

Carnegie Holding AB

Interim Report

1 January – 30 June 2014

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

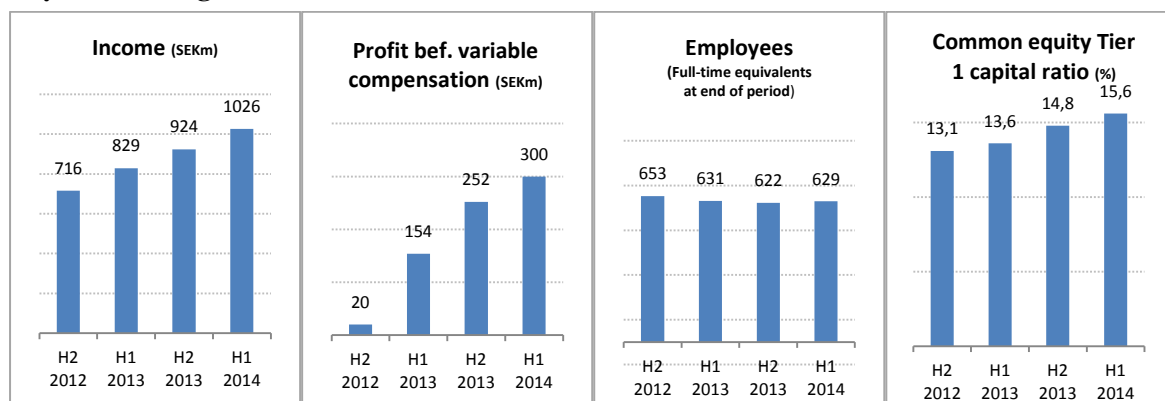
- Operating income amounted to SEK 1,026m (829).
- Expenses before variable remuneration² amounted to SEK 726m (675).
- Profit before variable remuneration² amounted to SEK 300m (154).
- Profit before credit provisions amounted to SEK 157m (49).
- Net profit amounted to SEK 153m (43).
- The Group has a strong financial position, with equity amounting to SEK 2.3 billion, a Common equity Tier 1 capital ratio of 15.6 percent and a capital ratio of 23.3 percent at 30 June 2014.

■ Consolidated position in a strong market

- Carnegie is consolidating its position as a leading provider in the Nordic transaction market, and conducted the largest number of equity capital market (ECM) transactions in the Nordics during the period January – June 2014. During the same period Carnegie led eight IPOs in the Nordic countries.
- Carnegie's strong research tradition was reaffirmed in the Financial Hearings annual analyst rankings. Carnegie is the best research house in Sweden in 2014 and was awarded ten of 20 first places in various research sectors.
- Continuous growth in the savings area, with net inflows to Carnegie Fonder and to Private Banking. Total assets under management in Carnegie at the end of the period amounted to SEK 134 billion.

"For the first half of 2014 Carnegie has demonstrated a marked increase in both income and earnings compared to the same period last year. The positive market trend continues, and we are utilising our strength to create and capitalise on business opportunities. In order to safeguard our growth potential we are selectively recruiting new employees to the business activities. At the same time, we have continued the restructuring efforts and efficiency measures of recent years, resulting in lower costs for our support functions, which is clearly contributing to improved profits," says President and CEO Thomas Eriksson.

Key financial figures



1) Based on operating income statement, see page 3.

2) Excluding variable remuneration, financing expenses and Group-wide amortisation of intangible assets.

Strong leverage in an intense market

President and CEO Thomas Eriksson comments on the results

For the first half of 2014 Carnegie has demonstrated a marked increase in both income and earnings compared to the same period last year. The positive market trend continues, and we are utilising our strength to create and capitalise on business opportunities. In order to safeguard our growth potential we are selectively recruiting new employees to the business activities. At the same time, we have continued the restructuring efforts and efficiency measures of recent years, resulting in lower costs for our support and Group-wide functions of 21 percent from January 2012.

Business activity remains intense in the market for equity capital market transactions, including IPOs, and company acquisitions. That Carnegie is a leading provider in this field is clearly reflected in the figures for Investment Banking & Securities, with a revenue increase of 38 percent compared with last year's first half. High-profile transactions include the stock-market listings of Swedish Comhem and Danish OW Bunker. In addition, our strong research tradition was once again reaffirmed in the Financial Hearings annual survey of brokerage houses in Sweden, in which Carnegie was named best research house 2014.

