



Carnegie Investment Bank AB (publ)

(Corp. reg. no. 516406-0138)

Interim report

1 January – 30 June 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 – 30 June 2010

- Income amounted to SEK 825m (637), up 30 percent in relation to 2009
- Operating expenses amounted to SEK 740m (818), a 10 percent decline compared with 2009
- Profit before tax amounted to SEK 167m (loss: 181)
- The earnings improvement was driven by increased income within all business areas
 - Favourable activity within corporate transactions
 - Increased customer activity within Private Banking
 - Higher commission income within Securities
- Peter Lagerlöf was recognized as Sweden's best analyst in a survey conducted by Financial Hearings
- Carnegie was recognized as Sweden's best Private Banking by the business weekly Affärsvärlden
- Pia Marions was appointed as new CFO
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President's comments

Carnegie reports improved market shares

Carnegie is gaining market shares in the transaction market during 2010, which is reflected in the six-month results. Income is increasing, and Carnegie delivered generally strong earnings for the first six months of the year.

The Investment Banking business area experienced a strong first half-year in terms of mergers and acquisitions (M&A) and equity capital market (ECM) transactions, including initial public offerings (IPO). This was despite a hesitant market climate with market volumes in the Nordic region that were lower than in the year-earlier period. According to independent ranking institutions, Carnegie has been the largest Nordic player within ECM transactions during 2010.

Among the many transactions in which Carnegie was the advisor during 2010, several were noteworthy. These included exchange listings of Bygghem and Wilh. Wilhelmsen; preferential share issues by PA Resources, Micronic Mydata and Medivir, for example; and private M&A transactions for such clients as Tricorona, SeaDrill, BW Offshore and Gunvor Group (in the purchase of Rörvik Timber).

Private Banking continued to show a stable earnings trend during the first six months driven by increased client activity, a greater proportion of discretionary mandates and an improved market position. Income in the Securities business area increased in relation to the previous year, but turnover on the stock exchanges remained on a low level. The market trend was positive on all the Nordic exchanges during the first half of 2010, although there is still a fundamental uncertainty about the economic climate resulting in low activity among institutional investors.

During the period, we supplemented our research department with additional top expertise to be able to deliver the best and most comprehensive research of Nordic companies to our clients. We are also pleased to note that Carnegie advanced in rankings and that we received a number of awards during the second quarter within Private Banking and Securities.

We are cautiously optimistic about market developments and confident of our own ability to take advantage of the business opportunities that will arise in the coming months. We have a strong organisation, an attractive offering and high ambitions. Earnings for the first six months confirm that we are on the right track.

Frans Lindelöw,

President and CEO

Operative income statement

(SEKm)	Jan-Jun	
	2010	Pro forma ¹ 2009
Securities	351	298
Investment Banking	266	142
Private Banking	209	197
Total income	825	637
Personnel expenses	-483	-456
Other expenses	-256	-361
Expenses before credit losses	-740	-818
Operating profit before credit losses	85	-181
Credit losses, net	82	0
Profit/loss before taxes	167	-181
Taxes	-20	2
Profit/loss for the period	147	-179
Average no. of employees	588	613
Number of employees at period end	590	599

Income

Income during the first half of 2010 amounted to SEK 825m (637), an increase of 30 percent, compared with the corresponding period of 2009. All business areas reported increased income in relation to the comparison period. Income within Securities amounted to SEK 351m (298). The increase was due to higher commission income. The Investment Banking area reported income of SEK 266m (142), up 87 percent on 2009, which was attributable to sharply increased activity in all segments of the transaction market (M&A, ECM and IPO). The Private Banking business area showed positive capital inflows during the second quarter, and client activity was higher than in the corresponding period in 2009. In total, income in the Private Banking business area amounted to SEK 209m (197).

Expenses

Expenses before credit reserves for the first half of 2010 amounted to SEK 740m (818). The item "Other expenses" declined by 29 percent, which was due to effects from implemented savings programmes. Fixed personnel costs were lower for the first half of 2010, compared with the previous year, although total personnel costs were higher since allocations to the employees' profit-share increased.

Profit

Profit before credit reserves for the first half of 2010 amounted to SEK 85m (loss: 181). Reversals of credit reserves had a positive effect of SEK 82m (0) on profit. Profit before tax for the first half of 2010 amounted to SEK 167m (loss: 181), and net profit for the period amounted to SEK 147m (loss: 179).

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

Important events during the period

Pia Marions new CFO

Pia Marions was appointed new CFO for Carnegie. Pia Marions has extensive experience from the financial sector, most recently as Chief Operational Officer at the Royal Bank of Scotland in the Nordic region. Her previous experience includes positions as CFO at Skandia Liv, Head of Finance at Länsförsäkringar Liv and Head of the Financial Risk Analysis unit at the Swedish Financial Supervisory Authority. Pia Marions assumes her position on 1 October 2010 and will become part of Group Management.

