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CEO Statement

The year 2018 does not perhaps enter into history as the most spectacular ever. The market was not especially good during the autumn and the work to adapt to the new regulations that came into force during the year was laborious. In spite of this, 2018 might probably qualify as one of the most important years in a long time. For it was last year that the forms of future broking and consultancy were set. We are now able to look forward to a development that in the main will continue to be characterised by three factors: regulations, digitalisation and the transition to a more sustainable economy.

The influence of the regulations is well known. The weighty package of regulations that came into force during the last year (MiFID II, PRIIPs, GDPR and IDD) have radically changed the conditions for the industry. Income models, business processes and forms of collaboration - everything has been affected. This of course gives rise to changes that can test both temper and profitability. In the long term, however, all these regulations have a number of positive consequences. When managed in the right way, they create the prerequisites for a more stable industry with a better reputation. To everyone's benefit. The regulations have also meant raising the entry barriers, which gives great opportunities for existing stakeholders to grow further if we play our cards right.

Digitalisation of all key business flows is necessary not only to provide an improved customer experience or to make the distribution of services more cost-effective but also to enable compliance. With the new requirements in place, there is no longer room for manual processes. This presents a number of challenges. Garantum will take on all of them. During 2018 we started a major project to replace three core systems with one. This gives us considerably better conditions both to support today's business and to develop the business further at a rapid pace.

In the transition to a sustainable economy, we have a very important task to fulfil. The financial industry has played a decisive role in all major transitions from the industrial revolution onwards. The financial industry is the heart of business. Just as the heart provides the right muscles with the right amount of oxygen at the right time, the financial system should provide the right project with the right amount of capital at the right time. And the transition to sustainability will require capital. A lot of capital. Garantum is a smaller stakeholder, but we shall do what we can. In 2018 we developed an asset management mandate with sustainable characteristics, we created a section in our fund market with sustainable funds, and – above all – we were the first in the Nordic Region with structured investments based on green bonds. We also initiated internal sustainability work that resulted in a concrete action plan for the next few years.

The consultancy market is currently undergoing a radical transition, and in all this change there are probably many of us who at some point have yearned to go back to a simpler, easier and perhaps a more profitable existence. Nothing strange about that. There is, however, every reason to feel confident about the future. Perhaps not because the markets will go straight up or because the work on the new regulations is completed, but because the demand for what we offer just continues to grow and because we are better equipped than ever to deliver with quality.

” We are now able to look forward to a development that in the main will continue to be characterised by three factors: regulations, digitalisation and the transition to a more sustainable economy. ”



Mikael Axelsson,
CEO Garantum Fondkommission



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 2018.

Ownership structure

Garantum Fondkommission AB, ('Garantum') is wholly owned by Garantum Invest AB, corporate identity number 556859-2447, registered office in Stockholm. Garantum has 2 subsidiaries, as below, and ownership of these amounts to:

- 100% of the shares in Garantum Strukturerade Produkter AB, corporate identity number 556672-8365, registered office in Stockholm.
- 88% of the shares in Garantum Finland Oy, corporate identity number 2184866-8, 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 their activities, Garantum provides advice in financial issues and also operates other business activities linked to securities trading, and complies 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 four 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 2018.

The Group's operating profit amounted to SEK 26.2 (13.6) million, while the profit after tax amounted to SEK 14.1 million (9.1). Total income amounted to SEK 190.9 (176.2) million, of which SEK 187.2 (160.6) million related to the parent company, SEK 5.0 (20.0) million to the Swedish subsidiary and SEK 1.7 (3.4) million to the Finnish subsidiary including internal Group transactions.

Operating expenses amounted to SEK 164.7 (162.6) million during the financial year, of which SEK 154.5 (134.0) million related to the parent company. The company employed 43 (46) staff at the end of the year.

During the year, the Group arranged 152 (292) different products, the longest issue having a term of 8.6 years (9.0 years) and the shortest a term of 2.0 (1.0) years. The average term was 4.80 (5.26) years.

Equity in the Group amounts to SEK 165.9 (151.8) million. Total capital coverage ratio in the parent company amounts to 18.20% (23.09%).

