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## CEO STATEMENT

A lot happened in 2012. Not least for me personally, as I took over the position as CEO of Garantum Fondkommission AB in the spring. Some things stand out more than others. Looking back, I can see clearly – for example – that our business in general was characterised by greater stability than was the case in 2011, which was more uncertain. We also took the opportunity for further development of our business in many fields. This is why I also think that we now have everything in place in order to deliver an even better 2013.

We are still expecting uncertainty to be apparent on the market for some time to come, even though the stock market has the potential to go well in 2013. The demand for structured products usually grows at times like these, too, and this was something which we noticed in 2012 and to an extent in 2013 as well, as the inflow of customers has increased. Despite the somewhat uncertain framework, our investments went well and were generally able to provide good growth for our savers. On average, we saw an annual return of almost 17%, relating to investment forms which are capital-protected or offer restricted risk.

On the investment side, our philosophy of "The right investment at the right time" was really able to make its mark on what we had to offer. Autocall and capital-protected investments continued to be our two most traded investment alternatives. That said, however, the new Credit Bonds aroused a great deal of interest among investors, and now credit linked products are already our third biggest product group. In the late autumn, a new generation of structured products also made its debut on the public market. We call this type of capital-protected product GAP, and it involves a true innovation. Each GAP has diversified capital protection. The innovation is that the nominally invested amount for a GAP is divided into several independent elements, each element in turn being linked with an individual bank. This means that a number of banks can all shoulder responsibility for their element of the divided capital protection. Risk spread is important in every portfolio, and GAP give investors diversification of banks in one and the same product.

In a time when the market is moving quickly, it is important for information on structured products to be easy to access. In 2012, we improved our product information in a number of ways. Our product brochures adopted a more pedagogical approach, while our website is now able to display active products with more detailed and more up to date information than ever before. Logging on to our website also gives customers and their advisors a better, more transparent view of development in their custody holdings. This shows items such as current market rates, transaction history, indicators for profit hedging and other important key figures. With this, we hope that both customers and advisors will have the best possible conditions and support to make the right investment decisions – in good times and uncertain times.

Pension savings with structured products were something which we again began focusing more closely on here at Garantum. At present, we already offer options for savers to select new alternatives for their pension capital. However, I hope and believe that pension savers will soon find it much easier to make their own decisions on their pension funds in future. We have not yet come to the last word as regards precisely what types of pension capital it will be possible to move in the future, but we are ready to meet demand for our products and services.

To summarise, the past year has – in other words – been characterised by confidence and further development. We want to improve our commercial business, work towards transparency and make our voice clearly heard in our industry, in every way. This is why we have also invested in our own business, not least in respect of IT and infrastructure. Investing a great deal of money in our own business seems to be a positive step, and of course this is also something which will benefit our investors, our partners and ourselves.



Edgar Luczak, CEO

” Customers and advisors should have the best possible conditions and support to make the right investment decisions – in good times and uncertain times. ”



# THIS IS GARANTUM

## History

The privately owned company Garantum Fondkommission AB is one of the biggest arrangers of structured products in the Nordic countries. Since the company began in 2004, we have arranged more than 1500 unique investment solutions worth almost 50 billion Swedish kronor. In 2009, the sister company Aktie-Ansvar were acquired. We also operate in Finland and Norway. The entire group (Garantum Invest) currently employs around 60 staff. Despite our rapid growth over the years, our ambition has always been to operate as a small organisation with big ideas.

2004	Garantum is founded
2007	An office is opened in Finland
2009	Fund management company Aktie-Ansvar is acquired
2010	Operations begin in Norway
2012	Garantum is one of the biggest in the Nordic countries

## Business concept

Garantum shall arrange and offer structured products as competitive, supplementary alternatives to traditional asset management. Our structured products shall always be structured using the best combination of return and risk currently available in the markets. Together with an attractive investment platform, we shall give investors the best possible conditions for identifying an effective balance between return and risk.

## Vision

Our vision is for our structured products to become a natural choice in all investment portfolios and an asset class which competes in earnest and supplements more traditional investment alternatives. As a financial partner, what we offer shall give investors and partners the right tools to allow them to customise portfolios with the best balance between return and risk, and to benefit fully from these products irrespective of the economic climate prevailing at the time of investment. As structured products have simple properties which clearly explain the opportunities for returns, Garantum shall therefore work in all ways possible to standardise communication by the products team in order to enhance transparency still further.

## Philosophy

We are reminded almost every day of the capriciousness of the financial market. The goalposts can shift quickly and relentlessly. This means that following in others' footsteps is impossible. We believe that by far the most important feature for any financial partner is to be able to adapt and find new opportunities in all market situations. We want to devise investments which offer as many advantages as possible given the current market situation, and all with a view

to being able to offer the best potential returns tomorrow. By adapting our range of products according to prevailing conditions, Garantum has been one of the most progressive arrangers to develop the market for structured products since the company began. The right investment at the right time. This is our simple philosophy, and we stand by it every day.

## A secure partner

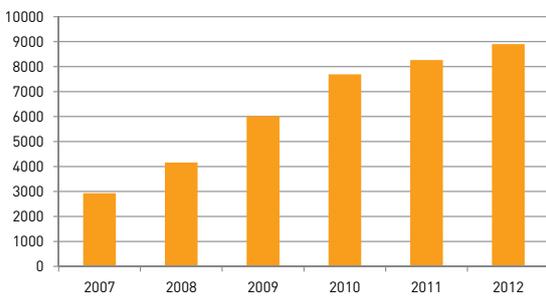
Since the company began in 2004, Garantum has been able to show good profitability every year despite some of the most difficult periods in modern times. The good earnings performance has allowed us to increase our equity to more than SEK 200 million by early 2013. We have arranged more than SEK 50 billion in nominal volume and built a strong capital base and good solvency. With this, there is actually just one thing we are trying to say: Garantum stands on a firm foundation, and our customers, partners and employees can feel safe with us.

CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET, SEK thousands	2012	2011	2010	2009	2008
Income statement					
Total operating income	198,755	196,669	286,964	401,285	228,404
Total expenses before credit losses	-149,725	-155,154	-173,125	-234,932	-175,203
<b>Operating income</b>	<b>49,030</b>	<b>41,515</b>	<b>113,839</b>	<b>166,353</b>	<b>53,201</b>
<b>Profit/loss for the year</b>	<b>36,084</b>	<b>29,728</b>	<b>83,285</b>	<b>121,836</b>	<b>37,768</b>
Balance sheet					
Lending to credit institutions	207,318	251,653	247,231	377,798	34,468
Other assets	166,385	233,886	413,769	353,501	188,181
<b>Total assets</b>	<b>373,703</b>	<b>485,539</b>	<b>661,000</b>	<b>731,299</b>	<b>222,649</b>
Liabilities to credit institutions	-	-	-	10	-
Deposits from the public	121,832	112,597	115,644	120,996	-
Other liabilities	45,301	165,201	365,264	319,075	52,636
Total liabilities	167,133	277,798	480,908	440,081	52,636
Shareholders' equity	203,650	204,200	177,253	286,691	168,758
Holdings without a controlling influence	2,920	3,541	2,839	4,527	1,255
<b>Total equity and liabilities</b>	<b>373,703</b>	<b>485,539</b>	<b>661,000</b>	<b>731,299</b>	<b>222,649</b>

### Customers and markets

Garantum works in cooperation with everything from major banks to individual advisors all over Sweden. We set great store by close, professional cooperation with the advisors who act as brokers for our products. Our customers' advisors are our closest partners. Supporting both them and our investors by providing the best service imaginable is a natural element of what we have to offer. Investors benefit from the fact that they have advisors whose independence and knowledge can provide them with guidance in respect of the choices that are best placed to suit their needs. Our investors include companies and affluent private individuals, as well as institutional investors. Garantum has also worked for many years in cooperation with major insurance companies and other platforms via which investors can make purchases.

