporting	Trading portfolio adjustment	After adjustment
SEKm									
Net commission income		1,178		1,178	1,482				1,482
Net interest income		18		18	-58				-58
Other dividend income		0		0	0				0
Net gain/loss from financial items at fair value		328	-100	228	536			-250	286
Total income		1,524	-100	1,424	1,960			-250	1,710
Personnel costs		-920	50	-870	-1,184			125	-1,059
Other administrative expenses		-484		-484	-407				-407
Total administrative expenses		-1,404	50	-1,354	-1,591			125	-1,466
Depreciation, amortization and impairment of tangible and intangible fixed assets		-22		-22	-11				-11
Total expenses		-1,426	50	-1,376	-1,602			125	-1,477
Income before credit reserves		98	-50	48	358			-125	233
Net credit reserves		-5		-5	1				1
Operating profit		93	-50	43	357			-125	232
Write-down of shares in subsidiaries		-16		-16					
Anticipated dividend		586		586	659				659
Taxes		-25	14	-11	-103			35	-68
Profit for the year		638	-36	602	913			-90	823
Earnings per share (SEK)		1,595	-90	1,505	2,283			-225	2,058

CONDENSED BALANCE SHEET

Shares and participations	6,092		6,092	13,599	-421	1,482		14,660
Shares and participations in Group companies	1,039		1,039	1,048				1,048
Derivative instruments	2,350	-5	2,345	1,785	348	1,102	-22	3,213
Total other assets	12,000	14	12,014	17,853	249		13	18,114
Total assets	21,480	9	21,489	34,285	176	2,584	-9	37,036
Short positions, shares				7,877	-568	-814		6,495
Derivative instruments	2,566	95	2,661	3,121	495	3,398	328	7,342
Current tax liability	0		0	36			-36	0
Accrued expenses and prepaid income	601	-50	551	947			-175	772
Shareholders' equity	1,977	-36	1,941	2,729			-126	2,603
Total other liabilities	16,336		16,336	19,574	249			19,823
Total liabilities and shareholders' equity	21,480	9	21,489	34,285	176	2,584	-9	37,036
Return on shareholders' equity, %	34		33	39				36

NOTE 2 SEGMENT INFORMATION

PRIMARY SEGMENT – BUSINESS AREAS	Total		Securities		Investment Banking		Asset Management		Private Banking	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
GROUP SEKm	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Client-related income	2,322	2,293	1,741	1,730	–	–	–	–	581	563
Income from ECM transactions	294	398	–	–	294	398	–	–	–	–
Income from fund management	769	662	–	–	–	–	769	662	–	–
Income from discretionary management	357	228	–	–	–	–	357	228	–	–
Private Banking income	–	–	–	–	–	–	–	–	–	–
Advisory income	388	484	–	–	388	484	–	–	–	–
Net interest income	110	90	110	90	–	–	–	–	–	–
Net financial items	–317	69	–317	66	0	3	–	–	–	–
Other income	1	15	–	14	–	–	1	1	–	–
Total income	3,924	4,239	1,534	1,900	683	885	1,126	891	581	563
Personnel expenses excl. profit sharing	–1,040	–883	–472	–353	–166	–167	–199	–173	–203	–191
Other administrative expenses	–754	–689	–400	–349	–98	–96	–133	–125	–123	–119
Depreciation, amortization and impairment	–54	–64	–13	–13	–5	–6	–11	–13	–25	–32
Net credit reserves	–95	1	–95	–	–	–	–	–	0	1
Expenses sub-total	–1,943	–1,635	–978	–715	–268	–269	–343	–311	–351	–341
Operating profit before profit sharing	1,981	2,604	556	1,185	415	616	784	580	230	222
Expenses for profit-sharing system	–1,160	–1,265	–526	–566	–184	–304	–348	–286	–102	–109
Total expenses	–3,103	–2,900	–1,504	–1,281	–452	–573	–691	–597	–453	–450
Profit before tax	821	1,339	30	619	231	312	436	294	128	113
Taxes	–251	–375	–	–	–	–	–	–	–	–
Profit for the year	570	964	30	619	231	312	436	294	128	113
Average number of employees	804	775	360	336	133	128	138	134	173	177
Total assets	43,784	44,518	31,997	32,913	1,468	1,614	3,137	1,473	7,182	8,518
Total liabilities and provisions	41,478	42,196	30,839	32,964	1,527	1,386	2,718	720	6,394	7,126
Investments per business area	36	38	–1	–	6	7	16	–8	15	39
SECONDARY SEGMENT – GEOGRAPHIC AREAS			Total		Nordic region		Outside Nordic		Eliminations	
Group SEKm	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Commission income			4,028	3,898	3,441	3,249	632	695	–45	–46
Commission expenses			–292	–182	–296	–177	–4	–5	8	–
Interest income			962	665	727	478	250	204	–15	–17
Interest expenses			–1,019	–611	–877	–499	–157	–129	15	17
Other dividend income			1	1	1	1	–	–	0	0
Net financial items at fair value			243	468	190	438	42	42	11	–12
Total net income			3,924	4,239	3,186	3,490	764	808	–26	–58
Personnel expenses, incl. profit sharing			–2,200	–2,148	–1,906	–1,790	–294	–358	–	–
Other administration expenses			–754	–689	–682	–617	–95	–98	23	26
Depreciation, amortization and impairment			–54	–64	–59	–86	–6	–6	11	28
Net credit reserves			–95	1	–95	1	–	–	–	–
Total expenses			–3,103	–2,900	–2,742	–2,492	–395	–462	34	54
Operating profit			821	1,339	444	998	369	346	8	–4
Taxes			–251	–375	–136	–264	–115	–111	–	–
Profit for the year			570	964	308	734	254	235	8	–4
Total assets			43,784	44,518	54,672	44,835	5,278	4,470	–16,166	–4,787
Total liabilities and provisions			41,478	42,196	51,076	41,242	4,559	3,891	–14,157	–2,937
Investments			37	33	37	32	0	1	–	–

The Parent Company has only one geographic segment, which is the Nordic region.

NOTES

NOTE 3 NET COMMISSION INCOME

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Brokerage fees	2,293,218	2,409,131	1,163,495	1,120,836
Other commission income	1,825,205	1,568,347	549,015	492,526
Marketplace fees	-90,170	-79,612	-117,208	-108,982
Total commission income	4,028,253	3,897,866	1,595,302	1,504,380
Other commission expenses	-291,940	-182,279	-92,566	-22,653
Total commission expenses	-291,940	-182,279	-92,566	-22,653
Net commission income	3,736,313	3,715,588	1,502,736	1,481,727

NOTE 4 NET INTEREST INCOME

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Lending to credit institutions	464,336	255,959	254,766	97,676
Lending to the public	435,117	340,824	304,513	229,680
Interest-bearing securities	53,596	33,523	16,012	8,299
Other interest income	8,690	35,076	14,237	10,793
Total interest income¹⁾²⁾	961,740	665,383	589,529	346,447
Lending to credit institutions	-741,464	-431,069	-672,430	-339,155
Lending to the public	-248,358	-167,659	-82,024	-61,723
Other interest expenses	-28,724	-12,358	-15,879	-3,611
Total interest expenses¹⁾	-1,018,546	-611,086	-770,333	-404,489
Net interest³⁾	-56,806	54,297	-180,804	-58,042
1) of which amounts for balance sheet items not valued at fair value	961,740	665,383	589,529	346,447
	-1,018,546	-611,086	-770,333	-404,489
Total	-56,806	54,297	-180,804	-58,042

2) of which interest on doubtful receivables

3) Net interest income valued at fair value is included in the item Net financial items at fair value

NOTE 5 OTHER DIVIDEND INCOME

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Dividends received on shares and participations of a fixed-asset nature ¹⁾	1,339	853	-	-

1) Dividends from trading operations are included in the item Net financial items valued at fair value

NOTE 6 NET INCOME FROM FINANCIAL ITEMS VALUED AT FAIR VALUE

Group, 2007	Realized changes in value	Unrealized changes in value				Effect of exchange rate changes	Total
		Market price	Observable market data	Non-observable market data	Other method		
Bonds and other interest-bearing securities and attributable derivatives	15,942	-2,949	45	-335	-	12,703	
Shares and participations and attributable derivatives	329,507	194,519	-336,103	2,667	-	190,590	
Other financial instruments and attributable derivatives	56,788	-2,131	3	-213	-	54,446	
Exchange-rate changes in branches	-	-	-	-	-8,257	-8,257	
Other exchange-rate changes	-	-	-	-	-6,403	-6,403	
Net financial items at fair value	402,237	189,439	-336,056	2,119	-14,660	243,079	