Sweden's best Private Banking

According to a comparison of Sweden's leading private banking players, confidence is highest for Carnegie's services. The survey, which was conducted by the business weekly Affärsvärlden and reported in May, evaluated and ranked customer care, products and services, as well as the customer service and investment processes.

The survey included all five major banks and four smaller specialised players in the Swedish markets. With 26.2 points of a possible 30, Carnegie's Private Banking received the highest score of all players in the survey.

Sweden's best analysts

In June, Peter Lagerlöf was recognised as Sweden's best analyst overall in a survey by the company Financial Hearings. The survey was based on interviews with several Swedish institutional investors. Carnegie received top rankings in the same survey in a number of sectors, Kristofer Liljeberg-Svensson was ranked number one in Healthcare, Johan Sjöberg was ranked number one in Metals and Mining, and Mikael Löfdahl was ranked number one in Services and Transports. Peter Lagerlöf was also ranked number one individually in Strategy and Macro analysis.

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 30 June 2010, Carnegie had a capital quotient of 2.9, corresponding to a Tier 1 capital ratio of 23.0 percent (21.1)

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)	30 Jun	
	2010	2009
Capital		
Equity capital	2 109	2 309
Profit for the period ¹⁾	-147	-
Equity capital in the capital base	1 963	2 309
Goodwill	-9	-9
Intangible assets	-9	-9
Deferred tax assets	-260	-106
Tier 1 capital	1 684	2 185
Tier II capital (subordinated debt)	-	-
Total capital base	1 684	2 185
Capital requirement		
Capital requirement for credit risk, standardized method	171	182
Capital requirement for equity- and interest rate risk	24	30
Capital requirement for currency risk	72	71
Capital requirement for operational risk, base method	319	545
Total capital requirement	586	828
Surplus capital	1 097	1 357
Tier I capital quotient	2.87	2.64
Capital quotient	2.87	2.64
Tier I capital ratio %	22.98	21.12

1) Non audited profit is not included in the capital base.

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 amounted to SEK 82m (neg: 445) during the first six months and consisted of income before tax of SEK 167m (loss: 101), tax payments of SEK 9m (expense: 137) and adjustments for non-cash items corresponding to an expense of SEK 76m (expense: 207). Of these adjustment items, unrealized changes in the value of financial instruments accounted for an expense of SEK 46m (expense: 177). 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 institutions, Carnegie's working capital fluctuates significantly between reporting dates. The change in working capital during the first six months of the year had a negative effect on cash flow of SEK 27 m (pos: 1,034).

Cash flow from investing activities for the first six months of the year was negative in an amount of SEK 13m (neg: 29). For the comparison period corresponding to the first half of 2009, sales of subsidiaries had a negative impact of SEK 10m on cash flow from investing activities and consisted of divested cash and cash equivalents. Cash flow from financing activities during the period was negative in an amount of SEK 525m (0) and consisted in its entirety of dividend payments.

After adjustment for exchange-rate changes in cash and cash equivalents corresponding to an expense of SEK 285m (income: 26), the effect was that cash and cash equivalents decreased by SEK 483m (increase: 550) during the first half of 2010. The Group's borrowing during the first six months of the year decreased by SEK 496m (increase: 34), while lending during the corresponding period declined by SEK 1,013m (increase: 1,706).

Summary of the Parent Company

Total income in the Parent Company amounted to SEK 407m (393) during the period. Profit before tax amounted to SEK 32m (loss: 139). Net investments during the period amounted to SEK 6m (19) for the Parent Company. Cash and cash equivalents, defined as cash and lending to credit institutions, amounted to SEK 2,882m (2,426) for the Parent Company on 30 June 2010. On the same date, shareholders' equity amounted to SEK 2,238m (2,405).

Consolidated statements of comprehensive income

(SEKm)	Jan-Jun		Full-year ² 2009
	2010	Pro forma ¹ 2009	
Comission income	744	484	1 172
Comission expenses	-2	-1	-3
Net comission income	742	483	1 169
Interest income	67	98	166
Interest expenses	-49	-81	-118
Net interest income	19	17	49
Other dividend income	1	1	1
Net profit from financial transactions	64	136	266
Capital gain from discontinued operations	-	-	158
Total income	826	637	1 642
Personnel expenses	-483	-456	-949
Other administrative expenses	-237	-344	-657
Amortisation of intangible assets and depreciation of tangible fixed assets	-20	-18	-37
Total expenses	-740	-818	-1 643
Profit/loss before credit losses	86	-181	-1
Credit losses, net	82	0	-4
Profit/loss before tax	168	-181	-5
Taxes	-20	2	42
Profit/loss for the period	148	-179	37
Other comprehensive income: Translation differenses, net after tax	-17		
Total comprehensive income for the period	131		

