

**INTERIM REPORT** JANUARY 1 - SEPTEMBER 30, 2007



# CONTINUED STRONG GROWTH IN PRIVATE BANKING

## THIRD QUARTER

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- + OPERATING INCOME SEK 171 (193) MILLION - 11%
  - + OPERATING PROFIT SEK 66 (70) MILLION - 6%
  - + OPERATING PROFIT EXCL TRADING SEK 83 (52) MILLION + 60%
  - + PROFIT AFTER TAX SEK 47 (50) MILLION - 6%
  - + EARNINGS PER SHARE AFTER DILUTION SEK 1.7 (1.9) - 11%
  - + OPERATING MARGIN 39 (36)%
  - + NET INFLOW OF ASSETS UNDER MANAGEMENT SEK 2.1 (1.7) BILLION
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- + Operating earnings decreased to SEK 66 (70) million, and earnings after tax to SEK 47 (50) million, corresponding to SEK 1.7 (1.9) per share. The reduced earnings are explained exclusively by a loss in Trading of SEK -17 (18) million, the first quarter with negative earnings for Trading since its start in 1994. Other services areas demonstrated continued growth during the third quarter, with an earnings improvement of 60 percent to SEK 83 (52) million.
- + Income declined by a total of 11 percent to SEK 171 (193) million. Net income from commissions and fees increased by 16 percent to SEK 153 (132) million. Of the net income from commissions and fees SEK 76 (50) million was attributable to asset management fees, an increase of 52 percent. Income from financial advisory services and underwriting decreased by 21 percent to SEK 15 (19) million. The net result of financial transactions, including dividends, decreased by 78 percent to SEK 11 (51) million, with Trading accounting for SEK -15 (45) million. Trading has been negatively affected by the recent financial worries. The cost of risk has increased while liquidity has decreased. In other words, the conditions for conducting trading on the company's own account have been unfavourable. The financial instability has also led to the delay of several projects in Corporate Finance.
- + Expenses decreased by 15 percent to SEK 105 (123) million, mainly explained by lower provisions for profit sharing as an effect of the lower earnings in Trading. Personnel expenses therefore decreased by 19 percent to SEK 71 (88) million. Cost control remains good and other expenses decreased by 3 percent to SEK 34 (35) million.
- + The operating margin increased by 8 percent to 39 (36) percent, which is proof of the economies of scale that exist in HQ's business model. Increased business volumes, particularly in HQ Private Banking, can be managed with existing resources.
- + Total assets under management decreased by SEK 2.8 billion to SEK 82.4 billion, a decrease of 3 percent during the quarter. This negative development is explained mainly by a downturn in the stock market corresponding to 5 percent. Despite the financial turbulence during the quarter HQ Private Banking demonstrated a net inflow of new client volumes of SEK 2.1 (1.7) billion, which represents organic growth of 12 percent annualised within HQ Private Banking.

# HEADED FOR THE BEST YEAR IN HQ'S HISTORY

JANUARY - SEPTEMBER

- + OPERATING INCOME SEK 755 (651) MILLION + 16%
- + OPERATING PROFIT SEK 315 (236) MILLION + 33%
- + PROFIT AFTER TAX SEK 225 (168) MILLION + 34%
- + EARNINGS PER SHARE AFTER DILUTION SEK 8.2 (6.2) + 32%
- + OPERATING MARGIN 42 (36)%
- + ASSETS UNDER MANAGEMENT SEK 82.4 (67.1) BILLION, OF WHICH NET INFLOW SEK 6.2 (5.5) BILLION

## HQ IN SUMMARY

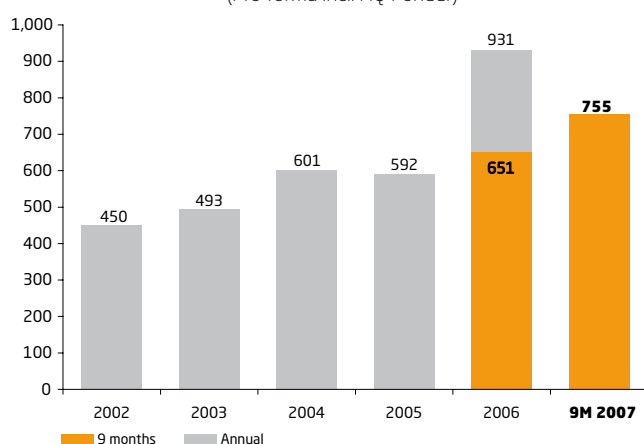
### COMMENTS FROM CEO MIKAEL KÖNIG

The financial turbulence during the third quarter, with a considerably raised cost of risk and decreased liquidity, led to unfavourable conditions for the industry as a whole. The market climate has also affected the trading operations, which are reporting their first loss-making quarter since 1994.