Group, 2006	Realized changes in value	Unrealized changes in value				Effect of exchange rate changes	Total
		Market price	Observable market data	Non-observable market data	Other method		
Bonds and other interest-bearing securities and attributable derivatives	20,697	-3,982	0	110	-	16,825	
Shares and participations and attributable derivatives	721,626	-193,009	-114,185	0	-	414,432	
Other financial instruments and attributable derivatives	53,759	544	19	408	-	54,729	
Exchange-rate changes in branches	-	-	-	-	-11,730	-11,730	
Other exchange-rate changes	-	-	-	-	-6,424	-6,424	
Net financial items at fair value	796,082	-196,447	-114,166	518	-18,154	467,832	

PARENT COMPANY, 2007	Realized changes in value	Unrealized changes in value				Effect of exchange rate changes	Total
		Market price	Observable market data	Non-observable market data	Other method		
Bonds and other interest-bearing securities and attributable derivatives	785		45	-335		495	
Shares and participations and attributable derivatives	205,226	195,255	-339,038	2,667		64,110	
Other financial instruments and attributable derivatives	322			-213		109	
Exchange-rate changes in branches			2		-8,257	-8,255	
Net financial items at fair value	206,333	195,255	-338,991	2,119	-8,257	56,459	

PARENT COMPANY, 2006	Realized changes in value	Unrealized changes in value				Effect of exchange rate changes	Total
		Market price	Observable market data	Non-observable market data	Other method		
Bonds and other interest-bearing securities and attributable derivatives	1,229			111		1,340	
Shares and participations and attributable derivatives	597,647	-189,057	-114,230			294,360	
Other financial instruments and attributable derivatives	1,693		19	408		2,120	
Exchange-rate changes in branches					-11,730	-11,730	
Net financial items at fair value	600,569	-189,057	-114,211	519	-11,730	286,090	

Unrealized gains/losses are attributable to financial items valued at fair value. Fair value is based on one of the following valuation methods:

MARKET PRICE

The value is based on a price listed on an exchange or other marketplace.

OBSERVABLE MARKET DATA

The value is based on a price that was calculated with a valuation technique using assumptions consisting of observable market data.

NON-OBSERVABLE MARKET DATA

The value is based on a price that was calculated with a valuation technique using assumptions that were not based on observable market data.

OTHER METHOD

The value is based on a price that was established using another method (e.g. cost method).

NOTE 7 PERSONNEL EXPENSES

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Salaries and fees	-718,163	-654,004	-373,737	-348,604
Social insurance fees	-144,383	-132,768	-106,074	-96,504
Allocation to profit-sharing system	-1,160,000	-1,264,509	-490,714	-542,489
Pension expenses for Board of Directors and CEO	-1,471	-1,279	-315	-374
Pension expenses for other employees	-92,145	-90,743	-73,426	-71,608
Other personnel expenses	-83,885	-4,591	-57,866	-
Total personnel expenses	-2,200,047	-2,147,894	-1,102,132	-1,059,579

Note 7, cont'd.

Salary and compensation to other employees not included in the Board of Directors or Group Management	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Sweden	-294,594	-265,361	-283,809	-255,678
Norway	-92,321	-75,698	-2,080	-2,265
Denmark	-168,072	-146,174	-	-
Finland	-44,443	-45,984	-35,838	-37,246
Luxembourg	-32,992	-26,364	-	-
UK	-46,877	-44,634	-46,877	-44,634
USA	-22,193	-20,728	-	-
Total	-701,492	-624,943	-368,603	-339,823

Salary and compensation to Boards of Directors and CEOs	2007		2006	
	2007	2006	2007	2006
Sweden	-6,005	-12,712	-5,134	-8,781
Norway	-3,697	-3,315	-	-
Denmark	-2,234	-8,313	-	-
Finland	-2,250	-2,153	-	-
Luxembourg	-1,471	-1,462	-	-
UK	-	-	-	-
USA	-1,014	-1,106	-	-
Switzerland	-	-	-	-
Total	-16,671	-29,061	-5,134	-8,781

Average no. of employees (of whom women)	2007		2006	
	2007	2006	2007	2006
Sweden	382 (131)	376 (105)	366 (112)	353 (101)
Norway	101 (25)	95 (25)	3 (2)	3 (2)
Denmark	148 (44)	139 (42)	-	-
Finland	69 (27)	69 (28)	50 (21)	49 (20)
Luxembourg	41 (10)	40 (11)	-	-
UK	44 (15)	38 (15)	44 (15)	38 (15)
USA	16 (4)	14 (4)	-	-
Switzerland	4 (-)	4 (-)	-	-
Total	804 (256)	775 (230)	463 (150)	443 (138)

NOTES

Note 7, cont'd.

Compensation to former Board of Directors	GROUP	
	2007	2006
Christer Zetterberg, Chairman	133	150
Hugo Andersen	133	350
Niclas Gabrán	133	150
Anders Ljungh	133	250
Dag Sehlin	133	250
Stig Vilhelmson	–	–
Fields Wicker-Miurin	133	150
Kjartan Gunnarsson	–	50
Total	799	1 350

Compensation to current Board of Directors	GROUP	
	2007	2006
Anders Fällman, Chairman	17	–
Jan Kvarnström, Vice Chairman	17	–
Mai-Lill Ibsen	150	–
Björn C Andersson	17	–
Catharina Lagerstam	17	–
Patrik Tigerschiöld	17	–
Total	234	–

Personnel expenses, CEO, Vice President and other senior executives

Group	2007		2006		2007		2006	
	Gross salary and benefits	Profit share	Pensions and similar benefits	Severance pay				
Resigning CEO Karin Forseke	–	900	–	–	–	–	–	3,600
Resigning CEO Stig Vilhelmson ¹⁾	3,651	2,800	–	15,100	237	4,000	8,113	–
Current CEO Anders Onarheim ²⁾	855	–	13,439	–	14	–	–	–
Current Vice President Matti Kinnunen ³⁾	628	–	–	–	64	–	–	–
Other resigning senior executives⁴⁾	7,862	9,687	13,439	25,743	1,321	9,916	9,367	–
Other current senior executives⁵⁾	11,670	2,213	1,247	21,657	357	184	–	–

1) Stig Vilhelmson resigned as CEO on 27 September 2007. The amounts refer to the total cost for 2007.

2) Anders Onarheim's compensation includes the period from when he became CEO on 28 September until 31 December 2007.

3) Matti Kinnunen's compensation includes the period from when he became Vice President on 28 September until 31 December 2007.

4) The amounts are for the period during which they held a position in the category other senior management. Seven persons are included in the group (of whom six in the Parent Company).

5) The amounts are for the period during which they held a position in the category other senior management. The group includes three persons (of whom two in the Parent Company).

The comparison figures for 2006 include persons who were senior executives in 2006.

ABSENCE DUE TO ILLNESS

During 2007, absence due to illness for employees in Swedish companies was 1.2 per cent (1.4 per cent in 2006) of ordinary working time, of which 0.5 per cent (0.8) was consecutive absence of 60 days or more. Absence due to illness was 2.1 per cent (0.6) for women and 0.8 per cent (0.9) for men. The age distribution was 0.7 per cent (0.7) 29 years or younger; 1.2 per cent (1.3) between 30 and 49 years and 2.3 per cent (3.2) 50 years or older.

GENDER DISTRIBUTION

The current Board of Directors consists of 33 per cent (14) women and 66 per cent (86) men. The current management group consists of 100 per cent (100) men.

COMPENSATION

D. Carnegie & Co AB's Remuneration Committee reviews the CEO's salary and benefits in accordance with his contract. The committee also establishes principles and general policy for salaries, benefits and pensions for the firm's senior executives.

DECISION TO FOREGO PROFIT SHARE

In conjunction with the decision by the Board of Directors on 11 June 2007 regarding the write-off in the profit-sharing system and its effects on Carnegie's profit-sharing system, Carnegie's management group at that time decided to forego their profit share for 2007 to the benefit of the shareholders. The decision involved the following persons: Stig Vilhelmson, Lars Bjerrek, Peter Bäämheim, Jim Cirenza, Niklas Ekvall, Ulf Fredrixon and Matti Kinnunen. None of these persons received a profit share during 2007, which reduced costs for the Group by SEK 68m.

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 is twelve months and 24 months if terminated by Carnegie. In the event of immediate termination by Carnegie, the CEO receives 24 months' severance pay and compensation for the loss of other benefits during 24 months. Senior executives within Carnegie have notice periods that vary between three and 24 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 to profit sharing) in accordance with customary rules in each country. These provisions amounted to 13 per cent (14) of total salary costs in the Group and 20 per cent (21) in the Parent Company. All pension commitments consist of defined-contribution pension plans and are reinsured with external parties. Carnegie has no outstanding pension commitments. Carnegie makes no pension provisions for Board members who are not employed by Carnegie. The CEO is entitled to retire at 60, and the company also has the right to request 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 the company.