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

	30 Jun	30 Jun	31 Dec
(SEKm)	2010	2009	2009
Assets			
Cash and bank deposits with central banks	290	475	321
Negotiable government securities	293	437	383
Loans to credit institutions	5 396	6 349	6 015
Loans to general public	3 171	3 098	3 565
Bonds and other interest-bearing securities	555	563	583
Shares and participations	1 095	1 504	1 388
Derivative instruments	354	679	662
Intangible assets	19	21	17
Tangible fixed assets	131	105	141
Current tax assets	10	140	13
Deferred tax assets	260	106	251
Trade and client receivables	431	199	142
Other assets	841	605	485
Prepaid expenses and accrued income	133	230	170
Total assets	12 981	14 511	14 136
Liabilities and shareholders' equity			
Liabilities to credit institutions	136	614	760
Deposits and borrowing from general public	6 693	7 520	6 565
Securities issued	935	935	935
Short positions, financial instruments	512	726	569
Derivative instruments	410	752	556
Current tax liabilities	43	-	26
Deferred tax liabilities	9	14	9
Trade and client payable	910	620	64
Other liabilities	741	424	1 555
Accrued expenses and prepaid income	433	494	486
Provisions	51	103	107
Shareholders' equity	2 109	2 309	2 504
Total liabilities and shareholders' equity	12 981	14 511	14 136

Consolidated statements of changes in equity

	30 June	30 June	31 Dec
(SEKm)	2010	2009	2009
Shareholders' equity - opening balance	2 504	2 413	2 413
Dividend	-525	-	-
Total comprehensive income for the period	130	-104	91
Shareholders' equity - closing balance	2 109	2 309	2 504

Consolidated statements of cash flows

	Jan-Jun	Full-year
(SEKm)	2010	2009
Profit before tax	167	-101
Adjustments for items not affecting cash flow	-76	-207
Paid tax	-9	-137
Cash flows from operations before changes in working capital	82	-445
Changes in working capital	-27	1 034
Cash flows from operations	55	589
Sale of subsidiaries	-	-10
Acquisition of intangible and tangible assets	-13	-29
Cash flows from investing activities	-13	-39
Dividend paid	-525	-
Cash flows from financing activities	-525	-
Cash flows for the period	-483	550
Cash and cash equivalents at opening balance	6 707	5 038
Exchange-rate effects on cash and cash equivalents	-285	26
Cash and cash equivalents at closing balance	5 939	5 615

Income statement of Parent Company

(SEKm)	Jan-Jun		Full-year
	2010	2009	2009
Comission income	414	368	807
Comission expenses	-2	-44	-106
Net comission income	412	324	701
Interest income	38	55	88
Interest expenses	-44	-60	-88
Net interest income	-5	-4	0
Dividends received	-	-	76
Net result from financial transactions	1	74	141
Capital gain from discontinued operations	-	-	309
Total income	407	393	1 227
Personnel expenses	-290	-292	-627
Other administrative expenses	-156	-232	-502
Amortisation of intangible assets and depreciation of tangible assets	-11	-8	-18
Total expenses	-457	-532	-1 147
Profit/loss before credit losses	-50	-139	80
Credit losses, net	82	0	-4
Write-downs of financial assets	-	-	0
Profit/loss before tax	32	-139	76
Tax	13	4	69
Profit/loss for the period	45	-135	144

Balance sheet of Parent Company

	30 Jun	30 Jun	31 Dec
(SEKm)	2010	2009	2009
Assets			
Cash and bank deposits with central banks	10	18	19
Loans to credit institutions	2 872	2 408	3 242
Loans to general public	958	1 603	1 098
Bonds and other interest-bearing securities	140	109	146
Shares and participations	1 029	1 325	1 327
Shares and participations in Group companies	1 545	1 446	1 566
Derivative instruments	280	604	572
Intangible assets	11	10	10
Tangible fixed assets	99	60	105
Current tax assets	0	58	0
Deferred tax assets	252	98	243
Trade and client receivables	334	148	101
Other assets	673	907	901
Prepaid expenses and accrued income	87	122	127
Total assets	8 289	8 914	9 455
Liabilities and shareholders' equity			
Liabilities to credit institutions	134	788	721
Deposits and borrowing from general public	2 510	2 069	1 859
Securities issued	935	935	935
Short positions, financial instruments	470	705	543
Derivative instruments	314	643	481
Current tax liabilities	4	3	4
Trade and client payable	357	422	29
Other liabilities	721	375	1 497
Accrued expenses and prepaid income	218	165	264
Pension provisions	358	325	320
Other provisions	30	78	84
Shareholders' equity	2 238	2 405	2 718
Total liabilities and shareholders' equity	8 289	8 914	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 interim 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, 19 August 2010

Arne Liljedahl
Chairman

Björn Björnsson
Board member

Fredrik Cappelen
Board member

Harald Mix
Board member

Fredrik Strömholm
Board member

Patrik Tigerschiöld
Board member

Frans Lindelöw
President and CEO