

Carnegie Holding AB

Interim Report

1 January – 30 June 2013

■ Financial data for the Group (operating income statement¹⁾)

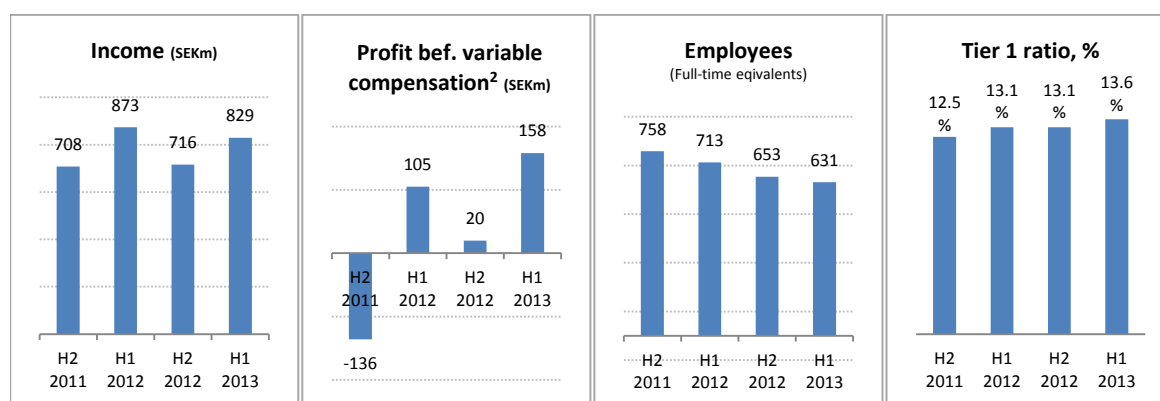
- Operating income amounted to SEK 829m (873).
- Expenses before variable remuneration etc² totalled SEK 672m (768).
- Profit before variable remuneration etc² amounted to SEK 158m (105).
- Items affecting comparability had a negative impact on earnings of SEK 10m (neg: 68).
- Profit before credit provisions was SEK 49m (loss: 42).
- Net profit was SEK 43m (loss: 71).
- The Group has a strong financial position with equity totalling SEK 2.0bn, a Tier 1 ratio of 13.6% and a capital ratio of 20.2% at 30 June 2013.

■ Operations

- A new business area, Wealth Management, was created. It comprises the following units: Funds, Private Banking, Structured Finance and Investment Strategy. The aim is to increase coordination in the field of savings.
- Net inflows to the fund operation totalled SEK 2.7bn in the first half of 2013, which means that Carnegie continues to capture market shares in the Swedish fund market.
- Carnegie carried out the highest number of equity capital market (ECM) transactions in the Nordic region in January-June 2013.
- Carnegie was named investment bank of the year in Denmark and Sweden by the publication *Euromoney*.
- Peter Lagerlöf was named analyst of the year and Carnegie was awarded most first places in *Financial Hearings*' analyst rankings 2013.

"It's encouraging to note that we made considerable progress in the first six months of 2013 – we had lower costs, higher income compared to second half of 2013 and we had continued healthy capital inflows to our fund operation. In addition, we received many demonstrations of our customers' appreciation of our services. The challenge facing us in the second half of the year is maintaining continued strict cost controls while capturing the current market opportunities," says Thomas Eriksson, President and CEO

Key financial figures



3) Based on the operating income statement; see page 3.

4) Before variable remuneration, financing expenses and Group-wide amortisation of intangible assets.

Carnegie is experiencing a positive trend

President and CEO Thomas Eriksson's comments on earnings

Carnegie is experiencing a positive trend and the company made considerable progress in 2013. Despite market conditions remaining cautious, we succeeded in improving our earnings compared with the second half of 2012. The improvement in earnings was primarily attributable to lower costs but also to a gradual improvement in income in the Investment Banking & Securities business area. Commission income increased and activity levels in M&A and ECM advisory services were high. The fund operation continued to show its strength by attracting new capital and we continued to capture market share in the Swedish market. Operations in Private Banking and Structured Finance were stable but reported slightly lower income year-on-year.

