



Carnegie Investment Bank AB (publ)

(Corp. reg. no. 516406-0138)

Interim report

1 January – 31 March 2010

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

Interim report 1 January – 31 March 2010

- Higher commission fees in Securities, increased customer activity in Private Banking and high activity in the M&A and ECM markets.
- Strong equity market but continued low turnover.
- Income amounted to SEK 369m (283), an increase of 30 percent in relation to 2009.
- Operating expenses amounted to SEK 358m (389), corresponding to a decrease of 8 percent, compared with 2009.
- Profit before tax amounted to SEK 81m (loss: 105).
- Claus Gregersen appointed head of Carnegie's Danish operations.
- The Asset Management business area was divested from Carnegie on 31 December 2009.

President's comments

Cautious optimism

The beginning of 2010 extended the cautiously positive trend that concluded last year, with a gradually improving economic climate and increased market activity. In parallel with a lower cost base, selective recruitments and overall greater efficiency, Carnegie's prerequisites for continued positive development were strengthened.

The Investment Banking business area is the part of Carnegie where increased market activity was most clearly evident. Activity in the corporate transaction market was favourable, and Carnegie won several major mandates during the quarter. Within Private Banking, activity also increased, and the inflow of capital remained strong. Securities showed the greatest percentage improvement in relation to the preceding year, but consideration must be given to the weak comparison period. The trend on the stock exchange was strong, but turnover on the exchanges remained low as a consequence of uncertainty regarding the strength of the economic recovery in Europe and the US.

During the quarter, there were several key recruitments. Claus Gregersen was appointed as head of Carnegie's Danish operations and will be a member of Group management. Claus has extensive expertise, and his large network provides every opportunity for contributing to a strengthening of Danish operations and Carnegie as a whole. Another new initiative during the quarter was that we recruited a team within algorithm/high frequency trading in order to strengthen this area within Securities.

Our industry will undergo a major transition over the coming years driven by changes in regulations, new demands from clients and a changed competitive situation. Carnegie's ability to adapt to client demands has always been one of the company's foremost strengths. We constantly strive to be a flexible organisation that attracts the best employees in order to be able to meet client demands and to create an attractive comprehensive offering. That is what our clients expect from us.

Frans Lindelöw

President and CEO

Operative income statement

| (SEKm) | Jan-Mar | |
|--|-------------|--------------------------------|
| | 2010 | Pro forma ¹ 2009 |
| Securities | 171 | 105 |
| Investment Banking | 97 | 83 |
| Private Banking | 101 | 95 |
| Total income | 369 | 283 |
| Personnel expenses | -233 | -235 |
| Other expenses | -125 | -154 |
| Expenses before credit losses | -358 | -389 |
| Operating profit before credit losses | 10 | -106 |
| Credit losses, net | 71 | 2 |
| Profit/loss before taxes | 81 | -105 |
| Taxes | -4 | 27 |
| Profit/loss for the period | 78 | -78 |
| Average no. of employees | 589 | 630 |
| Number of employees at period end | 588 | 605 |

Income

Income during the first quarter of 2010 amounted to SEK 369m (283), an increase of 30 percent, compared with the corresponding quarter of 2009. All business areas showed increased income in relation to the comparison period. Within Securities, income amounted to SEK 171m (105), an increase of 63 percent in relation to 2009. The increase was due to higher commission fees in all countries. The Investment Banking business area reported income of SEK 97m (83). Carnegie received several new mandates during the period, but the anticipated income from these transactions is not visible in the first quarter. The Private Banking business area showed positive capital inflows during the quarter, and client activity was higher than during the corresponding period in 2009. In total, income in Private Banking amounted to SEK 101m (95).

Expenses

Expenses before credit losses for the first quarter of 2010 amounted to SEK 358m (389). The expenses for 2010 included items affecting comparability of SEK 6m related to tax expenses for previous pension commitments. Expenses for 2009 included items affecting comparability of SEK 18m related to restructuring. Adjusted for the items mentioned above, expenses for the first quarter of 2010 amounted to SEK 352m (371).

Profit

Operating profit before credit losses for the first quarter of 2010 amounted to SEK 10m (loss: 106). Adjusted for items affecting comparability operating profit before credit losses amounted to SEK 16m (loss: 88). Credit recoveries had a positive impact of SEK 71m (2) on profit. Profit before tax for the first quarter of 2010 amounted to SEK 81m (loss: 105) and net profit amounted to SEK 78m (loss: 78).

1) The income statement for the period from January to March 2009 was adjusted with respect to divested operations, meaning that it is presented excluding Asset Management.

