

Garantum Annual Report 2013



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CEO statement

2013 was a good year from a number of perspectives. The markets stabilised and experienced growth. Many investors and savers saw their portfolios increase in value. Garantum achieved a good profit while at the same time continuing to invest in (and deliver) an infrastructure designed to provide both the average and the more advanced saver with a tool to track their portfolio and their holdings in a clear and simple fashion.

It is fascinating to see how complex the world around us has become and it is now almost impossible to think only along traditional lines. Investing in the stock market is not what it used to be and simply performing a company analysis is no longer enough. These days, you have to give much greater consideration to the complex world we live in and we have to incorporate in our analysis events that are happening in the USA, China or southern Europe, for example. Company development is also affected by a number of macroeconomic and microeconomic factors. Everything is getting faster and faster.

That is why I like structured products. I have trouble finding the time to keep up to date and informed about every single company on every market I am interested in. But I still want to make sure I have a portfolio where I understand the potential and the risks. I also want to be able to choose where to focus my savings and to have a diversified profile. So a large proportion of my savings are in structured products. Quite simply, the right investment at the right time.

I strongly believe that a happy customer is a repeat customer. So I feel genuine pleasure when I see so many customers and partners choosing us. I hope that this is because we have good investments that are easy to understand, a high level of service and excellent reporting, both online and via traditional channels. We invest a lot of time and money in creating the right conditions for our customers, partners and employees.

We have fine-tuned the presentation of our investments, both in our brochures and on our website. We have introduced a range of improvements for our customer login and partner website. We have also improved the functioning of the second-hand market. All to make it easier to save in our investments and to help understand the risk and potential over the life of the investment.

Garantum takes a very active role in SPIS (the branch organisation Strukturerade Placeringar i Sverige). Together with our colleagues in the industry, we have changed and improved how the market works. To name just a few examples, we have drawn up an industry code, agreed how we should present investments, standardised key terminology and produced a common method for reporting fees. SPIS inspects all members to ensure compliance with the code. An important ongoing task.

During 2013, we arranged over 250 investments, all so that our customers, together with their advisers, can create the risk and return profile they want. I know that our customers and partners have many investments to choose from on the market and I am grateful that they have chosen us to such a great extent. I look forward to continued good cooperation during 2014.



Edgar Luczak, CEO



“ We invest a lot of time and money in creating the right conditions for our customers, partners and employees.”

About Garantum



Arranger of the year
for structured products
(Söderberg & Partners)

Best distributor Sweden
(Structured Retail Products)

48 employees	253 investments arranged	100.3 million Swedish kronor operating profit
39,500 customers <small>(since launch)</small>	9,221 custodian accounts <small>(since launch)</small>	246.5 million Swedish kronor equity

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, Garantum has arranged more than 1,900 unique product solutions worth over 60 billion Swedish kronor. Garantum also operates in Finland and Norway. Today we have around 48 employees, with a total of 70 employees working in the group as a whole (Garantum Invest, including fund management company Aktie-Ansvar which was acquired in 2009). 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 arrangers of structured products in the Nordic countries

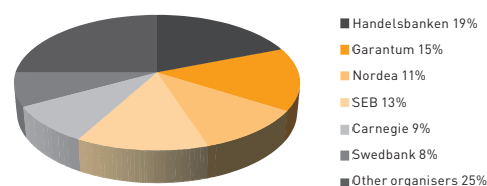
Mission

Our focus must be on our investors and their needs. Garantum must be the best on the market at creating well-structured products with the right market conditions that provide a good return in relation to the risk involved. In other words, the right investment at the right time.

Vision

Garantum must be an attractive supplier and partner with the best alternative investments and the leading investment platform.

Market shares



Source: Structured Retail Products

A secure partner

Since the company began in 2004, Garantum has been able to show good profitability every year despite the market undergoing some of the most difficult periods in modern times. The good earnings performance has allowed Garantum to increase its equity to more than SEK 246 million by early 2014. Garantum has arranged products worth more than SEK 60 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.

Five-year summary

CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET, SEK thousands	2013	2012	2011	2010	2009
Income statement					
Total operating income	262,804	198,755	196,669	286,964	401,285
Total expenses before credit losses	-162,514	-149,725	-155,154	-173,125	-234,932
Operating income	100,290	49,030	41,515	113,839	166,353
Tax	-23,073	-12,946	-11,787	-30,554	-44,517
Profit/loss for the year	77,217	36,084	29,728	83,285	121,836
Balance sheet					
Lending to credit institutions	356,642	207,318	251,653	247,231	377,798
Other assets	188,229	225,462	233,886	413,769	353,501
Total assets	544,871	432,780	485,539	661,000	731,299
Liabilities to credit institutions	-	-	-	-	10
Deposits from the public	160,586	121,832	112,597	115,644	120,996
Other liabilities	137,768	104,378	165,201	365,264	319,075
Total liabilities	298,354	226,210	277,798	480,908	440,071
Equity	243,203	203,650	204,200	177,253	286,691
Holdings without a controlling influence	3,314	2,920	3,541	2,839	4,527
Total equity and liabilities	544,871	432,780	485,539	661,000	731,289

Capital coverage and risk control

Garantum continues to enjoy a strong capital base by setting aside SEK 6 million from the profit for 2013, thus increasing the capital base from SEK 157.2 million to SEK 163.3 million. This gives Garantum a satisfactory capital coverage quota of 3.85 compared with the statutory level of 1.0. This provision should be viewed against the background of both the impending Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD IV), and Garantum's increasing sales, which mean higher capital requirements for operational risk. The future intention is to work to continue to strengthen Garantum's capital base and to meet the increasing requirements placed on Garantum's operations.



Sina Mostafavi

2013 saw a major focus on new regulations. Work that is always continuing as new demands are made on the financial sector. Sina Mostafavi is Head of Garantum's Risk Management, a job that involves, among other things, methodically cataloguing, evaluating, monitoring, following up and preventing various types of risks in Garantum's operations.