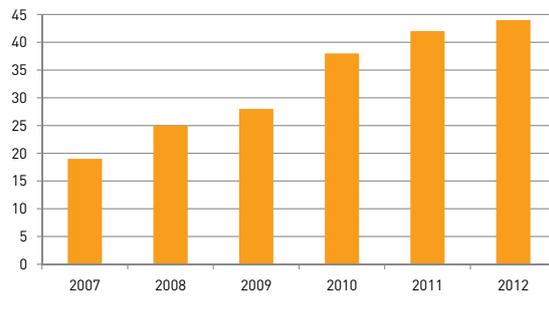
### Number of custodian account customers

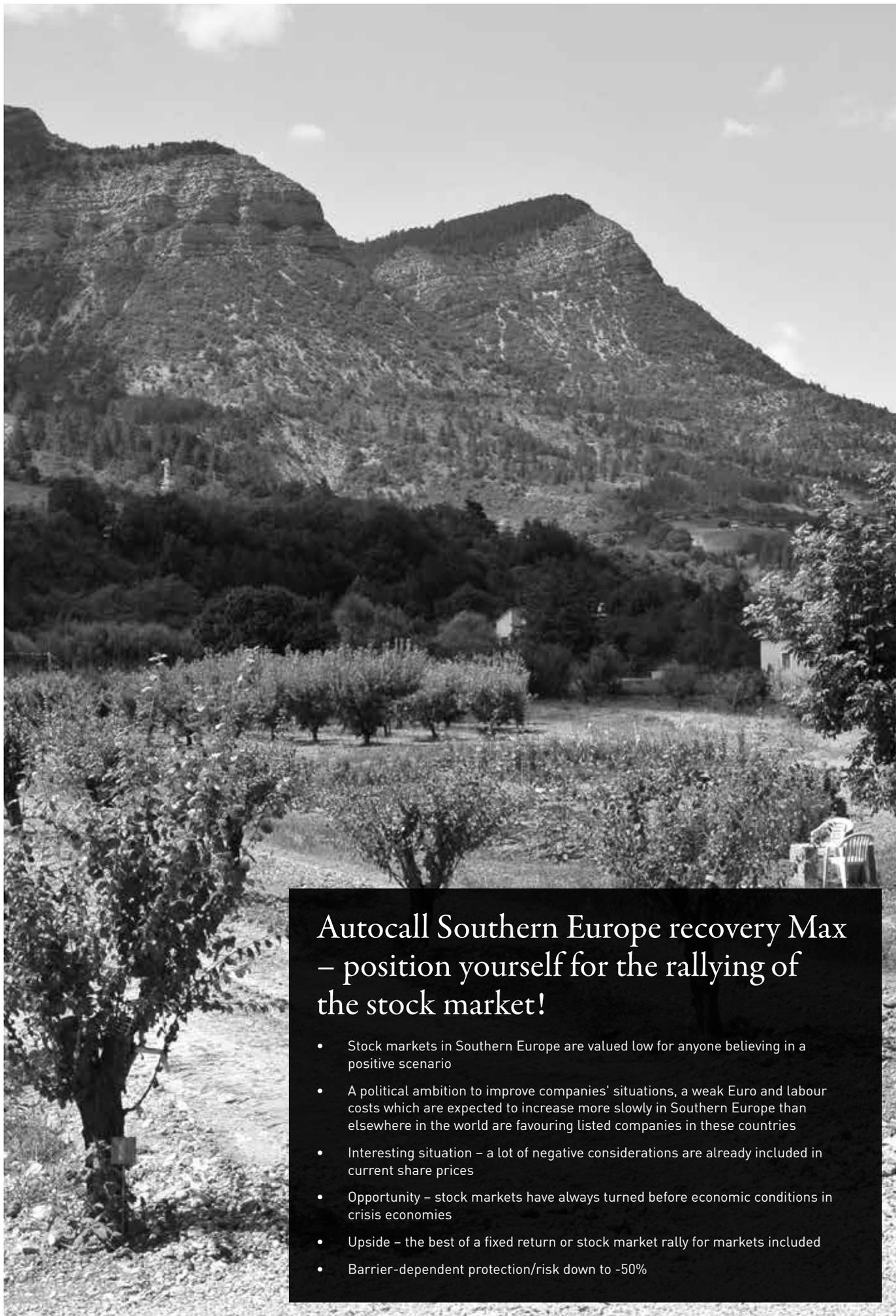


### Working at Garantum

Our staff provide a vital foundation for our success. As we specialise in structured products, our success has come about because all our staff have cutting edge knowledge within their own specific fields of responsibility. Stringent demands are made of anyone working with us: they have to remain at the cutting edge of everything they do. They also have to provide a high level of service to customers, partners and counterparties. However, this also makes stringent demands of Garantum in its capacity as an employer. We operate in a competitive industry. If we are to be able to attract and retain the brightest talents, we also have to offer stimulating work and an attractive workplace where people enjoy working. As part of this, we are working extensively with personal development and building on the high level of knowledge already held. Moreover, our business is based in modern, newly renovated premises in the heart of Stockholm, so allowing both employees and visitors to travel to our premises with ease. We offer the advantages of a small organisation, with departments in close proximity to one another and short decision-making pathways. This gives us the option of including the entire organisation in our day-to-day work of dealing with customers and partners and devising new investment solutions on the basis of the prevailing market climate. Specialism, independence and innovation are key, and they characterise us as a company.

### Development in number of employees





## Autocall Southern Europe recovery Max – position yourself for the rallying of the stock market!

- Stock markets in Southern Europe are valued low for anyone believing in a positive scenario
- A political ambition to improve companies' situations, a weak Euro and labour costs which are expected to increase more slowly in Southern Europe than elsewhere in the world are favouring listed companies in these countries
- Interesting situation – a lot of negative considerations are already included in current share prices
- Opportunity – stock markets have always turned before economic conditions in crisis economies
- Upside – the best of a fixed return or stock market rally for markets included
- Barrier-dependent protection/risk down to -50%

## MANAGEMENT



**Edgar Luczak, CEO**

Edgar worked for many years as a senior executive at NASDAQ OMX. Edgar joined Garantum in 2008 and took over as Vice President before becoming President of Garantum Fondkommission AB in May 2012.



**Mikael Axelsson, Deputy CEO**

Mikael began his financial career in the early 2000s at one of the biggest investment banks in London, and since then he has been responsible for structured products while working for a number of financial players. Mikael took over as Deputy CEO at Garantum Fondkommission AB in 2012.



