



# **Carnegie Investment Bank AB (publ)**

(Corp. reg. no. 516406-0138)

## **Interim report**

1 January – 30 September 2009

## Interim report 1 January – 30 September 2009

### Strong platform for continued value creation

- Gradually increasing income in 2009 but lower revenues in relation to 2008. Total income amounted to SEK 1,348m (2,277).
- Previous and ongoing cost savings resulted in a successively lower cost base. Adjusted for items affecting comparability and profit-sharing, operating expenses amounted to SEK 1,234m (1,388).
- The loss before tax amounted to SEK 80m (loss: 333). Adjusted for items affecting comparability, a profit of SEK 46m (889) was reported.
- Carnegie once again received top ranking in corporate finance in Sweden, according to a survey by TNS Sifo Prospera.
- High activity in Investment Banking relating to equity capital markets.
- Inflow of capital to Asset Management and Private Banking during the third quarter.
- High financial strength with a Tier I capital ratio of 20%.
- In October, Altor and Bure extended an offer to selected employees to acquire up to 25% of the holding company that controls Carnegie.

### CEO's comments

As newly appointed president, I am very pleased to note that Carnegie continues to have strong support among clients, which was in part confirmed during the quarter when Carnegie received the top ranking in corporate finance in Sweden. One of Carnegie's strengths is in-depth knowledge of the local markets in the Nordic countries in combination with a strong placement power in the international financial markets. This is a platform on which we will continue to grow and develop.

The financial market in the Nordic region improved during the year, but trading on the exchanges remains historically low and relatively few corporate transactions are being executed. This is also reflected in the fact that Carnegie's income during the first nine months of 2009 was generally low in relation to the preceding year. We see a gradual increase in income during 2009, however. The Investment Banking business area continued to report favorable income from new issues and other equity capital transactions, while the M&A market remained weak. Income within Securities was seasonally weak during the beginning of the third quarter but increased in September in pace with the increased turnaround on the exchanges. Private banking noted stable income and a positive inflow of clients and capital. Similarly, the trend was positive within Asset Management, with a net inflow of capital and rising asset values during the third quarter.

At present, Carnegie is in a better position than it has been for some time, with long-term owners, a strong capital base and experienced employees. At the same time, we must become more efficient, strengthen and enhance our offering and better leverage our Nordic position. Improved risk management, clearly assigned responsibility and clarified work processes remain prioritized tasks for the organisation.

Much work remains to be done, but I am convinced that Carnegie has an important function as an independent player in the Nordic capital market, and we shall do our utmost to provide clients with the best advice at a time that is characterized by uncertainty but which also presents great opportunities.

Frans Lindelöw

President and CEO

## **Important events during and after the period**

### **Frans Lindelöw assumes role as President**

On 14 September 2009, Frans Lindelöw assumed the role as President and CEO of Carnegie Investment Bank AB. Frans Lindelöw most recently worked for the Nordea Group, where he was Head of the Swedish operations and member of Group Management.

### **Anders Karlsson new CFO**

As of 21 August 2009, Anders Karlsson was appointed as CFO of Carnegie. Anders Karlsson worked previously as Chief Risk Officer at Swedbank and Carnegie.

### **Björn Jansson and Henric Falkenberg new Co-Heads of Securities**

As of 5 October 2009, Björn Jansson and Henric Falkenberg assumed their positions as Co-Heads of the Securities business area. Björn Jansson and Henric Falkenberg most recently worked for SEB.

### **Sale of Carnegie's Asset Management in Finland**

Carnegie Asset Management entered an agreement to sell asset management in Finland to Evli Bank. At the same time, Evli Bank will take over distribution of Carnegie's mutual funds in Finland. The Finnish Asset Management unit has 15 employees and generated income corresponding to about 5 percent of total income within Carnegie Asset Management during 2008. The operations in Finland are concentrated to fixed income funds that are primarily sold locally, and thus have limited synergies with Carnegie's asset management operations in the other Nordic countries. The transaction is expected to be completed before year-end.

### **Carnegie once again receives top ranking in corporate finance**

Carnegie was tied for first place in the 2009 Corporate Finance ranking for the Swedish market, according to the market research company TNS Sifo Prospera. The survey is conducted every second year and based on 243 interviews with companies that have employed advisory services in Sweden over the past 24-month period. A total of 33 investment banks were evaluated during the period from 1 April to 11 September 2009.

### **Head office in new premises**

During the month of September, Carnegie's operations in Stockholm, as well as the head office, moved to new premises at Regeringsgatan 56. The objective of the move is to consolidate the Stockholm organization, which was previously located in two properties, in a joint office, as well as to promote collaboration and cohesion, reduce costs and create a flexible working environment for future needs.

## Income

**Income** during the first nine months of 2009 amounted to SEK 1,348m (2,277). The decline was primarily related to lower activity on the Nordic exchanges, lower average market values within Asset Management and lower M&A activity.