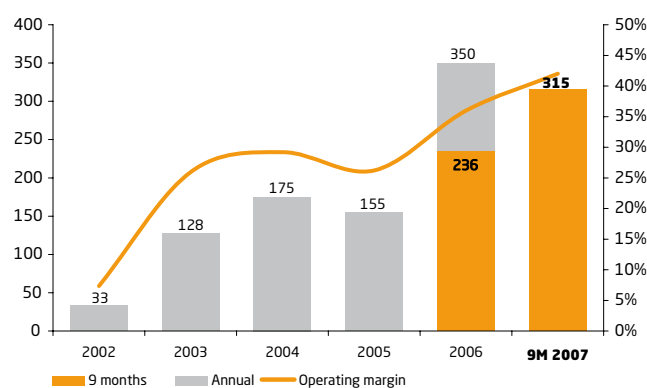
But excluding Trading, HQ continues to deliver. Earnings growth excluding Trading was 54 percent, while income grew by 26 percent, which emphasises the scalability of HQ's business model. The third quarter's net inflow of SEK 2.1 billion was highly gratifying. The average volume of assets under management during the period was SEK 82 (62) billion, growth of 32 percent. Repeat income therefore continues to increase much more rapidly than expenses, which provides a stable basis for continued profitable growth.

In the future HQ will place greater focus on expanding the business in the Alternative Investments unit. For our clients this means access to new fields of investment, decreased dependence on shares for capital growth and a generally lower level of risk. This business has great potential and strengthens HQ Private Banking as a complete improver of wealth. Unique and attractive products also open up a significant opportunity for distribution via external channels. Distribution power has been further reinforced in the past quarter through new strategic alliances with Swedbank and Finnish company Aktia.

**INCOME (SEKm)**  
(Pro forma incl. HQ Fonder)



**OPERATING EARNINGS (SEKm)**  
(Pro forma incl. HQ Fonder)



## THE GROUP - REPORTING PERIOD JANUARY 1 - SEPTEMBER 30, 2007

### A SCALABLE BUSINESS MEANS CONTINUED STRONG EARNINGS GROWTH

HQ reports for the period January 1–September 30, 2007 operating earnings of SEK 315 (236) million, and earnings after tax of SEK 225 (168) million, corresponding to SEK 8.2 (6.2) per share after dilution. Amortisation of intangible fixed assets attributable to the merger with HQ Fonder has been charged to earnings at SEK 9 (9) million. During the period HQ has bought back a previously issued debenture at a premium, which negatively impacted operating income by SEK 4.3 million.

Trading is reporting its first loss-making quarter since it was founded in 1994. In other areas the earnings trend has remained strong, with earnings growth of 54 percent to SEK 292 (190) million. Scalability in the business is becoming increasingly apparent. On September 30, HQ managed assets of SEK 82.4 billion, compared with SEK 67.1 billion at the same time last year. Volume growth has contributed to a vigorous increase in repeat income in the form of asset management fees and net interest income from custodian account clients. Repeat income is increasing more rapidly than fixed expenses, which provides a stable basis for continued profitable expansion.

Overall the operating margin increased to 42 (36) percent, which exceeds HQ's financial target of an average of at least 25 percent across the business cycle.