IF YOU WERE SUMMING UP YOUR YEAR, WHICH IMPORTANT AREAS WOULD YOU SAY YOU HAVE BEEN WORKING ON?

"One of the things we have been working on is to ensure that Garantum complies with the European Banking Authority's (EBA) guidelines for internal governance, as implemented in Sweden by the Swedish Financial Supervisory Authority's Regulations and General Guidelines regarding

the management of operational risks (FFFS 2014:4). At the same time, the CRR and CRD IV legislation has been adopted at European level, along with the associated Implementing Technical Standards (ITS). The Regulation and the Directive will be further implemented through the Swedish Financial Supervisory Authority's Regulations and General Guidelines regarding supervisory requirements and capital buffers (FFFS 2014:12) which apply as of 2 August 2014."

TO WHAT EXTENT HAS FINANCIAL REPORTING INCREASED?

"Increasingly stringent requirements are being placed on our integrated risk management, including through stricter reporting requirements with regard to exposures on the balance sheet and more transparent disclosure, with what are known as pillar 2 reserves to be included from 2015 onwards. There are also stricter requirements on liquidity reporting, where different assets must be weighed to ensure that existing liquidity matches the estimated liquidity requirements in the Net Stable Funding Ratio (NSFR) report."

WHAT OTHER CHALLENGES IS GARANTUM'S RISK MANAGEMENT FACING?

"We are continuing our work to further strengthen the capital base, improve reporting, revise the framework for risk management and capital coverage and to revise our internal capital assessment in order to improve our resistance to unforeseen events and also to increase transparency with regard to the market."

Our assets

Customers

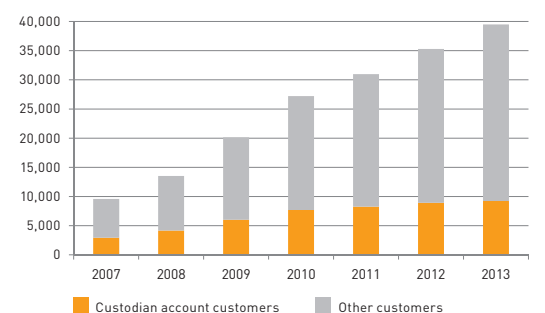
Garantum's customers include private individuals, institutional investors, companies, foundations, parishes, housing cooperatives, sports associations, etc. We are seeing an increasingly larger proportion of capital invested through custody insurance or investment savings accounts (known in Swedish as ISK and which are only available to natural persons). Custody insurance allows both corporate and private customers to include their managed assets in a smart custody solution, where traditional capital gains tax is replaced by flat-rate taxation. Garantum is seeing a major shift in the pensions sector in particular, where increasing numbers of people are choosing to move their pension capital so that they can influence the chances of having a good pension in the future. Custody insurance classed as pension at Garantum provides complete flexibility for pension savings via our investment platform.

Partners

Garantum does not have its own distribution or team of advisers. Garantum's products are instead brokered via independent financial advisers (IFA), tied agents and banks across Sweden. Garantum sets great store by close, professional cooperation with these as they are the advisers

of Garantum's customers. Supporting both them and our investors by providing the best service possible is a natural element of what Garantum has to offer. Investors benefit from the fact that they have advisers whose independence and knowledge can provide them with guidance in respect of the choices that are best placed to suit their needs. 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 and other customers



Dick Ahlqvist

A few of the advisers who work with Garantum's products are known as tied agents of Garantum. Dick Ahlqvist, former president of the branch organisation Strukturerade Placeringar i Sverige (SPIS), was appointed in February 2014 as Business Development Manager, with responsibility for tied agents.

WHAT IS A TIED AGENT?

"Being a tied agent means that the representative, backed by the authorisation of Garantum, is able, for instance, to receive or forward instructions or orders relating to investment services or financial instruments and to provide investment advice to their customers. Garantum accepts liability for any financial loss that the representative may have caused the customer, while the representative always handles the actual customer relationship. Garantum provides training and support and reviews documentation to ensure that business is conducted in compliance with the relevant legal framework."

HOW DO YOU BECOME A TIED AGENT OF GARANTUM?

"Garantum must be the leading and most attractive financial partner on the market, for both end customers and distributors, by always offering the right investment, packaging, investment platform, support and service in order to achieve mutual development. We place great demands on ourselves and on our representatives. To become a tied agent at Garantum requires a reciprocal approach, business acumen, an ability to develop and a good track record."

CAN YOU TELL US A BIT ABOUT WHAT HAS HAPPENED OVER THE PAST YEAR?

"Greater regulation has created uncertainty at many financial companies, not least when it comes to requirements and issues relating to compliance. Garantum is committing major resources to being able to handle and exploit the opportunities of this new everyday situation. We have recruited a number of staff in this area, improved controls and procedures to strengthen consumer protection, and launched a web-based advice service to support both our customers and our tied agents."

Employees

Garantum's staff provide a vital foundation for Garantum's success. As Garantum specialises in structured products, our success has come about because all Garantum's staff have cutting edge knowledge within their own specific fields of responsibility. Stringent demands are made of anyone working at Garantum: 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 financial counterparties. However, this also makes stringent demands of Garantum in its capacity as an employer. Garantum operates in a competitive industry. If Garantum is 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, Garantum is working extensively with personal development and building on the high level of knowledge already held. Moreover, Garantum's business is based in modern premises in the heart of Stockholm, allowing both employees and visitors to travel to our premises with ease. Garantum offers the advantages of a small organisation, with departments in close proximity to one another and short decision-making pathways. This gives Garantum 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 Garantum as a company.