**Anders Sandberg**

Few people have as much experience of structured products as Anders Sandberg. Back in 1995, Anders began organising investments adapted to suit the prevailing market situation, and he built up this business at Erik Penser Fondkommission.



**Peter Hammarsten**

Peter has held a number of senior positions in the industry since the late 1990s. He has operated as a lawyer, compliance officer and General Counsel, which is the role he holds at present.



**Charlotte Drakenberg**

Charlotte has more than 20 years of experience in the field of banking and finance, and is the Head of Administration at Garantum.



**Patrick Bejerskog**

Patrick has held a number of senior positions at Garantum and works mostly with market communication nowadays.



**Martin Skugge**

Martin has years of extensive experience of the market and is now head of our Asset Management business area.



**Thomas Bratt**

Thomas, Head of Sales. Since the late 1990s, he has worked in the finance sector and forms a vital link between customers/partners and Garantum's product creation.

## BOARD OF DIRECTORS



**Fredrik Gottlieb**, acting Chairman. Fredrik has many years of experience of the financial market, starting his career at Skandia. He launched Erik Penser Fondkommission in 1994 and remained there as CEO until 2004.



**Peter Stackelberg**  
Peter is CEO of Scan Securities in Finland. Peter's previous jobs have included senior positions at UPM-Kymmene, the latest being as CEO of the Fine Paper division. Member of the Board since 2004.



**Anders Broström**  
Anders is Consul General and a member of the Board at Stiftelsen för Börsrätt, the Foundation of Capital Law. Former Chairman of the Swedish Securities Dealers Association and member of the Swedish Financial Supervisory Authority's reference team for the securities market. Member of the Board since 2004.



**Lennart Hedenius**  
Among other things, Lennart has worked as a Fund Manager for Securities at SEB. Lennart's latest job involved responsibility for the bonus and profit share system at Thule AB. Member of the Board since 2004.



**Håkan Stridh**  
Håkan has previously worked as the Head of Finance at Skandiabanken and Erik Penser Bankaktiebolag. Member of the Board since 2010.



**Anders Sandberg**  
Few people have as much experience of structured investments as Anders Sandberg. Back in 1995, Anders began arranging products adapted to suit the prevailing market situation, and he built up this business at Erik Penser Fondkommission.

## GARANTUM IN THE MARKET FOR STRUCTURED PRODUCTS

### Advanced design – simple qualities

There is a myth in the market which claims that structured products are difficult to understand, that they are complex and non-transparent. Structured products have also been accused of including hidden charges, while the opportunities for returns have been accused of being poor and dependent entirely upon complex links.

We do not agree with these views. The structures behind structured products are advanced, but this does not mean that this particular savings form is difficult to understand per se. The properties of the products explain how a product can provide a return, and we are of the opinion that these properties are generally fairly easy to understand. Together with SPIS (the trade organisation Strukturerade Placeringar I Sverige) and other arrangers, Garantum is helping to improve transparency. In our opinion, this savings form is currently one of the most transparent of its kind in the market. We are also working on our own initiative to enhance understanding and knowledge of structured products. We have developed our marketing material to include better product descriptions and a clearer cost report, and we have recently introduced risk classifications for our products.

” Looking at the historical return on our various products in 2012, we can conclude once again that this investment form is in a very strong position with regard to competition on the savings market.”

Compared with earlier years, we have also been able to offer a much broader range of products for a number of years now. As a result, we have been able to meet the market's demand for returns in relation to risk in a completely different way than before. Looking at the historical returns on our various products in 2012, we can conclude once again that this form of product is very strong in the face of competition on the savings market. It is pleasing to see that our products are able to present our customers with such good average returns. In our opinion, customers in general are also happy with their investments, given the returns they are receiving and also given the number of actual complaints that are being made in the market.

If we consider the entire market for structured products, it is pleasing to note that new savings are in line with the influx of funds (excluding PPM). Having said that, we can conclude that this savings form is now established in earnest and is a force to reckon with. Major capital flows on the pensions market have now begun to be set in motion in earnest. Life insurance companies are finding it difficult to deliver adequate returns to savers, and so the potential for growth is clearly limited. But there is light at the end of the tunnel for pension savers. Genuine transfer rights may be in the pipeline, but parts of the pension capital can be transferred even now.

This is something which has also begun to take place to an ever-increasing extent. Finally, savers have the opportunity to take the rudder and find their own safe harbour for their pension capital. And this is something we will meet with products suited to a modern pension portfolio.

We are still continuing to manage our heritage as innovators in our industry. For instance, in 2012 we established GAPs, a completely new generation of structured products. This has given us a firm foundation on which to meet the needs of the future – today.



A stylized, handwritten signature in black ink, consisting of a large 'T' and 'B' followed by a horizontal line.

Thomas Bratt, Head of Sales and Partner

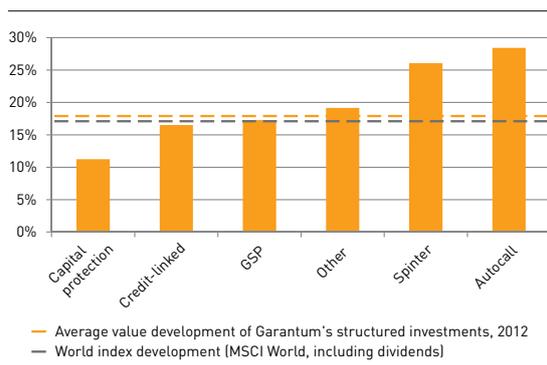
## 2012 IN FIGURES

### History of returns

One question that is asked over and over is how great the returns on Garantum's structured products may be. This is dependent first and foremost on which of our structured products you want to invest in. And, not least, on how the underlying assets for these products then develop. But the product eventually selected by an investor is of course dependent upon the investor's own basic expectations in terms of return and the risk they are prepared to take.

Garantum's job is primarily to provide the tools and conditions for healthy, balanced management to take place. Of course, we know how difficult it is for investors to find investments which match their own needs and wishes in respect of market specialisations. This is why we make sure that we make our range as varied and as extensive as we possibly can whenever an issue offer is announced. We want to be able to offer great resources for diversification and lots of opportunities to add impact to portfolios without the market having to rise in order to achieve such things.

Nevertheless, we have summed up 2012 by carrying out calculations of returns on all outstanding products that were in place at the start of the year. Hence we have not included investments which began in 2012. The return levels below indicate the value development of the products over the course of the year and which investors could have realised by selling. Compared with development on the stock exchanges in the previous year, and given the fact that all our structured products in the calculation include some kind of "airbag" on the downside, this calculation of returns is something which we are proud to present.



### Market shares and the entire market in figures

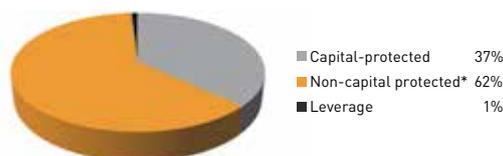
Becoming a market leader in our industry is not our most important driving force as such. Even so, gaining market shares is an important acknowledgement and confirmation of the fact that we are heading in the right direction. We consolidated our position as one of the biggest arrangers in the market over the year, and of course we are very proud of this fact.

