# Carnegie Holding AB

*(Formerly ABCIB Holding AB)*

Corp. reg. no. 556780-4983, registered office Stockholm

Parent Company of Carnegie Investment Bank AB (publ)
And Carnegie Fonder AB

# Interim Report

1 January – 31 March 2011

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- **Carnegie has continued to strengthen its market position:**
  - Position remains strong in securities trading.
  - Strong order book in transaction services.
  - Increased number of discretionary mandates in Private Banking.
  - Inflow to Carnegie's funds.
  - Carnegie was top ranked for Private Banking in a survey conducted by Euromoney.
- **Financial data for the group:**
  - Revenue amounted to SEK 500 (557[1]) million. The decrease relates to terminated operations and low revenue in Investment Banking.
  - Expenses before credit reserves amounted to SEK 465 million (504[1]). Items affecting comparability increased expenses by SEK 11 million (0).
  - Profit before credit reserves amounted to SEK 34 million (54[1]). Adjusted for items affecting comparability, profit before credit reserves amounted to SEK 45 million (54[1]).
  - Profit for the period amounted to SEK 24 million (109[1]).
  - Carnegie has assets under management of approximately SEK 110 billion.
  - Strong financial position with equity amounting to SEK 2.5 billion, capital adequacy of 20 percent, and Tier I capital adequacy of 15 percent at the end of the quarter.

# President's comments

## Carnegie stands stable in a hesitant market

The early part of 2011 has been marked by dramatic events around the world, with conflicts in the Middle East and North Africa, natural disasters in Japan, and continued economic problems for a number of EU countries. These all impact on investor activity and investors' willingness to take risk, which also affects Carnegie.

Carnegie's earnings are partly marked by the hesitant market situation, with relatively low revenue in corporate transactions, while Private Banking and Fonder are reporting stable revenue. Carnegie's revenues in Securities and Investment Banking have a strong correlation with the market for equity capital markets transactions. The integration of the autumn's acquisitions will continue throughout the year, and at this point synergies have only partially been realised.

However, we can be pleased that Carnegie is standing stable in the market, with increasing shares of brokerage-driven trade and a good pipeline in equity capital markets transactions and M&As. Our fund operations continue to develop well, and we have expanded our activity in terms of market communication in order to profile our actively managed funds. Private Banking has experienced a stable quarter, with an increased inflow of discretionary mandates. Carnegie was also top ranked in a number of categories in private banking, according to a survey by Euromoney magazine at the start of the year.

Carnegie has a unique platform as the leading independent investment bank in the Nordic region. We have strengthened our position, and even though there is still plenty to be done, there are many factors that mean we can look to the future with optimism.

Frans Lindelöw
*President and CEO*

1) Pro forma 2010: Includes profits from HQ Bank and HQ Fonder. From page 4 and later, the comparison figures are not pro forma.



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## Operative income statement

| (SEKm) | Jan-Mar 2011 | Pro forma 2010[1] |
|---|---|---|
| Securities | 216 | 208 |
| Investment Banking | 87 | 154 |
| Private Banking | 148 | 146 |
| Fonder | 49 | 49 |
| **Total income** | **500** | **557** |
| Personnel expenses | -328 | -328 |
| Other expenses | -138 | -176 |
| **Expenses before credit losses** | **-465** | **-504** |
| **Operating profit before credit losses** | **34** | **54** |
| Credit reserves, net | 4 | 71 |
| **Profit/loss before taxes** | **39** | **125** |
| Taxes | -15 | -16 |
| **Profit/loss for the period** | **24** | **109** |
| Average number of employees | 827 | 901 |
| Number of employees at year-end (FTE) | 818 | 896 |

### Revenue

Revenue for the first quarter of 2011 amounted to SEK 500 million (557[1]). The decrease relates to Carnegie having terminated parts of the operations from HQ Bank, and to lower revenue from the Investment Banking business area.

In the Securities business area, underlying revenue is up in relation to the previous year, driven by higher brokerage revenue. Revenue in Investment Banking is lower as a consequence of a weaker market for equity capital markets transactions. However, the level of underlying activity in this area is high, and Carnegie has a good order book. Revenue from these operations is typically generated unevenly across the year. Private Banking and Fonder are both demonstrating a stable trend, with an inflow of capital to the funds and to discretionary asset management.