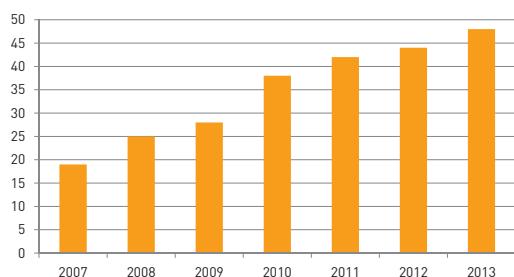
Markets

The key markets on which Garantum's products and services are offered are primarily Sweden, Finland and Norway, but it is not unusual for tailored solutions to be provided to customers in other countries. The most common currencies in which products are structured are SEK, EUR and NOK, with USD, CHF and GBP also used. Garantum has offices at four locations in the Nordic region.



Development in number of employees

(Garantum Fondkommission group)



Charlotte Drakenberg

Garantum Fondkommission is growing and since its launch almost nine years ago has gone from just 6 people to a group with almost 50 staff. Charlotte Drakenberg, Head of Administration and HR manager, talks about this development and the challenges.

WHY IS GARANTUM GROWING?

"As our market shares grow, it is natural to expand the organisation in all business areas and at all levels. The most important thing for us has always been to grow at a conservative rate, so as to ensure the long-term sustainability of operations. At the same time, this has always been balanced with maintaining a high level of service for our customers and partners."

ARE THERE ANY RECRUITMENT DRIVES UNDERWAY AT THE MOMENT?

"We bolstered our organisation further in 2013 in several areas, which means we are now well equipped to meet the increasing demand we are experiencing. We have also strengthened in areas that are not as outwardly facing, such as IT, risk management and legal."

WHAT DIFFICULTIES CAN GETTING BIGGER ENTAIL?

"The greatest challenge is to try to retain the feeling of being a small organisation and the benefits that the close proximity of our departments gives us. Our fast, straightforward decision-making pathways have played a key role in making us one of the largest arrangers on the market."

An influential innovator

As a specialist player, Garantum strongly believes in the idea of being highly skilled in a narrower field, rather than knowing a little about a lot. That is why our business focuses primarily on structured products and with only one goal in sight – to offer our customers and partners the best combination of return and risk on the market. In other words: The right investment at the right time. Against this background, Garantum is always working to develop new product solutions that can give good returns, even on the most difficult of markets.

The foundations for Garantum's specialist knowledge of structured products were laid as early as the mid-nineties. Since

then, a large number of innovations have been produced that have brought the whole market forward. But being innovative and being the first to develop a new solution has its price. You are the one who has to think in new ways, challenge the traditional and do all the groundwork in order to be a leading and influential innovator.

Our new GAP and GAP+ allow us to manage our heritage as innovators in our industry. This is the new generation of structured products and had a major impact during 2013. The big difference compared with traditional structured products is more effective conditions, thanks to much greater room for flexibility in terms of the structure of the products.



Thomas Bratt

For those looking to make gains on the market, but who want to balance the risks, Garantum has a modern and unique investment option in the form of GAP and GAP+. Thomas Bratt, partner and one of the founders of Garantum, talks about the major advantages of GAP and GAP+ that have made serious inroads into the savings market.

WHAT ARE THE CONDITIONS FOR GAP AND GAP+ COMPARED TO A TRADITIONAL STRUCTURED PRODUCT?

"Since its launch, GAP has always had much better conditions than equivalent equity-linked notes with a traditional structure. The major advantage for us as the arranger is that with GAP and GAP+ we do not have to negotiate directly with the issuer on the conditions for the capital-protected element. Instead, we go directly onto the open credit market and purchase several constituent elements at a lower price than would have been possible otherwise. Ultimately, this also gives us greater leeway and flexibility to create an investment with significantly better conditions."

SPREADING THE RISK OF CAPITAL PROTECTION – HOW DOES THAT WORK?

"In practice, GAP and GAP+ mean a great degree of flexibility for our opportunities to structure effective products. In some GAP and GAP+, for instance, we spread the capital protection across several issuing banks. In the event of the bankruptcy of one of the banks, only 25% of the capital protection is exposed to risk if there is a total of four banks shouldering responsibility for the protected element. The remainder, i.e. 75% of protection, is entirely unaffected by such an event. So each capital-protected element and each bank act independently of one another. Compare this with a conventional investment where one issuer alone carries the responsibility for all of the capital protection."

IS THERE ANY NEWS ABOUT GAP AND GAP+?

"As we are able to decide for ourselves which constituent elements form part of GAP, we are able to structure GAP and GAP+ in different ways. Ultimately, this is about structuring the right investment at the right time and exploiting the conditions on the market as effectively as possible. One of the things we have done is to structure new GAP with only one bank in the underlying capital protection, which provides even greater opportunities for GAP and GAP+. In this case, we are talking about one of the biggest banks in the world, Bank of China (BoC), which is also considered to be systemically important. BoC cannot be used as an issuing bank in a traditionally structured product, but thanks to our structure options in GAP and GAP+, we are now able to create very exciting investment options with a strong issuing bank and highly competitive conditions."

GAP+ HAS A COST MODEL SIMILAR TO THAT OF A FUND – HOW DOES THAT WORK?

"No fees are charged for GAP+ at the time of investment. Instead, there are ongoing fees, just like funds. This means that the entire investment sum (excluding brokerage) can be linked to the components of the investment. The conditions, before fees, are therefore considerably better than they would otherwise be, which also increases the potential return on investment in the event of major upswings in the market."

HOW DO GAP AND GAP+ FUNCTION ON THE SECONDARY MARKET?