#### Market shares



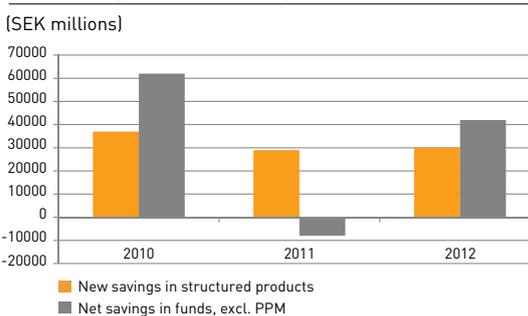
The diagram shows the top five arrangers in relation to the market overall. These figures relate to the period 1 January – 31 December 2012. Source: Structured Retail Products

#### Distribution of structured products at Garantum



\* The products in this category include barrier-dependent or credit-dependent protection

#### New savings in structured products and funds



Source: Structured Retail Products (retail products), Swedish Investment Fund Association (Strukt only covers public issues targeted at the Retail market, The funds include both retail and inst volumes)

**Reporting in cash terms – Garantum first to market**

When attempting to create greater transparency and enhance understanding of structured investments, Garantum was first to market with a clear description of all expenses, expressed as percentages and in cash terms.

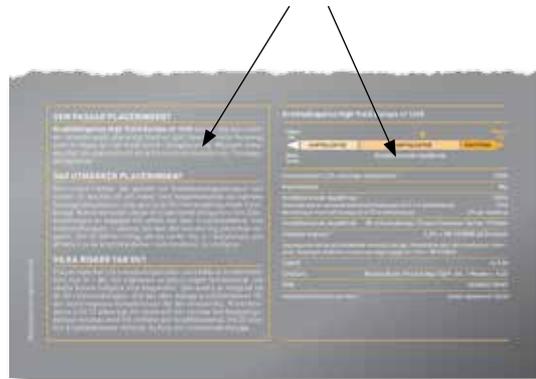


The expenses for structured products include brokerage, the fee to the arranger and any premium. The fee paid to the arranger is paid to Garantum from the issuer of the investment, and this fee is sometimes referred to as a "hidden cost", despite the fact that most arrangers have been reporting this fee openly for many years. The fee paid to the arranger is not paid by the investor, it is already included in the price of the investment. The fee paid to the arranger is paid by the issuer as compensation for the work done by Garantum which the issuer has therefore not needed to do. The level of the fee is determined on the basis of an assessed price for the financial instruments included in the product. This fee should cover expenses for elements such as risk management, production and distribution. Hence we are of the opinion that structured products offer the financial market's clearest reporting of costs and margins. All expenses are taken initially when a structured investment is made. This is why the average annual expense, viewed over the lifetime of the product, is entirely comparable with other savings forms.

**Risk classification**

We introduced a new risk classification standard for our products in 2012. The front pages of our product brochures now show a horizontal risk barometer which aims to illustrate the risk to the amount invested on the basis of qualitative criteria defined by Garantum. Therefore, it does not take into account factors such as anticipated return. This barometer is made up of a total of eight stages and aims primarily to make products within the same product category comparable. The nuanced product risk which this scale aims to provide does not, therefore, increase linearly from 1 to 8, which is why only products in the same product category are to be compared with one another.

There is also a brief introduction for the reader together with this risk barometer, and this introduction provides a preview of whom the investment would suit, its characteristic features and the primary risks that must be borne in mind.



**Greater partner follow-up**

At Garantum, we have many years of experience of working in close cooperation with our partners, i.e. the distribution channel acting as brokers for our structured products. We know that providing constant training and support to our partners in order to help ensure their businesses have the expertise needed results in customers who are well informed.

We also carried out a more formalised inspection of our distribution channel during the year. This took place by means of extended internal inspections at our premises of the distributor and its business, as well as by introducing an annual written inspection of the distributor. These measures will permit more effective quality assurance so that our co-operations can be characterised by healthy, sound business.

**SPIS – a trade organisation for structured products**

SPIS, the trade organisation Strukturerade Placeringar I Sverige, originated with the work of the Swedish Securities Dealers Association which began in 2008 and involved devising an industry code for structured products. SPIS has now been established as a separate organisation and has its own newly developed website. Its mission is to promote clarity and comparability in structured products and understanding of the same.

Most arrangers of structured products have opted to join SPIS. Among other things, this means that arrangers have to comply with the industry code produced. If a member fails to comply with the code, SPIS is also entitled to introduce sanctions against that member.

Garantum has been actively involved in the work of the Swedish Securities Dealers Association since the project began. The fact that a new, independent trade organisation is emerging is welcomed by Garantum. We have supported this work from the outset, and this is a step towards further development of our market. Of course, at Garantum we want to carry on helping to bring about greater transparency and awareness in the industry. The structures behind structured products are advanced, but this does not mean

that this particular savings form is difficult to understand per se. We want to be able to use simpler means to show savers both the advantages and the risks of structured products. This is why we have introduced elementary risk classification for our own products, among other things. We have a lot of faith in this savings form, so we want to work in any way that we can to ensure greater transparency and increased understanding of structured products. Of course, we hope that we will be able, over time, to work together with SPIS and its members to create an industry standard for risk classification of all structured investments.

#### **Offering more with new technology**

A new risk and portfolio system was commissioned in 2012 with a view to providing a better, more up to date product view on our website. At the same time, customers and partners who are logged in can utilise an improved, more complete view of custody holdings which includes all current and necessary information. As our financial work becomes even faster and more multifaceted, so this new platform must be able to provide support for better, more informed investment decisions.

Our new platform is not a traditional custody platform: it has been customised to work with the custody holdings of the future and is adapted to suit structured products, funds, shares and interest-bearing securities. Our new system support also means that we are well prepared in-house for both business flows and extended external requirements.

We have also introduced online advice support for our associated representatives. We will also be developing this support and adding new functionality over time.

#### **GAP – designed by Garantum for a more secure future**

With GAP, Garantum established a new generation of structured products in 2012. There is true innovation in this new method for managing the capital protection element of capital-protected structured products. In the case of capital-protected products, the capital protection – and hence also the credit risk – is linked with a single bank. The strength of GAP capital-protected products, however, rests with the identification of a true fact – that nobody is stronger alone. This is the respect in which GAP is a revolution in terms of structure; the capital protection and the amount of money invested are divided up into individual elements, each of which is linked with a particular bank.

This new generation of structured products should appeal to investors who want to position themselves on the market but who also want to invest their capital with a little extra consideration.

#### **An excelled foundation for any portfolio**

The advantage of responsibility for invested capital being borne by a number of banks is clear to all investors who value good risk spread. This makes GAP an investment which can serve as a foundation in many different contexts:

- Private investment portfolios
- Institutional investors
- Pension savings, e.g. when transferring pension capital
- Sports associations, foundations and housing cooperatives
- Alternatives to traditional interest-bearing and share-related investments
- Surplus liquidity
- Dormant companies

#### **How GAP works**

In practice, GAP works in the same way as a standard capital-protected structured product. Just like an equity-linked bond, for example, it is made up of two different foundations: a capital-protected element and a return element. However, traditional capital-protected products are normally issued by a single issuing bank. If the issuer files for bankruptcy, this will result in investors losing all or much of their investments due to this one event. With GAP, however, the capital protection is provided by more banks. This spreads the risk, so preventing any credit event, as it is known (including bankruptcy) at any of the banks affecting the entire capital-protected sum.