We also continue to grow in the savings market within the Wealth Management business area. Carnegie Fonder is attracting capital to both its fixed-income funds and its equity funds, and is generating strong earnings. Likewise, earnings are increasing in Private Banking. These activities have also been praised by external assessors: In January, the Carnegie Sverigefond fund was named Sweden Fund of the Year by Privata Affärer magazine, and Carnegie Private Banking Sweden was in February named the best private bank in Sweden for clients with net worth of USD 1-10 million in Euromoney's survey. The market for structured products, however, has been declining, which impacted our Structured Finance business.

The current positive momentum obviously does not mean that we can be complacent. On the contrary, we are placing great emphasis on business development with the goal of strengthening our client offering, we are taking a better defined position and growing in the savings field. Another critical success factor is to continue our selective recruitment of new employees.

Market developments in the financial services industry are difficult to predict, but given the current situation, conditions are favourable for a strong second half in 2014. We have a good pipeline of M&A and ECM transactions, and the value of Carnegie's assets under management is increasing.

Carnegie is a financial knowledge bank with a mission to help our clients to conduct good business through sound advice, based on knowledge and experience. We are delighted with the business entrusted to us and with the strong client relationships that we are building up, and respectful and excited about the tasks ahead.

Thomas Eriksson

Operative income statement Carnegie Holding Group

(SEKm)	Jan-Jun		Full-year
	2014	2013	2013
Investment Banking & Securities	604	438	891
Wealth Management	422	391	861
Operative income	1 026	829	1 753
Personnel expenses before variable remuneration	-494	-448	-912
Other expenses ¹	-232	-227	-435
Expenses before variable remuneration etc¹	-726	-675	-1 347
Profit/loss before variable remuneration etc¹	300	154	406
Variable remuneration, financing expenses and amortisation of intangible assets	-141	-95	-245
Profit/loss before items affecting comparability	159	59	161
Items affecting comparability	-3	-10	-13
Profit/loss before credit losses	157	49	148
Credit losses, net	10	8	25
Profit/loss before taxes	166	57	173
Taxes	-13	-14	21 ²⁾
Profit/loss for the period	153	43	194
Average number of employees	630	637	631
Number of employees at year-end (FTE)	629	631	622

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

2) Of which SEK 36m pertained to deferred tax on tax loss carryforwards.

Financial performance by segment

Investment Banking & Securities

The Investment Banking & Securities business area reported income of SEK 604m (438) during the first six months of 2014. The significant increase is primarily due to rising fees from ECM transactions during the period, but the business area is also noting increased fees from M&A transactions and higher commission income.

Carnegie acted as advisor in nineteen equity capital market transactions and eleven company acquisitions during the first six months of the year. In total, Carnegie was therefore the provider that conducted the highest number of equity capital market transactions in the Nordic region, and the fourth-largest (jointly) in company acquisitions and mergers during the period³. Carnegie has further developed its leading role in IPOs, and led eight market listings in the Nordic countries during the first half.

Wealth Management

Income in Wealth Management amounted to SEK 422m (391) for the first half of 2014. Compared with the first half of 2013, income in Private Banking and Fonder increased, while income in Structured Finance decreased.

Inflows to Carnegie Fonder remained strong, with a net of SEK 2.1 billion during the period. In Private Banking, the proportion of income derived from discretionary management is increasing in line with the aim of increasing the share of recurring income, while the activity from business of a non-recurring nature has been high. The Danish operations in particular have had a strong net inflow of capital and new clients.

3) Data from Thomson Reuters, January – June 2014

Expenses

Expenses before variable remuneration, financing expenses and Group-wide amortisation amounted to SEK 726m (675). The increase is primarily a result of selective recruitment during the year, partly to the Investment Banking & Securities business area. Operating expenses totalled SEK 867m (770). Items affecting comparability had a net impact on earnings of SEK -3m (-10).

Profit/loss

Profit before variable remuneration, financing expenses and Group-wide amortisation amounted to SEK 300m (154).

Profit before items affecting comparability amounted to SEK 159m (59). As stated above, items affecting comparability additionally impacted profit by SEK -3m (-10). Profit before credit provisions amounted to SEK 157m (49). Loan recoveries had a positive impact on profit of SEK 10m (8). Tax for the period amounted to SEK -13m (-14). Net profit for the period therefore amounted to SEK 153m (43).