The many demonstrations of customer appreciation of our services were also encouraging to note and, of late, Carnegie has received a number of awards. *Euromoney* named Carnegie the best investment bank in Denmark and Sweden, Carnegie was awarded most first places in *Financial Hearings'* analyst rankings and Söderberg & Partners named Carnegie Arranger of the Year of Structured Products, to name but a few.

The improvement in earnings does not mean that we will rest on our laurels – there is still potential to streamline and reduce costs, primarily on the support side. It is equally important to focus heavily on strengthening the offering, improving distribution and selectively recruiting new employees. We have already strengthened the organisation through the recruitment of a number of senior people during the summer: new analysts, brokers, investment bankers and a new head of the Investment Strategy unit.

We have an expressed objective of increasing the pace of growth in the field of savings. The organisational coordination of operations in Funds, Private Banking, Structured Finance and Investment Strategy into one shared business area called “Wealth Management” enables us to create enhanced conditions for growth and to utilise knowledge and skills in the various units.

The market trend for the financial industry is difficult to forecast. Nevertheless, the underlying conditions are positive for a strong second half in 2013; we have a good pipeline for M&A, ECM and DCM transactions, we see increased activity among institutional clients and the value of Carnegie's assets under management is increasing.

Our success and profitability will be determined by how well we succeed in serving our customers. We were pleased to note the positive responses we received from customers in the first half of 2013, but are concurrently humble looking forward to the task ahead. Carnegie is a financial bank of knowledge and we will always strive to guide our customers toward better business.

Thomas Eriksson

Operative income statement Carnegie Holding Group

(SEKm)	Jan-Jun		Full-year
	2013	2012	2012
Investment Banking & Securities	438	456	816
Wealth Management	391	416	772
Operative income	829	873	1 589
Personnel expenses before variable remuneration	-448	-511	-951
Other expenses ¹	-223	-257	-511
Expenses before variable remuneration etc¹	-672	-768	-1 461
Profit/loss before variable remuneration etc¹	158	105	127
Variable remuneration, financing expenses and amortisation of intangible assets	-99	-79	-182
Profit/loss before items affecting comparability	59	26	-55
Items affecting comparability	-10	-68	-141
Profit/loss before credit losses	49	-42	-196
Credit losses, net	8	0	30
Profit/loss before taxes	57	-42	-166
Taxes	-14	-29	-117 ²
Profit/loss for the year	43	-71	-283
Average number of employees	637	725	704
Number of employees at year-end (FTE)	631	713	653

1) Before variable remuneration, financing expenses and Group-wide amortisation of intangible assets

2) Of which SEK 68m (-) pertained to deferred tax on tax loss carryforwards that were reversed as a result of a lowering in the tax rate and SEK 25m (-) pertained to the reversal of capitalized coupon tax due to the expiry of the possibility to utilize.

Financial performance by segment

Investment Banking & Securities

The Investment Banking & Securities business area reported income of SEK 438m (456) during the first six months of 2013. Securities posted income in line with first half of 2012, which means a substantial improvement on the second half of 2012. In Investment Banking, income declined slightly year-on-year but was slightly up on the last six months of 2012.

Carnegie acted as advisor in nine acquisitions and mergers, as well as 14 equity capital market transactions during the first half of 2013. In total, Carnegie was the player that implemented the highest number of equity capital market transactions in the Nordic region and the sixth largest player in company mergers and acquisitions³. Carnegie also participated in three of the four Nordic IPOs in the first six months of 2013.

Wealth Management

Wealth Management is a newly formed business area comprising the units Funds, Private Banking, Structured Finance and Investment Strategy (read more about the new business area on page 5). At Wealth Management, income totalled SEK 391m (416) for the first half of 2013. Compared with the first half of 2012, income was up for Funds but slightly lower for Private Banking and Structured Finance. Inflows to fund operations continued to be positive and, to date in 2013, net inflow has amounted to SEK 2.7bn. In the Private Banking segment, the proportion of income derived from discretionary management increased in line with the aim of increasing the share of recurring income.

