



Garantum
Annual Report
2015

Directors' Report

The Board of Directors and the CEO of Garantum Fondkommission AB hereby present the annual report and the consolidated financial statements for the financial year 2015.

Ownership

Garantum Fondkommission AB, ("Garantum") is wholly owned by Garantum Invest AB, corporate identity number 556859-2447, registered office in Stockholm, which in turn is owned by six joint owners and their wholly-owned companies. Garantum owns:

- 100% of the shares in Garantum Strukturerade Produkter AB, corporate identity number 556672-8365, registered office in Stockholm,
- 51% of shares in Garantum Finland OY, corporate registration number 2184866-8, registered office in Helsinki,

General information about the company

Garantum is engaged in securities trading, incorporating asset management, arrangement of structured financial products and brokering of financial products, or other participation in transactions relating to such instruments. As part of this trading, Garantum provides advice on financial issues and pursues other activities which are linked with securities trading and are compliant with the Swedish Securities Operations Act (*lagen om värdepappersrörelse*) and the company's securities licence. Garantum has been licensed to operate by the Swedish Financial Supervisory Authority since April 2005. All licences are published at www.fi.se. Garantum carries out cross-border trading in Finland and Norway and has 20 tied agents.

Mikael Axelsson has taken up the position of CEO of Garantum Fondkommission AB with effect from November.

Development of the company's business, performance and position

Financial information

Profit for the Garantum Group and parent company as at 31 December 2015.

The Group's operating profit amounted to SEK 58.6 (47.3) million, while the profit after tax amounted to SEK 44.4 (35.8) million. Total income amounted to SEK 241.2 (224.0) million, of which SEK 193.8 (173.0) million related to the parent company, SEK 54.7 (53.8) million related to the Swedish subsidiary and SEK 8.9 (13.3) million related to the Finnish subsidiary, including internal Group transactions.

Operating expenses amounted to SEK 182.6 (176.7) million during the financial year, of which SEK 127.5 (118.8) million related to the parent company. The company employed 55 (52) staff at the end of the year.

During the year, the Group arranged 381 (354) different products, the longest issue having a term of 10 years (7 years) and the shortest a term of 1.5 years (1.5 years). The average term was 4.78 years (5 years).

The parent company has unutilized bank overdraft facilities amounting to SEK 100 (100) million. Temporary liquidity requirements may arise in connection with large issue volumes. This credit has not been utilised in 2015.

Equity in the Group amounts to SEK 233.0 (210.6) million. The capital coverage ratio in the parent company amounts to 27.3 (19.4) %. Profit for the year and a proposed dividend are not included in the calculation of primary and total capital.

Business development

Garantum delivered a higher profit in 2015 compared with the previous year. The improvement is due to a very strong first six months with good market conditions that gave both record volumes and the ability to maintain product margins. During late summer and autumn the capital market became considerably less stable and volumes declined in line with investors' decreasing appetite for investment.

In autumn 2015 the group structure of the group of companies of which Garantum is a member was strengthened. This meant, among other things, that the company now has a new CEO. The former CEO has now assumed the position of group CEO. These organisational changes were an important step towards transforming the group of companies from successful individual companies to a savings group with a consistent and comprehensive offering.

Adjustment to regulatory changes continued to be an important part of Garantum's process of change and a great deal of work went into ensuring that the company was ready to meet future requirements. As previously, investment in IT was high on the agenda during 2015. The focus was on product reporting, product development and control and monitoring. The future focus on digitisation will also be aimed at cost effectiveness.

The Finnish operations experienced a certain head-wind during 2015, as a result of a tough domestic market and ongoing consolidation that shrank distribution. The Norwegian sister company's first full year, on the other hand, was very successful.

The beginning of 2016 has been relatively weak and appears to be a moderate year in terms of volume, in which the lack of any clear direction in the stock market is making investors cautious. During the year, Garantum is working to widen its range of products and services in savings, as well as making the entire offering available through digital channels.