### Expenses

Expenses before credit reserves for the first quarter of 2011 amounted to SEK 465 million (504[1]). These expenses include items affecting comparability of SEK 11 million (0), which relate to costs associated with restructuring. Adjusted for items affecting comparability, expenses before credit reserves amounted to SEK 454 million (504[1]).

### Profit

Profit before credit reserves during the first quarter of 2011 amounted to SEK 34 million (54[1]). Restructuring costs affected profit by SEK 11 million (0). Adjusted for the above items, profit before credit reserves amounted to SEK 45 million (54[1]). Net profit for the period was SEK 24 million (109[1]).

1) Pro forma 2010: Includes profits from HQ Bank and HQ Fonder. From page 4 and later, the comparison figures are not pro forma.



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## Important events during the first quarter of 2011

### New fund names in Carnegie Fonder

Carnegie Fonder, formerly HQ Fonder, offers a broad range of funds that have all used the prefix HQ in their name, such as the HQ Strategifond fund. As a natural consequence of the company name changing to Carnegie Fonder, the fund names have been changed so that Carnegie is instead used as the prefix, such as for the Carnegie Strategifond fund. During January 2011, most Swedish-registered funds changed their name. Those funds that are registered in Luxembourg will change their names later in 2011.

### Carnegie Fonder terminating ETF operations

Carnegie Fonder has decided to terminate its operations in exchange-traded funds, also called ETFs. This means that Carnegie Fonder will once again focus entirely on its core business of actively managed funds.

## Risks and uncertainties

### General information on risks and uncertainties

The business activities of Carnegie expose the group to market, credit, liquidity and operational risks. Market risk is defined as the risk of loss due to the effect of, for example, changes in equity prices, interest rates, or currency exchange rates. Credit risk is defined as the risk of loss due to a counterparty being unable to meet its obligations. 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 processes and systems, alternatively human error or external events. A more detailed description of the Carnegie group's risk management is presented in the 2010 annual report for Carnegie Holding.

### Capital requirement and capital ratio

The tables below present the capital requirement and capital ratio according to the Swedish Financial Supervisory Authority's directive FFFS 2007:5 regarding publication of information on capital adequacy.

The capital ratio is calculated as the ratio between the capital base and capital requirement. The capital ratio must not fall below 1 according to the legal requirement.

At Carnegie Bank, which includes most of the group's operating activities, the capital ratio on 31 March 2010 was 2.4, which corresponds to capital adequacy of 19.2 percent. In the financial companies group, i.e. Carnegie Holding, in which Carnegie Fonder is also included, the capital ratio was 2.5, corresponding to capital adequacy of 20.0 percent.

A more detailed description of Carnegie's capital adequacy is provided in the 2010 annual report, as well as on Carnegie's website at www.carnegie.se.



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## Capital adequacy

| | Carnegie Bank Group | | Carnegie Holding Group | |
|---|---|---|---|---|
| | 31 March | | 31 March | |
| **(SEKm)** | **2011** | **2010** | **2011** | **2010** |
| **Capital base** | | | | |
| Equity capital | 2 042 | 1 972 | 2 441 | 1 577 |
| Deductions (intangible assets and deferred tax asset) | -581 | -275 | -1 262 | -276 |
| **Equity capital in the capital base** | **1 461** | **1 697** | **1 179** | **1 301** |
| Tier II capital (subordinated dept) | - | - | 410 | - |
| **Total capital base** | **1 461** | **1 697** | **1 589** | **1 301** |
| **Capital requirement** | | | | |
| Capital requirement for credit risk, standardized method | 180 | 164 | 181 | 155 |
| Capital requirement for equity and interest rate risk | 75 | 34 | 75 | 34 |
| Capital requirement for currency risk | 63 | 54 | 63 | 54 |
| Capital requirement for operational risk, base method | 290 | 319 | 317 | 319 |
| **Total capital requirement** | **608** | **571** | **636** | **562** |
| Surplus capital | 853 | 1 126 | 953 | 739 |
| Tier I capital quotient | 2.4 | 2.97 | 1.85 | 2.31 |
| Capital quotient | 2.4 | 2.97 | 2.50 | 2.31 |
| Tier 1 ratio % | 19.22 | 19.92 | 14.83 | 18.52 |
| Capital ratio % | 19.22 | 19.92 | 19.98 | 18.52 |



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## Investments

The group's investments in fixed assets amounted to SEK -5 million (-6) during the period.