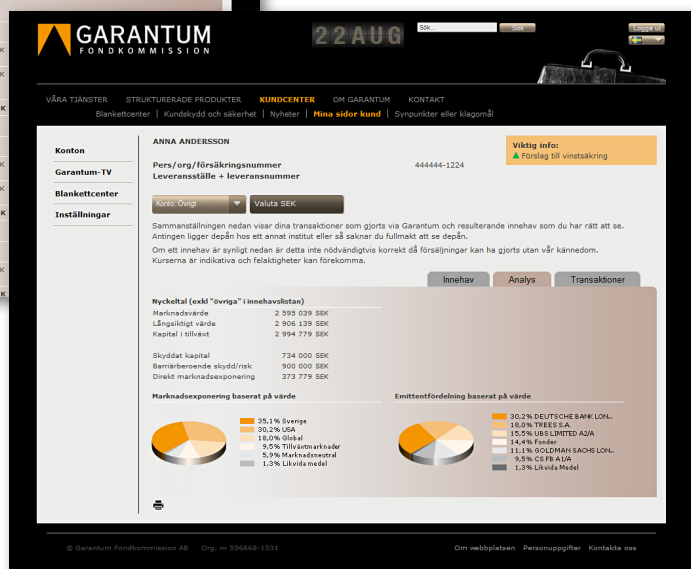
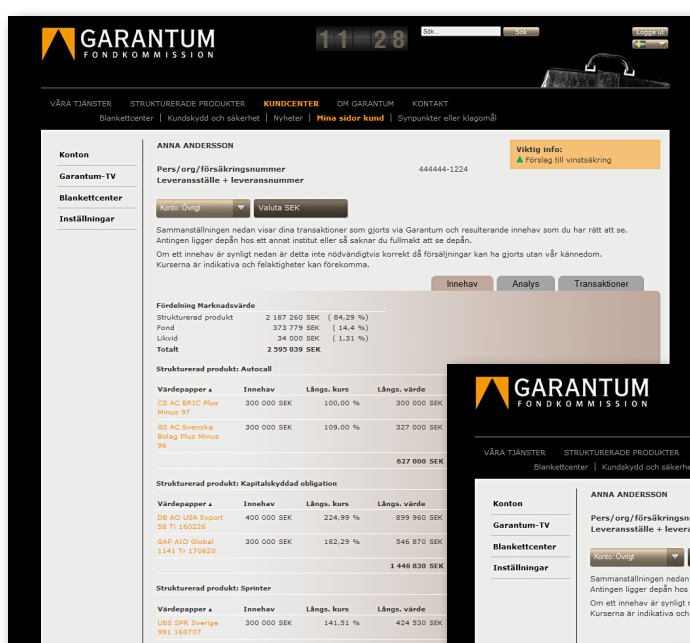
"As is the case when creating GAP and GAP+, we also have greater flexibility and better conditions on the secondary market. We can negotiate with the whole market without have to restrict ourselves to the pricing of one individual issuer. Liquidity and pricing are simply much better."

Offering more with new technology

Garantum has continued its work to develop the business, CRM, risk and portfolio systems that form the basis of the investment platform which Garantum offers its customers and partners. The investment platform is not a traditional custody platform: it has been customised to work with the custody holdings of the future and is therefore adapted to suit structured products, funds, shares and bonds. As our financial world becomes ever faster and more multifaceted, so the investment platform must provide support for better, more informed investment decisions. Improvements include an even better, more up to date product view,

while 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.

Significant work has also been carried out on the continued development of Garantum's proprietary adviser support system that is used by advisers to give advice to customers. The investment platform and the adviser support system mean that Garantum is well prepared to meet the increased business volumes and extended external requirements.





Jonas Brinklert

Garantum wants to offer a competitive online investment platform for both customers and advisers who are partners of Garantum. In a fast-growing department, Head of IT Jonas Brinklert is responsible for all the systems behind operations.

WHAT BENEFITS DOES GARANTUM OFFER ONLINE?

"Once logged in, customers and advisers can see a very clear overview of their custody holdings. We provide all the facts and key figures you could want in order to make a rapid analysis of the situation. We can present investments with detailed information and unique properties throughout the term of the investment."

WHAT IS HAPPENING AT THE MOMENT?

"Right now we are working on the further development of a number of functions that will greatly benefit advisers once they have logged in, such as advice support, risk classification of investments and holdings and the option to invest in other investments through the platform. Our platform will provide more effective support for advisers in their day-to-day work. Of course, customers will also benefit from this. It will be easier, when meeting their adviser, to get an even clearer picture of their current holdings and the effect of one investment on the entire portfolio. The functions we are developing are in line with how the structured products sector is maturing – we are working to achieve greater transparency and to provide better information to all relevant parties."

WHAT HAS BEEN HAPPENING IN THE IT DEPARTMENT OVER THE PAST YEAR?

"Our department has seen the addition of two members of staff in the last six months, which is exciting. We now have greater capacity and opportunity to meet the needs of customers and advisers. I am looking forward to the challenges that lie ahead in the coming year."

Award-winning Garantum

Garantum received a number of awards in 2013. These include being named “Arranger of the year for structured products” by one of our close partners. At the annual European Structured Retail Products Conference in London we were also awarded the title of “Best Distributor Sweden”. Clear evidence that Garantum is heading in the right direction.



“It is fantastic, of course, to be recognised not only in Sweden but also internationally for the hard work we have been doing. This kind of recognition, together with the appreciation we receive on our domestic market, drive us to continue working hard to reinforce our position as the market leader in structured products.”

Mikael Axelsson, Deputy CEO

Garantum's sports profile

We love a challenge here at Garantum, so we are pleased to support the sportsmen and women who do too. Many young sporting talents dream of standing on the top of the podium or of doing something no one has ever done before. We think it is important to support these dreams and visions, however old you are. Because just as we are constantly striving to develop the right investment solutions, so these talented people are striving to achieving their sporting goals. We might not be there on the day those sporting dreams are realised, but if our help can make a difference along the way, then we are more than happy.