ENDOWMENT INSURANCE

Individual pension commitments, which are fully guaranteed through 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 310,998,000 (251,804,000), of which in the Parent Company, SEK 307,913,000 (248,969,000). Premiums paid during the year amounted to: In the Group, SEK 65,286,000 (57,913,000) and in the Parent Company, SEK 65,285,000 (55,177,000).

NOTE 8 OTHER ADMINISTRATIVE EXPENSES

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Other administrative expenses include:				
Auditing fees				
Deloitte	-7,485	-2,620	-4,589	-
Grant Thornton	-3,430	-3,446	-	-
KPMG	-2,920	-4,673	-789	-3,089
PricewaterhouseCoopers	-246	-	-	-
Other auditing firms	-1,059	-663	-47	-141
Total	-15,140	-11,402	-5,425	-3,230
Övrigt arvode till revisionsbolag				
KPMG	-	-738	-	-245
Grant Thornton	-	-367	-	-
Deloitte	-149	-327	-149	-
Other auditing firms	-903	-2,195	-290	-1,778
Total	-1,052	-3,627	-439	-2,023

NOTE 9 DEPRECIATION AND AMORTIZATION OF FIXED ASSETS

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Computer equipment and other equipment	-24,528	-24,054	-5,653	-6,732
Renovations	-2,313	-770	-2,313	-770
Other intangible items	-27,379	-38,696	-1,342	-3,746
Total	-54,220	-63,519	-9,308	-11,248

NOTE 10 NET CREDIT RESERVES AND PROVISIONS FOR DOUBTFUL RECEIVABLES

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Provisions for doubtful receivables on the opening date	-30,868	-33,768	-30,868	-33,768
Effect on income of individually valued credits included in the income statement (minus is increased provision):				
Reversals of previous reserves	655	629	655	629
Reserves for the year	-96,283	-523	-96,283	-523
Reversals of reserves no longer required	1,055	385	1,055	385
Total net credit reserves	-94,573	491	-94,573	491
Exchange-rate differences	1,178	2,093	1,178	2,093
Total items affecting income	-93,395	2,584	-93,395	2,584
Previously reported doubtful receivable now eliminated as actual	787	316	787	316
Provisions for doubtful receivables on the closing date	-123,476	-30,868	-123,476	-30,868

Provisions for doubtful receivables on the closing date are attributable to the item Lending to the public within the Nordic region. Impairments for the year relating to credit losses, reserves and reversals of impairments are attributable to the item Lending to the public. The balance on the closing date is included as a reduction of assets in the balance-sheet item Lending to the public.

NOTE 11 TAXES

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Current tax expense				
Tax expense for the year	-324,213	-425,519	-10,759	-126,137
Adjustment of tax attributable to prior years	845	2,840	872	2,842
Total	-323,368	-422,679	-9,887	-123,295
Deferred tax expense (-) / income (+)				
Deferred tax related to temporary differences	12,219	48,721	12,954	55,205
Deferred tax income in the tax value of loss carryforwards capitalized during the year	60,446	-	63,211	-
Deferred tax expense as a result of utilization of the tax value in previously capitalized loss carryforwards	-	-798	-	-
Total	72,665	47,923	76,165	55,205
Total recorded tax expense	-250,703	-374,756	66,278	-68,090

NOTES

Note 11, cont'd.

	GROUP				PARENT COMPANY			
	2007	2007	2006	2006	2007	2007	2006	2006
Reconciliation of effective tax	Tax rate, %	Amount	Tax rate, %	Amount	Tax rate, %	Amount	Tax rate, %	Amount
Profit before tax		820 860		1,338,583		421,377		891,248
Tax according to prevailing tax rate for the Parent Company	28.0	-229,841	28.0	-374,803	28.0	-117,986	28.0	-249,549
Effect of tax rates for foreign subsidiaries ¹⁾	0.8	-6,271	1.0	-13,398	0.0	-	0.0	-
Tax effect of non-deductible expenses	3.5	-28,397	0.0	-	4.1	-18,041	0.0	-
Tax effect of non-deductible income	-1.6	12,961	0.0	-	-0.2	1,005	0.0	-
Tax on anticipated dividends		-		-	-46.7	205,829	-20.7	184,440
Increase in loss carryforwards without corresponding capitalization of deferred tax	0.0	-	0.1	-798	0.0	-	0.0	-
Tax attributable to previous years	-0.1	845	-0.2	2,840	-0.2	872	-0.2	2,841
Other	0.0	-	-0.8	11,403	0.0	-5,401	0.0	-5,822
Reported effective tax	30.5	-250,703	28.0	-374,756	-15.0	66,278	28	-68,090

1) Taxable income multiplied by the current tax rate for each subsidiary. Denmark reduced corporate tax from 26 to 25 per cent, resulting in a reduction of tax expenses by SEK 4 m.

NOTE 12 EARNINGS PER SHARE AND NUMBER OF SHARES

	2007	2006
Earnings per share	1,425	2,410
Number of shares at 1 January	400,000	400,000
Number of shares at 31 December	400,000	400,000
Average number of shares	400,000	400,000
Number of shares with dividend rights	400,000	400,000
Profit for the year, SEK thousands	570,156	963,826
Dividend per share, proposed, SEK	1,318	1,500

Par value SEK 500 per share
All shares are fully paid

There is only one class of shares that entitles the holder to one vote per share and has equal rights to dividends.

DEFINITIONS

Earnings per share
Profit for the period divided by the average number of shares.

Average number of shares
The total number of shares, including any new issues, as a weighted average during the period.

NOTE 13 MATURITY INFORMATION

	GROUP		PARENT COMPANY	
	31 Dec. 2007	31 Dec. 2006	31 Dec. 2007	31 Dec. 2006
Payable on demand	9,056,741	5,359,506	7,405,512	4,114,091
Remaining maturity period less than three months	3,326,685	2,351,012	612,412	259,405
Remaining maturity period greater than three months but at most one year	4 524	-	-	-
Lending to credit institutions	12,387,950	7,710,518	8,017,925	4,373,496
of which repo transactions	427,322	1,034,920	-	-
of which Group companies	-	-	11,543	27,666
Payable on demand	6,766,319	7,718,590	5,173,034	7,003,969
Remaining maturity period less than three months	753,996	1,162,790	-	-
Remaining maturity period greater than three months but at most one year	376,755	23,683	-	-
Remaining maturity period greater than one year but at most five years	347	747	-	-
Lending to the public	7,897,418	8,905,810	5,173,034	7,003,969
of which repo transactions	-	-	-	-
of which Group companies	-	-	19,297	104,499
Payable on demand	11,745,600	14,495,740	11,628,294	14,470,498
Remaining maturity period less than three months	801,339	1,269,739	507,493	164,736
Remaining maturity period greater than three months but at most one year	-	-	-	-
Liabilities to credit institutions	12,546,939	15,765,479	12,135,787	14,635,234
of which repo transactions	292,745	1,046,231	-	-
of which Group companies	-	-	45,821	24,908
Payable on demand	7,811,004	7,227,894	4,664,479	4,592,847
Remaining maturity period less than three months	2,311,462	1,504,150	-	-
Remaining maturity period greater than three months but at most one year	13,979	9,620	-	-
Remaining maturity period greater than one year	-	-	-	-
Deposits and borrowing from the public	10,136,445	8,741,664	4,664,479	4,592,847
of which repo transactions	-	-	-	-
of which Group companies	-	-	342,079	753,643