## Expenses and profit before tax

**Operating expenses** excluding profit sharing during the first nine months of 2009 amounted to SEK 1,324m (1,428). Expenses for 2009 include items affecting comparability in an amount of SEK 97m, primarily relating to costs for personnel reductions and restructuring. Expenses for the corresponding period in 2008 included items affecting comparability in an amount of SEK 40m related to personnel reductions. Adjusted for these items, expenses amounted to SEK 1,227m (1,388). The decline was primarily attributable to lower personnel costs.

**The company reported a loss before tax** for the first nine months of 2009 amounting to SEK 80m (loss; 333). Items relating to Carnegie's special commitments (bad bank) amounting to SEK 27m and other items affecting comparability had a negative impact of SEK 99m on earnings. For the first nine months of 2008, credit reserves of SEK 1,182 m and other items affecting comparability in an amount of SEK 40m were charged against earnings. Adjusted for special commitments, credit reserves and other items affecting comparability, a profit of SEK 46 m (889) was reported before tax.

## Employees

The number of employees at the end of the period was 401 (478) for the Parent Company and 691 (820) for the Group.

## 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 2008 Annual Report on pages 7-9 and in Note 30 on pages 40-42.

### Market risks

Carnegie's own exposure towards equities and equity-related instruments includes items both on the asset side of the balance sheet and the liability side. As of 30 September 2009, the gross value of such assets and liabilities amounted to SEK 3,744m (SEK 5,515m at 31 December 2008), of which SEK 2,349m consisted of shares and SEK 1,395m consisted of derivative instruments. Financial assets and liabilities are reported at fair value. The shareholdings consist of both short and long positions in shares listed in Sweden and on international markets. Derivative positions consisted of holdings of and issued forward contracts, call options, put options and warrants. Of the total position, 83 percent was valued at market prices at the end of the period and 17 percent based on theoretical prices. Theoretical prices are used if market prices are unavailable or of poor quality.

As of 30 September 2009, the maximum maturity period for derivative instruments included in the trading portfolio was 2012. Some 77 percent of derivative instruments had a maturity period of less than one year, while 22 percent had a maturity period of between one and two years and 2 percent had a longer maturity period.

Carnegie's trading portfolio, with respect to derivatives, was valued by an external party during the quarter. The valuation supported Carnegie's valuations.

## Capital requirements and capital quotient

Capital requirements and the capital quotient are listed in the table below in accordance with the Swedish Financial Supervisory Authority's regulations FFFS 2007:5 regarding disclosure of information about capital requirements. The capital quotient is calculated as the quotient between the capital base and capital requirements. The capital quotient may not be less than 1, according to legal requirements. As of 30 September 2009, Carnegie had a capital quotient of 2.5. A capital quotient of 2.5 corresponds to a Tier I capital ratio of 20.1 percent (12.3).

A detailed description of the Carnegie Group's capital adequacy is provided in the 2008 Annual Report on page 9 and in Note 30 on pages 40-42, as well as on Carnegie's web site at [www.carnegie.se](http://www.carnegie.se).

### Capital adequacy

(SEKm)	30 Sep		31 Dec
	2009	2008	2008
<b>Capital</b>			
Equity capital	2 377	2 149	2 413
This years net result	-105	-233	-
<b>Equity capital in the capital base</b>	<b>2 272</b>	<b>1 916</b>	<b>2 413</b>
Goodwill	-9	-9	-9
Intangible assets	-8	-8	-9
Deferred tax assets	-107	-385	-102
<b>Tier 1 capital</b>	<b>2 148</b>	<b>1 514</b>	<b>2 293</b>
Tier II capital (subordinated dept)	-	-	-
<b>Total capital base</b>	<b>2 148</b>	<b>1 514</b>	<b>2 293</b>
<b>Capital requirement</b>			
Capital requirement for credit risk , standardized method	236	266	152
Capital requirement for equity- and interest rate risk	22	100	23
Capital requirement for currency risk	53	20	32
Capital requirement for operational risk, base method	545	599	545
<b>Total capital requirement</b>	<b>856</b>	<b>984</b>	<b>752</b>
Surplus capital	1 292	530	1 541
Tier I capital quotient	2.51	1.54	3.05
Capital quotient	2.51	1.54	3.05
Tier 1 capital ratio %	20.07	12.31	24.39

## **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 252m (23) during the first nine months and consisted of a loss before tax of SEK 80m (loss: 333), tax payments of SEK 146m (expense: 193) and adjustments for non-cash items corresponding to an expense of SEK 25m (income: 548). Of these adjustment items, unrealized changes in the value of financial instruments accounted for an expense of SEK 6m (expense: 671), while adjustments of credit reserves accounted for SEK 0m (income: 1,182). 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 nine months of the year had a negative effect on cash flow of SEK 63m (neg. 251).

