

GARANTUM  
ANNUAL REPORT  
2016



# CEO Statement

2016 was something of an intermediate year in terms of volume. The absence of a clear direction on the stock market made many investors cautious. Fickle market conditions also made it difficult to maintain income at a satisfactory level. The weaker market also resulted in both sales on the second-hand market and the share of products maturing with positive returns being lower than usual. However, even though the start of the year was exceptionally weak, the situation gradually improved during the autumn. And despite tough conditions, the company once again succeeded in achieving a positive result thanks to good cost control.

Together with other companies in the Group, Garantum Fondkommission is in the process of developing a turnkey offer for advised saving. For example, a number of new management services have been drawn up. These are being launched during 2017. Adaptations to future changes in regulations have remained a central aspect of our work. This includes modifying business and income models, reviewing the distribution strategy and investments in IT. One priority is to make our entire offering available through the digital channel, and upgrades to our systems are being planned and implemented to make this possible. This major, important work commenced during 2016 in the form of a couple of feasibility studies.

Norway continued to go from strength to strength with profitable growth. Our products – in particular Autocall – have been very well received in the Norwegian private banking segment. In response to the demand we are encountering, we will gradually be introducing more product types in the Norwegian market during 2017.

The Finnish operation, which has experienced a couple of tough years, was restructured at the end of 2016 through the replacement of the operational management and by the Parent Company increasing its ownership share from 51 to 88 per cent. A new investment is being made in Finland in 2017 with the focus on broadening the distribution strategy.

The start of 2017 has been stronger in terms of volume than the corresponding period in 2016. We are also seeing signs that the investment in an extended product range is starting to bear fruit, as both the funds and the capital that is managed on a discretionary basis are experiencing a growth phase. We are incredibly grateful for the trust that is being put in us, as well as for the privilege of being able to offer a growing band of customers the opportunity to select the right investment at the right time.



Mikael Axelsson,  
CEO, Garantum Fondkommission



*” Together with other companies in the Group, Garantum Fondkommission is in the process of developing a turnkey offer for advised saving.”*

# 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

## Ownership

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

- 100% of the shares in Garantum Strukturerade Produkter AB, corporate identity number 556672-8365, registered office in Stockholm,
- 88% of shares in Garantum Finland OY, corporate registration number 2184866-8, registered office in Helsinki,

## General information about the company

Garantum is engaged in securities trading, incorporating asset management, arrangement of structured financial products and brokering of financial products, or other participation in transactions relating to such instruments. As part of this trading, Garantum provides advice on financial issues and pursues other activities which are linked with securities trading and are compliant with the Swedish Securities Operations Act (*lagen om värdepappersrörelse*) and the company's securities licence. Garantum has been licensed to operate by the Swedish Financial Supervisory Authority since April 2005. All licences are published at [www.fi.se](http://www.fi.se). Garantum carries out cross-border trading in Finland and Norway and has 14 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 2016.

The Group's operating profit amounted to SEK 11.5 (58.6) million, while the profit after tax amounted to SEK 7.6 (44.4) million. Total income amounted to SEK 169.1 (241.2) million, of which SEK 148.4 (193.8) million related to the parent company, SEK 30.7 (54.7) million related to the Swedish subsidiary and SEK 4.2 (8.9) million related to the Finnish subsidiary, including internal

Operating expenses amounted to SEK 157.6 (182.6) million during the financial year, of which SEK 122.6 (127.5) million related to the parent company. The company employed 46 (55) staff at the end

During the year, the Group arranged 313 (381) different products, the longest issue having a term of 10 years (10 years) and the shortest a term of 1.0 years (1.5 years). The average term was 5.35 years (4.78 years).

The parent company has unutilized bank overdraft facilities amounting to SEK 100 (100) million. Temporary liquidity requirements may arise in connection with large issue volumes. This credit has not been utilised in 2016.

Equity in the Group amounts to SEK 192.7 (233.0) million. The capital coverage ratio in the parent company amounts to 24.49 (27.29) %. Profit for the year and a proposed dividend of SEK 50 million are included in the calculation of primary and total capital.