NOTE 14 FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING
– INFORMATION ON VALUATION METHOD AND MATURITY PERIOD

Group 31 Dec. 2007	Valuation method ¹⁾				Total	Remaining maturity period					
	Market price	Observable market data	Non-observable market data	Other method		At most 1 year	Between 1 year and 2 years	More than 2 years	Not applicable	Total	Latest due date if more than 2 years
Bonds and other interest-bearing securities	982,783			935	983,718	100,114	240,882	564,884	77,838	983,718	2038-01-01
Shares and participations	10,865,637	3,658	63,683	6,126	10,939,104	614,993	28,757	12,034	10,283,321	10,939,105	2016-01-25
Equity-related derivative instruments	1,143,151	940,085			2,083,236	1,553,290	423,750	106,196		2,083,236	2010-12-17
Total financial assets	12,991,571	943,743	63,683	7,061	14,006,058	2,268,397	693,389	683,114	10,361,159	14,006,059	
Bonds and other interest-bearing securities	471,520				471,520			471,520		471,520	2038-01-01
Short positions, equities	6,968,408				6,968,408	272,184		6,696,224		6,968,408	
Equity-related derivative instruments	1,276,132	4,640,975	26,528		5,943,635	3,914,361	1,159,182	870,092		5,943,635	2012-10-16
Total financial liabilities	8,716,060	4,640,975	26,528		13,383,563	4,186,545	1,159,182	1,341,612	6,696,224	13,383,563	
Group 31 Dec. 2006	Market price	Observable market data	Non-observable market data	Other method	Total	At most 1 year	Between 1 year and 2 years	More than 2 years	Not applicable	Total	Latest due date if more than 2 years
Bonds and other interest-bearing securities	1,911,839			3,158	1,914,997	377,584	82,926	1,454,487		1,914,997	2038-01-01
Shares and participations	15,174,250	2,811	54,188	2,471	15,233,720	410,167	7,436	47,492	14,768,625	15,233,720	2012-08-10
Equity-related derivative instruments	519,098	2,695,456			3,214,554	2,819,883	248,962	145,709		3,214,554	2009-12-18
Total financial assets	17,605,187	2,698,267	54,188	5,629	20,363,271	3,607,634	339,324	1,647,688	14,768,625	20,363,271	
Bonds and other interest-bearing securities	880,262				880,262		11,796	868,466		880,262	2038-01-01
Derivatives attributable to bonds and other interest-bearing securities	290,446				290,446		290,446			290,446	
Short positions, equities	6,865,941				6,865,941		88,048	6,777,893		6,865,941	
Equity-related derivative instruments	753,901	6,588,368			7,342,269	5,103,630	1,436,538	802,101		7,342,269	2011-01-18
Total financial liabilities	8,790,550	6,588,368			15,378,918	5,103,630	1,826,828	1,670,567	6,777,893	15,378,918	
Parent Company 31 Dec. 2007	Market price	Observable market data	Non-observable market data	Other method	Total	At most 1 year	Between 1 year and 2 years	More than 2 years	Not applicable	Total	Latest due date if more than 2 years
Bonds and other interest-bearing securities				935	935	317	618			935	
Shares and participations	10,270,718	3,658	63,380	1,683	10,339,439	389,604	28,757	12,034	9,909,044	10,339,439	2016-01-25
Equity-related derivative instruments	1,136,356	940,085			2,076,441	1,546,495	423,750	106,196		2,076,441	2010-12-17
Total financial assets	11,407,074	943,743	63,380	2,618	12,416,815	1,936,416	453,125	118,230	9,909,044	12,416,815	
Short positions, equities	6,474,474				6,474,474	63,912		6,410,562		6,474,474	
Equity-related derivative instruments	1,270,292	4,640,975	26,528		5,937,795	3,908,521	1,159,182	870,092		5,937,795	2012-10-16
Total financial liabilities	7,744,766	4,640,975	26,528		12,412,269	3,972,433	1,159,182	870,092	6,410,562	12,412,269	
Parent Company 31 Dec. 2006	Market price	Observable market data	Non-observable market data	Other method	Total	At most 1 year	Between 1 year and 2 years	More than 2 years	Not applicable	Total	Latest due date if more than 2 years
Bonds and other interest-bearing securities				3,158	3,158		2,263	895		3,158	
Shares and participations	14,602,345	2,005	54,188	1,453	14,659,991	179,542	7,436	47,492	14,425,521	14,659,991	
Equity-related derivative instruments	518,177	2,695,456			3,213,633	2,818,962	248,962	145,709		3,213,633	
Total financial assets	15,120,522	2,697,461	54,188	4,611	17,876,782	2,998,504	258,661	194,096	14,425,521	17,876,782	
Short positions, equities	6,495,082				6,495,082	37,496		6,457,586		6,495,082	
Equity-related derivative instruments	753,901	6,588,368			7,342,269	5,103,630	1,436,537	802,102		7,342,269	
Total financial liabilities	7,248,983	6,588,368			13,837,351	5,141,126	1,436,537	802,102	6,457,586	13,837,351	

1) For information on valuation methods, see Note 6.

NOTES

NOTE 15 INFORMATION ON OTHER FINANCIAL ASSETS

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Bonds, listed	904,945	1,849,333	0	0
Bonds, unlisted	78,773	65,663	935	3,158
	983,718	1,914,996	935	3,158
Swedish government	217,854	–	–	–
Foreign governments	135,502	89,439	–	–
Other foreign issuers	630,362	1,825,557	935	3,158
	983,718	1,914,996	935	3,158
Bonds, listed	10,865,656	14,728,860	10,270,736	14,157,380
Bonds, unlisted	73,448	504,860	68,703	502,611
	10,939,104	15,233,720	10,339,439	14,659,991

NOTE 16 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

	31 Dec. 2007	31 Dec. 2006
Acquisition value on the opening date	1,048,001	1,038,501
Acquisitions during the year	400	–
Divestments during the year	–10,050	–
Acquisitions within the Group, including acquisitions via mergers	–	9,500
Carrying amount, 31 Dec.	1,038,351	1,048,001

	Corporate Reg. No.	Registered office	No. of shares	Carrying amount 2007	Eget kapital 2007 *
Carnegie Inc	13-3392829	Delaware	100	12,712	104,569
Carenege ASA **	936310974	Oslo	20,000	93,608	372,225
Carnegie Ltd	2 941 368	London	1	–	339
Carnegie Fond AB	556527-9642	Stockholm	110,000	1,110	13,975
Familjeföretagens Pensionsredovisning i Värmland AB	556636-7776	Karlstad	1,000	10,400	1,565
Carneige Properties AB	556880-5288	Stockholm	1,000	100	398
Carnegie Asset Management Finland Ab	623.606	Helsinki	4,800	73,951	37,875
Dotterbolag till Carnegie Asset Management Finland Ab					
Carnegie Fondbolag Ab		Helsinki			
Carnegie Asset Management Danmark Holding A/S	226.229	Copenhagen	25,000	66,678	445,634
Dotterbolag till Asset Management Danmark Holding A/S					
Carnegie Asset Management Fondmæglerelskab A/S		Copenhagen			
Carnegie Asset Administration A/S		Copenhagen			
Carnegie Asset Management Holding Norge AS	976 307 852	Oslo	90,000	47,320	70,109
Dotterbolag till Asset Management Holding Norge AS					
Carnegie Kapitalförvaltning AS		Oslo			
Carenege Bank A/S **	109.861	Copenhagen	1	144,894	230,251
Banque Carnegie Luxembourg S.A.	1993-2201863	Luxembourg	349,999	587,578	341,046
Dotterbolag till Banque Carnegie Luxembourg S.A.					
Carnegie Fund Management Company S.A.		Luxembourg			
Carnegie Assat Management S.A.		Luxembourg			
Total				1,038,351	1,617,986

* Shareholders' equity in subsidiaries is reported excluding anticipated dividends to the Parent Company

** Companies classified as credit institutions

*** Capital C was divested as of 31 August 2007

NOTE 17 OTHER INTANGIBLE ASSETS

	GROUP		PARENT COMPANY	
	31 Dec. 2007	31 Dec. 2006	31 Dec. 2007	31 Dec. 2006
Acquisition value on the opening date	193,083	195,091	30,730	30,748
Exchange-rate changes	2,804	–2,027	774	–740
Acquisitions during the year	5,906	1,154	1,929	722
Divestments during the year	–189,168	–1,135	–	–
Acquisition value on the closing date	12,625	193,083	33,433	30,730
Amortization on the opening date	–154,268	–118,215	–28,213	–25,100
Exchange-rate changes	–2,804	1,508	–774	633
Acc. amortization for divestment	180,031	1,135	–	–
Amortization for the year	–27,380	–38,696	–1,342	–3,746
Amortization on the closing date	–4,421	–154,268	–30,329	–28,213
Carrying amount¹⁾	8,204	38,815	3,104	2,517

1) Other intangible assets consist of systems developed in house.

NOTE 18 GOODWILL

	GROUP	
	31 Dec.2007	31 Dec.2006
Acquisition value on the opening date	8,809	28,229
Acquisitions during the year	397	618
Divestments during the year	–	–20,038
Acquisition value on the closing date	9,206	8,809
Amortization on the opening date	–	–20,038
Change in accounting principle	–	–
Accumulated amortization for divestment	–	20,038
Amortization on the closing date	–	–
Carrying value¹⁾	9,206	8,809

1) An impairment test is performed annually on reported goodwill, regardless of whether or not there is an indication of a need to recognize an impairment loss.

The reported value of Goodwill is attributable to the following company:
Familjeföretagens Pensionsredovisning i Värmland AB

During the year, a supplementary purchase payment of SEK 397,000 was made.

**IMPAIRMENT ASSESSMENT OF FAMILJEFÖRETAGENS PENSIONS-
REDOVISNING I VÄRMLAND AB**

The calculated value in use of Familjeföretagens Pensionsredovisning i Värmland AB is judged to exceed the carrying value, and no reasonable changes in the most important assumptions are considered to result in the calculated value in use being lower than the carrying value of the company.