Cash flow from investing activities for the period was negative in an amount of SEK 42m (neg. 26) and consisted of investments in fixed assets.

Cash flow from financing activities amounted to SEK 0m (expense: 527) during the first nine months of 2009. Cash flow from financing activities in the comparison period (expense: 527) consisted entirely of dividend payments. After adjustment for exchange-rate differences in cash and cash equivalents corresponding to an expense of SEK 134m (income: 40), the effect was that cash and cash equivalents decreased SEK 270m (decrease: 782) during the first nine months of 2009. The Group's borrowing decreased SEK 665m (decrease: 557) during the period, while lending increased SEK 1,559m (decrease: 4,163).

## **Summary of the Parent Company**

Total income in the Parent Company amounted to SEK 565m (1,133) during the period. The Parent Company reported a loss before tax during the period of SEK 191m (loss: 915). Net investments during the period amounted to SEK 37m (16) for the Parent Company. Cash and cash equivalents, defined as cash and lending to credit institutions, amounted to SEK 2,518m (6,907) for the Parent Company on 30 September 2009. Shareholders' equity amounted to SEK 2,352m (1,637) on 30 September 2009.

## Consolidated statements of comprehensive income

(SEKm)	Jan-Sep		Full year
	2009	2008	2008
Comission income	1 314	2 153	2 664
Comission expenses	-190	-225	-291
<b>Net comission income</b>	<b>1 124</b>	<b>1 928</b>	<b>2 373</b>
Interest income	141	685	851
Interest expenses	-100	-586	-778
<b>Net interest income</b>	<b>42</b>	<b>100</b>	<b>73</b>
Other dividend income	1	1	1
Net profit financial items at fair value	181	249	276
Other income	-	-	20
<b>Total income</b>	<b>1 348</b>	<b>2 277</b>	<b>2 742</b>
Personnel expenses	-844	-856	-1 517
Other administrative expenses	-559	-546	-1 152
Amortisation of intangible assets and depreciation of tangible fixed assets	-27	-26	-35
<b>Total expenses</b>	<b>-1 430</b>	<b>-1 428</b>	<b>-2 704</b>
<b>Profit/loss before provisions for credit reserves</b>	<b>-82</b>	<b>849</b>	<b>38</b>
Provisions for credit reserves, net	2	-1 182	-1 956
<b>Profit/loss before taxes</b>	<b>-80</b>	<b>-333</b>	<b>-1 918</b>
Taxes	-25	100	-300
<b>Profit/loss for the period</b>	<b>-105</b>	<b>-233</b>	<b>-2 218</b>
Other comprehensive income:			
Translation differences, net after tax	-36	28	95
<b>Comprehensive income for the period</b>	<b>-141</b>	<b>-205</b>	<b>-2 123</b>

## Consolidated statements of financial position

	30 Sep	30 Sep	31 Dec
(SEKm)	2009	2008	2008
<b>Assets</b>			
Cash and bank deposits with central banks	464	357	265
Negotiable government securities	275	523	477
Loans to credit institutions	5 933	10 791	4 337
Loans to general public	3 367	5 331	3 404
Bonds and other interest-bearing securities	593	604	625
Shares and participations	1 315	7 812	1 220
Derivative instruments	710	2 466	1 892
Intangible assets	20	17	21
Tangible fixed assets	106	89	93
Current tax assets	141	128	139
Deferred tax assets	107	385	102
Trade and client receivables	123	3 104	1 209
Other assets	483	685	414
Prepaid expenses and accrued income	158	233	318
<b>Total assets</b>	<b>13 795</b>	<b>32 524</b>	<b>14 517</b>
<b>Liabilities and shareholders' equity</b>			
Liabilities to credit institutions	333	13 573	1 449
Deposits and borrowing from general public	7 102	8 563	6 651
Bonds and other interest-bearing securities	935	-	-
Short positions, financial instruments	1 034	3 942	960
Derivative instruments	685	2 567	1 443
Current tax liabilities	3	138	116
Deferred tax liabilities	16	14	11
Trade and client payable	461	1 154	407
Other liabilities	404	217	283
Accrued expenses and prepaid income	459	425	629
Provisions	92	15	156
Shareholders' equity	2 272	1 916	2 413
<b>Total liabilities and shareholders' equity</b>	<b>13 795</b>	<b>32 524</b>	<b>14 517</b>



## Consolidated statements of changes in equity

	30 Sep	30 Sep	31 Dec
(SEKm)	2009	2008	2008
Shareholders' equity - opening balance	2 413	2 307	2 307
Dividend	-	-527	-527
Capital contribution	-	341	2 757
Comprehensive income for the period	-141	-205	-2 123
<b>Shareholders' equity - closing balance</b>	<b>2 272</b>	<b>1 916</b>	<b>2 413</b>