### **Business development**

2016 was something of an intermediate year in terms of volume. The absence of a clear direction on the stock market made many investors cautious. The start of the year was exceptionally weak. The situation gradually improved during the autumn, although fickle market conditions made it difficult to maintain margins. The weaker market also resulted in both sales on the second-hand market and the share of products maturing with positive returns being lower than usual. Despite these tough conditions, the company succeeded in achieving a positive result thanks to good cost control. Together with other companies in the Group, Garantum is in the process of developing a turnkey offer for advised saving. For example, a number of new management services have been drawn up. These are being launched during 2017. Adaptations to future changes in regulations have remained a central aspect of our work. This includes modifying business and income models, reviewing the distribution strategy and investments in IT. One priority is to make our entire offering available through the digital channel, and upgrades to our systems are planned to make this possible. This work commenced during 2016 in the form of a couple of feasibility studies.

The Finnish operation, which has experienced a couple of tough years, was restructured at the end of 2016 through the replacement of the operational management and by the Parent Company increasing its ownership share from 51 to 88 per cent. A new investment is being made in Finland in 2017 with the focus on broadening the

Our Norwegian sister company continued to go from strength to strength with profitable growth. In order to come even further, more product types will be introduced on the Norwegian market during 2017.

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### **Environmental policy**

year. Measures include sorting waste and office materials, environmentally friendly electricity, environmentally friendly paper for printed advertising, environmentally friendly advertising pens and the use of bicycle couriers. As far as possible, business travel takes place using more environmentally friendly alternatives, such as travel by train instead of by road or air.

## Risks and uncertainty factors

Garantum's business faces a number of different risks every day. This is a natural part of our business in some regards, such as market risks in the trading book.

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 51 (54).

The Group employed 46 (55) people at the end of the financial year, of whom 28 (33) were men and 18 (22) women. See also Note 9.

## Events after the end of the balance sheet date

No events of significance to the assessment of the financial position of the Group as at 31 December 2016 have occurred since the end of the report period.

## PROPOSED ALLOCATION OF PROFIT

At the disposal of the annual general meeting, SEK

Retained earnings	133 870 320
Profit/loss for the year	11 414 627
<b>Total</b>	<b>145 284 947</b>

Shareholder dividend of SEK 5,555.55 per share	50 000 000
Carryforward to next year	95 284 947
<b>Total</b>	<b>145 284 947</b>

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

## FIVE-YEAR SUMMARY

<b>CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET, SEK thousands</b>	2016	2015	2014	2013	2012
<b>Income statement</b>					
Total operating revenue	169 125	241 223	224 014	262 804	198 755
Total expenses before credit losses	-157 648	-182 589	-176 720	-162 514	-149 725
<b>Operating income</b>	<b>11 477</b>	<b>58 634</b>	<b>47 294</b>	<b>100 290</b>	<b>49 030</b>
Tax	-3 928	-14 213	-11 515	-23 073	-12 946
<b>Profit/loss for the year</b>	<b>7 550</b>	<b>44 420</b>	<b>35 779</b>	<b>77 217</b>	<b>36 084</b>
<b>Balance sheet</b>					
Lending to credit institutions	345 170	442 678	402 488	356 642	207 318
Other assets	376 955	234 637	310 171	188 229	225 462
<b>Total assets</b>	<b>722 125</b>	<b>677 315</b>	<b>712 659</b>	<b>544 871</b>	<b>432 780</b>
Deposits from the public	348 364	340 994	283 845	160 586	121 832
Other liabilities	181 046	103 355	218 192	137 768	104 378
<b>Total liabilities</b>	<b>529 410</b>	<b>444 349</b>	<b>502 037</b>	<b>298 354</b>	<b>226 210</b>
Equity	192 650	230 340	206 239	243 203	203 650
Holdings without a controlling influence	65	2 626	4 382	3 314	2 920
<b>Total equity and liabilities</b>	<b>722 125</b>	<b>677 315</b>	<b>712 659</b>	<b>544 871</b>	<b>432 780</b>
<b>CONSOLIDATED KEY INDICATORS</b>					
Balance sheet total, SEK thousands	722 125	677 315	712 659	544 871	432 780
Return on assets, %	1,05	6,56	5,02	14,17	8,34
Equity ratio, %	26,68	34,01	28,94	44,63	47,06
Average number of employees	51	54	50	46	43
<b>PARENT COMPANY INCOME STATEMENT AND BALANCE SHEET</b>					
<b>Income statement</b>					
Total operating revenue	148 425	193 795	172 970	207 762	124 619
Total expenses before credit losses	-122 574	-127 531	-118 823	-109 249	-79 429
<b>Operating income</b>	<b>25 851</b>	<b>66 264</b>	<b>54 147</b>	<b>98 513</b>	<b>45 190</b>
<b>Profit/loss for the year</b>	<b>11 415</b>	<b>44 579</b>	<b>31 955</b>	<b>57 905</b>	<b>25 901</b>
<b>Balance sheet</b>					
Lending to credit institutions	341 824	437 555	389 755	348 323	199 213
Other assets	371 013	226 879	304 603	187 140	209 960
<b>Total assets</b>	<b>712 837</b>	<b>664 434</b>	<b>694 358</b>	<b>535 463</b>	<b>409 173</b>
Deposits from the public	348 364	340 994	283 845	160 586	121 832
Other liabilities	167 378	93 182	205 835	132 153	91 094
<b>Total liabilities</b>	<b>515 743</b>	<b>434 176</b>	<b>489 680</b>	<b>292 739</b>	<b>212 926</b>
Untaxed reserves	42 809	42 809	42 809	42 809	18 359
Equity	154 285	187 449	161 869	199 915	177 888
<b>Total equity and liabilities</b>	<b>712 837</b>	<b>664 434</b>	<b>694 358</b>	<b>535 463</b>	<b>409 173</b>
<b>PARENT COMPANY'S KEY INDICATORS</b>					
Balance sheet total, SEK thousands	712 837	664 434	694 358	535 463	409 173
Return on assets, %	1,60	6,71	4,60	10,81	6,33
Equity ratio, %	22	28	23	37	43
Total capital coverage ratio, %	24,49	27,29	19,40	30,80	n/a
Capital-output ratio	3,06	3,41	2,42	3,85	3,44
Average number of employees	44	47	43	39	37