For several years now we have helped many young sporting talents by giving them the opportunity to combine work experience with training and competing at professional level. Some examples of sportsmen and women who have worked with us in the past or are still part of our team: Hanna Folkesson (football for AIK, Umeå IK and Swedish national team), Daniel Brodin (ice hockey for Djurgården, Ässet, Brynäs and the Swedish national team at the World Junior Hockey Championships), Andreas Jungbeck (ice hockey for HV71, Nyköping, Oskarshamn and AIK), Matilda Skagerberg (beach volleyball for the U20 national team at the European Championships) and Emilia Appelqvist (Tyresö FF, Piteå IF and the Swedish national team).



Emilia Appelqvist

Garantum has a clearly expressed sports profile and we want to support young sporting talents who have ambition and drive. One such talent is footballer Emilia Appelqvist, who has represented the Swedish national team and has played in World Cup qualifying matches, as well as the Algarve Cup.

WHAT IS IT LIKE WORKING AT GARANTUM?

"I have been able to work at Garantum for several years now and I am really enjoying it. One big advantage for me is my flexible working hours. It means I can get experience of working life on my own terms. It is important that I can still train and stay focused on my goals within football."

WHAT ARE YOU DOING RIGHT NOW?

"During summer 2013 I moved to Piteå and I now play for Piteå IF in the top division of women's football. A major change for me and a big step, not just in terms of geography. But I have always enjoyed new challenges and things are going well. It has also meant that I have been able to try teleworking and it has worked out well. Before, I used to work in the administration department, but for now I am providing an additional resource for the marketing department and doing a few things online."

FINALLY, WHAT ARE YOUR THOUGHTS ABOUT THE FUTURE?

"2014 began really well for me, as I was selected for the national squad for the match against France. I also got to make my debut, which was an incredible experience. Not only that, but I was selected for the Algarve Cup in March and I also attended the national team camps in spring. I am hoping that this will continue and that I will be able to continue developing in line with my ambitions. I also hope to be able to do good work for Garantum during the year."

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 Deputy CEO before becoming CEO 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, Partner

Few people have as much experience of structured products as Anders Sandberg, who has been arranging structured products for the Nordic market since 1995.



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, Partner

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, Partner

Patrick has held a number of senior positions at Garantum and currently works as Head of Marketing.



Martin Skugge, Partner

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



Thomas Bratt, Partner

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

Board of Directors



Fredrik Gottlieb, *Partner and Executive Chairman of the Board*
Fredrik has many years of experience of the financial market, having held senior positions with several institutions in Sweden.



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.



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, *Partner*
Few people have as much experience of structured products as Anders Sandberg, who has been arranging structured products for the Nordic market since 1995.

Southern European banks

- Following the financial crisis, the stock markets have a low, interesting valuation for those who anticipate a positive development.
- During the euro crisis, the banking sector in particular took a beating.
- Now that the situation is slowly improving, bank shares should have great potential for recovery.
- All four banks in our current investments are also of systemic importance in their respective countries.
- The investments are ideal for those who have a relatively positive view of the banking sector in Southern Europe in the long term, but who are unsure as to the potential upturn.

Find out more at www.garantum.se.

Autocall
Southern
European
banks Max

Sprinter
Southern
European banks
Smart Bonus
3.5 years



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 2013.

Ownership

Garantum Fondkommission AB, ("Garantum") is wholly owned by Garantum Invest AB, 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 the shares in Garantum Strukturerade Produkter AB, corporate registration number 556672-8365, registered office in Stockholm,
- 51% of the shares in Garantum Finland OY, corporate registration number 2184866-8, registered office in Helsinki

Garantum Asset Management Finland OY, corporate registration number 2296398-3, began the process of a merger with Garantum Finland OY during the year.

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.

Development of the company's business, performance and position

Financial information

Profit for the Garantum Group and parent company as at 31 December 2013.

The Group's operating profit amounted to SEK 100.3 (49.0) million, while the profit after tax amounted to SEK 77.2 (36.1) million. Total income amounted to SEK 262.8 (198.8) million, of which SEK 207.8 (124.6) million related to the parent company, SEK 67.5 (81.7) million related to the Swedish subsidiary and SEK 10.4 (9.2) million related to the Finnish subsidiaries, including internal Group transactions.

Operating expenses amounted to SEK 162.5 (149.7) million during the financial year, of which SEK 109.2 (79.4) million

related to the parent company. The company employed 48 (44) staff at the end of the year.

During the year, the Group arranged 253 (210) different products, the longest issue having a term of 6 years (7 years) and the shortest a term of 1 year (1 year). The average term was 4.75 years (4.5 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 2013.

Equity in the Group amounts to SEK 246.5 (206.6) million. The capital coverage ratio in the parent company amounts to SEK 3.85 (3.44). Profit for the year and a proposed dividend of SEK 70 million are included in the calculation of primary and total capital.

Business development

Despite there remaining a certain amount of uncertainty on the market, investors had greater confidence in the future, the level of uncertainty in the global economy reduced and savings in structured products increased. Garantum was again able to increase its market shares and achieve greater volumes.

Garantum returned a good profit in 2013. Volumes and profit increased, at a time when several services were further developed and launched. Many of the investments made by Garantum in recent years began to show returns. The company continued its policy of investing in business development and infrastructure. Investments focused on customers and product reporting, product development and control and monitoring.

The year also saw the launch of an innovation in the form of GAP+. GAP+ does not deduct any fees on setup, but is similar to a fund structure in that fees are deducted annually in arrears and a "success fee" is charged on maturity. This structured enabled better conditions to be provided than with similar competitor products.

Environmental policy

There has been a focus once again on active consideration of the environment during the year. Measures include sorting waste and office materials, environmentally friendly electricity, carbonated water on tap, environmentally friendly paper for printing sales material, 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. See also Note 3.

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 46 (43). The Group employed 48 (44) people at the end of the financial year, of whom 30 (28) were men and 18 (16) women. See Note 9 for further information.