Environmental policy

The company's active environmental awareness has continued to develop during the year. Measures include sorting waste and office materials, environmentally friendly electricity, environmentally friendly paper for printed advertising, environmentally friendly advertising pens and the use of bicycle couriers. As far as possible, business travel takes place using more environmentally friendly alternatives, such as travel by train instead of by road or air.

Risks and uncertainty factors

Garantum's business faces a number of different risks every day. This is a natural part of our business in some regards, such as market risks in the trading book. Garantum's Board of Directors bears overall responsibility for Garantum's risk management. The Board has used a special instruction and a particular framework to delegate responsibility to Garantum's CEO and Deputy CEO to bear overall functional responsibility for Garantum's risk management. Garantum has entered into an outsourcing agreement with Garantum Invest AB in respect of risk control and Compliance for the day-to-day management and control of risks. The Board of Directors receives regular reports on this. The risks to which Garantum is exposed and which are managed include:

Market risks
Liquidity risks
Operational risks
Credit risks
Legal risks

Personnel

The average number of employees in the Group during the financial year was 54 (50). The Group employed 55 (52) people at the end of the financial year, of whom 33 (34) were men and 22 (18) women.

Events after the end of the balance sheet date

No events of significance to the assessment of the financial position of the Group as at 31 December 2015 have occurred since the end of the report period.

PROPOSED ALLOCATION OF PROFIT

At the disposal of the annual general meeting, SEK

Retained earnings	133 870 323
Profit/loss for the year	44 579 157
Total	178 449 480

Shareholder dividend of SEK 4,953.2397 per share	44 579 160
Carryforward to next year	133 870 320
Total	178 449 480

The Board's assessment is that the company's and group's business operations will continue to show good profitability after distribution of the proposed dividend. It is also judged that liquidity in the company and the group can also be maintained at a satisfactory level.

FIVE-YEAR SUMMARY

CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET, SEK thousands	2015	2014	2013	2012	2011
Income statement					
Total operating revenue	241 223	224 014	262 804	198 755	196 669
Total expenses before credit losses	-182 589	-176 720	-162 514	-149 725	-155 154
Operating income	58 634	47 294	100 290	49 030	41 515
Tax	-14 213	-11 515	-23 073	-12 946	-11 787
Profit/loss for the year	44 420	35 779	77 217	36 084	29 728
Balance sheet					
Lending to credit institutions	442 678	402 488	356 642	207 318	251 653
Other assets	234 637	310 171	188 229	225 462	233 886
Total assets	677 315	712 659	544 871	432 780	485 539
Deposits from the public	340 994	283 845	160 586	121 832	112 597
Other liabilities	103 355	218 192	137 768	104 378	165 201
Total liabilities	444 349	502 037	298 354	226 210	277 798
Equity	230 340	206 239	243 203	203 650	204 200
Holdings without a controlling influence	2 626	4 382	3 314	2 920	3 541
Total equity and liabilities	677 315	712 659	544 871	432 780	485 539
CONSOLIDATED KEY INDICATORS					
Balance sheet total, SEK thousands	677 315	712 659	544 871	432 780	485 539
Return on assets, %	6,6	5,0	14,2	8,3	6,1
Equity ratio, %	34	29	45	47	42
Average number of employees	54	50	46	43	40
PARENT COMPANY INCOME STATEMENT AND BALANCE SHEET					
Income statement					
Total operating revenue	193 795	172 970	207 762	124 619	111 238
Total expenses before credit losses	-127 531	-118 823	-109 249	-79 429	-79 773
Operating income	66 264	54 147	98 513	45 190	31 465
Profit/loss for the year	44 579	31 955	57 905	25 901	17 756
Balance sheet					
Lending to credit institutions	437 555	389 755	348 323	199 213	242 262
Other assets	226 879	304 603	187 140	209 960	213 579
Total assets	664 434	694 358	535 463	409 173	455 841
Deposits from the public	340 994	283 845	160 586	121 832	112 597
Other liabilities	93 182	205 835	132 153	91 094	148 680
Total liabilities	434 176	489 680	292 739	212 926	261 277
Untaxed reserves	42 809	42 809	42 809	18 359	7 577
Equity	187 449	161 869	199 915	177 888	186 987
Total equity and liabilities	664 434	694 358	535 463	409 173	455 841
PARENT COMPANY'S KEY INDICATORS					
Balance sheet total, SEK thousands	664 434	694 358	535 463	409 173	455 841
Return on assets, %	6,7	4,6	10,8	6,3	3,9
Equity ratio, %	28	23	37	43	41
Total capital coverage ratio, %	27,3	19,4	30,8	n/a	n/a
Capital-output ratio	3,41	2,42	3,85	3,44	3,70
Average number of employees	47	43	39	37	33