### INCREASED PROPORTION OF REPEAT INCOME CONTRIBUTES TO GREATER STABILITY

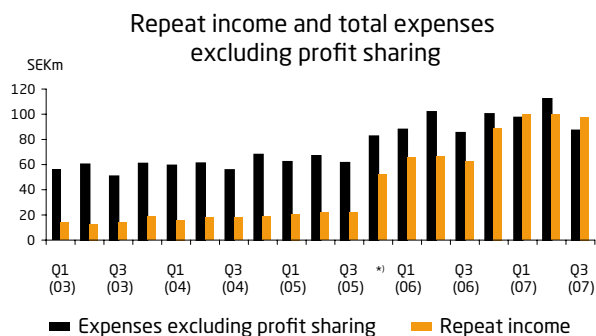
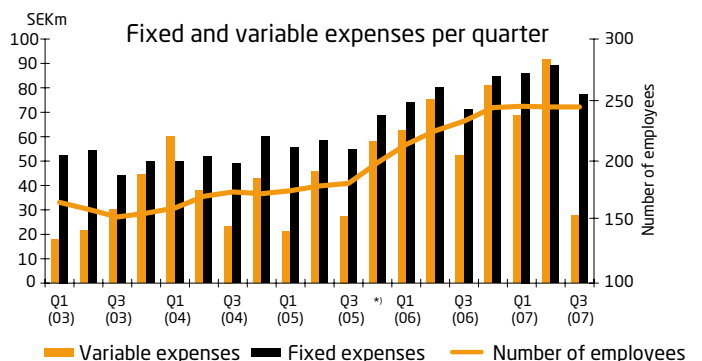
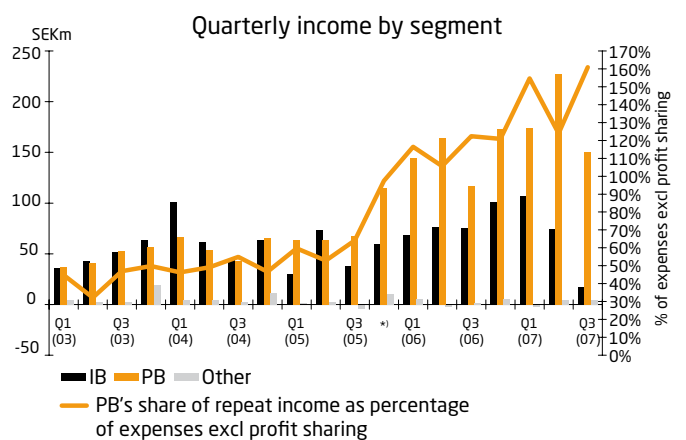
In total operating income amounted to SEK 755 (651) million, an increase of 16 percent. Net income from commissions and fees increased by 25 percent to SEK 591 (474) million. Of the net income from commissions and fees, SEK 700 (588) million was secondary, an increase of 19 percent. This increase is explained by the inflow of managed volumes, which generated a greater proportion of repeat income in the form of asset management fees. The income from commissions and fees also includes income of SEK 119 (79) million from financial advisory services and underwriting, an increase of 51 percent. Trading on the company's own account, comprising the net result of financial transactions and dividends, increased by 3 percent to SEK 157 (152) million of which Trading accounted for SEK 79 (120) million.

As the net inflow of new client volumes has risen, the proportion of repeat income has also risen. Repeat income includes asset management fees and net interest income from the public, less expenses for commissions and fees. Repeat income in HQ Private Banking increased by 46 percent to SEK 285 (195) million, which means that 145 (114) percent of HQ Private Banking's current expenses excluding profit sharing were covered by repeat income. At a consolidated level, 101 (69) percent of current expenses excluding profit sharing were covered by repeat income.

### EXPENSES WITHIN COST TARGET

Operating expenses totalled SEK 440 (415) million, an increase compared to the preceding year of 6 percent. As a result of new recruitment during the latter part of 2006 to expand expertise, personnel expenses excluding profit sharing increased by 14 percent to SEK 175 (154) million. During 2007 the number of employees has remained largely constant and it is believed that no considerable investment is required in the organisation or systems in order to meet increased demand. In addition, provisions for profit sharing increased as a consequence of the positive earnings trend by SEK 4 million to SEK 145 (141) million. Provisions for profit sharing correspond to 32 (37) percent of operating earnings before provisions. The profit sharing system is directly linked to earnings and no profit share is paid if earnings are negative for the particular department. Other expenses were unchanged and amounted to SEK 120 (120) million.

An effective business model and good cost control are guiding principles in the development of HQ. The business model has demonstrated proof of cost efficiency and has contributed to increased operating margins over time. A review has been initiated to make the business more efficient in order to realise synergy and additional economies of scale. This is expected to have a long-term positive impact on HQ's current expenses excluding profit sharing, which for full-year 2007 are expected to be below the established cost target of SEK 400 million.



\*) Including HQ Fonder from October 28, 2005

## CASH AND CASH EQUIVALENTS, CAPITAL ADEQUACY, NET INTEREST INCOME AND HUMAN RESOURCES

The group's cash and cash equivalents amounted to SEK 2,206 (1,477 per December 31, 2006) million. Equity amounted to SEK 1,117 (1,047 per December 31, 2006) million, corresponding to SEK 41 (39 per December 31, 2006) per share. Consolidated capital adequacy amounted to 18 (29 per December 31, 2006) percent, corresponding to a capital adequacy ratio of 2.25. This reduction is explained almost exclusively as an effect of the new capital adequacy rules (Basel II). The current level of capital adequacy exceeds both the legal requirement of at least 8 percent and HQ's financial target of a minimum of 15 percent.