Important events during the first quarter of 2010

Separation of Carnegie Asset Management

On 31 December 2009, Carnegie divested its operations within the Asset Management business area. The divestment was subject to approval by the relevant authorities. Following approval by the authorities in Denmark and Norway during the first quarter, Carnegie Asset Management is now an independent group consisting of Carnegie's former asset management operations in Denmark and Norway. The remaining asset management operations in Sweden will be transferred to the new group following approval by the financial authorities in Denmark and Sweden, which is expected to take place during the second quarter.

New head of Carnegie Denmark

During March 2010, Claus Gregersen was appointed new head of Carnegie's Danish operations. Claus Gregersen has extensive experience in the financial sector, in part as President of Alfred Berg in Denmark and the UK and as European Equity Manager at ABN Amro Bank. Claus Gregersen will assume his position on 1 May 2010 and will become a member of Group Management.

Risks and uncertainties

General information on risks and uncertainties

The business activities of the Carnegie Group expose Carnegie to market, credit, liquidity and operational risks. Market risk is defined as the risk of loss due to changes in market prices, e.g. changes in equity prices, interest rates, or currency exchange rates. Credit risk is defined as the risk of loss due to counterparty defaults on loans. Credit risk mainly arises as a consequence of loans to clients using shares as collateral. Liquidity risk is related to the need for liquidity in the day-to-day operations. Operational risk is the risk of loss resulting from inadequate or failed internal processes and systems, alternatively human error or external events. A more detailed description of the Carnegie Group's risk management is presented in the 2009 Annual Report.

Capital requirements and capital quotient

The table below presents the capital requirements and capital quotient according to the Swedish Financial Supervisory Authority's directive FFFS 2007:5 regarding publication of information on capital coverage. The capital quotient is calculated as the ratio between the capital base and capital requirements. The capital quotient may not fall below 1 according to the legal requirement, On 31 March 2010, Carnegie had a capital quotient of 2.97, corresponding to a Tier 1 capital ratio of 23.8 percent (23.6)

A detailed description of the Carnegie Group's capital adequacy is provided in the 2009 Annual Report, as well as on Carnegie's web site at www.carnegie.se.

Capital adequacy

| (SEKm) | 31 March | |
|--|--------------|--------------|
| | 2010 | 2009 |
| Capital | | |
| Equity capital | 2 497 | 2 442 |
| This periods net result | - | -30 |
| Repayment of shareholders' contribution | -525 | - |
| Equity capital in the capital base | 1 972 | 2 412 |
| Goodwill | -9 | -8 |
| Intangible assets | -9 | -7 |
| Deferred tax assets | -257 | -126 |
| Tier 1 capital | 1 697 | 2 271 |
| Tier II capital (subordinated debt) | - | - |
| Total capital base | 1 697 | 2 271 |
| Capital requirement | | |
| Capital requirement for credit risk, standardized method | 164 | 173 |
| Capital requirement for equity- and interest rate risk | 34 | 30 |
| Capital requirement for currency risk | 54 | 23 |
| Capital requirement for operational risk, base method | 319 | 545 |
| Total capital requirement | 571 | 771 |
| Surplus capital | 1 126 | 1 500 |
| Tier I capital quotient | 2.97 | 2.95 |
| Capital quotient | 2.97 | 2.95 |
| Tier I capital ratio % | 23.77 | 23.56 |

Cash, cash equivalents, financing and investments

Carnegie's liquidity needs result primarily from its daily operations, and they are satisfied by means of short-term borrowing against collateral. Cash flow from operations before changes in working capital was negative in an amount of SEK 164m (neg. 269) during the first three months and consisted of income before tax of SEK 81m (loss: 43), tax payments of SEK 4m (expense: 119) and adjustments for non-cash items corresponding to an expense of SEK 241 m (expense: 107). Of these adjustment items, unrealized changes in the value of financial instruments accounted for an expense of SEK 223m (expense: 84), while adjustments of credit reserves accounted for SEK 0m (1). Since most of Carnegie's working capital consists of market-listed securities (long and short positions), lending and borrowing to and from the public, and loans to and from credit institutes, Carnegie's working capital fluctuates significantly between reporting dates. The change in working capital during the first three months of the year had a negative effect on cash flow of SEK 620m (neg. 808).

Cash flow from investing activities for the first three months of the year amounted to an expense of SEK 6m (expense: 1) and consisted of investments in fixed assets. Cash flow from financing activities during the period amounted to SEK 0m (0).

After adjustment for exchange-rate changes in cash and cash equivalents corresponding to an expense of SEK 226m (income: 72), the effect was that cash and cash equivalents decreased by SEK 789m (decrease: 1,078). The Group's deposits during the first three months of the year increased by SEK 452m (decrease: 815) and borrowing during the corresponding period declined by SEK 1,250m (increase: 151).

Summary of the Parent Company

Total income in the Parent Company amounted to SEK 169m (169) during the period. Profit before tax amounted to SEK 23m (loss: 81). Net investments during the period amounted to SEK 82m (1) for the Parent Company. Cash and cash equivalents, defined as cash and lending to credit institutions amounted to SEK 2,067m (1,184) for the Parent Company on 31 March 2010. Shareholders' equity amounted to SEK 2,756m (2,483).