Business development

In some ways, it feels good to put a year like 2018 behind us. Garantum certainly managed yet again to deliver a positive result in spite of tough conditions and significant investments in future capacity. But it was not especially pleasant. Work on continued adaptations to the new regulations that came into force during the year was laborious and during the autumn the stock markets turned sharply downwards, which naturally affected the customers' inclination to invest.

Uncertainty regarding the application of the new regulations and the weak market in the second half year hit the volumes in structured investments relatively hard. Because we retained a high level of activity on the sales side, Garantum lost somewhat less than the market overall, but the reduction nevertheless amounted to just over 20%. Most people who chose to invest in structured investments, however, were given good conditions since the market conditions throughout the year were unusually favourable for effective procurements.

The fund volume continued to be a cause for celebration. Funds have taken an ever increasing space in consultancy and customers' portfolios in recent years, which is positive in many respects. Our focus during 2018 has been to simplify our fund offerings by reducing the number of funds available and applying stricter quality assurance. In this process, the range of over 3,000 funds shrank to barely 150. This change was highly appreciated in the consultancy ranks and we will continue refining and simplifying fund trading in 2019.

In the autumn, the decision was taken to transfer the tied agents to Garantum Fondkommission AB from our sister company Garantum Partner AB. This is to increase efficiency in both business development and quality assurance and control. The agents were moved in January 2019 and we have already seen positive effects. During the year we will take further action to develop the agent business in order to create a channel that can establish itself in more customer segments

The digitalisation of the business continues. At the beginning of 2018, a new version of the web-based consultancy support system was launched, built using brand new technology that makes the system easier to customise and develop further. In addition, we have now – based on a detailed review of the company's processes – initiated implementation of a new, more efficient support system for the back and middle office. The project has so far progressed according to plan and we anticipate implementation in the spring of 2020.

In the transition to a sustainable economy, the financial sector has a very important task to fulfil. Garantum is a smaller stakeholder, but we are doing what we can. So far, we have developed a capital management mandate with sustainable characteristics, we have created a section of our fund market with sustainable funds, and – above all – we were the first in the Nordic Region with structured investments based on green bonds. These were launched in the spring of 2018 and have now become a natural part of all the public issue rounds in the Swedish market.

The Norwegian operation's results were somewhat moderate, but had success with the intention to broaden the product range. Several types of structured investments were launched during 2018 and preparations to be able to receive Norwegian customers who want to invest in funds were carried out. Fund sales were launched in Norway in March 2019 and are an important building block in the focus on meeting a broader range of the customer's requirements.

During 2018, the Finnish subsidiary focused on broadening the offering as well as establishing direct sales in accordance with the Norwegian model. Broadening of the offer has started, in particular through increased focus on sales of asset management services. The focus on direct sales has, however, not functioned fully and other distribution alternatives for the Finnish operations are under evaluation.

The start of 2019 bodes well for Garantum. The effects of regulatory frameworks on business models and forms of cooperation are becoming increasingly evident, while the markets have rapidly recovered from the correction last autumn. We are delighted that in such circumstances we will continue to develop our consultancy platform so that it facilitates regulated, digitalised and sustainable broking of the right investment at the right time.

Environmental policy

The company's active environmental awareness has continued to develop during the year. The company has previously made decisions about sorting waste and office materials at source, environmentally-friendly electricity, using environmentally-friendly paper for printing advertising, environmentally-friendly advertising pens and using cycle couriers. As far as possible, business travel takes place using more environmentally-friendly alternatives, such as travel by train instead of cars or flying. In order to further push the development in the area an action plan for sustainability work has been prepared together with an external consultant. The action plan focuses on areas such as the working environment, use of resources, social commitment and customer offers. It is planned to start implementation during the second half of 2019. In this connection, Garantum will also be appointing a sustainability manager whose task will be to drive the implementation of the action plan.

During 2018, Garantum launched structured investments based on green bonds. These have been well received and interest in the products has been great.

Risks and uncertainty factors

Garantum's business faces a number of different risks every day. In some regards this is a natural part of our business, such as market risks in the trading book. Garantum's Board of Directors bears overall responsibility for Garantum's risk management. The Board of Directors 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. For the daily management and control of risks, Garantum has entered into an assignment agreement with Garantum Invest AB in respect of risk control and Compliance. 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 43 (46). The number employed was 43 (46) at the end of the financial year, of whom 26 (29) were men and 17 (17) were 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 2018 have occurred since the end of the report period.