Average deposits from and lending to the public have increased compared to the preceding year. Net interest income attributable to HQ's custodian account clients has thus increased by 42 percent to SEK 57 (40) million.

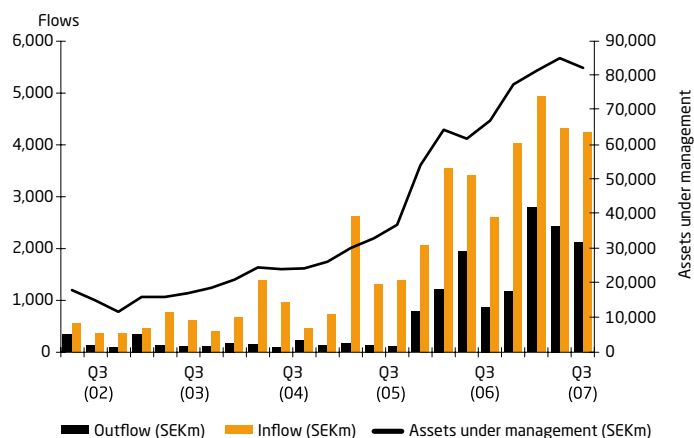
The number of employees in the group amounted to 248, compared with 244 at the start of the year. The average number of employees during the period was 243 (217).

## ASSETS UNDER MANAGEMENT

Since September 30, 2006 total assets under management have increased by SEK 15.3 billion to SEK 82.4 billion, an increase of 23 percent.

The net inflow of assets under management during the period amounted to SEK 6.2 billion, which represents annualised organic growth of 13 percent within HQ Private Banking.

During the period HQ managed an average of SEK 82 (62) billion, which represents a growth rate of 32 percent. This is directly reflected in repeat income within HQ Private Banking, which increased by 46 percent to SEK 285 (195) million. Stability in HQ's current income increases successively as assets under management become greater.



## FINANCIAL TARGETS

In 2005 the board of directors set the financial targets below:

- Capital adequacy shall be a minimum of 15 %, outcome 18 %
- Growth in assets under management shall average 20 % per year, outcome 23 %
- The operating margin shall average a minimum of 25 %, outcome 42 %

## OTHER COMPANY EVENTS

The board of directors of HQ AB has appointed Mikael König as the company's new chief executive officer from September 10, 2007. Mikael has worked for HQ since 1993, most recently as vice president of HQ Bank and head of HQ Private Banking. Mikael has been a member of the management team of HQ Private Banking since 2000 and his previous appointments include vice president of HQ Luxemburg and head of structured products. The former CEO, Patrik Enblad, left his position at his own request.

## RISKS AND UNCERTAINTIES

HQ's business entails daily risks that must be measured, controlled and managed as necessary in order to protect the company's capital and its reputation. The manner in which HQ identifies, follows up and manages these risks is a pivotal aspect of operations. See Note 29 in HQ's annual report for a more detailed description of the risk exposure and risk management of the group and parent company. It is believed that there are no new significant risks other than those described in the annual report.

## EVENTS SUBSEQUENT TO THE END OF THE PERIOD

The board of directors of HQ AB has decided that HQ Bank will start a partly-owned hedge fund during 2008, comprising the existing trading operations. This means that the proportion of repeat income will increase further while risk will be reduced. Due to the approval procedures it is estimated that the new fund will not be launched until during the second half of 2008. Until then the Trading unit will continue its operations as usual.

## OUTLOOK

The general market climate was unfavourable during the third quarter. HQ's ambition is that organic growth should remain level with that during 2006 of around 15 percent. One important key to success is to further strengthen HQ's distribution power by signing new distribution agreements with strategic partners in the Nordic region. During the third quarter agreements were signed with Swedbank and Finnish company Aktia for the distribution of funds. In addition to improved distribution power, a new geographical market is now opening up. The new agreements are expected to positively impact HQ's earnings by the fourth quarter of 2007.

In addition, expansion is planned in alternative investments, which is an area with potential for high growth and profitability that will generate added value for both clients and shareholders.