Market

Carnegie's income is linked to trends and turnover on the world's capital markets as well as to the general business climate. The combination of positive stock-market performance and low volatility has meant a continued favourable climate for ECM transactions, including IPOs. Both the value of and the number of Nordic equity capital market (ECM) transactions have increased relative to the first half of 2013. The value of company mergers and acquisitions (M&As) has also grown, while the number has decreased. According to the Swedish Investment Fund Association, net savings in funds during the first six months of the year were the largest ever in a first half. Of the total new savings, about half were made in fixed-income funds.

Important events during the period

Sweden fund of the year

In January, the Carnegie Sverigefond fund was named Sweden Fund of the Year by Privata Affärer, the Nordic region's largest private finance magazine. In that same month, the fund's manager, Simon Blecher, was named Star Manager of the Year by independent fund evaluator Morningstar and Dagens Industri.

Best private banking is at Carnegie

In February, Carnegie Privatbank was named the best private bank in Sweden for clients with net worth of USD 1-10 million by business magazine Euromoney. Carnegie also received the highest rating in the sub-categories of equity portfolio management and tax advice. Euromoney's award is primarily based on a survey in which different private banking providers evaluate each other's services and products.

Sweden's best analysts

In June, Carnegie was named Sweden's best research house in the Financial Hearings annual survey of brokerage houses in Sweden. Carnegie's different research teams were awarded first place in the sectors of real estate; investment companies; retail & consumer goods; health care (equipment & services); micro cap; materials – forestry, pulp & paper; small cap; strategy; macro; and service & transport. Moreover, five Carnegie employees were among the six highest-ranked analysts.

Events after the end of the period

No significant events occurred after the balance-sheet date.

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 foreign 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 2013 Annual Report, and on Carnegie's website at www.carnegie.se.

Capital requirement and capital ratio

The table below presents the calculations of the capital requirement and capital ratio at 30 June 2014, conducted under the Capital Requirements Regulation (CRR). This regulation came into force on 1 January 2014. Calculations of the capital requirement and capital ratio for 2013 are reported in accordance with the then-applicable regulation (FFFS 2007:1) of the Swedish Financial Supervisory Authority.

In the financial companies group, meaning the Carnegie Holding Group, the capital quotient on 30 June 2014 was 2.9, and the Common equity Tier 1 capital quotient amounted to 1.9. This corresponds to a capital ratio of 23.3 percent and a Common equity Tier 1 capital ratio of 15.6 percent. A more detailed description of Carnegie's capital adequacy is provided in the 2013 Annual Report, as well as on Carnegie's website at www.carnegie.se.

Capital adequacy

(SEKm)	Carnegie Holding Group		31 Dec 2013
	30 Jun 2014	2013	
Capital base ¹			
Equity	2 279	1 988	2 136
Non audited profit	-153	-43	-
Deductions	-1 126	-1 099	-1 146
Anticipated dividend	-	-	-22
Common equity Tier 1 capital	999	846	969
Additional Tier 1 capital	88	-	-
Tier 1 capital	1 087	846	969
Tier II capital (subordinated debt)	410	410	410
Total capital base	1 497	1 256	1 378
Capital requirement			
Credit risk (standardized method)	189	173	145
Trading Book	44	42	87
Currency risk	29	68	74
Operational risk (base method)	250	216	216
Total capital requirement	513	498	523
Surplus capital	984	757	856
Common equity Tier 1 capital quotient	1.9	1.7	1.9
Tier I capital quotient	2.1	1.7	1.9
Capital quotient	2.9	2.5	2.6
Common equity Tier 1 capital ratio (%)	15.6	13.6	14.8
Tier 1 ratio %	17.0	13.6	14.8
Capital ratio %	23.3	20.2	21.1

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

Investments

The Group's investments in fixed assets amounted to SEK 8m (9) during the period.

Summary of Parent Company

Total income in the Parent Company for the first six months amounted to SEK 5m (5). Profit before tax during the period amounted to SEK -13m (-14). 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 3m (10) on 30 June 2014. Equity amounted to SEK 2,235m (2,286) on 30 June 2014.

Liquidity

The Group's financing comprises equity, issued bonds and deposits from the public. Equity, debentures and bonds account for 31 percent, deposits from the public account for 52 percent and other debt accounts for 17 percent of the balance-sheet total.