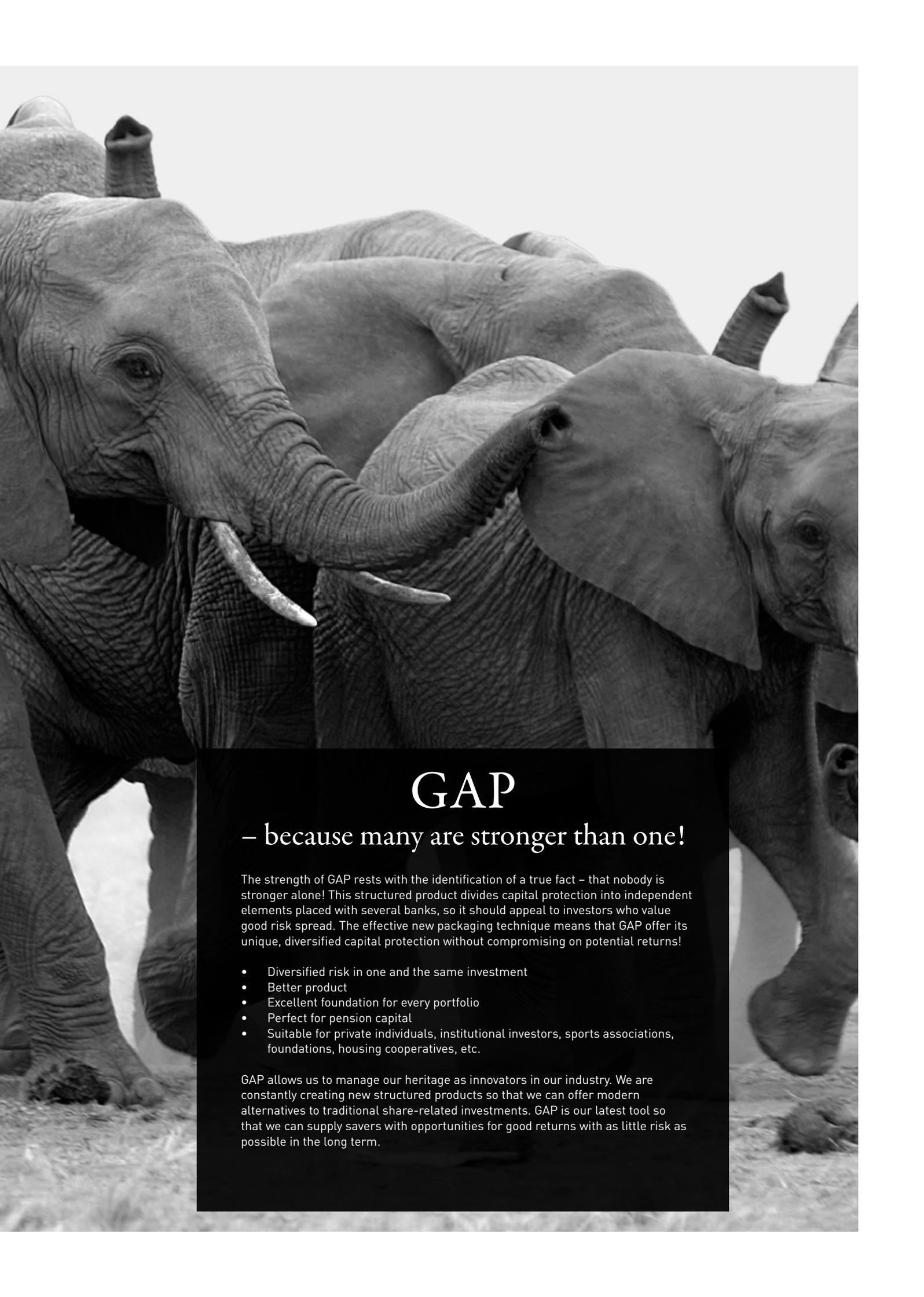
GAP is created using a new financial packaging technique which packages up the individual capital protection elements and the return element. There is no risk in respect of the package as such – just the individual elements, i.e. the divided capital protection element and the return element. The return element is issued by Swiss bank UBS and is completely separate from the diversified capital protection.

This new packaging technique means that Garantum has plenty of freedom in each instance to select its own "collection" of banks. This helps to ensure efficient procurement with effective terms. For investors, this will result in a product with greater credit risk spread without having to compromise on potential returns.

The GAP is designed and made up of a number of different, fully liquid assets. When a GAP is sold before the end of the term, these liquid assets will also be sold individually on the second-hand market.

With GAP, we have created a new tool so that we can supply savers with good returns with as little risk as possible in the long term. As always, our ambition is to go on creating structured products as modern alternatives to traditional investments. And as we always want to design products which benefit from new market situations, we will also be continuing to create new, innovative products in order to develop the market for structured products.





# GAP

– because many are stronger than one!

The strength of GAP rests with the identification of a true fact – that nobody is stronger alone! This structured product divides capital protection into independent elements placed with several banks, so it should appeal to investors who value good risk spread. The effective new packaging technique means that GAP offer its unique, diversified capital protection without compromising on potential returns!

- Diversified risk in one and the same investment
- Better product
- Excellent foundation for every portfolio
- Perfect for pension capital
- Suitable for private individuals, institutional investors, sports associations, foundations, housing cooperatives, etc.

GAP allows us to manage our heritage as innovators in our industry. We are constantly creating new structured products so that we can offer modern alternatives to traditional share-related investments. GAP is our latest tool so that we can supply savers with opportunities for good returns with as little risk as possible in the long term.

# ADMINISTRATION REPORT

## Ownership

Garantum Fondkommission AB, ("Garantum") is wholly owned by Garantum Invest AB (which was merged with Garantum Holding 556762-7004 in 2011), corporate registration number 556859-2447, registered office in Stockholm, which in turn is owned by six employees and their wholly-owned company. Garantum owns:

- 100% of shares in Garantum Strukturerade Produkter AB, corporate registration number 556672-8365, registered office in Stockholm,
- 51% of shares in Garantum Finland OY, corporate registration number 2184866-8, registered office in Helsinki,
- 51% of shares in Garantum Asset Management Finland OY, corporate registration number 2296398-3, registered office in Helsinki.

## General information about the company

Garantum is engaged in securities trading, incorporating asset management, arrangement and brokering of structured 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](http://www.fi.se). Garantum carries out cross-border trading in Finland and Norway and has twelve (12) affiliated representatives.

## Development of the company's business, performance and position

**Financial information.** Profit for the Garantum Group and parent company as at 31 December 2012. The Group's operating profit amounted to SEK 49.0 (41.5) million, while the profit after tax amounted to SEK 36.1 (29.7) million. Total income amounted to SEK 198.8 (196.7) million, of which SEK 124.6 (111.2) million related to the parent company, SEK 81.7 (101.5) million related to the Swedish subsidiary and SEK 9.2 (12.0) million related to the Finnish subsidiaries, including internal Group transactions.