## Summary of the parent company

Total revenue in the parent company during the period amounted to SEK 3 million (3). Profit before tax during the period amounted to SEK -8 million (-1). No investments have been made in fixed assets during the period (-). Liquidity, defined as cash and lending to credit institutions, amounted to SEK 5 million (2) per 31 March 2011 for the parent company. Equity per 31 March 2011 amounted to SEK 2,229 million (1,842).

## Liquidity

The Carnegie group's operations involve largely short-term obligations that mature within two months, which means that the bank does not require financing with long duration. The group's financing consists of equity, issued bonds and deposits from the public. Equity and bonds make up 23 percent, deposits from the public make up 40 percent, and other liabilities make up 37 percent of total capital employed. Of other liabilities, the majority do not attract interest.

The Carnegie group manages its liquidity in four different liquidity reserves: Carnegie Investment Bank AB and the subsidiaries in Denmark, Luxembourg and Norway. Each unit is self-financing and the liquidity reserves are managed individually.

The liquidity reserve was SEK 2,943 million per 31 March for the Carnegie group. The composition of the liquidity reserve was as follows:

- Cash and cash equivalents: SEK 2,589m
- Government securities: SEK 47m
- Secured bonds: SEK 307m

To assure an adequate liquidity reserve the group utilises liquidity risk tolerance levels that should ensure the bank always has an adequate liquidity reserve to survive periods of market turbulence. The liquidity reserve should always be greater than the anticipated outflow of cash during a period of stress. The liquidity reserve may only consist of balances with banks and assets that can be refinanced with the Swedish Riksbank.
A maximum of 40 percent of the liquidity requirement may be derived from the refinancing of securities (0 at end of period). The liquidity reserve should make up at least 10 percent of total capital employed (20 percent at end of period).



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## Consolidated statements of comprehensive income

| (SEKm) | Jan-Mar 2011 | Jan-Mar 2010 | Full year 2010 |
|---|---|---|---|
| Commission income | 495 | 328 | 1 712 |
| Commission expenses | -63 | -1 | -90 |
| **Net commission income** | **433** | **327** | **1 622** |
| Interest income | 43 | 24 | 159 |
| Interest expenses | -34 | -15 | -107 |
| **Net interest income** | **9** | **9** | **52** |
| Other dividend income | 0 | - | 0 |
| Net profit from financial transactions | 58 | 31 | 122 |
| Capital gain from discontinued operations | - | - | -1 |
| **Total operating income** | **500** | **367** | **1 796** |
| Personnel expenses | -328 | -235 | -1 225 |
| Other administrative expenses | -120 | -113 | -719 |
| Amortisation of intangible assets and depreciation of tangible fixed assets | -18 | -10 | 553 |
| **Total operating expenses** | **-465** | **-358** | **-1 391** |
| **Profit/loss before credit losses** | **34** | **10** | **405** |
| Credit losses, net | 4 | 71 | 135 |
| **Profit/loss before tax** | **39** | **81** | **540** |
| Taxes | -15 | -4 | -39 |
| **Profit/loss for the period** | **24** | **77** | **501** |
| Other comprehensive income: | | | |
| Translation differenses, net after tax | -12 | -7 | -66 |
| **Total comprehensive income for the period** | **12** | **70** | **435** |



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## Consolidated statements of financial position