3) Data from Thomson Financial, January – June 2013

Expenses

Expenses before variable remuneration, financing expenses and Group-wide amortisation totalled SEK 672m (768). The decline was primarily due to reduced personnel expenses and other efficiency gains achieved from the ongoing restructuring program, such as reduced IT costs. Operating expenses totalled SEK 771m (847). Items affecting comparability, primarily due to impairment of surplus value in a subsidiary and expenses pertaining to the ongoing restructuring programme, had a negative impact of SEK 10m (neg: 68) on earnings.

Profit/loss

Profit before variable remuneration, financing expenses and Group-wide amortisation amounted to SEK 158m (105). Profit before items affecting comparability amounted to SEK 59m (26). As stated above, items affecting comparability had a negative impact of SEK 10m (neg: 68) on profit. Profit before credit provisions was SEK 49m (loss: 42). Loan recoveries had a positive impact of SEK 8m (0) on profit. The tax expense for the period was SEK 14m (exp: 29). Net profit for the period was SEK 43m (loss: 71).

Market

Carnegie's income is firmly linked to trends and turnover on the world's stock exchanges as well as to the general business climate. The Nordic exchanges displayed a positive trend in the first half of 2013 but the continued uncertainty regarding the macroeconomic trend for the world's markets negatively impacted exchange volumes and companies have exercised caution regarding structural deals. In the Nordic region, M&A volumes and transaction numbers declined year-on-year while ECM volumes and transaction numbers were slightly higher. Savings in funds increased slightly in 2013 and net inflows went primarily to mixed funds and money-market funds.

Important events during the period

New business area created – Wealth Management

Carnegie aims to increase the growth pace in the savings area. The organisational coordination of operations in Funds, Private Banking, Structured Finance and Investment Strategy (previously part of Private Banking) into one shared business area creates enhanced conditions for growth and for utilising knowledge and skills in the various units. CEO Thomas Eriksson is head of this newly created business area, called Wealth Management. Business activities in Investment Banking & Securities continue as before under the leadership of Björn Jansson.

Growth oriented recruitments within Investment Banking & Securities

Carnegie has strengthened the business area Investment Banking & Securities through a number of strategic recruitments.

- The brokerage has been strengthened with four new positions within equity sales with focus on institutional clients in Continental Europe.
- New competence has been added in quant research and to the capital goods team.
- We have added three employees to the fast growing Danish investment banking unit.
- The Norwegian investment team has been strengthened through the acquisition of NRP Securities, see below.

Awards

Carnegie has Sweden's best analysts

Carnegie was awarded the most first-place rankings in various analysis sectors and, in parallel, topped the ranking with Sweden's three top analysts according to *Financial Hearing's* annual survey of equity houses in Sweden conducted in 2013. The survey is based on interviews with the largest institutional investors in Sweden. For the fourth consecutive year, Peter Lagerlöf was named analyst of the year in Sweden.

Carnegie's analysts topped the ranking lists in 12 of 20 categories. Carnegie was ranked top in the following sectors: real estate, investment companies, IT, pharmaceuticals, health-care equipment & services, micro cap, forestry, small cap, strategy, telecom operators, telecom equipment as well as service & transport.

Carnegie named investment bank of the year in Denmark and Sweden

Carnegie was named investment bank of the year in 2013 in Denmark and Sweden by the publication *Euromoney*. The awards ceremony took place on 11 July 2013 at *Euromoney's* annual Awards for Excellence gala. The prize is awarded based on an overall assessment of a number of areas of expertise as well as advisory assignments performed in the form of mergers and acquisitions (M&A), equity capital market (ECM) transactions and debt capital markets (DCM).

Events after the end of the period

Carnegie has strengthened the investment banking team in Norway through the acquisition of NRP Securities

Carnegie has acquired NRP Securities, which was part of the Norwegian group of companies Ness, Risan & Partners. Through this transaction Carnegie strengthens its presence in two key sectors: Drilling and Seismic.

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 and/or failed processes and systems, human error or external events. A more detailed description of the Carnegie Group's risk management is presented in the 2012 Annual Report, and on Carnegie's website at www.carnegie.se.

Capital requirement and capital ratio

The table below presents 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 quotient must not fall below 1 according to the legal requirement.