For information on Garantum's results and general position, please refer to the following income statements and balance sheets with associated comments on the financial statements.

CONSOLIDATED INCOME STATEMENT

1 January – 31 December

SEK thousands	Note	2015	2014
Interest income	4	1 588	4 803
Interest expenses	4	-728	-1 975
Net interest income		860	2 828
Commission income	5	353 510	313 552
Commission expenses	6	-229 954	-197 161
Net result of financial transactions	7	62 646	51 864
Other operating revenue	8	54 160	52 931
Total operating revenue		241 223	224 014
General administration expenses	9	-137 103	-134 183
Depreciation on intangible assets	16	-139	-2 441
Depreciation on tangible assets	17	-113	-212
Other operating expenses	10	-45 234	-39 884
Total expenses before credit losses		-182 589	-176 720
Operating income		58 634	47 294
Tax on profit for the year	11	-14 213	-11 515
Profit/loss for the year		44 420	35 779
Attributable to:			
Parent Company's shareholders		43 146	32 810
Holdings without a controlling influence		1 275	2 969

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 January – 31 December

SEK thousands	2015	2014
Profit/loss for the year	44 420	35 779
Items to be reversed via the income statement		
Translation of foreign operations	-89	446
Other comprehensive income after tax	-89	446
Total profit after tax	44 331	36 225
Attributable to:		
Parent Company's shareholders	43 100	33 037
Holdings without a controlling influence	1 231	3 188

BALANCE SHEET GROUP

As at 31 December

SEK thousands	Note	2015	2014
ASSETS			
Lending to credit institutions	12	442 678	402 488
Bonds and other securities	14	73 510	143 738
Intangible assets	16	-	139
Tangible assets	17	107	219
Current tax receivables		3 681	1 992
Other assets	18	145 036	147 587
Prepaid expenses and accrued income	19	12 303	16 496
Total assets		677 315	712 659
LIABILITIES, PROVISIONS AND EQUITY			
Deposits from the public	20	340 994	283 845
Current tax liability		611	8 493
Deferred tax liability		9 418	9 418
Other liabilities	21	53 856	154 359
Accrued expenses and prepaid income	22	39 470	45 922
Total liabilities		444 349	502 037
EQUITY			
Restricted equity	24		
Share capital (9,000 shares, quoted value SEK 1,000)		9 000	9 000
Non-restricted equity			
Translation reserve		-333	-288
Earnings including profit for the year		221 673	197 527
Total equity attributable to Parent Company's shareholders		230 340	206 239
Holdings without a controlling influence		2 626	4 382
Total shareholders' equity		232 966	210 622
Total liabilities, provisions and equity		677 316	712 659
Assets pledged and contingent liabilities	30	285 030	307 715

SUMMARY OF GROUP CHANGES IN EQUITY

	Restricted equity	Non-restricted equity				Total equity
SEK thousands	Share capital	Translation of accounts of foreign subsidiaries	Earnings	Equity attributable to the Parent Company's shareholders	Holdings without a controlling influence	Total equity
Opening equity, 01/01/2014	9 000	-515	234 718	243 203	3 314	246 517
Profit/loss for the year			32 809	32 809	2 969	35 779
<u>Other comprehensive income</u>						
Translation difference		227		227	219	446
Dividend, SEK 7,778 per share			-70 000	-70 000	-2 119	-72 119
Closing equity, 31/12/2014	9 000	-288	197 527	206 239	4 382	210 622