Consolidated statements of comprehensive income

| (SEKm) | Jan-Mar | | Full-year ² 2009 |
|--|-------------|--------------------------------|--------------------------------|
| | 2010 | Pro forma ¹ 2009 | |
| Comission income | 328 | 224 | 1 172 |
| Comission expenses | -1 | -1 | -3 |
| Net comission income | 327 | 223 | 1 169 |
| Interest income | 26 | 64 | 166 |
| Interest expenses | -16 | -46 | -118 |
| Net interest income | 10 | 18 | 49 |
| Other dividend income | - | - | 1 |
| Net profit from financial transactions | 31 | 42 | 266 |
| Capital gain from discontinued operations | - | - | 158 |
| Total income | 369 | 283 | 1 642 |
| Personnel expenses | -233 | -235 | -949 |
| Other administrative expenses | -116 | -145 | -657 |
| Amortisation of intangible assets and depreciation of tangible fixed assets | -10 | -9 | -37 |
| Total expenses | -358 | -389 | -1 643 |
| Profit/loss before credit losses | 10 | -106 | -1 |
| Credit losses, net | 71 | 2 | -4 |
| Profit/loss before tax | 81 | -105 | -5 |
| Taxes | -4 | 27 | 42 |
| Profit/loss for the period | 78 | -78 | 37 |
| Other comprehensive income: Translation differenses, net after tax | -7 | | |
| Total comprehensive income for the period | 71 | | |

1) Adjusted in respect of discontinued operations (Asset Management).

2) Continuing operations according to established Annual report 2009, i.e. excluding Asset Management.

Consolidated statements of financial position

| (SEKm) | 31 March | 31 March | 31 December |
|---|---------------|---------------|---------------|
| | 2010 | 2009 | 2009 |
| Assets | | | |
| Cash and bank deposits with central banks | 224 | 288 | 321 |
| Negotiable government securities | 458 | 442 | 383 |
| Loans to credit institutions | 5 038 | 4 568 | 6 015 |
| Loans to general public | 3 292 | 3 323 | 3 565 |
| Bonds and other interest-bearing securities | 566 | 586 | 583 |
| Shares and participations | 1 775 | 1 652 | 1 388 |
| Derivative instruments | 649 | 800 | 662 |
| Intangible assets | 19 | 18 | 17 |
| Tangible fixed assets | 134 | 90 | 141 |
| Current tax assets | 11 | 160 | 13 |
| Deferred tax assets | 257 | 126 | 251 |
| Trade and client receivables | 341 | 338 | 142 |
| Other assets | 796 | 298 | 485 |
| Prepaid expenses and accrued income | 153 | 209 | 170 |
| Total assets | 13 712 | 12 898 | 14 136 |
| Liabilities and shareholders' equity | | | |
| Liabilities to credit institutions | 659 | 535 | 760 |
| Deposits and borrowing from general public | 7 118 | 6 750 | 6 565 |
| Securities issued | 935 | - | 935 |
| Short positions, financial instruments | 819 | 805 | 569 |
| Derivative instruments | 271 | 933 | 556 |
| Current tax liabilities | 30 | 34 | 26 |
| Deferred tax liabilities | 8 | 7 | 9 |
| Trade and client payable | 197 | 494 | 64 |
| Other liabilities | 582 | 259 | 1 555 |
| Accrued expenses and prepaid income | 446 | 551 | 486 |
| Provisions | 72 | 117 | 107 |
| Shareholders' equity | 2 575 | 2 413 | 2 504 |
| Total liabilities and shareholders' equity | 13 712 | 12 898 | 14 136 |

Consolidated statements of changes in equity

| (SEKm) | 31 March | 31 March | 31 Dec |
|---|--------------|--------------|--------------|
| | 2010 | 2009 | 2009 |
| Shareholders' equity - opening balance | 2 504 | 2 413 | 2 413 |
| Total comprehensive income for the period | 71 | 0 | 91 |
| Shareholders' equity - closing balance | 2 575 | 2 413 | 2 504 |

Consolidated statements of cash flows

| (SEKm) | Jan-Mar | Jan-Mar | Full-year |
|---|--------------|---------------|--------------|
| | 2010 | 2009 | 2009 |
| Profit before tax | 81 | -43 | 136 |
| Adjustments for items not affecting cash flow | -241 | -107 | -321 |
| Paid tax | -4 | -119 | -110 |
| Cash flows from operations before changes in working capital | -164 | -269 | -295 |
| Changes in working capital | -620 | -808 | 2 476 |
| Cash flows from operations | -783 | -1 077 | 2 181 |
| Sale of subsidiaries | - | - | -285 |
| Acquisition of intangible and tangible assets | -6 | -1 | -91 |
| Cash flows from investing activities | -6 | -1 | -376 |
| Cash flows from financing activities | - | - | - |
| Cash flows for the period | -789 | -1 078 | 1 805 |
| Cash and cash equivalents at opening balance | 6 707 | 5 038 | 5 038 |
| Exchange-rate effects on cash and cash equivalents | -226 | 72 | -137 |
| Cash and cash equivalents at closing balance | 5 691 | 4 032 | 6 707 |