## Consolidated statements of cash flow

	Jan-Sep		Full year
(SEKm)	2009	2008	2008
Profit before tax	-80	-333	-1 918
Adjustments for items not included in cash flow, etc	-25	548	742
Paid tax	-146	-193	-208
<b>Cash flows from operations before changes in working capital</b>	<b>-252</b>	<b>23</b>	<b>-1 384</b>
Changes in working capital	24	-251	-5 261
<b>Cash flows from operations</b>	<b>-228</b>	<b>-229</b>	<b>-6 645</b>
Acquisition of tangible assets	-42	-26	-41
<b>Cash flows from investing activities</b>	<b>-42</b>	<b>-26</b>	<b>-41</b>
Capital contribution	-	-	2 283
Dividend paid	-	-527	-527
<b>Cash flows from financing activities</b>	<b>-</b>	<b>-527</b>	<b>1 756</b>
<b>Cash flows for the period</b>	<b>-270</b>	<b>-782</b>	<b>-4 930</b>
Cash and cash equivalents at opening balance	5 038	9 518	9 518
Exchange rate differences on cash and cash equivalents	-134	40	450
<b>Cash and cash equivalents at closing balance</b>	<b>4 634</b>	<b>8 777</b>	<b>5 038</b>

## Income statement of Parent Company

(SEKm)	Jan-Sep		Full year
	2009	2008	2008
Comission income	550	943	1 107
Comission expenses	-72	-68	-93
<b>Net comission income</b>	<b>479</b>	<b>875</b>	<b>1 014</b>
Interest income	78	424	524
Interest expenses	-74	-406	-558
<b>Net interest income</b>	<b>5</b>	<b>18</b>	<b>-34</b>
Net profit financial items at fair value	82	239	253
<b>Total income</b>	<b>565</b>	<b>1 133</b>	<b>1 232</b>
Personnel expenses	-410	-506	-760
Other administrative expenses	-335	-348	-848
Amortisation of intangible assets and depreciation of tangible assets	-13	-11	-15
<b>Total expenses</b>	<b>-758</b>	<b>-866</b>	<b>-1 624</b>
<b>Profit/loss before provisions for credit reserves</b>	<b>-193</b>	<b>267</b>	<b>-391</b>
Provisions for credit reserves, net	2	-1 182	-1 956
<b>Operating profit/loss</b>	<b>-191</b>	<b>-915</b>	<b>-2 347</b>
Impairment of shares in subsidiaries	-	-	-25
Anticipated dividends	-	-	351
Taxes	3	275	-158
<b>Profit/loss for the period</b>	<b>-188</b>	<b>-641</b>	<b>-2 180</b>

## Balance sheet of Parent Company

	30 Sep	30 Sep	31 Dec
(SEKm)	2009	2008	2008
<b>Assets</b>			
Cash and bank deposits with central banks	11	13	13
Loans to credit institutions	2 507	6 894	1 302
Loans to general public	1 457	2 758	1 602
Bonds and other interest-bearing securities	156	112	174
Shares and participations	1 054	7 724	1 179
Shares and participations in Group companies	1 444	1 038	1 036
Derivative instruments	662	2 284	1 651
Intangible assets	9	4	8
Tangible fixed assets	66	45	43
Current tax assets	58	100	83
Deferred tax assets	99	372	97
Trade and client receivables	84	2 979	1 057
Other assets	781	988	1 055
Prepaid expenses and accrued income	64	78	191
Subordinated assets	305	298	310
<b>Total assets</b>	<b>8 758</b>	<b>25 687</b>	<b>9 802</b>
<b>Liabilities and shareholders' equity</b>			
Liabilities to credit institutions	445	13 547	1 415
Deposits and borrowing from general public	2 323	2 490	2 468
Bonds and other interest-bearing securities	935	-	-
Short positions, financial instruments	989	3 916	950
Derivative instruments	600	2 415	1 266
Current tax liabilities	3	-	22
Trade and client payable	390	920	278
Other liabilities	171	198	204
Accrued expenses and prepaid income	152	226	208
Pension provisions	330	338	321
Other provisions	67	-	131
Shareholders' equity	2 352	1 637	2 540
<b>Total liabilities and shareholders' equity</b>	<b>8 758</b>	<b>25 687</b>	<b>9 802</b>

## OTHER

### Accounting principles

This report was prepared in accordance with IAS 34 Interim Financial Reporting, the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the Swedish Financial Supervisory Authorities' regulations (FFFS 2008:25) and RFR 2.2 Accounting for Legal Entities issued by the Swedish Financial Reporting Board. 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 principles and calculation methods applied in this report are the same as those used in the 2008 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 2008 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, asset management 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, Finland, Luxembourg and the US.

### 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, 21 October 2009

**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