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	2016	2015
Interest income	4	1 075	1 588
Interest expenses	4	-2 139	-728
Net interest income		-1 064	860
Commission income	5	294 703	353 510
Commission expenses	6	-194 804	-229 954
Net result of financial transactions	7	37 146	62 646
Other operating revenue	8	33 144	54 160
Total operating revenue		169 125	241 223
General administration expenses	9	-127 978	-137 103
Depreciation of intangible fixed assets		-	-139
Depreciation of tangible assets		-65	-113
Other operating expenses	10	-29 605	-45 234
Total expenses before credit losses		-157 648	-182 589
Operating income		11 477	58 634
Tax on profit for the year	11	-3 928	-14 213
Profit/loss for the year		7 550	44 420
<b>Attributable to:</b>			
Parent Company's shareholders		7 618	43 146
Holdings without a controlling influence		-68	1 275

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 January – 31 December

SEK thousands	2016	2015
Profit/loss for the year	7 550	44 420
Items that can be reversed via the income statement		
Translation of foreign operations	157	-89
Other comprehensive income after tax	157	-89
Total profit after tax	7 707	44 331
<b>Attributable to:</b>		
Parent Company's shareholders	7 756	43 100
Holdings without a controlling influence	-49	1 231

## CONSOLIDATED BALANCE SHEET

As at 31 December

SEK thousands	Note	2016	2015
<b>ASSETS</b>			
Lending to credit institutions	12	345 170	442 678
Bonds and other securities	14	65 614	73 510
Tangible assets	17	43	107
Current tax receivables		19 259	3 681
Other assets	18	280 247	145 036
Prepaid expenses and accrued income	19	11 792	12 303
<b>Total assets</b>		<b>722 125</b>	<b>677 315</b>
<b>LIABILITIES, PROVISIONS AND EQUITY</b>			
Deposits from the public	20	348 364	340 994
Current tax liability		-	611
Deferred tax liability, untaxed reserves		9 418	9 418
Other liabilities	21	135 869	53 856
Accrued expenses and prepaid income	22	35 759	39 470
<b>Total liabilities</b>		<b>529 410</b>	<b>444 349</b>
<b>EQUITY</b>			
	24		
Restricted equity			
Share capital (9,000 shares, quoted value SEK 1,000)		9 000	9 000
Non-restricted equity			
Translation reserve		-195	-333
Earnings including profit for the year		183 845	221 673
<b>Total equity attributable to Parent Company's shareholders</b>		<b>192 650</b>	<b>230 340</b>
Holdings without a controlling influence		65	2 626
<b>Total shareholders' equity</b>		<b>192 715</b>	<b>232 966</b>
<b>Total liabilities, provisions and equity</b>		<b>722 125</b>	<b>677 315</b>