Events after the end of the balance sheet date

New capital adequacy rules were introduced on 1 January 2014, which place greater quality requirements on the capital included in the capital base. Buffer levels are also expected to be introduced on 1 July 2014. Garantum's assessment is that the current level of capital is adequate, including with regard to the new regulations.

No other events of significance to the assessment of the financial position of the Group as at 31 December 2013 have occurred since the end of the report period.

FIVE-YEAR SUMMARY

CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET, SEK thousands	2013*	2012*	2011*	2010*	2009*
Income statement					
Total operating income	262,804	198,755	196,669	286,964	401,285
Total expenses before credit losses	-162,514	-149,725	-155,154	-173,125	-234,932
Operating income	100,290	49,030	41,515	113,839	166,353
Tax	-23,073	-12,946	-11,787	-30,554	-44,517
Profit/loss for the year	77,217	36,084	29,728	83,285	121,836
Balance sheet					
Lending to credit institutions	356,642	207,318	251,653	247,231	377,798
Other assets	188,229	225,462	233,886	413,769	353,501
Total assets	544,871	432,780	485,539	661,000	731,299
Liabilities to credit institutions	-	-	-	-	10
Deposits from the public	160,586	121,832	112,597	115,644	120,996
Other liabilities	137,768	104,378	165,201	365,264	319,075
Total liabilities	298,354	226,210	277,798	480,908	440,071
Equity	243,203	203,650	204,200	177,253	286,691
Holdings without a controlling influence	3,314	2,920	3,541	2,839	4,527
Total equity and liabilities	544,871	432,780	485,539	661,000	731,289
CONSOLIDATED KEY RATIOS					
Balance sheet total, SEK thousands	544,871	432,780	485,539	661,000	731,299
Equity ratio, %	45	47	42	27	39
Average number of employees	46	43	40	35.5	28
PARENT COMPANY INCOME STATEMENT AND BALANCE SHEET					
Income statement					
Total operating income	207,762	124,619	111,238	167,438	78,232
Total expenses before credit losses	-109,249	-79,429	-79,773	-64,675	-55,303
Operating income	98,513	45,190	31,465	102,763	22,929
Profit/loss for the year	57,905	25,901	17,756	76,616	16,980
Balance sheet					
Lending to credit institutions	348,323	199,213	242,262	237,038	242,885
Other assets	187,140	209,960	213,579	395,400	450,757
Total assets	535,463	409,173	455,841	632,438	693,642
Liabilities to credit institutions	-	-	-	-	10
Deposits from the public	160,586	121,832	112,597	115,644	120,996
Other liabilities	132,153	91,094	148,680	347,563	289,907
Total liabilities	292,739	212,926	261,277	463,207	410,903
Untaxed reserves	42,809	18,359	7,577	-	-
Equity	199,915	177,888	186,987	169,231	282,729
Total equity and liabilities	535,463	409,173	455,841	632,438	693,632
PARENT COMPANY'S KEY INDICATORS					
Balance sheet total, SEK thousands	535,463	409,173	455,841	632,438	693,642
Equity ratio, %	37	43	41	27	41
Capital coverage degree, %	n/a	n/a	n/a	n/a	n/a
Capital coverage quota	3.85	3.44	3.7	3.61	2.35
Average number of employees	38.5	36.5	33	29.5	23

* In accordance with the IAS regulation.

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	2013	2012
Interest income	4	7,049	6,614
Interest expenses	4	-1,808	-1,848
Net interest income		5,241	4,766
Commission income	5	351,829	200,492
Commission expenses	6	-216,040	-125,854
Net result of financial transactions	7	66,121	41,963
Other operating income	8	55,653	77,388
Total operating income		262,804	198,755
General administration expenses	9	-121,260	-107,143
Depreciation on intangible assets	16	-2,441	-2,338
Depreciation on tangible assets	17	-245	-830
Other operating expenses	10	-38,568	-39,414
Total expenses before credit losses		-162,514	-149,725
Operating income		100,290	49,030
Tax on profit for the year	11	-23,073	-12,946
Profit/loss for the year		77,217	36,084
Attributable to:			
Parent Company's shareholders		75,354	34,540
Holdings without a controlling influence		1,863	1,544

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 January – 31 December

SEK thousands	2013	2012
Income for the period accounted over the income statement	77,217	36,084
Other comprehensive income to be reversed via the income statement	149	-177
Total comprehensive income for the year	77,366	35,907
Attributable to:		
Parent Company's shareholders	75,430	34,450
Holdings without a controlling influence	1,936	1,457

BALANCE SHEET – GROUP

As at 31 December

SEK thousands	Note	2013	2012
ASSETS			
Lending to credit institutions	12	356,642	207,318
Bonds and other interest-bearing securities	14	76,386	90,162
Intangible assets	16	2,580	5,021
Tangible assets	17	433	599
Current tax receivables	11	2,066	35,190
Other assets	18	94,583	82,949
Prepaid expenses and accrued income	19	12,181	11,541
Total assets		544,871	432,780
LIABILITIES, PROVISIONS AND EQUITY			
Deposits from the public	20	160,586	121,832
Current tax liability	11	6,869	-
Deferred tax liability	11	9,418	4,325
Other liabilities	21	84,024	71,647
Accrued expenses and prepaid income	22	37,457	28,406
Total liabilities		298,354	226,210
EQUITY			
	24		
Restricted equity			
Share capital (9,000 shares, quoted value SEK 1,000)		9,000	9,000
Non-restricted equity			
Translation reserve		-515	-591
Earnings including profit for the year		234,718	195,241
Total equity attributable to Parent Company's shareholders		243,203	203,650
Holdings without a controlling influence		3,314	2,920
Total equity		246,517	206,570
Total liabilities, provisions and equity		544,871	432,780
Assets pledged and contingent liabilities	30		