In the financial companies group, meaning the Carnegie Holding Group, the capital quotient on 30 June 2013 was 2.5, and the Tier 1 capital quotient amounted to 1.7. This corresponds to a capital ratio of 20.2 percent and a Tier 1 ratio of 13.6 percent. A more detailed description of Carnegie's capital adequacy is provided in the 2012 Annual Report, as well as on Carnegie's website at www.carnegie.se.

Capital adequacy

(SEKm)	Carnegie Holding Group		31 Dec 2012
	30 Jun 2013	2012	
Capital base¹			
Equity capital	1 945	2 086	1 964
Deductions ²	-1 099	-1 238	-1 118
Anticipated dividend	0	0	-22
Equity capital in the capital base	846	848	824
Tier II capital (subordinated debt)	410	410	410
Total capital base	1 256	1 257	1 233
Capital requirement			
Credit risk (standardized method)	173	151	132
Trading Book	42	38	45
Currency risk	68	65	64
Operational risk (base method)	216	263	263
Total capital requirement	498	516	503
Surplus capital	757	742	730
Tier I capital quotient	1.7	1.6	1.6
Capital quotient	2.5	2.4	2.5
Tier 1 ratio %	13.6	13.1	13.1
Capital ratio %	20.2	19.5	19.6

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

2) Intangible assets and deferred tax assets

Investments

The Group's investments in fixed assets amounted to SEK 9m (6) during the period.

Summary of Parent Company

Total income in the Parent Company for the first six months was SEK 5m (22). A loss before tax of SEK 14m (loss: 19) was reported for the period. No investments in fixed assets occurred during the period (-). The Parent Company's liquidity, defined as cash and lending to credit institutions, amounted to SEK 10m (2) on 30 June 2013. Equity totalled SEK 2,286m (2,236) on 30 June 2013.

Liquidity

The Group's financing comprises equity, issued bonds and deposits from the public. Equity and bonds accounted for 25% of the balance-sheet total, deposits from the public for 52% and other liabilities for 23%.

On 30 June 2013, the liquidity reserve for the Carnegie Holding Group was SEK 4,327m and the composition was as follows:

- Bank balances: SEK 3,790m
- Government securities: SEK 4m
- Covered bonds: SEK 533m

The liquidity reserve should always manage periods of market turbulence and must exceed the anticipated outflow of cash during a period of stress. The liquidity reserve on 30 June 2013 accounted for 37% of the balance-sheet total.

Consolidated statements of comprehensive income

(SEKm)	Jan-Jun		Full year
	2013	2012	2012
Commission income	896	913	1 673
Commission expenses	-142	-126	-257
Net commission income	754	788	1 417
Interest income	58	84	151
Interest expenses	-35	-58	-105
Net interest income	23	26	46
Other dividend income	1	0	0
Net profit from financial transactions	38	34	72
Total operating income	816	848	1 535
Personnel expenses	-521	-615	-1 135
Other administrative expenses	-214	-239	-521
Amortisation of intangible assets and depreciation of tangible fixed assets	-33	-36	-75
Total operating expenses	-767	-890	-1 731
Profit/loss before credit losses	49	-42	-196
Credit losses, net	8	0	30
Profit/loss before tax	57	-42	-166
Taxes	-14	-29	-117
Profit/loss for the period	43	-71	-283
Other comprehensive income: <i>Items that may subsequently be reclassified to the income statement:</i>			
Translation of foreign operations	3	-10	-20
Total comprehensive income for the period	46	-81	-303

Consolidated statements of financial position

	30 Jun	30 Jun	31 Dec
(SEKm)	2013	2012	2012
Assets			
Cash and bank deposits with central banks	1 215	224	721
Negotiable government securities	-	165	1 599
Loans to credit institutions ¹⁾	4 259	5 769	2 046 ¹⁾
Loans to general public	2 550	2 757	2 815
Bonds and other interest-bearing securities	1 035	488	568
Shares and participations	252	660	301
Derivative instruments	43	77	33
Shares in associated companies	5	3	3
Intangible assets	715	760	734
Tangible fixed assets	80	100	85
Current tax assets	8	10	12
Deferred tax assets	448	562	451
Other assets	829	358	1 114
Prepaid expenses and accrued income	191	165	258
Total assets	11 629	12 098	10 741
Liabilities and shareholders' equity			
Liabilities to credit institutions	245	262	245
Deposits and borrowing from general public ¹⁾	6 194	6 779	5 742
Securities issued	935	935	935
Short positions, shares	73	426	22
Derivative instruments	34	86	79
Current tax liabilities	15	17	6
Deferred tax liabilities	71	91	73
Other liabilities	1 178	456	688
Accrued expenses and prepaid income	454	494	527
Other provisions	32	58	50
Subordinated debt	410	410	410
Shareholders' equity	1 988	2 086	1 964
Total liabilities and shareholders' equity	11 629	12 098	10 741
Pledged assets and contingent liabilities			
Pledged assets	920	1 169	1 180
Contingent liabilities	56	62	46