NOTE 19 TANGIBLE ASSETS

	GROUP		PARENT COMPANY	
	31 Dec.2007	31 Dec.2006	31 Dec.2007	31 Dec.2006
Computer equipment and other equipment				
Acquisition value on the opening date	255,435	246,149	96,365	89,762
Exchange-rate changes	5,560	–10,073	724	–1,171
Acquisitions during the year	39,452	38,618	18,884	9,664
Divestments during the year	–15,596	–19,259	–1,236	–1,890
Acquisition value on the closing date	284,851	255,435	114,737	96,365
Accumulated depreciation on the opening date	–190,630	–191,445	–76,528	–71,738
Exchange-rate changes	–5,559	8,425	–724	1,083
Divestments during the year	15,078	16,444	1,230	859
Depreciation for the year	–24,528	–24,054	–5,653	–6,732
Accumulated depreciation on the closing date	–205,639	–190,630	–81,675	–76,528
Carrying amount	79,212	64,805	33,062	19,837
Renovation of leased premises				
Acquisition on the opening date	64,359	64,359	64,359	64,359
Acquisition value on the closing date	64,359	64,359	64,359	64,359
Accumulated depreciation on the opening date	–53,980	–53,210	–53,980	–53,210
Depreciation for the year	–2,313	–770	–2,313	–770
Accumulated depreciation on the closing date	–56,293	–53,980	–56,293	–53,980
Carrying amount	8,066	10,379	8,066	10,379
Tangible assets carrying amount	87,278	75,184	41,128	30,216

NOTE 20 DEFERRED TAX ASSETS/LIABILITIES

	GROUP	
	2007	2006
Deferred tax assets		
Lending to the public	–	–
Intangible assets	3	3
Pensions	87,077	70,505
Other	22,948	27,605
Unutilized loss carryforwards	121 191	11,762
Total	231,219	109,875
Deferred tax liabilities		
Other	–20,846	–22,385
Total	–20,846	–22,385
Net deferred tax assets/liabilities	210,373	87,490

NOTES

Note 20, cont'd.

Changes for the year in deferred tax assets	GROUP			
	Value on the opening date	Deferred tax in income statement (minus is income)	Charged against equity, exchange-rate differences and acquisitions and eliminations	Value on the closing date (minus is liability)
Intangible assets	3		–	3
Pensions	70,505	–16,572	–	87,077
Other	27,605	6,372	1,715	22,948
Capitalized loss carryforwards	11,762	–60,429	49,000	121,191
Summa	109,875	–70,629	50,716	231,219
Deferred tax liabilities				
Other	–22,385	–2,037	–497	–20,846
Total	87,490	–72,665	50,218	–20,846

	PARENT COMPANY	
	2007	2006
Deferred tax assets		
Intangible assets	3	3
Pensions	86,216	69,711
Other	20,415	22,374
Capitalized loss carryforwards	112,211	–
Total	218,845	92,088
Net deferred tax assets/liabilities	218,845	92,088

Changes for the year in deferred tax assets	PARENT COMPANY			
	Value on the opening date	Deferred tax in income statement (minus is income)	Charged against equity, exchange-rate differences and acquisitions and eliminations	Value on the closing date (minus is liability)
Intangible assets	3	–	–	3
Pensions	69,711	–16,505	–	86,216
Capitalized loss carryforwards	–	–63,211	49,000	112,211
Other	22,374	3,551	1,589	20,415
Total	92,088	–76,165	50,589	218,845

At 31 December 2007, Carnegie had unutilized loss carryforwards for tax purposes of SEK 435,292,000 (45,242,000) of which 400,754 (0) were attributable to the Parent Company. Carnegie has recognized a deferred tax asset of SEK 121,191,000 (11,763), of which SEK 112,211 (0) in the Parent Company, relating to these tax-deductible loss carryforwards. Of the total tax-deductible loss carryforwards, SEK 34,538,000 expire in 2009, while the remaining SEK 400,754,000 can be utilized over an unlimited period. There are no other unrecognized deferred tax assets.

NOTE 21 CASH AND ACCOUNTS RECEIVABLE

	GROUP		PARENT COMPANY	
	31 Dec. 2007	31 Dec. 2006	31 Dec. 2007	31 Dec. 2006
Fund cash receivables	7,603,830	5,857,247	4,263,831	5,728,547
Accounts receivable	251,802	257,825	91,316	55,060
Total¹⁾	7,855,632	6,115,072	4,355,147	5,783,607

1) Of which the remaining maturity period is less than one year:

	7,848,161	6,115,072	4,347,676	5,783,607
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NOTE 22 PREPAID EXPENSES AND ACCRUED INCOME

	GROUP		PARENT COMPANY	
	31 Dec. 2007	31 Dec. 2006	31 Dec. 2007	31 Dec. 2006
Accrued interest	47,207	48,770	25,178	25,349
Rent	22,972	24,281	16,939	18,891
Fees	298,954	295,889	9,542	90,686
Pensions	13,065	4,819	4,947	4,325
Other	183,356	183,217	136,493	118,595
Total¹⁾	565,554	556,976	193,099	257,846

1) Of which the remaining maturity period is less than one year:

NOTE 23 SUBORDINATED ASSETS

The Parent Company has granted time-limited loans to wholly owned subsidiaries. The loans are subordinated in relation to other receivables.

Carnegie Bank AS

Amount	DKK 125 M
Due date	31 mars 2012
Interest from first redemption date	CIBOR + 2 %

Banque Carnegie Luxembourg SA

Amount	SEK 40 M
Due date	20 December 2014
Interest	STIBOR + 1,5 %

Carnegie ASA

Amount	NOK 70 M
Due date	1 January 2013
Interest	NIBOR + 2 %

Income from subordinated assets amounted to SEK 9,679,000.

NOTE 24 CASH AND ACCOUNTS PAYABLE

	GROUP		PARENT COMPANY	
	31 Dec. 2007	31 Dec. 2006	31 Dec. 2007	31 Dec. 2006
Fund cash debts	3,030,055	68,311	57,936	138,721
Accounts payable	269,561	112,437	71,055	105,106
Total¹⁾	3,299,616	180,748	128,991	243,827

1) Of which the remaining maturity period is less than one year:

NOTE 25 ACCRUED EXPENSES AND PREPAID INCOME

	GROUP		PARENT COMPANY	
	31 Dec. 2007	31 Dec. 2006	31 Dec. 2007	31 Dec. 2006
Rent	3,169	9,829	–	–
Accrued interest	27,341	91,069	25,983	86,858
Fees	148,922	196,765	17,957	5,226
Personnel-related	859,398	1,205,556	427,613	544,449
Pensions	8,147	27,600	5,801	25,282
Other	321,404	100,534	272,116	110,492
Total¹⁾	1,368,381	1,631,353	749,470	772,307

1) Of which the remaining maturity period is less than one year

NOTE 26 PROVISIONS

	GROUP		PARENT COMPANY	
	Other provisions	Total	Other provisions	Total
Opening balance, 1 Jan. 2007	3,780	3,780	2,030	2,030
Utilized amounts	–	–	–1,450	–1,450
Additional provisions	4,543	4,543	–	–
Closing balance, 31 Dec. 2007	8,323	8,323	580	580

NOTES

NOT 27 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

Group 31 December 2007	Held for trade	Fair value option	Loan and accounts receivable	Other financial liabilities	Non-financial assets/liabilities	Total
Cash and balances with central banks			457,203			457,203
Lending to credit institutions			12,387,950			12,387,950
Lending to the public			7,897,418			7,897,418
Bonds and other interest-bearing securities	983,718					983,718
Shares and participations	10,649,170	289,934				10,939,104
Derivative instruments	2,083,236					2,083,236
Intangible fixed assets					17,411	17,411
Tangible fixed assets					87,278	87,278
Current tax assets					171,151	171,151
Deferred tax assets					231,219	231,219
Cash and accounts receivable			7,855,632			7,855,632
Other assets			107,510			107,510
Prepaid expenses and accrued income					565,554	565,554
Total assets	13,716,124	289,934	28,705,712		1,072,612	43,784,383
Liabilities to credit institutions				12,546,939		12,546,939
Deposits and borrowing from the public				10,136,445		10,136,445
Short positions in financial instruments	7,439,928					7,439,928
Derivative instruments	5,943,635					5,943,635
Current tax liabilities					179,067	179,067
Deferred tax liabilities					20,846	20,846
Cash and accounts payable				3,299,616		3,299,616
Other liabilities				10,769	523,913	534,683
Accrued expenses and prepaid income					1,368,381	1,368,381
Provisions					8,323	8,323
Total liabilities	13,383,563			25,993,768	2,100,531	41,477,862
Shareholders' equity					2,306,521	2,306,521
Balance sheet total	13,383,563			25,993,767	4,407,051	43,784,383

Group 31 December 2006	Held for trade	Fair value option	Loan and accounts receivable	Other financial liabilities	Non-financial assets/liabilities	Total
Cash and balances with central banks			479,610			479,610
Lending to credit institutions			7,710,518			7,710,518
Lending to the public			8,905,810			8,905,810
Bonds and other interest-bearing securities	1,914,996					1,914,996
Shares and participations	14,952,741	280,979				15,233,720
Derivative instruments	3,214,554					3,214,554
Intangible fixed assets					47,623	47,623
Tangible fixed assets					75,184	75,184
Current tax assets					60,918	60,918
Deferred tax assets					109,875	109,875
Cash and accounts receivable			6,115,072			6,115,072
Other assets			93,319			93,319
Prepaid expenses and accrued income					556,975	556,975
Total assets	20,082,291	280,979	23,304,328		850,574	44,518,172

Note 27 cont'd.