Operating expenses amounted to SEK 149.7 (155.2) million during the financial year, of which SEK 79.4 (79.8) million related to the parent company. The company employed 44 (42) staff at the end of the year.

During the year, the Group issued 210 (279) different products, the longest issue having a term of 7 years (6 years) and the shortest a term of 1 year (2 years). The average term was 4.5 years (4.4 years). The parent company has unutilised bank overdraft facilities amounting to SEK 100 million

(SEK 100 million). Temporary liquidity requirements may arise in connection with large issue volumes. This credit has not been utilised in 2012.

Equity in the Group amounts to SEK 206.6 (207.8) million. The capital coverage ratio in the parent company amounts to SEK 3.44 (3.70). Profit for the year and a proposed dividend of SEK 35 million are included in the calculation of primary and total capital.

## Business development

2012 was characterised by greater stability than was the case in the previous year, and we were able to ensure further development of our business in many respects. Uncertainty in the world economy was reduced over the year, resulting in a positive reaction in the market. Although there will still be uncertainty in the market in 2013, the demand for structured products normally grows during such times: this was something we found in 2012, when customer inflows and volumes increased.

Earnings demonstrated greater stability than the year before. Despite pressure on margins due to impaired market conditions, we were able to improve profit for the year by means of major issue volumes. This means that we are approaching earnings performance for 2013 with confidence.

Autocall and capital-protected products were the two most actively traded product alternatives, but credit-linked products also received a lot of attention from investors, and this category became our third biggest product group during the year. In the late autumn, a new generation of capital-protected products also made its debut on the public market. We call this product type GAP, and the major innovation is that the nominally invested amount for a GAP is divided into several independent elements, each element in turn being linked with an individual bank. This means that a number of banks can all shoulder responsibility for their element of the divided capital protection.

Investments and further development of our infrastructure and organisation have continued as intended. With our technical platform, not only customers and partners are able to benefit from the advantages. We now have a well developed risk, control and pricing system in-house which means that we are well prepared for both business flows and external demands.

## 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 43 (40). The Group employed 44 (42) people at the end of the financial year, of whom 28 (25) were men and 16 (17) women. See Note 9 for further information.

### **Events after the end of the balance sheet date**

Asset management services and customised investment solutions for small, medium-sized and large institutions have always been an important part of Garantum's business. In Q1 and Q2 of 2013, we were able to reinforce our positions on the institutional markets in both Sweden and Finland, pleasingly enough. Recruitment of new staff in both markets has given us even greater resources for reaching out to more investors.

No other events of significance to the assessment of the financial position of the Group as at 31 December 2012 have occurred since the end of the report period.

## FIVE-YEAR SUMMARY

<b>CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET, SEK thousands</b>	2012*	2011*	2010*	2009*	2008**
<b>Income statement</b>					
Total operating income	198,755	196,669	286,964	401,285	228,404
Total expenses before credit losses	-149,725	-155,154	-173,125	-234,932	-175,203
Operating income	49,030	41,515	113,839	166,353	53,201
Profit/loss for the year	36,084	29,728	83,285	121,836	37,768
<b>Balance sheet</b>					
Lending to credit institutions	207,318	251,653	247,231	377,798	34,468
Other assets	166,385	233,886	413,769	353,501	188,181
Total assets	373,703	485,539	661,000	731,299	222,649
Liabilities to credit institutions	-	-	-	10	-
Deposits from the public	121,832	112,597	115,644	120,996	-
Other liabilities	45,301	165,201	365,264	319,075	52,636
Total liabilities	167,133	277,798	480,908	440,081	52,636
Shareholders' equity	203,650	204,200	177,253	286,691	168,758
Holdings without a controlling influence	2,920	3,541	2,839	4,527	1,255
Total equity and liabilities	373,703	485,539	661,000	731,299	222,649
<b>CONSOLIDATED KEY RATIOS</b>					
Balance sheet total, SEK thousands	373,703	485,539	661,000	731,299	222,649
Equity ratio, %	54	42	27	39	76
Average number of employees	43	40	35.5	28	22.5
<b>MODERBOLAGETS RESULTAT - OCH BALANSRÄKNINGAR</b>					
<b>Income statement</b>					
Total operating income	124,619	111,238	167,438	78,232	39,995
Total expenses before credit losses	-79,429	-79,773	-64,675	-55,303	-46,791
Operating income	45,190	31,465	102,763	22,929	-6,796
Profit/loss for the year	25,901	17,756	76,616	16,980	-4,998
<b>Balance sheet</b>					
Lending to credit institutions	199,213	242,262	237,038	242,885	3,830
Other assets	150,883	213,579	395,400	450,757	235,214
Total assets	350,096	455,841	632,438	693,642	239,044
Liabilities to credit institutions	-	-	-	10	-
Deposits from the public	121,832	112,597	115,644	120,996	-
Other liabilities	32,017	148,680	347,563	289,907	71,468
Total liabilities	153,849	261,277	463,207	410,913	71,468
Untaxed reserves	18,359	7,577	-	-	-
Shareholders' equity	177,888	186,987	169,231	282,729	167,576
Total equity and liabilities	350,096	455,841	632,438	693,642	239,044
<b>PARENT COMPANY'S KEY INDICATORS</b>					
Balance sheet total, SEK thousands	350,096	455,841	632,438	693,642	239,044
Equity ratio, %	51	41	27	41	70
Capital coverage degree, %	n/a	n/a	n/a	n/a	n/a
Capital coverage quota	3.44	3.70	3.61	2.35	4.98
Average number of employees	36.5	33	29.5	23	18.5

\* In accordance with the IAS regulation.

\*\* In accordance with statutory IFRS.

*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	2012	2014
Interest income	4	6,614	8,809
Interest expenses	4	-1,848	-2,279
Net interest income		4,766	6,530
Commission income	5	200,492	202,756
Commission expenses	6	-125,854	-113,828
Net result of financial transactions	7	41,963	2,519
Other operating income	8	77,388	98,692
Total operating income		198,755	196,669
General administration expenses	9	-107,143	-101,245
Depreciation on intangible assets	16	-2,338	-153
Depreciation on tangible assets	17	-830	-1,004
Other operating expenses	10	-39,414	-52,752
Total expenses before credit losses		-149,725	-155,154
Operating income		49,030	41,515
Tax on profit for the year	11	-12,946	-11,787
Profit/loss for the year		36,084	29,728
Attributable to:			
- Parent Company's shareholders		34,540	27,003
- Holdings without a controlling influence		1,544	2,725

## GROUP REPORT ON COMPREHENSIVE INCOME

### 1 January – 31 December

SEK thousands	2012	2011
Income for the period accounted over the income statement	36,084	29,728
Other comprehensive income	-177	-109
Total comprehensive income for the year	35,907	29,619
Attributable to:		
- Parent Company's shareholders	34,450	26,947
- Holdings without a controlling influence	1,457	2,672