| (SEKm) | 31 March 2011 | | 31 March 2010 | 31 December 2010 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and bank deposits with central banks | 238 | | 224 | 287 |
| Negotiable government securities | 48 | | 458 | 827 |
| Loans to credit institutions | 4 927 | 1) | 5 040 | 5 519 |
| Loans to general public | 3 527 | | 3 143 | 3 617 |
| Bonds and other interest-bearing securities | 512 | | 566 | 468 |
| Shares and participations | 2 228 | | 1 775 | 1 682 |
| Derivative instruments | 312 | | 649 | 343 |
| Intangible assets | 796 | | 19 | 803 |
| Tangible fixed assets | 119 | | 134 | 126 |
| Current tax assets | 36 | | 11 | 26 |
| Deferred tax assets | 559 | | 257 | 560 |
| Trade and client receivables | 463 | | 341 | 470 |
| Other assets | 172 | | 798 | 107 |
| Prepaid expenses and accrued income | 717 | | 153 | 243 |
| **Total assets** | **14 655** | | **13 567** | **15 078** |
| | | | | |
| **Liabilities and shareholders' equity** | | | | |
| Liabilities to credit institutions | 699 | | 659 | 552 |
| Deposits and borrowing from general public | 6 516 | 1) | 6 969 | 7 611 |
| Securities issued | 935 | | 935 | 935 |
| Short positions, shares | 1 221 | | 819 | 878 |
| Derivative instruments | 466 | | 271 | 350 |
| Current tax liabilities | 64 | | 30 | 65 |
| Deferred tax liabilities | 104 | | 8 | 109 |
| Trade and client payable | 545 | | 197 | 234 |
| Other liabilities | 617 | | 981 | 598 |
| Accrued expenses and prepaid income | 444 | | 447 | 716 |
| Other provisions | 163 | | 72 | 162 |
| Subordinated debt | 410 | | - | 410 |
| Shareholders' equity | 2 470 | | 2 179 | 2 459 |
| **Total liabilities and shareholders' equity** | **14 655** | | **13 567** | **15 078** |

1) Whereof SEK 487m in client funds



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## Consolidated statements of changes in equity

| | Jan-Mar | | Full year |
|---|---|---|---|
| **(SEKm)** | **2011** | **2010** | **2010** |
| Shareholders' equity - opening balance | 2 459 | 2 109 | 2 109 |
| Repayment of capital contribution | - | - | -525 |
| Shareholders' contribution | - | - | 440 |
| Comprehensive income for the year | 12 | 70 | 435 |
| **Shareholders' equity - closing balance** | **2 470** | **2 179** | **2 459** |

## Consolidated statements of cash flows

| | Jan-Mar | | Full year |
|---|---|---|---|
| **(SEKm)** | **2011** | **2010** | **2010** |
| Profit before tax | 39 | 81 | 540 |
| Adjustments for items not affecting cash flow | 28 | -241 | -500 |
| Paid tax | -31 | -9 | 17 |
| **Cash flows from operations before changes in working capital** | **35** | **-169** | **58** |
| Changes in working capital | -1 218 | -625 | -2 618 |
| **Cash flows from operations** | **-1 182** | **-795** | **-2 560** |
| | | | |
| Acquisition of subsidiaries | - | - | 1 687 |
| Acquisition of intangible and tangible fixed assets | -5 | -6 | -28 |
| **Cash flows from investing activities** | **-5** | **-6** | **1 659** |
| | | | |
| Issue of capital | **-** | **-** | 440 |
| Repayment of capital contribution | - | **-** | -525 |
| Issue of convertible debentures | - | **-** | 410 |
| **Cash flows from financing activities** | **-** | **-** | **325** |
| | | | |
| **Cash flows for the period** | **-1 187** | **-801** | **-576** |
| | | | |
| Cash and cash equivalents at opening balance | 5 737 | 6 713 | 6 713 |
| Exchangerate effects on cash and cash equivalents | -23 | -218 | -401 |
| **Cash and cash equivalents at closing balance** | **4 526** | **5 694** | **5 737** |



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## Income statement of Parent Company

| (SEKm) | Jan-Mar 2011 | Jan-Mar 2010 | Full year 2010 |
|---|---|---|---|
| Net income | 3 | 3 | 12 |
| Other external expenses | -1 | 0 | -2 |
| Personnel expenses | -3 | -3 | -14 |
| **Operating profit/loss** | **-1** | **0** | **-4** |
| Interest income | 0 | 0 | 0 |
| Interest expenses | -7 | -1 | -22 |
| Result from investments in subsidiaries | - | - | 505 |
| **Profit/loss from financial items** | **-7** | **-1** | **483** |
| **Profit/loss before tax** | **-8** | **-1** | **479** |
| Taxes | 0 | - | 0 |
| **Profit/loss for the period** | **-8** | **-1** | **479** |

## Statement of comprehensive income

| | Jan-Mar 2011 | Jan-Mar 2010 | Full year 2010 |
|---|---|---|---|
| **Profit/loss for the period** | -8 | -1 | 479 |
| Other comprehensive income, net of tax | - | - | - |
| **Total comprehensive income for the period** | **-8** | **-1** | **479** |