Group 31 December 2006	Held for trade	Fair value option	Loan and accounts receivable	Other financial liabilities	Non-financial assets/ liabilities	Total
Liabilities to credit institutions				15,765,479		15,765,479
Deposits and borrowing from the public				8,741,664		8,741,664
Short positions in financial instruments	8,036,649					8,036,649
Derivative instruments	7,342,269					7,342,269
Current tax liabilities					141,159	141,159
Deferred tax liabilities					22,385	22,385
Cash and accounts payable				180,748		180,748
Other liabilities				11,424	319,575	330,999
Accrued expenses and prepaid income					1,631,353	1,631,353
Provisions					3,780	3,780
Total liabilities	15,378,918			24,699,315	2,118,252	42,196,485
Shareholders' equity					2,321,687	2,321,687
Balance sheet total	15,378,918			24,699,315	4,439,939	44,518,172
Parent Company 31 December 2007	Held for trade	Fair value option	Loan and accounts receivable	Other financial liabilities	Non-financial assets/ liabilities	Total
Cash and balances with central banks			9,444			9,444
Lending to credit institutions			8,017,925			8,017,925
Lending to the public			5,173,034			5,173,034
Bonds and other interest-bearing securities	935					935
Shares and participations	10,339,439					10,339,439
Shares and participations in associated companies					1,038,351	1,038,351
Derivative instruments	2,076,441					2,076,441
Intangible fixed assets					3,104	3,104
Tangible fixed assets					41,128	41,128
Current tax assets					168,361	168,361
Deferred tax assets					218,845	218,845
Cash and accounts receivable			4,355,147			4,355,147
Other assets			754,396		401,412	1,155,808
Prepaid expenses and accrued income					193,099	193,099
Subordinated assets			291,620			291,620
Total assets	12,416,815		18,601,566		2,064,300	33,082,681
Liabilities to credit institutions				12,135,787		12,135,787
Deposits and borrowing from the public				4,664,479		4,664,479
Short positions in financial instruments	6,474,474					6,474,474
Derivative instruments	5,937,795					5,937,795
Current tax liabilities					26,193	26,193
Cash and accounts payable				128,991		128,991
Other liabilities					501,911	501,911
Accrued expenses and prepaid income					749,470	749,470
Provisions					580	580
Total liabilities	12,412,269			16,929,258	1,278,154	30,619,680
Shareholders' equity					2,463,001	2,463,001
Balance sheet total	12,412,269			16,929,258	3,741,155	33,082,681

NOTES

Note 27 cont'd.

Parent Company 31 December 2007	Held for trade	Fair value option	Loan and accounts receivable	Other financial liabilities	Non-financial assets/liabilities	Total
Cash and balances with central banks			10,095			10,095
Lending to credit institutions			4,373,496			4,373,496
Lending to the public			7,003,969			7,003,969
Bonds and other interest-bearing securities	3,158					3,158
Shares and participations	14,659,991					14,659,991
Shares and participations in Group companies					1,048,001	1,048,001
Derivative instruments	3,213,633					3,213,633
Intangible fixed assets					2,517	2,517
Tangible fixed assets					30,216	30,216
Current tax assets					58,185	58,185
Deferred tax assets					92,088	92,088
Cash and accounts receivable			5,783,607			5,783,607
Other assets			78,075		248,969	327,044
Prepaid expenses and accrued income					257,846	257,846
Subordinated assets			171,987			171,987
Total assets	17,876,781		17,421,229		1,737,822	37,035,831
Liabilities to credit institutions				14,635,234		14,635,234
Deposits and borrowing from the public				4,592,847		4,592,847
Short positions in financial instruments	6,495,082					6,495,082
Derivative instruments	7,342,269					7,342,269
Cash and accounts payable				243,827		243,827
Other liabilities					349,228	349,228
Accrued expenses and prepaid income					772,307	772,307
Provisions					2,030	2,030
Total liabilities	13,837,351			19,471,908	1,123,565	34,432,824
Shareholders' equity					2,603,007	2,603,007
Balance sheet total	13,837,351			19,471,908	3,726,572	37,035,831

NOTE 28 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	GROUP		PARENT COMPANY	
	31 Dec. 2007	31 Dec. 2006	31 Dec. 2007	31 Dec. 2006
Assets pledged for own debt				
Own securities	11,185,681	14,374,130	10,890,661	14,083,678
Client securities	3,074,713	8,718,780	1,804,783	7,781,885
Other assets	9,768,766	5,176,906	6,832,595	2,147,222
Standardised options				
Blocked assets belonging to clients	106,770	122,057	106,770	122,057
Lent securities	3,972,411	14,102,936	3,972,411	14,102,936
Contingent liabilities	3,919	73,168	–	69,493
Guarantees	285,888	193,918	152,391	120,350
Borrowed securities	3,109,489	17,618,559	2,885,634	17,567,428

Pledged assets are at the disposal of the counterparty, and in the event that Carnegie does not fulfil the terms of the contract, the counterparty has no obligation to return the collateral.

NOTE 29 OPERATIONAL LEASING AGREEMENTS

	GROUP		PARENT COMPANY	
	31 Dec. 2007	31 Dec. 2006	31 Dec. 2007	31 Dec. 2006
Contracted payments relating to land and buildings				
Within one year	93,848	90,968	78,283	76,556
Later than one year but within five years	274,760	160,546	234,625	130,079
Later than five years	226,580	–	226,580	–
Other contracted payments				
Within one year	16,063	18,307	12,352	10,412
Later than one year but within five years	16,962	30,606	12,981	8,596
Later than five years	–	3,718	–	–

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

NOTE 30 RELATED-PARTY TRANSACTIONS

The information below is presented from Carnegie's perspective, meaning how Carnegie's figures were affected by transactions with related parties. Information on compensation to key persons in executive positions is presented in Note 7.

Group	Board members, President and Vice President	
	31 Dec. 2007	31 Dec. 2006
Lending	3,950	–
Pledged assets and guarantees	–	–
Income	1	–

Parent Company	Board members, President and Vice President	
	31 Dec. 2007	31 Dec. 2006
Lending	3,950	–
Pledged assets and guarantees	–	–
Income	1	–

NOTE 31 SIGNIFICANT EVENTS AFTER THE CLOSING DATE

The Annual Report was approved for publication by the Board of Directors of the Parent Company on 20 March 2008. The Parent Company's Annual General Meeting is scheduled to be held on 7 April 2008.

SIGNIFICANT EVENTS AFTER 31 DECEMBER UNTIL PUBLICATION OF THE ANNUAL REPORT

In mid-January 2008, Mikael Ericson was appointed new President and CEO of Carnegie. Mikael Ericson has a successful career in the financial sector and joins Carnegie from Svenska Handelsbanken, where he was Vice President. Mikael Ericson will assume his position on 1 May 2008.

NOTE 32 RISK AND CAPITAL MANAGEMENT

CARNEGIE'S CREDIT EXPOSURE AND EXPOSURE CLASSES

Group	Sweden	Denmark	Norway	Luxembourg	Finland	Other	Total
Governments and central banks	393,984	337,384	–	92,082	9,272	–	832,722
Municipalities and comparable public bodies and authorities	–	–	–	–	–	–	–
Institutional exposure	12,537,946	1,149,143	1,235,979	2,413,442	349,772	382,654	18,068,936
Company exposure	7,157,450	835,354	1,623,866	1,887,417	–	130,066	11,634,153
Household exposure	475,460	12,913	–	–	23,660	–	512,033
Exposure with collateral in property	–	–	–	–	2,434	–	2,434
High-risk exposure	–	–	–	–	–	–	–
Exposure to funds	–	–	–	–	–	–	–
Other items	289,123	451,552	16,276	63,320	28,071	22,602	870,944
Total	20,853,963	2,786,346	2,876,121	4,456,261	413,209	535,322	31,921,222

CARNEGIE'S KREDITRISKEXPONERING PER LAND OCH EXPONERINGSKLASSER

Parent Company	Sweden	Denmark	Norway	Luxembourg	Finland	Other	Total
Governments and central banks	393,984	–	–	–	9,272	–	403,256
Municipalities and comparable public bodies and authorities	–	–	–	–	–	–	–
Institutional exposure	12,523,913	–	622,868	–	347,575	373,409	13,867,765
Company exposure	7,157,450	–	1,575,908	–	–	–	8,733,358
Household exposure	475,460	–	–	–	23,660	–	499,120
Exposure with collateral in property	–	–	–	–	2,434	–	2,434
High-risk exposure	–	–	–	–	–	–	–
Exposure to funds	–	–	–	–	–	–	–
Other items	286,339	–	756	–	12,153	18,362	317,610
Total	20,837,146	0	2,199,532	0	395,094	391,771	23,823,543

Parent Company figures are presented below in brackets.