1) Whereof SEK 161m (Q2 2012: 530, Q4 2012: 121).

Consolidated statements of changes in equity

(SEKm)	Jan-Jun		Full year
	2013	2012	2012
Shareholders' equity - opening balance	1 964	2 189	2 189
Dividend paid	-22	-22	-22
New share issue	-	-	100
Comprehensive income for the period	46	-81	-303
Shareholders' equity - closing balance	1 988	2 086	1 964

Consolidated statements of cash flows

(SEKm)	Jan-Jun		Full year
	2013	2012	2012
Profit before tax	57	-42	-166
Adjustments for items not affecting cash flow	17	23	105
Paid tax	0	-31	-38
Cash flows from operations before changes in working capital	75	-50	-100
Changes in working capital	772	-394	-1 675
Cash flows from operations	847	-444	-1 775
Acquisition of intangible and tangible fixed assets	-9	-6	-7
Cash flows from investing activities	-9	-6	-7
New share issue	-	-	100
Dividend paid ¹⁾	-22	-22	-22
Cash flows from financing activities	-22	-22	78
Cash flows for the period	816	-472	-1 704
Cash and cash equivalents at opening balance ²⁾	3 797	5 572	5 572
Exchangerate effects on cash and cash equivalents	28	-43	-71
Cash and cash equivalents at closing balance ²⁾	4 641	5 057	3 797

1) Dividend paid to preference shares (Öresund/Creades).

2) Excluding cash pledged as collateral.

Income statement of Parent Company

(SEKm)	Jan-Jun		Full year
	2013	2012	2012
Net income	5	22	28
Other external expenses	-1	-5	-6
Personnel expenses	-7	-24	-30
Operating profit/loss	-3	-6	-8
Interest income	0	1	1
Interest expenses	-10	-11	-21
Result from investments in subsidiaries	-1	-3	-5 ¹⁾
Profit/loss from financial items	-11	-13	-25
Profit/loss before tax	-14	-19	-34
Taxes	0	0	0
Profit/loss for the period	-14	-19	-33

Statement of comprehensive income

	Jan-Jun		Full year
	2013	2012	2012
Profit/loss for the period	-14	-19	33
Other comprehensive income, net of tax	-	-	-
Total comprehensive income for the period	-14	-19	33

1) Including a dividend income of SEK 70m from Carnegie Fonder AB and a cost for write-down of shares in Carnegie Fonder AB of the same amount.

Further, including a cost of SEK 95m for additional purchase price to the National Debt Office (Riksgälden) and an anticipated dividend of SEK 90m from Carnegie Investment Bank AB. Carnegie Investment Bank AB has an income of SEK 90m from Valot Group AB attributable to its sale of Norrvidden. Accordingly, the effect in the Carnegie Holding Group is -5.

Balance sheet of Parent Company

(SEKm)	30 Jun	30 Jun	31 Dec
	2013	2012	2012
Assets			
Shares and participations in Group companies	2 604	2 604	2 604
Deferred tax assets	1	1	1
Total financial non-current assets	2 605	2 605	2 605
Current receivables from Group companies	122	98	149
Other current receivables	6	3	94
Prepaid expenses and accrued income	1	0	1
Cash and bank	10	2	20
Total current assets	138	104	263
Total assets	2 744	2 709	2 867
Liabilities and shareholders' equity			
Shareholders' equity	2 286	2 236	2 321
Convertible debentures	410	410	410
Trade account payables	1	0	1
Current liabilities to Group companies	-	27	-
Other current liabilities	1	3	96
Accrued expenses and prepaid income	35	14	25
Pension provisions	4	2	3
Other provisions	8	17	12
Total liabilities and shareholders' equity	2 744	2 709	2 867
Pledged assets and contingent liabilities			
Pledged assets	-	-	-
Contingent liabilities	-	-	-

Accounting policies

This report was prepared in accordance with IAS 34, Interim Reporting, the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and the Swedish Financial Supervisory Authority's regulations (FFFS 2008:25) for the Group. The Parent Company's financial statements were prepared in accordance with 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 2012 Annual Report with the exception of those new standards and amendments detailed below.