PROPOSED ALLOCATION OF PROFIT

At the disposal of the annual general meeting, SEK

Retained earnings	106 348 360
Profit/loss for the year	14 607 748
Total	120 956 108
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Shareholder dividend of SEK 1,555.5555 per share	14 000 000
Carry forward to next year	106 956 108
Total	120 956 108

The Board's assessment is that the company's and group's business operations after distribution of the proposed dividend will continue to show good profitability. The liquidity of the company and the group is judged to be maintained at a satisfactory level. The proposed dividend can therefore be justified in consideration of what is stated in the Companies Act chapter 17, section 3, paragraph 2 (the cautionary rule). See also Note 23.

MULTI-YEAR SUMMARY

CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET, SEK thousands	2018	2017	2016	2015	2014
Income statement					
Total operating revenue	190 920	176 231	169 125	241 223	224 014
Total expenses before credit losses	-164 680	-162 606	-157 648	-182 589	-176 720
Operating profit	26 240	13 625	11 477	58 634	47 294
Appropriations	-6 000	-	-	-	-
Tax	-6 105	-4 546	-3 928	-14 213	-11 515
Profit/loss for the year	14 135	9 079	7 550	44 420	35 779
Balance sheet					
Lending to credit institutions	355 341	370 028	345 170	442 678	402 488
Other assets	606 081	586 522	376 955	234 637	310 171
Total assets	961 422	956 550	722 125	677 315	712 659
Deposits from the public	589 513	642 769	348 364	340 994	283 845
Other liabilities	206 019	162 005	181 046	103 355	218 192
Total liabilities	795 532	804 774	529 410	444 349	502 037
Equity	166 260	151 800	192 650	230 340	206 239
Holdings without a controlling influence	-370	-24	65	2 626	4 382
Total equity and liabilities	961 422	956 550	722 125	677 315	712 659
CONSOLIDATED KEY INDICATORS					
Balance sheet total, SEK thousands	961 422	956 550	722 125	677 315	712 659
Return on assets, %	1,47	0,01	1,05	6,56	5,02
Equity ratio, %	17,29	15,87	26,68	34,01	28,94
Average number of employees	43	46	51	54	50
PARENT COMPANY INCOME STATEMENT AND BALANCE SHEET					
Income statement					
Total operating revenue	187 227	160 609	148 425	193 795	172 970
Total expenses before credit losses	-154 514	-133 999	-122 574	-127 531	-118 823
Operating income	32 713	26 609	25 851	66 264	54 147
Profit/loss for the year	14 608	11 063	11 415	44 579	31 955
Balance sheet					
Lending to credit institutions	352 812	364 836	341 824	437 555	389 755
Other assets	606 018	582 726	371 013	226 879	304 603
Total assets	958 830	947 562	712 837	664 434	694 358
Deposits from the public	589 513	642 769	348 364	340 994	283 845
Other liabilities	196 551	146 636	167 378	93 182	205 835
Total liabilities	786 065	789 405	515 743	434 176	489 680
Untaxed reserves	42 809	42 809	42 809	42 809	42 809
Equity	129 956	115 348	154 285	187 449	161 869
Total equity and liabilities	958 830	947 562	712 837	664 434	694 358
PARENT COMPANY'S KEY INDICATORS					
Balance sheet total, SEK thousands	958 830	947 562	712 837	664 434	694 358
Return on assets, %	1,52	1,17	1,60	6,71	4,60
Equity ratio, %	14	12	22	28	23
Total capital coverage ratio, %	18,20	23,09	24,49	27,29	19,40
Capital-output ratio	2,27	2,89	3,06	3,41	2,42
Average number of employees	39	46	44	47	43

position, please refer to the following income statements

CONSOLIDATED INCOME STATEMENT

1 January – 31 December

SEK thousands	Note	2018	2017
Interest income	4	427	802
Interest expenses	4	-3 741	-3 292
Net interest income		-3 314	-2 490
Commission income	5	345 683	336 523
Commission expenses	6	-205 520	-230 540
Net result of financial transactions	7	25 178	41 213
Other operating revenue	8	28 893	31 525
Total operating revenue		190 920	176 231
General administration expenses	9	-132 351	-132 664
Depreciation of intangible fixed assets		0	0
Depreciation of tangible assets		-9	-12
Other operating expenses	10	-32 320	-29 931
Total expenses before credit losses		-164 680	-162 606
Operating profit		26 240	13 625
Appropriations	11	-6 000	-
Tax on profit for the year	12	-6 105	-4 546
Profit/loss for the year		14 135	9 079
Attributable to:			
Parent Company's shareholders		14 479	9 166
Holdings without a controlling influence		-344	-87