SHARE PRICE RISK

Definition: The risk of losses due to changes in share prices.

Carnegie's own exposure to equities and equity-related instruments consists of items on both the assets and liabilities sides of the balance sheet. At 31 December 2007, the total value of these assets and liabilities amounted to SEK 25,934m (24,828 in the Parent Company), of which SEK 17,908 (16,814) was attributable to shares and SEK 8,027 (8,014) to derivative instruments. The net exposure was SEK 110m (4). Assets and liabilities are valued at fair value, which is thus the same as the carrying amount.

Equity positions consisted of both long and short positions in shares, primarily listed in Sweden and on international markets. A simultaneous price drop of 3 per cent for all shareholdings in the Group's trading portfolio would have resulted in a reduction of income by SEK 2m (-0.3 in the Parent Company) at December 31, while an increase of 3 per cent for all shareholdings in the Group's trading portfolio would have resulted in an increase in income of SEK 5.5m (3.7). Derivative positions consisted of held and issued forwards, call options, put options and warrants.

Note 32 cont'd.**VOLATILITY RISK**

Definition: Volatility risk is the risk that the value of a financial instrument may vary due to changes in the instrument's price fluctuations.

Volatility risk derives from Carnegie's positions in held and issued options and warrants. Exposure to volatility risk is normally measured as Vega, which describes the position's change in value if volatility in the option in question changes by one percentage point. At December 31, 2007, Carnegie had a volatility risk of Vega negative SEK 7m (-7.1 in the Parent Company). Exposure is the net of positions with positive and negative Vega exposures (only negative exposure in the Parent Company).

SCENARIO ANALYSIS

Risks in Carnegie's trading departments consist primarily of share price risk and volatility risk. The effect on income of combined changes in share prices and volatility are therefore simulated. Carnegie focuses on and has limits for the maximum potential loss for two specific scenarios, which are medium and stress scenarios. The medium scenario entails share-price changes in the entire stock market of +/- 3 per cent and a change in market volatility of +/- 10 per cent. The greatest potential loss in such a scenario is designated Medium Max Loss and was SEK 27m (26 in the Parent Company) at 31 December 2007. The stress scenario entails share-price changes of +/- 10 per cent, while market volatility changes by +/- 30 per cent. Such sharp changes in share prices and volatility in a single day are extremely rare. The largest potential loss in such a scenario is designated Stress Max Loss and was SEK 81m (86 in the Parent Company) at 31 December.

INTEREST RISK IN THE BALANCE SHEET

Definition: The risk that net interest income is negatively affected by changes in market interest rates. Carnegie regularly performs interest-rate risk calculations of the sensitivity for interest-rate changes in the balance sheet. At 31 December 2007, the loss risk for a sudden and permanent upward shift in the yield curve of 1 per cent was SEK 2.4 m (-1.3 in the Parent Company).

INTEREST RISK IN THE TRADING PORTFOLIO

Definition: The risk of a decline in value of financial instruments whose value is affected by changes in interest rates. Carnegie's trading portfolio is affected by interest-rate changes through its holdings of bonds and derivative instruments. At 31 December 2007, the effect on income in the trading portfolio of an increase in interest rates of 1 percentage point was a loss of SEK 13.9m (-13.6 in the Parent Company).

CURRENCY RISK

Definition: The risk of losses as a result of the value of assets and liabilities being affected by exchange-rate fluctuations.

Currency risks arise in part when Carnegie holds position in financial instruments listed in foreign currency and in part in that business is conducted in different currencies and currency exposure occurs in the balance sheet. This applies, for example, to investments in foreign subsidiaries that are not financed in the same currency. The objective of Carnegie's currency management is to reduce currency costs for various departments within the bank, such as global trading operations, brokerage, foreign shares, treasury, equity finance and in certain cases regular trading with Carnegie's foreign offices. Carnegie limits currency exposure to comprise only very liquid currencies. The trading portfolio had no currency exposure at year-end.

LIQUIDITY RISK

Definition: Liquidity risk is defined as the risk of a negative effect on income for ensuring that the Group's payment obligations are fulfilled on time. The table below provides a maturity analysis of contractual payment obligations.

	Payable on demand	Up to 3 months	3-12 months	Over 1 year
Debts to credit institutions	11,772,941	805,656		
Deposits and borrowing from the public	7,592,389	2,323,742	14,215	
Short positions		6,968,408		474,025
Interest-related derivatives		-476	-1,697	17,043

CAPITAL ADEQUACY ANALYSIS

Capital adequacy rules reflect governments' views on how large a capital base a bank must have in relation to the risks that the bank takes. On 1 February 2007 new capital adequacy rules called Basel II took effect. According to the Capital Adequacy and Large Exposures Act (2006:1371), the capital base must at least correspond to the sum of the capital requirements for credit risks, market risks and operative risks. The Tier II ratio, meaning the capital base divided by the capital requirement must thus ex-

ceed 1. The rules apply for both individual institutions and financial company groups. Detailed information (Tier III) regarding Carnegie's capital adequacy in 2007 is available at carnegie.se.

According to Carnegie's capital policy, the goal is to optimize the capital structure with respect to Tier I and Tier II. The policy also states that the capital adequacy ratio must be at least 1.5 according to Basel II or 12 per cent according to the previous Basel rules.

Carnegie's profit-sharing system means that profit is divided equally between the shareholders and the employees. According to Carnegie's profit-sharing policy, all capital that is not required in business operations is distributed to the shareholders. When the Board of Directors takes decisions on dividends, consideration is taken to distributable funds, market conditions and other capital requirements and other factors that the Board considers relevant. Business requirements for risk capital are determined through Carnegie's internal business planning process.

Carnegie's managed assets are presented in the following tables.

Minimum requirements – Tier I

The legal requirements for credit risks, market risks and operational risks are described in Tier I.

Credit risks – Carnegie applies the standard method for calculating credit risk and the complete method for financial collateral.

Operational risks – Carnegie applies the base model, which means that the capital requirement is calculated as 15 per cent of the average of income in the preceding three years.

Market risks – There were only relatively minor changes in the new rules, and Carnegie applies the Swedish Financial Supervisory Authority's standardized model.

Capital assessment and risk management – Tier II

The Tier II rules specify that an institution must have a process for assessing its total capital requirement in relation to its risk profile and a strategy for maintain the capital level, whereby the Board of Directors is responsible for establishing the institution's risk tolerance. The process is called Internal Capital Assessment (ICA). All significant risks must be identified, measured and reported in the ICA. The evaluation must focus specially on the risks not managed under Tier I. Certain risks must be covered by capital, meaning that the institution is expected to maintain a larger capital base than the minimum level specified by Tier I.

Public disclosure – Tier III

Information that must be published primarily includes more detailed information regarding credit risks and information regarding models and data used to calculate the requirements in Tier I.

CAPITAL ADEQUACY	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Capital base	1,530,891	1,592,764	1,714,052	1,908,402
Capital requirement	-989,863	-1,007,101	-427,932	-765,338
Surplus capital	541,028	585,663	1,286,120	1,143,064
Tier II ratio	1.55	1.58	4.01	2.49
Tier I ratio	1.55	1.58	4.01	2.49

CAPITAL BASE	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Share capital	200,000	200,000	200,000	200,000
Other capital contributions/ Reserve fund	54,568	54,568	40,000	40,000
Reserves	9,579	-50,135	-	-
Profit brought forward	2,042,374	2,117,254	2,223,001	2,363,007
Anticipated dividends	-527,000	-600,000	-527,000	-600,000
Deducted items				
Goodwill and intangible assets	-17,411	-19,048	-3,104	-2,517
Deferred tax assets	-231,219	-109,875	-218,845	-92,088
Total primary capital	1,530,891	1,592,764	1,714,052	1,908,402

CREDIT RISKS

Carnegie applies the standard method for calculating credit risks.