## CONSOLIDATED BALANCE SHEET

### As at 31 December

SEK thousands	Note	2012	2014
<b>ASSETS</b>			
Lending to credit institutions	12	207,318	251,653
Bonds and other interest-bearing securities	14	90,162	108,196
Intangible assets	16	5,021	7,716
Tangible assets	17	599	1,429
Current tax receivables	11	35,190	62,778
Other assets	18	23,872	33,462
Prepaid expenses and accrued income	19	11,541	20,305
<b>Total assets</b>		<b>373,703</b>	<b>485,539</b>
<b>LIABILITIES, PROVISIONS AND EQUITY</b>			
Deposits from the public	20	121,832	112,597
Current tax liability	11	-	3,063
Deferred tax liability	11	4,325	1,993
Other liabilities	21	12,570	129,932
Accrued expenses and prepaid income	22	28,406	30,213
<b>Total liabilities</b>		<b>167,133</b>	<b>277,798</b>
<b>EQUITY</b>			
	24		
Restricted equity			
Share capital (9000 shares, quoted value SEK 1,000)		9,000	9,000
Non-restricted equity			
Translation reserve		-591	-501
Earnings including profit for the year		195,241	195,701
<b>Total equity attributable to Parent Company's shareholders</b>		<b>203,650</b>	<b>204,200</b>
Holdings without a controlling influence		2,920	3,541
<b>Total shareholders' equity</b>		<b>206,570</b>	<b>207,741</b>
<b>Total liabilities, provisions and equity</b>		<b>373,703</b>	<b>485,539</b>
Assets pledged and contingent liabilities	30		

## SUMMARY OF GROUP CHANGES IN EQUITY

	Restricted equity	Non-restricted equity				Total share-holders' equity
SEK thousands	Share capital	Translation of accounts of foreign subsidiaries	Earnings	Equity pertaining to the Parent Company's shareholders	Holdings without a controlling influence	Total share-holders' equity
Opening equity, 1 January 2011	9,000	-445	168,698	177,253	2,839	180,092
Profit/loss for the year			27,003	27,003	2,725	29,728
Exchange rate differences during the year		-56		-56	-53	-109
Dividends					-1,970	-1,970
Closing equity, 31 December 2011	9,000	-501	195,701	204,200	3,541	207,741

	Restricted equity	Non-restricted equity				Total share-holders' equity
SEK thousands	Share capital	Translation of accounts of foreign subsidiaries	Earnings	Equity pertaining to the Parent Company's shareholders	Holdings without a controlling influence	Total share-holders' equity
Opening equity, 1 January 2012	9,000	-501	195,701	204,200	3,541	207,741
Profit/loss for the year			34,540	34,540	1,545	36,085
Exchange rate differences during the year		-90		-90	-87	-177
Dividends			-35,000	-35,000	-2,079	-37,079
Closing equity, 31 December 2012	9,000	-591	195,241	203,650	2,920	206,570

## CONSOLIDATED CASH FLOW STATEMENT

### 1 January – 31 December

SEK thousands	31/12/2012	31/12/2011
Operating activities		
Operating profit (+)	49,030	41,515
Adjustment for items not included in cash flow		
Unrealised changes in value of securities (+/-)	6,377	-6,653
Unrealised profits/losses	1,423	-397
Depreciation (+)	3,168	1,157
Income tax paid	13,591	-38,446
Cash flow from operating activities before changes in working capital	73,589	-2,824
Cash flow from changes in working capital		
Decrease (+)/Increase (-) of bonds plus shares and participations	11,657	28,937
Decrease (+)/increase (-) of other assets	18,354	189,868
Decrease (-)/Increase (+) of liabilities to credit institutions	-	-
Decrease (-)/Increase (+) of deposits and borrowing from the general public	9,235	-3,047
Decrease (-)/Increase (+) of other liabilities	-118,848	-202,734
Cash flow from current operations	-6,013	10,200
Investment activities		
Acquisition of subsidiary companies, asset	-	-
Investments in intangible assets (-)	357	-3,636
Investments in tangible assets (-)	-	-460
Cash flow from investment activities	357	-4,096
Financing activities		
Contributed capital	-	-
Dividends paid (-)	-37,079	-1,970
Cash flow from financing activities	-37,079	-1,970
Cash flow for the year	-42,735	4,134
Cash and cash equivalents at start of year	251,653	247,231
Exchange rate differences in cash and cash equivalents	-1,600	288
Cash and cash equivalents at end of year	207,318	251,653
SEK thousands	31/12/2012	31/12/2011
The following subcomponents are included in liquid funds:		
Cash and bank balances	207,318	251,653
Total	207,318	251,653
Interest paid and dividends received which are included in cash flow from current operations		
SEK thousands	2012	2011
Interest earned	6,614	8,809
Interest paid	1,848	2,279

PARENT COMPANY'S INCOME STATEMENT  
1 January – 31 December

SEK thousands	Note	2012	2014
Interest income	4	6,454	8,531
Interest expenses	4	-1,825	-2,229
Net interest income		4,629	6,302
Commission income	5	200,492	202,756
Commission expenses	6	-133,731	-115,393
Dividends received	25	2,164	2,050
Net result of financial transactions	7	41,789	2,155
Other operating income	8	9,276	13,368
Total operating income		124,619	111,238
General administration expenses	9	-78,085	-78,327
Depreciation on intangible assets	16	-189	-
Depreciation on tangible assets	17	-206	-237
Other operating expenses	10	-949	-1,209
Total expenses before credit losses		-79,429	-79,773
Operating income		45,190	31,465
Untaxed reserves	23	-10,782	-7,577
Tax on profit for the year	11	-8,507	-6,132
Profit/loss for the year		25,901	17,756

PARENT COMPANY'S REPORT ON COMPREHENSIVE INCOME  
1 January – 31 December

SEK thousands	2012	2014
Income for the period accounted over the income statement	25,901	17,756
Other comprehensive income	-	-
Total comprehensive income for the year	25,901	17,756

PARENT COMPANY'S BALANCE SHEET  
As at 31 December

SEK thousands	Note	2012	2014
<b>ASSETS</b>			
Lending to credit institutions	12	199,213	242,262
Bonds and other interest-bearing securities	14	90,162	108,196
Shares and participations in associated companies	15	851	851
Intangible assets	16	0	189
Tangible assets	17	197	403
Current tax receivables	11	34,278	62,778
Other assets	18	17,281	29,442
Prepaid expenses and accrued income	19	8,114	11,720
<b>Total assets</b>		<b>350,096</b>	<b>455,841</b>
<b>LIABILITIES, PROVISIONS AND EQUITY</b>			
Deposits from the public	20	121,832	112,597
Other liabilities	21	9,733	126,798
Accrued expenses and prepaid income	22	22,284	21,882
<b>Total liabilities</b>		<b>153,849</b>	<b>261,277</b>
Untaxed reserves	23	18,359	7,577
<b>EQUITY</b>			
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		142,987	160,231
Profit/loss for the year		25,901	17,756
<b>Total shareholders' equity</b>		<b>177,888</b>	<b>186,987</b>
<b>Total liabilities, provisions and equity</b>		<b>350,096</b>	<b>455,841</b>
Assets pledged and contingent liabilities	30	215,762	106,912

