

**Update on situation within HQ AB**

- **HQ Bank has been sold**
- **Total pro forma equity is SEK 60.8 million, corresponding to SEK 2.18 per share**
- **HQ Bank's right to seek redress for damages against corporate bodies, auditors and the government has been transferred to HQ AB**
- **The accounting firm KPMG AB and the chief auditor have announced that they are resigning from their HQ AB duty**
- **HQ AB will continue as a listed company. All decisions on continued activities will be taken at the extraordinary general meeting on 28 September 2010 during which a new Board of Directors will be appointed and new auditors will be selected**

As previously announced, on 3 September 2010 HQ AB sold all of its shares in its subsidiary HQ Bank AB, including the option to acquire HQ Fonder Sverige AB, to Carnegie group. This sale was a consequence of the 28 August 2010 revocation by the Swedish Financial Supervisory Authority (FSA) of all HQ Bank licences and the FSA's notification that it intended to submit an application for compulsory liquidation of HQ Bank. The FSA's decision was based on deficiencies it had previously identified, primarily associated with HQ Bank's now closed trading operations. An immediate consequence of the FSA's decision was a sharp drop in the value of HQ Bank and HQ AB's share price. Despite a strong balance sheet, the alternative would have been to seek bankruptcy protection for HQ AB and HQ Bank due to anticipated liquidity shortages. This would have not only led to major losses for the shareholders, but would have had devastating consequences for bank customers and the banking system in general. Negotiations were therefore conducted under the worst possible conditions for HQ AB.

**Measures taken to limit the damage of the trading losses and restore HQ AB's capital base**

Since losses in the trading operations were discovered in late May 2010, the Boards of Directors of HQ AB and HQ Bank have taken the following measures to limit the damage to HQ AB and its shareholders:

- On 26 May 2010, HQ AB announced a need to strengthen its capital base due to anticipated losses associated with the approved accelerated liquidation of the trading portfolio.
- HQ Bank's executive management was replaced and a new Chairman of the Board was appointed. The Boards of Directors of HQ AB and HQ Bank voluntarily tendered their resignations.
- An accelerated liquidation of HQ's trading portfolio, composed primarily of German and Swedish equity derivatives, was carried out during the second quarter. The total cost of the liquidation was SEK 1,227 million.
- To finance the liquidation and safeguard HQ AB's capital base, HQ AB's Board of Directors decided on 8 June 2010 to immediately strengthen the company's capital base by selling its subsidiary, HQ Fonder Sverige AB, to Investment AB Öresund for SEK 850 million. HQ AB intended to re-purchase HQ Fonder Sverige AB and held an option to do so. The option to re-purchase HQ Fonder Sverige AB was subsequently transferred to HQ Bank. The term of the option was through 30 March 2011. The re-purchase price totalled SEK 850 million plus HQ Fonder's net income as of 1 July 2010.
- In order to make the re-purchase of HQ Fonder Sverige AB possible, HQ AB intended to call an extraordinary general meeting to decide on a rights issue of up to SEK 1,000

million. The rights issue was guaranteed up to SEK 715 million by Investment AB Öresund, Mats Qviberg and family, and Sten Dybeck and family. HQ AB also received a SEK 235 million advance on the rights issue, along with a perpetual subordinated loan of SEK 171 million, from Investment AB Öresund and the Qviberg family.

- HQ Bank's Board of Directors appealed the FSA's decision. At the close of trading on 27 August 2010, HQ AB's market value was approximately SEK 1.5 billion. The trading portfolio was closed and executive management was replaced. HQ Bank was refinanced and had a good capital adequacy ratio. A guaranteed rights issue of SEK 1,000 million, aimed at making the re-purchase of HQ Fonder possible, was also planned for autumn 2010. The appointment of new Boards of Directors for HQ AB and HQ Bank was also planned.
- Following the FSA's licence revocation and the HQ AB Board of Directors' subsequent negotiations with HQ Bank's liquidator and Carnegie, the Board ensured that the HQ Bank's right to seek redress for damages against corporate bodies, auditors and the government was transferred to HQ AB. This measure was taken to safeguard the rights of HQ AB, and ultimately its shareholders, to make claims for damages and to seek compensation for damages sustained.
- A police report has been filed against the person who held responsibility for the trading portfolio.
- The Board of Directors has filed a complaint against HQ AB's and HQ Bank's auditors.

#### **HQ AB today**

The transaction with Carnegie also included an option to acquire other group subsidiaries and associated companies. Above and beyond these holdings, HQ AB is currently comprised of cash and potential future claims for damages. The Board of Directors has ordered the preparation of a balance sheet for liquidation purposes, which has been audited by the company's auditors. Pro forma equity totals SEK 60.8 million and thus exceeds half of the registered share capital of approximately SEK 70 million. There are 27,925,280 outstanding HQ AB shares, meaning that the net asset value per share is SEK 2.18. Accordingly, HQ AB is not obliged to go into liquidation, but the sitting HQ AB Board's recommendation to the incoming Board is to reduce share capital. It should be noted that HQ AB will probably not have any tax loss carry-forwards.

The accounting firm KPMG AB and the chief auditor have announced that they are resigning from their duty. As previously announced in a 10 September 2010 press release, HQ AB has called an extraordinary general meeting for 28 September 2010 for the purpose of *inter alia* providing HQ AB's shareholders an opportunity to appoint a new Board of Directors and select new auditors.

Today, the organisation is comprised of financial and legal functions that have been adapted to the new organisation and is led by acting CEO Stefan Dahlbo.

#### **Investigation by Attorney Anders Malm**

Attorney Anders Malm has, in his capacity as independent investigator, carried out an investigation of HQ Bank's trading operations. The examination was performed on behalf of HQ AB. A report will be available by 27 September 2010.

For additional information, please contact:

Madeleine Bruce-Martinsson, acting information contact, Tel +46 (0) 761 16 00 41

[info@hqab.se](mailto:info@hqab.se), [www.hqab.se](http://www.hqab.se)