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 pertaining to the Parent Company's shareholders	Holdings without a controlling influence	Total equity
Opening equity, 01/01/2012	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, 31/12/2012	9,000	-591	195,241	203,650	2,920	206,570

	Restricted equity	Non-restricted equity				Total 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 equity
Opening equity, 01/01/2013	9,000	-591	195,241	203,650	2,920	206,570
Profit/loss for the year			75,354	75,354	1,863	77,217
Group contribution			-877	-877	0	-877
Exchange rate differences during the year		76		76	73	149
Dividends			-35,000	-35,000	-1,543	-36,543
Closing equity, 31/12/2013	9,000	-515	234,718	243,203	3,314	246,517

GROUP CASH FLOW STATEMENTS

1 January – 31 December

SEK thousands	31/12/2013	31/12/2012
Operating activities		
Operating profit (+)	100,290	49,030
Adjustment for items not included in cash flow		
Unrealised changes in value of securities (+/-)	3,684	6,377
Unrealised profits/losses	-359	1,423
Depreciation (+)	2,686	3,168
Income tax paid	22,013	13,591
Cash flow from operating activities before changes in working capital	128,314	73,589
Cash flow from changes in working capital		
Decrease (+)/Increase (-) of bonds plus shares and participations	10,092	11,657
Decrease (+)/Increase (-) of other assets	-12,274	-40,723
Decrease (-)/Increase (+) of liabilities to credit institutions	-	-
Decrease (-)/Increase (+) of deposits and borrowing from the general public	38,754	9,235
Decrease (-)/Increase (+) of other liabilities	20,552	-59,771
Cash flow from current operations	185,438	-6,013
Investment activities		
Investments in intangible assets (-)	-	357
Investments in tangible assets (-)	-79	-
Cash flow from investment activities	-79	357
Financing activities		
Dividends paid (-)	-36,543	-37,079
Cash flow from financing activities	-36,543	-37,079
Cash flow for the year	148,816	-42,735
Cash and cash equivalents at start of year	207,318	251,653
Exchange rate differences in cash and cash equivalents	508	-1,600
Cash and cash equivalents at end of year	356,642	207,318
SEK thousands	31/12/2013	31/12/2012
The following subcomponents are included in liquid funds:		
Cash and bank balances	356,642	207,318
Total	356,642	207,318
Interest paid and dividends received which are included in cash flow from current operations		
SEK thousands	2013	2012
Interest earned	7,049	6,614
Interest paid	1,808	1,848

PARENT COMPANY INCOME STATEMENT

1 January – 31 December

SEK thousands	Note	2013	2012
Interest income	4	6,988	6,454
Interest expenses	4	-1,795	-1,825
Net interest income		5,193	4,629
Commission income	5	351,829	200,492
Commission expenses	6	-224,683	-133,731
Dividends received	25	1,916	2,164
Net result of financial transactions	7	66,205	41,789
Other operating income	8	7,302	9,276
Total operating income		207,762	124,619
General administration expenses	9	-106,863	-78,085
Depreciation on intangible assets	16	-	-189
Depreciation on tangible assets	17	-125	-206
Other operating expenses	10	-2,261	-949
Total expenses before credit losses		-109,249	-79,429
Operating income		98,513	45,190
Provisions for untaxed reserves	23	-24,450	-10,782
Tax on profit for the year	11	-16,158	-8,507
Profit/loss for the year		57,905	25,901

Income statement – Parent Company

1 January – 31 December

SEK thousands	2013	2012
Income for the period accounted over the income statement	57,905	25,901
Other comprehensive income	-	-
Total comprehensive income for the year	57,905	25,901

PARENT COMPANY'S BALANCE SHEET

As at 31 December

SEK thousands	Note	2013	2012
ASSETS			
Lending to credit institutions	12	348,323	199,213
Bonds and other interest-bearing securities	14	76,386	90,162
Shares and participations in associated companies	15	584	851
Intangible assets	16	-	-
Tangible assets	17	151	197
Current tax receivables	11	-	34,278
Other assets	18	101,520	76,358
Prepaid expenses and accrued income	19	8,499	8,114
Total assets		535,463	409,173
LIABILITIES, PROVISIONS AND EQUITY			
Deposits from the public	20	160,586	121,832
Current tax liability	11	6,869	-
Other liabilities	21	93,895	68,810
Accrued expenses and prepaid income	22	31,389	22,284
Total liabilities		292,739	212,926
Untaxed reserves	23	42,809	18,359
EQUITY	24		
Restricted equity			
Share capital (9,000 shares, quoted value SEK 1,000)		9,000	9,000
Non-restricted equity			
Profit or loss brought forward		133,010	142,987
Profit/loss for the year		57,905	25,901
Total equity		199,915	177,888
Total liabilities, provisions and equity		535,463	409,173
Assets pledged and contingent liabilities	30		