Overall HQ has a unique offering, a scalable business model and therefore good prospects of continued strong growth in turnover and earnings in both the short term and the long term.

Stockholm, October 18, 2007

Mikael König, Chief Executive Officer, telephone +46 8 696 17 00.

## FORTHCOMING REPORTS AND SHAREHOLDER MEETINGS

Year-end press release	January 31, 2008
Annual report 2007	March 2008
Annual General Meeting	April 4, 2008

**CONSOLIDATED INCOME STATEMENTS (SEKm)**

	2007 Jul - Sep	2006 Jul - Sep	2007 Jan - Sep	2006 Jan - Sep
Income from commissions and fees	223	188	820	667
Expenses from commissions and fees	-70	-56	-229	-193
Interest income	38	23	94	57
Interest expense	-34	-13	-93	-33
Net result of financial transactions, including dividends	11	51	157	152
Other operating income	3	0	6	1
<b>Total operating income</b>	<b>171</b>	<b>193</b>	<b>755</b>	<b>651</b>
Personnel expenses	-71	-88	-320	-295
General administrative expenses	-22	-20	-76	-71
Depreciation and amortisation of fixed assets	-5	-5	-14	-14
Other operating expenses	-7	-10	-30	-36
Credit losses and bad debt losses	0	0	0	1
<b>Total operating expenses</b>	<b>-105</b>	<b>-123</b>	<b>-440</b>	<b>-415</b>
<b>Operating profit</b>	<b>66</b>	<b>70</b>	<b>315</b>	<b>236</b>
Tax on profit for the period	-19	-20	-90	-68
<b>Profit for the period</b>	<b>47</b>	<b>50</b>	<b>225</b>	<b>168</b>
Of which minority share of profit for the period	0	0	0	0
Earnings per share before dilution, SEK	1.7	1.9	8.3	6.2
Earnings per share after dilution, SEK	1.7	1.9	8.2	6.2
Average number of shares before dilution	27,114,480	27,114,480	27,114,480	27,114,480
Average number of shares after dilution	29,527,880	27,927,880	29,042,586	27,476,323
Number of shares outstanding before dilution	27,114,480	27,114,480	27,114,480	27,114,480
Number of shares outstanding after dilution	29,527,880	27,927,880	29,527,880	27,927,880

**CONSOLIDATED BALANCE SHEETS (SEKm)**

	Sep 30, 2007	Dec 31, 2006
Lending to credit institutions	2,206	1,477
Lending to the public	2,086	1,157
Shares and participations	2,746	2,906
Intangible fixed assets	576	587
Other assets	1,874	1,554
<b>Total assets</b>	<b>9,488</b>	<b>7,681</b>
Liabilities to credit institutions	1,015	134
Deposits and borrowing from the public	3,379	2,493
Other liabilities	3,977	4,007
Equity attributable to HQ's shareholders	1,117	1,046
Minority share of equity	0	1
Equity	1,117	1,047
<b>Total equity and liabilities</b>	<b>9,488</b>	<b>7,681</b>

**CONSOLIDATED CHANGE IN EQUITY (SEKm)**

	Sep 30, 2007	Sep 30, 2006	Dec 31, 2006
<b>Equity - start of period</b>	<b>1,046</b>	<b>875</b>	<b>875</b>
Dividends	-163	-81	-81
Equity share convertible debenture	8	2	2
Translation differences etc	1	-	-
Profit for the period	225	168	250
<b>Equity attributable to HQ's shareholders</b>	<b>1,117</b>	<b>964</b>	<b>1,046</b>
Minority share of equity	0	-	1
<b>Total equity - end of period</b>	<b>1,117</b>	<b>964</b>	<b>1,047</b>

**GROUP TRENDS PER QUARTER (SEKm)**

	2007 Jul - Sep	2007 Apr - Jun	2007 Jan - Mar	2006 Oct - Dec	2006 Jul - Sep
Net income from commissions and fees	153	256	182	185	132
Net interest income	4	-2	-1	13	10
Financial transactions including dividends, net	11	49	97	79	51
Other operating income	3	3	1	2	0
Operating income	171	306	279	279	193
Operating expenses	-105	-181	-155	-165	-123
Operating profit	66	125	124	114	70