Income statement of Parent Company

| (SEKm) | Jan-Mar | | Full-year |
|---|-------------|-------------|---------------|
| | 2010 | 2009 | 2009 |
| Comission income | 171 | 169 | 807 |
| Comission expenses | -1 | -23 | -106 |
| Net comission income | 170 | 146 | 701 |
| Interest income | 12 | 36 | 88 |
| Interest expenses | -13 | -30 | -88 |
| Net interest income | -1 | 6 | 0 |
| Dividends received | - | - | 76 |
| Net result from financial transactions | 5 | 17 | 141 |
| Capital gain from discontinued operations | - | - | 309 |
| Total income | 174 | 169 | 1 227 |
| Personnel expenses | -137 | -151 | -627 |
| Other administrative expenses | -74 | -97 | -502 |
| Amortisation of intangible assets and depreciation of tangible assets | -6 | -4 | -18 |
| Total expenses | -217 | -252 | -1 147 |
| Profit/loss before credit losses | -43 | -83 | 80 |
| Credit losses, net | 71 | 2 | -4 |
| Write-downs of financial assets | - | - | 0 |
| Profit/loss before tax | 28 | -81 | 76 |
| Tax | 10 | 24 | 69 |
| Profit/loss for the period | 38 | -57 | 144 |

Balance sheet of Parent Company

| (SEKm) | 31 March | 31 March | 31 December |
|---|--------------|--------------|--------------|
| | 2010 | 2009 | 2009 |
| Assets | | | |
| Cash and bank deposits with central banks | 10 | 15 | 19 |
| Loans to credit institutions | 2 057 | 1 169 | 3 242 |
| Loans to general public | 1 117 | 2 291 | 1 098 |
| Bonds and other interest-bearing securities | 146 | 127 | 146 |
| Shares and participations | 1 648 | 1 488 | 1 327 |
| Shares and participations in Group companies | 1 547 | 1 673 | 1 566 |
| Derivative instruments | 611 | 695 | 572 |
| Intangible assets | 11 | 8 | 10 |
| Tangible fixed assets | 101 | 40 | 105 |
| Current tax assets | - | 75 | 0 |
| Deferred tax assets | 249 | 118 | 243 |
| Trade and client receivables | 220 | 294 | 101 |
| Other assets | 1 159 | 599 | 901 |
| Prepaid expenses and accrued income | 105 | 96 | 127 |
| Total assets | 8 979 | 8 688 | 9 455 |
| Liabilities and shareholders' equity | | | |
| Liabilities to credit institutions | 665 | 493 | 721 |
| Deposits and borrowing from general public | 2 297 | 2 059 | 1 859 |
| Securities issued | 935 | - | 935 |
| Short positions, financial instruments | 784 | 795 | 543 |
| Derivative instruments | 224 | 813 | 481 |
| Current tax liabilities | 4 | 13 | 4 |
| Trade and client payable | 110 | 351 | 29 |
| Other liabilities | 560 | 1 101 | 1 497 |
| Accrued expenses and prepaid income | 249 | 170 | 264 |
| Pension provisions | 347 | 317 | 320 |
| Other provisions | 50 | 93 | 84 |
| Shareholders' equity | 2 756 | 2 483 | 2 718 |
| Total liabilities and shareholders' equity | 8 979 | 8 688 | 9 455 |

OTHER

Accounting policies

This report was prepared in accordance with IAS 34 Interim Financial Reporting, the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and the Swedish Financial Supervisory Authorities' regulations (FFFS 2008:25). The Parent Company's accounts were prepared according to the Annual Accounts Act for Credit Institutions and Securities Companies, FFFS 2008:25 and RFR 2.2. The accounting policies and calculation methods applied in this report are the same as those used in the 2009 Annual Report.

Note that rounding may result in amounts in SEK millions not agreeing when summed. All comparison figures in this report refer to the corresponding period in 2009 unless otherwise specified.

Operations

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

Auditor's review report

This report has not been audited.

Certification

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

Carnegie Investment Bank AB (publ)

Stockholm, 23 April 2010

Arne Liljedahl
Chairman

Björn Björnsson
Board member

Fredrik Cappelen
Board member

Harald Mix
Board member

Fredrik Strömholm
Board member

Patrik Tigerschiöld
Board member

Frans Lindelöv
President and CEO