	Restricted equity	Non-restricted equity				Total equity
SEK thousands	Share capital	Translation of accounts of foreign subsidiaries	Earnings	Equity attributable to the Parent Company's shareholders	Holdings without a controlling influence	Total equity
Opening equity, 01/01/2015	9 000	-288	197 527	206 239	4 382	210 622
Profit/loss for the year			43 145	43 145	1 275	44 420
<u>Other comprehensive income</u>						
Translation difference		-45		-45	-44	-89
Dividend, SEK 2,111.11 per share			-19 000	-19 000	-2 987	-21 987
Closing equity, 31/12/2015	9 000	-333	221 672	230 339	2 626	232 966

GROUP CASH FLOW STATEMENTS

1 January – 31 December

SEK thousands	2015-12-31	2014-12-31
Operating activities		
Operating profit (+)	58 634	47 294
Adjustment for items not included in cash flow		
Unrealised changes in value of securities (+/-)	-3 078	1 356
Unrealised profits/losses	1 277	-217
Depreciation (+)	252	2 653
Income tax paid	-23 784	-9 817
Cash flow from operating activities before changes in working capital	33 301	41 269
Cash flow from changes in working capital		
Decrease (+)/Increase (-) of bonds plus shares and participations	73 306	-68 708
Decrease (+)/increase (-) of other assets	6 743	-57 318
Decrease (-)/Increase (+) of deposits and borrowing from the general public	57 149	123 259
Decrease (-)/Increase (+) of other liabilities	-106 955	78 798
Cash flow from current operations	63 544	117 300
Investment activities		
Investments in tangible assets (-)	-1	2
Cash flow from investment activities	-1	2
Financing activities		
Dividends paid (-)	-21 987	-72 119
Cash flow from financing activities	-21 987	-72 119
Cash flow for the year	41 556	45 183
Cash and cash equivalents at start of year	402 488	356 642
Exchange rate differences in cash and cash equivalents	-1 366	663
Cash and cash equivalents at end of year	442 678	402 488

SEK thousands	2015-12-31	2014-12-31
The following subcomponents are included in liquid funds:		
Lending to credit institutions	442 678	402 488
Total	442 678	402 488

Interest paid and dividends received which are included in cash flow from current operations

SEK thousands	2015	2014
Interest earned	1 588	4 803
Interest paid	728	1 975

PARENT COMPANY INCOME STATEMENT

1 January – 31 December

SEK thousands	Note	2015	2014
Interest income	4	1 527	4 755
Interest expenses	4	-728	-1 967
Net interest income		800	2 788
Commission income	5	353 510	313 552
Commission expenses	6	-238 836	-207 934
Dividends received	25	3 109	2 205
Net result of financial transactions	7	63 352	51 866
Other operating revenue	8	11 861	10 493
Total operating revenue		193 795	172 970
General administration expenses	9	-119 489	-115 074
Depreciation on tangible assets	17	-	-101
Other operating expenses	10	-8 042	-3 648
Total expenses before credit losses		-127 531	-118 823
Operating income		66 264	54 147
Group contributions paid	25	-9 000	-13 000
Tax on profit for the year	11	-12 685	-9 192
Profit/loss for the year		44 579	31 955

Income statement – Parent Company

1 January – 31 December

SEK thousands	2015	2014
Profit/loss for the year	44 579	31 955
Comprehensive income after tax	44 579	31 955