**KEY FIGURES**

	2007 Jan - Sep	2006 Jan - Sep	2006 - 2007 Oct - Sep	2006	2005	2004
Operating income, SEKm	755	651	1,035	931	518	519
Operating expenses, SEKm	-440	-415	-606	-581	-390	-377
Operating profit, SEKm	315	236	429	350	128	142
Earnings per share before dilution, SEK	8.3	6.2	11.3	9.2	4.9	5.3
Equity per share, SEK	41	36	41	39	33	21
Operating margin, %	42%	36%	41%	38%	25%	28%
Return on equity, % *	27%	34%	27%	25%	15%	27%
Capital adequacy, %	18%	29%	18%	29%	42%	32%

\*Returns are calculated on a rolling twelve-month basis

## INFORMATION BY SEGMENT (SEKm)

	HQ Private Banking		HQ Investment Banking		Other/Eliminations		Total	
	2007 Jan - Sep	2006 Jan - Sep	2007 Jan - Sep	2006 Jan - Sep	2007 Jan - Sep	2006 Jan - Sep	2007 Jan - Sep	2006 Jan - Sep
Operating income	551	425	198	220	6	6	755	651
Operating expenses	-283	-246	-121	-135	-36	-34	-440	-415
<b>Operating profit/loss</b>	<b>268</b>	<b>179</b>	<b>77</b>	<b>85</b>	<b>-30</b>	<b>-28</b>	<b>315</b>	<b>236</b>
Tax	-	-	-	-	-90	-68	-90	-68
<b>Profit/loss for the period</b>	<b>268</b>	<b>179</b>	<b>77</b>	<b>85</b>	<b>-120</b>	<b>-96</b>	<b>225</b>	<b>168</b>

## CONSOLIDATED CASH FLOW STATEMENT (SEKm)

	2007 Jan - Sep	2006 Jan - Sep
Cash flow from operating activities	174	180
Cash flow from assets and liabilities of operating activities	542	572
<b>Cash flow from operating activities</b>	<b>716</b>	<b>752</b>
Cash flow from investing activities	-1	-4
Cash flow from financing activities	14	-3
<b>Cash flow for the period</b>	<b>729</b>	<b>745</b>
Cash and cash equivalents at start of the period	1,477	374
Cash and cash equivalents at end of the period	2,206	1,119

## INCOME STATEMENTS FOR PARENT COMPANY (SEKm)

	2007 Jan - Sep	2006 Jan - Sep
Other operating income	0	1
Overhead	-14	-11
<b>Operating loss</b>	<b>-14</b>	<b>-10</b>
Profit/loss from financial items	-17	65
<b>Profit/loss after net financial items</b>	<b>-31</b>	<b>55</b>
Tax on profit/loss for the period	9	5
<b>Net profit/loss for the period</b>	<b>-22</b>	<b>60</b>

## BALANCE SHEETS FOR PARENT COMPANY (SEKm)

	Sep 30 2007	Dec 31 2006
Fixed assets	802	801
Current assets	180	213
<b>Total assets</b>	<b>982</b>	<b>1,014</b>
Equity	637	813
Long-term liabilities	335	175
Current liabilities	10	26
<b>Total equity and liabilities</b>	<b>982</b>	<b>1,014</b>

## ACCOUNTING POLICY

HQ's interim report is presented in accordance with the IFRS standards adopted by the EU, and the interpretations of these standards adopted by the EU, IFRIC. This report is presented in accordance with IAS 34, Interim Financial Reporting, and the regulations and general advice of the Swedish Financial Supervisory Authority regarding annual reporting for credit institutions and securities companies (FFFS 2006:16) as well as RR 31 Interim reporting for groups. The interim report for the parent company has been prepared in accordance with the Swedish Annual Accounts Act. The accounting policies and methods of calculation are unchanged from those applied in the annual report for 2006.

## NOTES (ALL AMOUNTS SEKm)

### Note 1 – Net result of financial transactions including dividends

The net result of financial transactions includes dividends for the nine-month period of 203 (65) and for the three-month period of 9 (0).

## DEFINITIONS

### Earnings per share after tax

Net profit for the period in relation to the average number of shares during the period, before and after dilution. The dilution effect is attributable to the

three outstanding convertible programmes. Two of these were launched during 2006, with the second having a duration from January 2007, and one has been launched during 2007.

The company's shares were divided into two shares (stock split 2:1) with effect at VPC April 12, 2007.

### Equity per share

Equity in relation to the number of shares outstanding on the balance sheet day, taking into account the share split (2:1).

### Operating margin

Operating profit/loss in relation to operating income.

### Return on equity

Net profit/loss for the period in relation to average equity. Returns are calculated on a rolling twelve-month basis.