On 30 June 2014, the liquidity reserve for the Carnegie Holding Group amounted to SEK 3,734 million and the composition was as follows:

- Bank balances: SEK 2,927m
- Government securities: SEK 499m
- Covered bonds: SEK 307m

The liquidity reserve should manage periods of market turbulence and must exceed the anticipated outflow of cash during a period of stress. The liquidity reserve on 30 June 2014 accounted for 30 percent of the balance-sheet total.

Consolidated statements of comprehensive income

(SEKm)	Jan-Jun		Full year
	2014	2013	2013
Commission income	1 105	896	1 948
Commission expenses	-166	-142	-337
Net commission income	940	754	1 611
Interest income	66	58	131
Interest expenses	-35	-35	-88
Net interest income	32	23	43
Other dividend income	-	1	1
Net profit from financial transactions	53	38	80
Total operating income	1 025	816	1 735
Personnel expenses	-619	-521	-1 098
Other administrative expenses	-223	-214	-426
Amortisation of intangible assets and depreciation of tangible fixed assets	-26	-33	-63
Total operating expenses	-868	-767	-1 587
Profit/loss before credit losses	157	49	148
Credit losses, net	10	8	25
Profit/loss before tax	166	57	173
Taxes	-13	-14	21
Profit/loss for the period	153	43	194
Other comprehensive income: <i>Items that may subsequently be reclassified to the income statement:</i>			
Translation of foreign operations	11	3	0
Total comprehensive income for the period	164	46	194

Consolidated statements of financial position

	30 Jun	30 Jun	31 Dec
(SEKm)	2014	2013	2013
Assets			
Cash and bank deposits with central banks	198	1215	993
Negotiable government securities	832	-	-
Loans to credit institutions ¹⁾	4 160	4 259	3 299
Loans to general public	2 675	2 550	2 849
Bonds and other interest-bearing securities	940	1035	789
Shares and participations	370	252	439
Derivative instruments	41	43	47
Shares in associated companies	7	5	6
Intangible assets	691	715	705
Tangible fixed assets	68	80	74
Current tax assets	3	8	3
Deferred tax assets	506	448	503
Other assets	966	829	670
Prepaid expenses and accrued income	189	191	235
Total assets	11 648	11 629	10 613
Liabilities and shareholders' equity			
Liabilities to credit institutions	52	245	283
Deposits and borrowing from general public ¹⁾	6 072	6 194	5 507
Securities issued	935	935	935
Short positions, shares	59	73	43
Derivative instruments	45	34	27
Current tax liabilities	37	15	21
Deferred tax liabilities	69	71	72
Other liabilities	1 148	1 178	591
Accrued expenses and prepaid income	535	454	572
Other provisions	7	32	15
Subordinated debt	410	410	410
Shareholders' equity	2 279	1 988	2 136
Total liabilities and shareholders' equity	11 648	11 629	10 613
Pledged assets and contingent liabilities			
Pledged assets	1 545	1 566	1 621
Contingent liabilities	432	464	424

¹⁾ Whereof SEK 108m (Q2 2013: 161, Q4 2013: 113) in client funds.

Consolidated statements of changes in equity

(SEKm)	Jan-Jun		Full year
	2014	2013	2013
Shareholders' equity - opening balance	2 136	1964	1964
Dividend paid	-22	-22	-22
New share issue	-	-	-
Comprehensive income for the period	164	46	194
Shareholders' equity - closing balance	2 279	1 988	2 136

Consolidated statements of cash flows

(SEKm)	Jan-Jun		Full year
	2014	2013	2013
Profit before tax	166	57	173
Adjustments for items not affecting cash flow	15	17	17
Paid tax	-4	0	-10
Cash flows from operations before changes in working capital	177	75	180
Changes in working capital	536	772	-420
Cash flows from operations	713	847	-240
Acquisition of intangible and tangible fixed assets	-8	-9	-16
Cash flows from investing activities	-8	-9	-16
Dividend paid ¹⁾	-22	-22	-22
Cash flows from financing activities	-22	-22	-22
Cash flows for the period	684	816	-278
Cash and cash equivalents at opening balance ²⁾	3 570	3 797	3 797
Exchangerate effects on cash and cash equivalents	56	28	51
Cash and cash equivalents at closing balance ²⁾	4 309	4 641	3 570

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

²⁾ Excluding cash pledged as collateral.