PARENT COMPANY'S BALANCE SHEET

As at 31 December

SEK thousands	Note	2015	2014
ASSETS			
Lending to credit institutions	12	437 555	389 755
Bonds and other securities	14	72 520	143 738
Shares and participations in associated companies	15	584	584
Tangible assets	17	50	50
Current tax receivables		1 725	-
Other assets	18	142 127	145 788
Prepaid expenses and accrued income	19	9 873	14 443
Total assets		664 434	694 358
LIABILITIES, PROVISIONS AND EQUITY			
Deposits from the public	20	340 994	283 845
Current tax liability		-	8 493
Other liabilities	21	60 107	157 251
Accrued expenses and prepaid income	22	33 075	40 091
Total liabilities		434 176	489 680
Untaxed reserves	23	42 809	42 809
EQUITY			
Restricted equity	24		
Share capital (9,000 shares, quoted value SEK 1,000)		9 000	9 000
Non-restricted equity			
Profit or loss brought forward		133 870	120 914
Profit/loss for the year		44 579	31 955
Total shareholders' equity		187 449	161 869
Total liabilities, provisions and equity		664 434	694 358
Assets pledged and contingent liabilities	30	285 030	307 715

SUMMARY OF PARENT COMPANY'S CHANGES IN EQUITY

SEK thousands	Restricted equity	Non-restricted equity	Total equity	
	Share capital	Profit or loss brought forward	Profit/loss for the year	
Opening equity, 01/01/2014	9 000	133 011	57 905	199 915
Profit/loss for the year	-	-	31 955	31 955
Total income and expenses, excl. transactions with the company's owners	-	-	31 955	31 955
Previous year's profit/loss	-	57 905	-57 905	0
Dividend, SEK 7,778 per share	-	-70 000		-70 000
Closing equity, 31/12/2014	9 000	120 914	31 955	161 869

SEK thousands	Restricted equity	Non-restricted equity	Total equity	
	Share capital	Profit or loss brought forward	Profit/loss for the year	
Opening equity, 01/01/2015	9 000	120 914	31 955	161 869
Profit/loss for the year	-	-	44 579	44 579
Total income and expenses, excl. transactions with the company's owners	-	-	44 579	44 579
Previous year's profit/loss	-	31 955	-31 955	0
Dividend, SEK 2,111.11 per share	-	-19 000		-19 000
Closing equity, 31/12/2015	9 000	133 870	44 579	187 449

PARENT COMPANY CASH FLOW STATEMENTS

1 January – 31 December

SEK thousands	2015-12-31	2014-12-31
Operating activities		
Operating profit (+)	66 264	54 147
Adjustment for items not included in cash flow		
Unrealised changes in value of securities (+/-)	-2 667	1 356
Unrealised profits/losses	812	-426
Depreciation (+)	-	101
Income tax paid	-22 903	-7 568
Cash flow from operating activities before changes in working capital	41 506	47 610
Cash flow from changes in working capital		
Decrease (+)/Increase (-) of bonds plus shares and participations	73 885	-68 708
Decrease (+)/increase (-) of other assets	8 231	-50 212
Decrease (-)/Increase (+) of deposits and borrowing from the general public	57 149	123 259
Decrease (-)/Increase (+) of other liabilities	-104 159	72 057
Cash flow from current operations	76 612	124 006
Investment activities		
Sale of shares in subsidiaries, assets	-	-
Investments in tangible assets (-)	-	-
Cash flow from investment activities	-	-
Financing activities		
Paid Group contributions (-)	-9 000	-13 000
Dividends paid (-)	-19 000	-70 000
Cash flow from financing activities	-28 000	-83 000
Cash flow for the year	48 612	41 006
Cash and cash equivalents at start of year	389 755	348 323
Exchange rate differences in cash and cash equivalents	-812	426
Cash and cash equivalents at end of year	437 555	389 755

SEK thousands	2015-12-31	2014-12-31
The following subcomponents are included in liquid funds:		
Lending to credit institutions	437 555	389 755
Total	437 555	389 755

Interest paid and dividends received which are included in cash flow from current operations		
SEK thousands	2015	2014
Interest earned	1 528	4 755
Interest paid	728	1 967