### Cash and cash equivalents

Cash and cash equivalents includes cash and balances with central banks as well as lending to credit institutions.

### Capital adequacy

Capital base in relation to risk-weighted amount for market and credit risks.

## HQ PRIVATE BANKING

HQ Private Banking is a leading player in the field of private banking and asset management. Business is conducted in the following seven services areas divided into four units: High Net Worth Individuals (with the service areas Asset Management, Financial Planning, Entrepreneur Services and HQ Pension); Emerging Markets; HQ Fonder; and External Distribution of structured products and funds.

(SEKm)	2007 Jul - Sep	2006 Jul - Sep	2007 Jan - Sep	2006 Jan - Sep
Brokerage and selling commission	56	57	285	249
Asset management fees	130	94	390	293
Expenses from transactions and commission	-62	-49	-197	-171
Net interest income/expense	18	12	48	35
Net result of financial transactions, including dividends	8	2	25	19
Other operating income	0	1	0	0
<b>Total operating income</b>	<b>150</b>	<b>117</b>	<b>551</b>	<b>425</b>
Personnel expenses	-46	-41	-176	-147
General administrative expenses	-11	-10	-39	-39
Depreciation and amortisation of fixed assets	-1	-1	-3	-3
Other operating expenses	-20	-17	-65	-57
Credit losses and bad debt losses	0	0	0	0
<b>Total operating expenses</b>	<b>-78</b>	<b>-69</b>	<b>-283</b>	<b>-246</b>
<b>Operating profit</b>	<b>72</b>	<b>48</b>	<b>268</b>	<b>179</b>
Average number of employees	118	100	116	96
Operating margin	48%	41%	49%	42%
Assets under management at end of period	69,878	54,923	69,878	54,923
Total income/average assets under management*)	1.09%	1.11%	1.09%	1.11%

\*) Total income and average assets are calculated on a rolling twelve-month basis

## STRONG GROWTH AND IMPROVED DISTRIBUTION POWER

Operating income for HQ Private Banking amounted to SEK 551 (425) million, an increase of 30 percent compared with the same period in the preceding year. This increase is explained mainly by asset management fees and net interest income, which increased by 34 percent to SEK 438 (328) million. Brokerage fees and other sales commission increased by 14 percent to SEK 285 (249) million.

The net inflow of assets under management within HQ Private Banking amounted during the period to SEK 6.2 billion, representing annualised organic growth of 13 percent. It is particularly gratifying that SEK 2.1 billion of the inflow is attributable to the third quarter, which is normally a period of lower activity on the market. In addition the stock market climate was turbulent, which normally means a weaker prospect of attracting new capital. As the inflow of new volumes has increased, so repeat income in the form of asset management fees and net interest income less expenses for commissions and fees, has increased by 46 percent to SEK 285 (195) million, which corresponds to 52 (46) percent of HQ Private Banking's total income. Meanwhile this means that 145 (114) percent of HQ Private Banking's current expenses excluding profit sharing were covered by repeat income.

In addition to an attractive offering, distribution power is important in drawing new capital. HQ has for a long time been building up a comprehensive distribution network that markets and sells its products. During the third quarter distribution power was further reinforced when HQ signed strategically important alliances with Swedbank and Aktia, which is one of Finland's biggest savings banks with 76 branches, for the distribution of funds. In addition to improved distribution power, a new geographical market is now opening up. The new agreements are expected to positively impact HQ's earnings by the fourth quarter of 2007.

HQ Fonder demonstrated a continued good result from fund management. Despite difficult market conditions during the third quarter all funds are able to report a positive return since the start of the year. The best performance, both since the start of the year and during the third quarter, is demonstrated by those funds focusing on emerging markets. For example, the increase in value so far this year for the HQ Kinafond (China) is 57 percent and for the HQ Tillväxtmarknadsfond (emerging markets) 35 percent. At the end of the period two new funds were launched, the HQ Sverige Select fund and the HQ Protego fund. The HQ Sverige Select fund, which had its first day of trade on September 29, and which addresses institutions and wealthy private individuals, invests in a concentrated selection of Swedish shares. The HQ Protego fund, the market's first fund that is traded daily and invests in structured products, was first traded on October 10, subsequent to the end of the accounting period.

The business unit reported operating earnings of SEK 268 (179) million, an increase of 50 percent.