## SUMMARY OF PARENT COMPANY'S CHANGES IN EQUITY

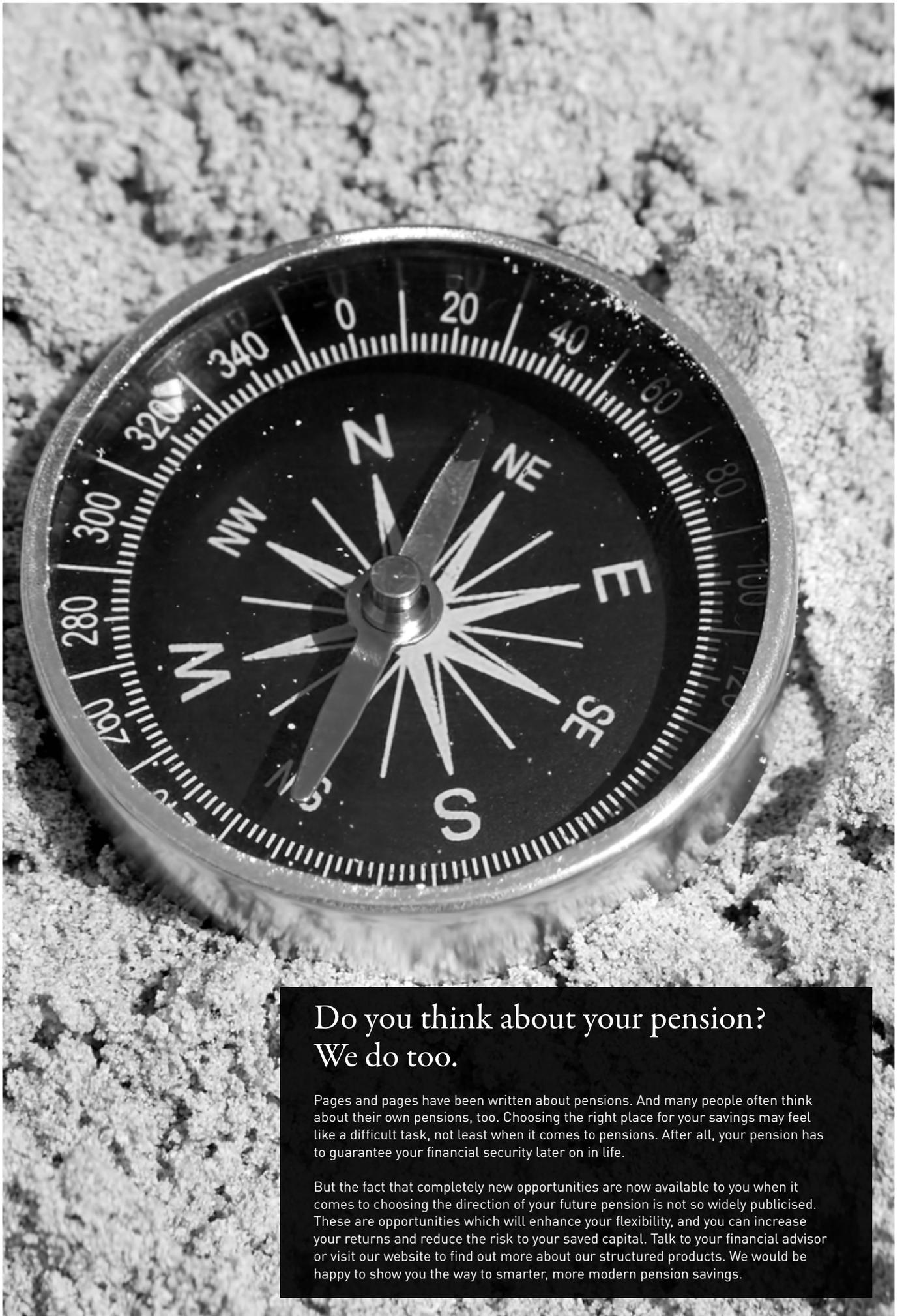
SEK thousands	Restricted equity		Non-restricted equity	Total shareholders' equity	
	Share capital	Profit or loss brought forward	Profit/loss for the year		
Opening equity, 1 January 2011	9,000	83,615	76,616		169,231
Profit/loss for the year	-	-	17,756		17,756
Total income and expenses, excl. transactions with the company's owners	-	-	17,756		17,756
Previous year's profit/loss	-	76,616	-76,616		-
Closing equity, 31 December 2011	9,000	160,231	17,756		186,987

SEK thousands	Restricted equity		Non-restricted equity	Total shareholders' equity	
	Share capital	Profit or loss brought forward	Profit/loss for the year		
Opening equity, 1 January 2012	9,000	160,231	17,756		186,987
Profit/loss for the year	-	-	25,901		25,901
Total income and expenses, excl. trans. with the company's owner	-	-	25,901		25,901
Previous year's profit/loss	-	17,756	-17,756		-
Dividends	-	-35,000			-35,000
Closing equity, 31 December 2012	9,000	142,987	25,901		177,888

## PARENT COMPANY'S CASH FLOW STATEMENT

### 1 January – 31 December

SEK thousands	31/12/2012	31/12/2011
Operating activities		
Operating profit (+)	45,190	31,465
Adjustment for items not included in cash flow		
Unrealised changes in value of securities (+/-)	6,377	-6,653
Unrealised profits/losses	1,440	-270
Depreciation (+)	395	237
Income tax paid	19,993	-35,462
Cash flow from operating activities before changes in working capital	73,395	-10,683
Cash flow from changes in working capital		
Decrease (+)/Increase (-) of bonds plus shares and participations	11,657	28,937
Decrease (+)/increase (-) of other assets	15,767	188,680
Decrease (-)/Increase (+) of liabilities to credit institutions	-	-
Decrease (-)/Increase (+) of deposits and borrowing from the general public	9,235	-3,047
Decrease (-)/Increase (+) of other liabilities	-116,663	-198,883
Cash flow from current operations	-6,609	5,004
Investment activities		
Acquisition of subsidiary companies, asset	-	-
Investments in intangible assets (-)	-	-
Investments in tangible assets (-)	-	-50
Cash flow from investment activities	-	-50
Financing activities		
Dividends paid (-)	-35,000	-
Cash flow from financing activities	-35,000	-
Cash flow for the year	-41,609	4,954
Cash and cash equivalents at start of year	242,262	237,038
Exchange rate differences in cash and cash equivalents	-1,440	270
Cash and cash equivalents at end of year	199,213	242,262
SEK thousands	31/12/2012	31/12/2011
The following subcomponents are included in liquid funds:		
Cash and bank balances	199,213	242,262
Total	199,213	242,262
Interest paid and dividends received which are included in cash flow from current operations		
SEK thousands	2012	2011
Interest earned	6,454	8,531
Interest paid	1,825	2,229



## Do you think about your pension? We do too.

Pages and pages have been written about pensions. And many people often think about their own pensions, too. Choosing the right place for your savings may feel like a difficult task, not least when it comes to pensions. After all, your pension has to guarantee your financial security later on in life.

But the fact that completely new opportunities are now available to you when it comes to choosing the direction of your future pension is not so widely publicised. These are opportunities which will enhance your flexibility, and you can increase your returns and reduce the risk to your saved capital. Talk to your financial advisor or visit our website to find out more about our structured products. We would be happy to show you the way to smarter, more modern pension savings.