SUMMARY OF PARENT COMPANY'S CHANGES IN EQUITY

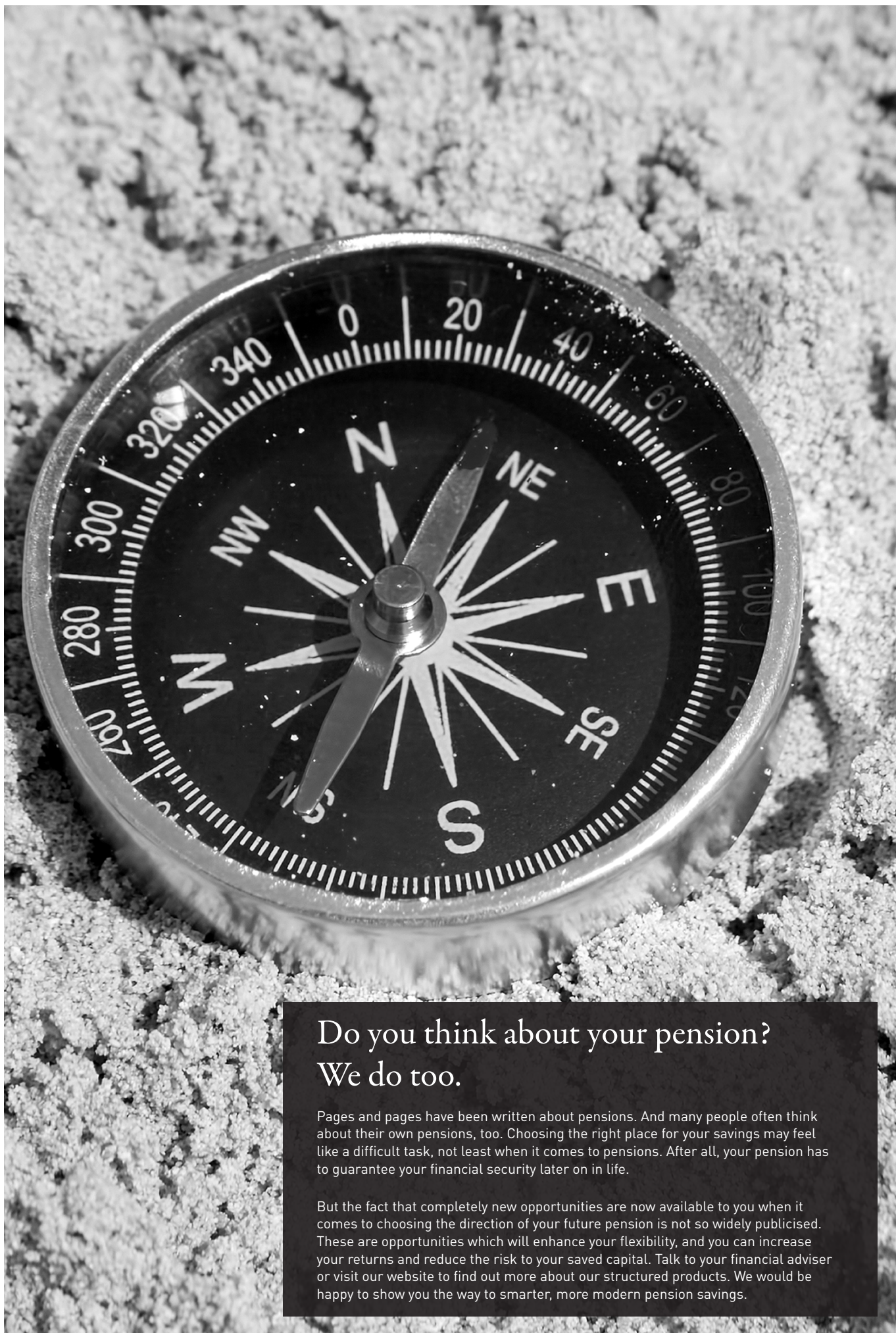
SEK thousands	Restricted equity Non-restricted equity		Profit/loss for the year	Total equity
	Share capital	Profit or loss brought forward		
Opening equity, 01/01/2012	9,000	160,231	17,756	186,987
Profit/loss for the year	-	-	25,901	25,901
Total income and expenses, excl. transactions with the company's owners	-	-	25,901	25,901
Previous year's profit/loss	-	17,756	-17,756	0
Dividends	-	-35,000		-35,000
Closing equity, 31/12/2012	9,000	142,987	25,901	177,888

SEK thousands	Restricted equity Non-restricted equity		Profit/loss for the year	Total equity
	Share capital	Profit or loss brought forward		
Opening equity, 01/01/2013	9,000	142,987	25,901	177,888
Profit/loss for the year	-	-	57,905	57,905
Total income and expenses, excl. transactions with the company's owners	-	-	57,905	57,905
Previous year's profit/loss	-	25,901	-25,901	0
Group contribution	-	-877		-877
Dividends	-	-35,000		-35,000
Closing equity, 31/12/2013	9,000	133,011	57,905	199,915

PARENT COMPANY CASH FLOW STATEMENTS

1 January – 31 December

SEK thousands	31/12/2013	31/12/2012
Operating activities		
Operating profit (+)	98,513	45,190
Adjustment for items not included in cash flow		
Unrealised changes in value of securities (+/-)	3,684	6,377
Unrealised profits/losses	-442	1,440
Depreciation (+)	125	395
Income tax paid	24,989	19,993
Cash flow from operating activities before changes in working capital	126,869	73,395
Cash flow from changes in working capital		
Decrease (+)/Increase (-) of bonds plus shares and participations	10,092	11,657
Decrease (+)/Increase (-) of other assets	-25,547	-43,310
Decrease (-)/Increase (+) of deposits and borrowing from the general public	38,754	9,235
Decrease (-)/Increase (+) of other liabilities	33,312	-57,586
Cash flow from current operations	183,480	-6,609
Investment activities		
Redemption of shares in subsidiaries, asset	267	-
Investments in tangible assets (-)	-79	-
Cash flow from investment activities	188	-
Financing activities		
Dividends paid (-)	-35,000	-35,000
Cash flow from financing activities	-35,000	-35,000
Cash flow for the year	148,668	-41,609
Cash and cash equivalents at start of year	199,213	242,262
Exchange rate differences in cash and cash equivalents	442	-1,440
Cash and cash equivalents at end of year	348,323	199,213
SEK thousands	31/12/2013	31/12/2012
The following subcomponents are included in liquid funds:		
Cash and bank balances	348,323	199,213
Total	348,323	199,213
Interest paid and dividends received which are included in cash flow from current operations		
SEK thousands	2013	2012
Interest earned	6,988	6,454
Interest paid	1,795	1,825



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 adviser 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.