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## Balance sheet of Parent Company

| (SEKm) | Jan-Mar 2011 | Jan-Mar 2010 | Full year 2010 |
|---|---|---|---|
| **Assets** | | | |
| Shares and participations in Group companies | 2 638 | 1 715 | 2 638 |
| Deferred tax assets | 0 | - | 0 |
| **Total financial non-current assets** | **2 639** | **1 715** | **2 639** |
| | | | |
| Current receivables from Group companies | 506 | 525 | 506 |
| Other current receivables | 1 | 1 | 1 |
| Prepaid expenses and accrued income | 0 | - | 0 |
| Cash and bank | 4 | 2 | 4 |
| **Total current assets** | **511** | **529** | **511** |
| | | | |
| **Total assets** | **3 150** | **2 244** | **3 150** |
| | | | |
| **Liabilities and shareholders' equity** | | | |
| Shareholders' equity | 2 229 | 1 842 | 2 238 |
| Convertible debentures | 410 | - | 410 |
| Other non-current liabilities | - | - | - |
| Trade account payables | 0 | 1 | 0 |
| Current liabilities to Group companies | 214 | - | 212 |
| Other current liabilities | 279 | 399 | 279 |
| Accrued expenses and prepaid income | 16 | 1 | 10 |
| Pension provisions | 1 | - | 1 |
| **Total liabilities and shareholders' equity** | **3 150** | **2 244** | **3 150** |



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## The Carnegie group

To clarify the legal structure encompassed by this financial report, a brief description is provided below of the operations within Carnegie.

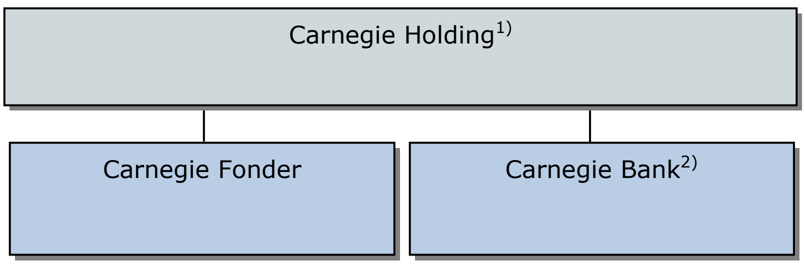
**Carnegie Holding**
Carnegie Holding was formed on 19 March 2009 in conjunction with the Altor and Bure acquisition of Carnegie Investment Bank AB (publ) ("Carnegie Bank"). The holding company's operations consist of directly or indirectly owning, managing, issuing guarantees and loans to the banking operations and other group companies associated with financial operations. All business operations within Carnegie take place within Carnegie Bank and Carnegie Fonder AB (formerly HQ Fonder Sverige AB). Carnegie Holding is owned by Altor Fund III, the investment company Bure Equity AB, Investment AB Öresund and employees of Carnegie.

**Carnegie Bank**
As of 3 September 2010, operations previously conducted in HQ Bank AB were included in Carnegie Bank. HQ Bank AB was merged with Carnegie Bank on 30 September 2010.

**Carnegie Fonder**
Carnegie Holding consolidates Carnegie Fonder AB ("Carnegie Fonder") as of 22 September 2010.

## Comparison figures

Pages 2 and 3 present commentary on Carnegie Holding's operating results for the first quarter of 2011 compared with the first quarter of 2010 pro forma, that is to say including HQ Bank and HQ Fonder. From page 4 and subsequently, the comparison figures are not pro forma.




1) Carnegie Holding consists of the parent company Carnegie Holding AB and its subsidiaries.

2) Carnegie Bank consists of the parent company Carnegie Investment Bank AB (publ) and its subsidiaries.

## MISCELLANEOUS

### 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 Authority's regulations (FFFS 2008:25). The parent company's accounts were prepared according to the Annual Accounts Act and RFR 2 Accounting for Legal Entities. The accounting policies and calculation methods applied in this report are the same as those used in the 2010 annual report.

Note that rounding may result in amounts in SEK millions not agreeing when summed.

#### Auditor's review report

This report has not been reviewed by the company's auditors.

### Certification

The chief executive officer hereby certifies 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 significant risks and uncertainties faced by the parent company and those companies that are included in the group.

Stockholm, 26 April 2011

**Frans Lindelöw**
Chief Executive Officer