IAS 1 - Presentation of Financial Statements (revised)

From 2013, other comprehensive income in the statement of comprehensive income is distributed as components that will not be reclassified to profit or loss and components that will be reclassified to profit or loss.

IFRS 13 - Fair Value Measurement

The new standard IFRS 13 defines fair value and provides guidance on the measurement of fair value. The standard replaces guidance pertaining to measurement of fair value previously contained in the respective IFRS standard. IFRS 13 also specifies new disclosure requirements which, through addition in IAS 34 - Interim Financial Reporting, must be disclosed in interim reports from 2013 onwards. The implementation of IFRS 13 has had no impact on the Group's measurement of fair value and, accordingly, no impact on the financial position and earnings. The disclosures to be made in each quarter are presented in Note 1.

IFRS 7 - Financial Instruments: Disclosures (revised)

As of 2013, disclosure is required of information pertaining to financial assets and liabilities, for which the values are offset in the balance sheet or that are the subject of different legally binding master netting agreements or the like. See Note 2.

Note that rounding may result in amounts in SEK millions not agreeing when summed. Unless otherwise specified, all comparison figures in the report refer to the corresponding period in 2012.

Note 1 Assets and liabilities measured at fair value

(SEKm)	30 Jun 2013			
	Quoted prices in active markets (Level 1)	Valuation technique using observable inputs (Level 2)	Valuation technique using non-observable inputs (Level 3)	Total
Assets				
Bonds and other interest-bearing securities	895	140	-	1 035
Shares and participations	182	70	-	252
Derivative instruments	40	2	-	43
Total	1 117	212	-	1 330
Liabilities				
Short positions, shares	73	-	-	73
Derivative instruments	34	-	-	34
Total	106	-	-	106

The above table presents the Group's financial assets and liabilities that are measured at fair value as of 30 June 2013. When the fair value is determined for financial instruments, various methods are used depending on the degree of observability of market data in the valuation and market activity. The valuation techniques and the Group's valuation process are described in more detail in the 2012 Annual Report.

No transfers were made between level 1 and level 2 during the period.

The fair value of other financial assets recognised at amortised cost is estimated to be the same as or close to the carrying amounts for these assets.

Note 2 Financial assets and liabilities subject to offsetting

(SEKm)	30 Jun 2013		
	Financial assets and liabilities subject to offsetting		
	Gross amounts	Offset	Net amounts in balance sheet
Assets			
Trade and client receivables ¹	4 078	-3 388	690
Liabilities			
Trade and client payable ²	3 520	-3 268	252

¹ Included in balance sheet item Other assets

² Included in balance sheet item Other liabilities

The above table presents the financial assets and liabilities that are recognised net in the balance sheet. Net accounting is applied for financial assets and liabilities in the balance sheet where Carnegie is legally entitled to offset transactions and has an intention to offset. At the closing date, these financial instruments comprised trade and client receivables and trade and client payables. Since the scope of financial assets and liabilities for which net accounting is applied in the balance sheet but which are subject to legally binding master netting agreements or the like, is marginal, these disclosures have been omitted.

Review report

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

Certification

The Board of Directors and President hereby certify that the interim report provides a true and fair view of the operations, position and earnings of the Parent Company and the Group and describes the material risks and uncertainties faced by the Parent Company and the companies included in the Group.

Carnegie Holding AB
Stockholm, 22 August 2013

Bo Magnusson
Chairman

Mårten Andersson
Board member

Fredrik Grevelius
Board member

Harald Mix
Board member

Fredrik Strömholm
Board member

Thomas Eriksson
President