## SUMMARY OF CONSOLIDATED CHANGES IN EQUITY

	Restricted equity	Non-restricted equity				Total equity
SEK thousands	Share capital	Translation of accounts of foreign subsidiaries	Earnings	Equity attributable to the Parent Company's shareholders	Holdings without a controlling influence	Total equity
Opening equity, 01/01/2015	9 000	-288	197 527	206 239	4 382	210 622
<u>Other comprehensive income</u>						
Translation difference		-45		-45	-44	-89
Profit/loss for the year			43 145	43 145	1 275	44 420
Dividend, SEK 2,111.11 per share			-19 000	-19 000	-2 987	-21 987
Closing equity, 31/12/2015	9 000	-333	221 672	230 340	2 626	232 966

	Restricted equity	Non-restricted equity				Total equity
SEK thousands	Share capital	Translation of accounts of foreign subsidiaries	Earnings	Equity attributable to the Parent Company's shareholders	Holdings without a controlling influence	Total equity
Opening equity, 01/01/2016	9 000	-333	221 672	230 340	2 626	232 966
Acquisition of holdings without a controlling influence			-866	-866	-1 204	-2 070
<u>Other comprehensive income</u>						
Translation difference		138		138	19	157
Profit/loss for the year			7 618	7 618	-68	7 550
Dividend, SEK 4,953.2397 per share			-44 579	-44 579	-1 308	-45 887
Closing equity, 31/12/2016	9 000	-195	183 845	192 650	65	192 715

## CONSOLIDATED CASH FLOW STATEMENTS

1 January – 31 December

SEK thousands	2016-12-31	2015-12-31
Operating activities		
Operating profit (+)	11 477	58 634
Adjustment for items not included in cash flow		
Unrealised changes in value of securities (+/-)	2 568	-3 078
Unrealised profits/losses	-1 518	1 277
Depreciation (+)	65	252
Income tax paid	-20 117	-23 784
Cash flow from operating activities before changes in working capital	-7 525	33 301
Cash flow from changes in working capital		
Decrease (+)/Increase (-) of bonds plus shares and participations	5 328	73 306
Decrease (+)/increase (-) of other assets	-134 701	6 743
Decrease (-)/Increase (+) of deposits and borrowing from the general public	7 371	57 149
Decrease (-)/Increase (+) of other liabilities	78 301	-106 955
Cash flow from current operations	-51 226	63 544
Investment activities		
Acquisition of shares, subsidiary companies (-)	-2 070	-
Investments in tangible assets (-)	-	-1
Cash flow from investment activities	-2 070	-1
Financing activities		
Dividends paid (-)	-45 887	-21 987
Cash flow from financing activities	-45 887	-21 987
Cash flow for the year	-99 183	41 556
Cash and cash equivalents at start of year	442 678	402 488
Exchange rate differences in cash and cash equivalents	1 675	-1 366
Cash and cash equivalents at end of year	345 170	442 678
SEK thousands		
The following subcomponents are included in liquid funds:		
Lending to credit institutions	345 170	442 678
Total	345 170	442 678
Interest paid and dividends received which are included in cash flow from current operations		
SEK thousands	2016	2015
Interest earned	1 075	1 588
Interest paid	2 139	728

## PARENT COMPANY INCOME STATEMENT

1 January – 31 December

SEK thousands	Note	2016	2015
Interest income	4	1 059	1 527
Interest expenses	4	-2 139	-728
<b>Net interest income</b>		<b>-1 079</b>	<b>800</b>
Commission income	5	294 703	353 510
Commission expenses	6	-198 967	-238 836
Dividends received		1 361	3 109
Net result of financial transactions	7	36 453	63 352
Other operating revenue	8	15 954	11 861
<b>Total operating revenue</b>		<b>148 425</b>	<b>193 795</b>
General administration expenses	9	-112 506	-119 489
Depreciation of tangible assets		-50	-
Other operating expenses	10	-10 018	-8 042
<b>Total expenses before credit losses</b>		<b>-122 574</b>	<b>-127 531</b>
<b>Operating income</b>		<b>25 851</b>	<b>66 264</b>
Group contributions paid		-11 000	-9 000
Tax on profit for the year	11	-3 437	-12 685
<b>Profit/loss for the year</b>		<b>11 415</b>	<b>44 579</b>