Capital requirements from exposure to governments and central banks	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Capital requirements from exposure to	–	–	–	–
Governments and central banks	–	–	–	–
Municipalities and comparable public bodies and authorities	–	–	–	–
Institutional exposure	100,591	–	39,998	–
Company exposure	47,970	–	15,307	–
Household exposure	2,401	–	1,850	–
Exposure with collateral in property	68	–	68	–
High-risk items	–	–	–	–
Exposure to funds	–	–	–	–
Other items	65,856	–	25,409	–
Capital requirements from credit exposure in 2006 according to Basel I		676,087		536,520
Obsolescence risk in trading portfolio	5,742	1,960	4,144	1,929
Total capital requirement for credit risks	222,628	678,047	86,776	538,449
CAPITAL REQUIREMENTS FOR RISKS IN TRADING PORTFOLIO	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Share-price risk	–	–	–	–
Specific risk	34,290	62,467	14,990	54,244
General risk	23,477	46,079	12,394	41,084
Total capital requirement for share-price risks	57,767	108,546	27,384	95,328
Interest-rate risk	–	–	–	–
Specific risk	18,276	37,395	–	–
General risk	88,836	144,431	79,414	105,258
Total capital requirement for interest-rate risks	107,112	181,826	79,414	105,258
CURRENCY RISK	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Total capital requirement for currency risks	23,514	38,684	8,779	26,304
OPERATIONAL RISKS	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Operating income				
2005	3,414,331	–	1,423,463	–
2006	4,238,569	–	1,709,775	–
2007	3,923,924	–	1,378,391	–
Income indicator				
Average of the last three years' income	3,858,941	–	1,503,876	–
Capital requirement for operational risks, 15 per cent of income indicator	578,841	–	225,581	–

NOTE 33 TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Background

Carnegie's consolidated accounts for the year ending 31 December 2006 were prepared in accordance with the Annual Accounts Act and the Swedish Financial Supervisory Authority's regulations (also called statutory IFRS). As of 1 January 2007, Carnegie applies IFRS (International Financial Reporting Standards). The transition date was established as 1 January 2006.

The transition to IFRS included reporting according to IFRS 1 First-Time Adoption of IFRS, which requires companies to apply IFRS retroactively. Because Carnegie's previous accounting principles agreed with IFRS in all significant respects, no significant differences were identified in the transition to IFRS. However, there are a number of optional and mandatory exceptions from this general rule to facilitate the transition to IFRS. A description of how Carnegie applied these exceptions, as well as a description of how the company's earnings and financial position were affected by the transition to IFRS are presented below together with a summary of the changed accounting principles.

	Group 2006	
	31 Dec. 2007	31 Dec. 2006
Earnings according to previous accounting principles	962,825	
Effect of transition to IFRS on goodwill amortization	1,002	
Earnings according to IFRS	963,827	
Shareholders' equity according to previous accounting principles	1,616,310	2,320,685
Effect of transition to IFRS on goodwill amortization	2,004	1,002
Shareholders' equity according to IFRS	1,618,314	2,321,687

CASH FLOW ANALYSIS

There is no significant difference between the cash flow statement reported according to IFRS and the statement in accordance with generally accepted accounting practices in Sweden with the exception that IFRS adjustments that do not effect cash flow were eliminated when the cash flow statement according to IFRS was prepared.

Company acquisitions and goodwill

Carnegie elected to apply the optional exception in IFRS 1 and not to recalculate company acquisitions and mergers that took place prior to the transition to IFRS. IFRS employs a more extensive method for identifying and measuring any additional acquisitions of intangible assets at fair value, such as customer lists and research and development in progress compared with generally accepted accounting practices. Goodwill is recognized when the acquisition price exceeds the fair value of an acquired asset. Generally accepted accounting practices also require goodwill to be amortized over the anticipated useful lifetime, while goodwill according to IFRS may not be amortized. Instead, goodwill is considered to have an indeterminate useful life and is subjected to an annual impairment test. Previously reported goodwill amortization of SEK 2,004,000 during 2006 was thus reversed and charged against shareholders' equity at 1 January 2006.

Other facilitating rules

Other facilitating rules in IFRS 1 did not have any significant effect on Carnegie's transition to IFRS.

NOTE 34 OTHER ASSETS AND OTHER LIABILITIES

Parent Company

Other liabilities include pension commitments. These pension commitments are treated according to the rules for defined-contribution pension plans. They are guaranteed in the form of company-owned endowment insurance, the value of which is included in the item Other receivables.

The gross recognized market value in the Parent Company is specified below. In the consolidated financial statements, they are reported as net amounts.

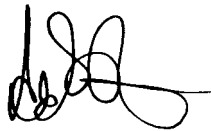
	PARENT COMPANY	
	31 Dec. 2007	31 Dec. 2006
Other assets		
Company-owned endowment insurance	307,913	248,969
Other liabilities		
Pension provisions and similar obligations according to the law on safeguarding of pension commitments	307,913	248,969

CERTIFICATION

The Board of Directors and the CEO hereby certify that the Annual Report was prepared in accordance with the Annual Accounts Act, the Swedish Financial Supervisory Authority's rules and regulations, Recommendation RR 32 Reporting of Legal Entities and that it provides a true and fair view of the company's financial position and earnings and that the Board of Directors' report provides a true and fair overview of the Group's business, financial position and earnings and that it describes significant risks and uncertainty factors facing the company.

The Board of Directors and the CEO hereby certify that the consolidated accounts were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, that they provide a true and fair view of the Group's financial position and earnings and that the Board of Directors' report provides a true and fair view overview of the Group's business, financial position and earnings and describes significant risks and uncertainty factors facing the Group.

Stockholm, 20 March 2008



Anders Fällman
Chairman



Jan Kvarnström
Vice Chairman



Mai-Lill Ibsen



Björn C. Andersson



Catharina Lagerstam



Patrik Tigerschiöld



Anders Onarheim
Acting President and CEO

Our auditor's report was submitted on 20 March 2008
Deloitte AB



Jan Palmqvist

Authorized Public Accountant

AUDITOR'S REPORT

To the Annual General Meeting of Carnegie Investment Bank AB
Company reg. no. 516406-0138

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the CEO of Carnegie Investment Bank AB for the year 2007. The Board of Directors and the CEO are responsible for these accounts and the administration of the company, as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the CEO and significant estimates made by the board of directors and the CEO when preparing the annual accounts and consolidated accounts, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the CEO. We also examined whether any board member or the CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts. We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the Board of Directors' report.

As stated in the Board of Directors' Report the Swedish Financial Supervisory Authority has in a ruling dated 27 September 2007 notified warnings and ordered Carnegie Investment Bank AB to pay a penal charge of SEK 50m. According to the Swedish Financial Supervisory Authority's ruling there have been serious deficiencies in the governance and control of the company.

For the deficiencies in the governance and control of the company, notified by the Swedish Financial Supervisory Authority, the Board of Directors and the CEO are held responsible during the time for these deficiencies. The penal charge issued by the Swedish Financial Supervisory Authority separately constitutes such damage which can give rise to liability for damages to the company. However, in order to establish such liability, it is also required that the penal charge still remains after final determination of the company's appeal of the Authority's decision, and also that it can be proved that the members of the Board of Directors and the CEO intentionally or through negligence caused the damage. To establish intent or negligence involves judgements concerning very complex issues which are not possible to answer within the context of the statutory audit.

As a result, we can neither support nor oppose that the Annual General Meeting discharge the former Board members Christer Zetterberg, Hugo Andersen, Niclas Gabrán, Anders Ljungh, Dag Seblin and Fields Wicker-Miurin and the former Board member and CEO Stig Vilhelmson from liability for the 2007 financial year.

We recommend to the annual meeting of shareholders that the remaining members of the board of directors Anders Fällman, Jan Kvarnström, Björn C. Andersson, Catharina Lagerstam, Mai-Lill Ibsen and Patrik Tigerschiöld, and the CEO Anders Onarheim be discharged from liability for the financial year.

Stockholm, 4 March 2008

Deloitte AB



Jan Palmqvist

Authorized Public Accountant

DEFINITIONS AND GLOSSARY

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

Average number of shares: The total number of shares, included any new issues, as a weighted average during the period.

Capital adequacy ratio: Total regulatory capital base (primary capital plus Tier II capital) as a percentage of risk-weighted assets.

C/R ratio: Total costs (expenses), including allocations to the profit-share system, as a percentage of total revenues (income), including income from associated companies and other significant holdings.

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

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

Earnings per share: Profit for the period divided by the average number of shares.

Interest risk in the balance sheet: The risk that net interest income is negatively affected by changes in market interest rates.

Interest risk in the trading portfolio: The risk of a decline in value of financial instruments whose value is affected by changes in interest rates.

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

Liquidity risk: The risk of a negative effect on income for ensuring that the Group's payment obligations are fulfilled on time.

Number of employees on the closing date: The number of annual (full-time equivalent) on the closing date.

Primary capital: Shareholders' equity plus the equity portion of untaxed reserves minus goodwill, any proposed dividends, deferred tax assets, intangible assets and any treasury shares.

Profit margin: Profit before tax as a percentage of total income, including income from associated companies and other significant holdings.

Profit per share: Profit for the period divided by the average number of shares.

Regulatory capital base: Primary capital plus Tier II capital.

Return on shareholders' equity: Profit for the most recent 12-month period as a percentage of average shareholders' equity.

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

Share price risk: The risk of losses due to changes in share prices.

Tier II ratio: Total regulatory capital base (primary capital plus Tier II capital) divided by the total capital requirement for credit risk, market risk and operational risk.

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

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