Income statement of Parent Company

(SEKm)	Jan-Jun		Full year
	2014	2013	2013
Net income	5	5	10
Other external expenses	-1	-1	-2
Personnel expenses	-6	-7	-12
Operating profit/loss	-1	-3	-4
Interest income	0	0	1
Interest expenses	-10	-10	-21
Result from investments in subsidiaries	-2	-1	-5 ¹⁾
Profit/loss from financial items	-12	-11	-25
Profit/loss before tax	-13	-14	-29
Taxes	0	0	0
Profit/loss for the period	-13	-14	-29

Statement of comprehensive income

(SEKm)	Jan-Jun		Full year
	2014	2013	2013
Profit/loss for the period	-13	-14	-29
Other comprehensive income, net of tax	-	-	-
Total comprehensive income for the period	-13	-14	-29

¹⁾ Including a cost of SEK 50m for additional purchase price to the National Debt Office (Riksgälden) and an anticipated dividend of SEK 45m from Carnegie Investment Bank AB. Carnegie Investment Bank AB has an income of SEK 45m 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

	30 Jun	30 Jun	31 Dec
(SEKm)	2014	2013	2013
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	72	122	143
Other current receivables	7	6	6
Prepaid expenses and accrued income	0	1	0
Cash and bank	3	10	8
Total current assets	82	138	157
Total assets	2 688	2 744	2 762
Liabilities and shareholders' equity			
Shareholders' equity	2 235	2 286	2 270
Convertible debentures	410	410	410
Trade account payables	0	1	0
Other current liabilities	3	1	51
Accrued expenses and prepaid income	34	35	24
Pension provisions	5	4	5
Other provisions	-	8	3
Total liabilities and shareholders' equity	2 688	2 744	2 762
Pledged assets and contingent liabilities			
Pledged assets	-	-	-
Contingent liabilities	125	130	127

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 and general advice (FFFS 2008:25) for credit institutions and securities companies for the Group. Furthermore, the recommendation of the Swedish Financial Accounting Standards Council, Supplementary Accounting Regulations for Corporate Groups (RFR 1), is applied. The Parent Company's financial statements were prepared in accordance with the Annual Accounts Act (1995:1554) and RFR 2, Accounting for Legal Entities.

A number of new and revised standards regarding consolidation have entered into force from financial year 2014: IFRS 10 Consolidated Financial Statements; IFRS 11 Joint Arrangements; IFRS 12 Disclosures of Interests in Other Entities; IAS 27 Separate Financial Statements; and IAS 28 Investments in Associates and Joint Ventures. These changes have not had any effect on the consolidated financial statements.

The accounting policies and calculation methods applied in this report are the same as those used in the Annual Report for 2013.

Note that rounding in the report 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 2013.

Note 1 Assets and liabilities measured at fair value

(SEKm)	30 Jun 2014			
	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	886	54	-	940
Shares and participations	346	25	-	370
Derivative instruments	41	-	-	41
Total	1 273	79	-	1 351
Liabilities				
Short positions, shares	59	-	-	59
Derivative instruments	45	-	-	45
Total	104	-	-	104

(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

(SEKm)	31 Dec 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	642	147	-	789
Shares and participations	416	23	-	439
Derivative instruments	42	5	-	47
Total	1 100	175	-	1 275
Liabilities				
Short positions, shares	43	-	-	43
Derivative instruments	26	0	-	27
Total	70	0	-	70

The above table presents the Group's financial assets and liabilities that are measured at fair value as of 30 June 2014, with comparison figures for June and December 2013, respectively. 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 Annual Report for 2013.

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

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 2014		
	Financial assets and liabilities subject to offsetting		
Assets	Gross amounts	Offset	Net amounts in balance sheet
Trade and client receivables ¹	4 888	-4 124	764
Liabilities			
Trade and client payable ²	4 261	-4 020	242

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

(SEKm)	31 Dec 2013		
	Financial assets and liabilities subject to offsetting		
Assets	Gross amounts	Offset	Net amounts in balance sheet
Trade and client receivables ¹	2 519	-2 092	427
Liabilities			
Trade and client payable ²	2 412	-2 082	330

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 financial 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 gross 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, 21 August 2014

Bo Magnusson
Chairman

Mårten Andersson
Board member

Fredrik Grevelius
Board member

Harald Mix
Board member

Fredrik Strömholm
Board member

Thomas Eriksson
President