### Income statement – Parent Company

1 January – 31 December

SEK thousands	2016	2015
Profit/loss for the year	11 415	44 579
<b>Comprehensive income after tax</b>	<b>11 415</b>	<b>44 579</b>

## PARENT COMPANY'S BALANCE SHEET

As at 31 December

SEK thousands	Note	2016	2015
<b>ASSETS</b>			
Lending to credit institutions	12	341 824	437 555
Bonds and other securities	14	64 055	72 520
Shares and participations in associated companies	15	1 584	584
Tangible assets	17	-	50
Current tax receivables		16 809	1 725
Other assets	18	277 201	142 127
Prepaid expenses and accrued income	19	11 364	9 873
<b>Total assets</b>		<b>712 837</b>	<b>664 434</b>
<b>LIABILITIES, PROVISIONS AND EQUITY</b>			
Deposits from the public	20	348 364	340 994
Other liabilities	21	139 377	60 107
Accrued expenses and prepaid income	22	28 002	33 075
<b>Total liabilities</b>		<b>515 743</b>	<b>434 176</b>
Untaxed reserves	23	42 809	42 809
<b>EQUITY</b>	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		133 870	133 870
Profit/loss for the year		11 415	44 579
<b>Total shareholders' equity</b>		<b>154 285</b>	<b>187 449</b>
<b>Total liabilities, provisions and equity</b>		<b>712 837</b>	<b>664 434</b>

## SUMMARY OF PARENT COMPANY'S CHANGES IN EQUITY

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

SEK thousands	Restricted equity	Non-restricted equity	Total equity	
	Share capital	Profit or loss brought forward	Profit/loss for the year	
Opening equity, 01/01/2016	9 000	133 870	44 579	187 449
Previous year's profit/loss	-	44 579	-44 579	0
Profit/loss for the year	-	-	11 415	11 415
Dividend, SEK 4,953.2397 per share	-	-44 579		-44 579
Closing equity, 31/12/2016	9 000	133 870	11 415	154 285

## PARENT COMPANY CASH FLOW STATEMENTS

1 January – 31 December

SEK thousands	2016-12-31	2015-12-31
Operating activities		
Operating profit (+)	25 851	66 264
Adjustment for items not included in cash flow		
Unrealised changes in value of securities (+/-)	2 000	-2 667
Unrealised profits/losses	-1 247	812
Depreciation (+)	50	-
Income tax paid	-18 521	-22 903
<b>Cash flow from operating activities before changes in working capital</b>	<b>8 133</b>	<b>41 506</b>
Cash flow from changes in working capital		
Decrease (+)/Increase (-) of bonds plus shares and participations	6 464	73 885
Decrease (+)/increase (-) of other assets	-136 564	8 231
Decrease (-)/Increase (+) of deposits and borrowing from the general public	7 371	57 149
Decrease (-)/Increase (+) of other liabilities	74 197	-104 159
<b>Cash flow from current operations</b>	<b>-40 399</b>	<b>76 612</b>
Investment activities		
Acquisition of shares, subsidiary companies (-)	-1 000	-
<b>Cash flow from investment activities</b>	<b>-1 000</b>	<b>-</b>
Financing activities		
Paid Group contributions (-)	-11 000	-9 000
Dividends paid (-)	-44 579	-19 000
<b>Cash flow from financing activities</b>	<b>-55 579</b>	<b>-28 000</b>
<b>Cash flow for the year</b>	<b>-96 978</b>	<b>48 612</b>
Cash and cash equivalents at start of year	437 555	389 755
Exchange rate differences in cash and cash equivalents	1 247	-812
<b>Cash and cash equivalents at end of year</b>	<b>341 824</b>	<b>437 555</b>

SEK thousands	2016-12-31	2015-12-31
The following subcomponents are included in liquid funds:		
Lending to credit institutions	341 824	437 555
<b>Total</b>	<b>341 824</b>	<b>437 555</b>

Interest paid and dividends received which are included in cash flow from current operations		
SEK thousands	2016	2015
Interest earned	1 059	1 528
Interest paid	2 139	728