## HQ INVESTMENT BANKING

HQ Investment Banking's operations are made up of four services areas: Corporate Finance, Equities, Trading and Alternative Investments. Activities are conducted in the fields of research, trade in shares and derivatives on the company's own account and on behalf of clients, and capital market transactions and advice in conjunction with mergers and acquisitions. The business focuses on providing advice and ideas that generate added value for clients.

(SEKm)	2007 Jul - Sep	2006 Jul - Sep	2007 Jan - Sep	2006 Jan - Sep
Brokerage income	28	27	93	90
Income from financial advisory services and underwriting	6	9	46	31
Transaction and commission expenses	-8	-7	-30	-22
Net interest income/expense	0	-1	0	-3
Net result of financial transactions, including dividends	-15	46	80	120
Other operating income	6	1	9	4
<b>Total operating income</b>	<b>17</b>	<b>75</b>	<b>198</b>	<b>220</b>
Personnel expenses	-10	-33	-92	-100
General administrative expenses	-5	-5	-17	-17
Depreciation and amortisation of fixed assets	0	0	-1	-1
Other operating expenses	-4	-8	-11	-17
<b>Total operating expenses</b>	<b>-19</b>	<b>-46</b>	<b>-121</b>	<b>-135</b>
<b>Operating profit</b>	<b>-2</b>	<b>29</b>	<b>77</b>	<b>85</b>
Average number of employees	45	51	45	49
Operating margin	-15%	39%	39%	39%
Assets under management at end of period			12,494	12,192

### TRADING BURDENS EARNINGS – STABLE GROWTH IN OTHER AREAS

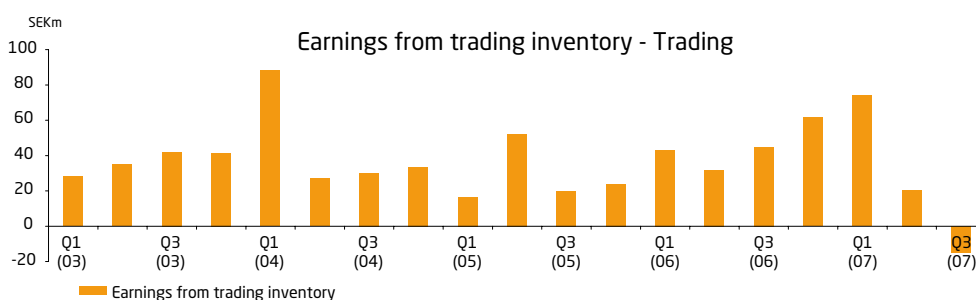
Operating income for HQ Investment Banking amounted to SEK 198 (220) million, a decrease of 10 percent compared to the same period in the preceding year. The decrease in income is directly attributable to Trading, which reports income SEK 41 million lower for the period.

Corporate Finance is demonstrating a positive trend. The restructuring and the investment in personnel and structure during 2006 are having an increasingly great effect. During the period several structured placements and advisory assignments have been conducted, which led to income from financial advisory services and underwriting increasing by 41 percent to SEK 41 (29) million. The assignments conducted within Corporate Finance have also influenced other services areas in HQ, which means that the total income from financial advisory services and underwriting increased by 51 percent to SEK 119 (79) million. Due to the financial worries that have characterised the third quarter of 2007, growth in Corporate Finance slowed slightly during the third quarter. Several planned transactions have been delayed as market conditions have been unstable. But it appears that most of these transactions will proceed, which means that the outlook for the fourth quarter is good.

Trading decreased its net result from financial transactions, including dividends, by 34 percent to SEK 79 (120) million. This decrease is entirely attributable to the third quarter, which resulted in the first loss-making quarter since the operations were founded in 1994. The conditions for conducting trading on the company's own account have successively deteriorated during the year, which is mainly explained by a successive increase in the price of risk alongside decreasing liquidity. Within Trading the focus will remain on risk arbitrage and traditional market making, which are associated with lower risk. Trading reported operating earnings of SEK 23 (46) million for the reporting period and SEK -17 (18) million for the third quarter isolated.

The Equities services unit continues its positive development and demonstrated improved earnings. Operating earnings within Equities improved by 20 percent to SEK 42 (35) million. The strategy of focusing on case-driven research remains successful and is confirmed not only by the improved earnings, but also the quality of the income.

The business unit reported operating earnings of SEK 77 (85) million, a decrease of 9 percent. Adjusted for Trading the operating earnings were SEK 54 (39) million, an increase of 38 percent.



## REVIEW REPORT

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





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