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 January – 31 December

SEK thousands	2018	2017
Profit/loss for the year	14 135	9 079
Items that can be reversed via the income statement		
Translation of foreign operations	-21	-17
Other comprehensive income after tax	-21	-17
Total profit after tax	14 114	9 062
Attributable to:		
Parent Company's shareholders	14 460	9 157
Holdings without a controlling influence	-346	-95

CONSOLIDATED BALANCE SHEET

As at 31 December

SEK thousands	Note	2018	2017
ASSETS			
Lending to credit institutions	13	355 341	370 028
Bonds and other securities	14	126 206	58 968
Tangible assets	16	24	32
Current tax receivables	12	22 898	29 995
Other assets	17	435 217	483 686
Prepaid expenses and accrued income	18	21 735	13 840
Total assets		961 422	956 550
LIABILITIES, PROVISIONS AND EQUITY			
Deposits from the public	19	589 513	642 769
Deferred tax liability	12	9 418	9 418
Other liabilities	20	158 505	124 495
Accrued expenses and prepaid income	21	38 096	28 092
Total liabilities		795 532	804 774
EQUITY			
	23		
Share capital (9,000 shares, quoted value SEK 1,000)		9 000	9 000
Translation reserve		-228	-210
Earnings including profit for the year		157 488	143 010
Total equity attributable to Parent Company's shareholders		166 260	151 800
Holdings without a controlling influence		-370	-24
Total shareholders' equity		165 890	151 776
Total liabilities, provisions and equity		961 422	956 550

SUMMARY OF CONSOLIDATED CHANGES IN EQUITY

SEK thousands	Share capital	Translation of accounts of foreign subsidiaries	Earnings	Equity attributable to the Parent Company's shareholders	Non-controlling interests	Total equity
Opening equity, 01/01/2017	9 000	-195	183 845	192 650	65	192 715
Profit/loss for the year			9 165	9 165	-87	9 078
Other comprehensive income		-15		-15	-2	-17
Total comprehensive income	-	-210	193 010	201 800	-24	201 776
Transactions with owners						
Dividend, SEK 5,555.5556 per share			-50 000	-50 000	-	-50 000
Total	-	-	-50 000	-50 000	0	-50 000
Closing equity, 31/12/2017	9 000	-210	143 010	151 800	-24	151 776

SEK thousands	Share capital	Translation of accounts of foreign subsidiaries	Earnings	Equity attributable to the Parent Company's shareholders	Non-controlling interests	Total equity
Opening equity, 01/01/2018	9 000	-210	143 010	151 800	-24	151 776
Profit for the year			14 479	14 479	-344	14 135
Other comprehensive income		-18		-18	-3	-21
Total comprehensive income	-	-228	157 489	166 261	-370	165 890
Closing equity, 31/12/2018	9 000	-228	157 489	166 260	-370	165 890

CONSOLIDATED CASH FLOW STATEMENTS

1 January – 31 December

SEK thousands	2018-12-31	2017-12-31
Operating activities		
Operating profit (+)	26 240	13 625
Adjustment for items not included in cash flow		
Unrealised changes in value of securities (+/-)	-3 369	-808
Unrealised profits/losses	-1 376	-54
Depreciation (+)	9	12
Income tax paid	992	-15 282
Cash flow from operating activities before changes in working capital	22 496	-2 507
Cash flow from changes in working capital		
Change in bonds plus shares and participations (+/-)	-63 870	7 454
Changes in other assets (+/-)	40 575	-205 487
Changes in other liabilities (+/-)	38 015	-19 041
Cash flow from current operations	37 216	-217 074
Investment activities		
Investments in tangible assets (-)	-1	-2
Cash flow from investment activities	-1	-2
Financing activities		
Deposits and borrowing from the general public (+/-)	-53 256	294 404
Dividends paid (-)	-	-50 000
Cash flow from financing activities	-53 256	244 404
Cash flow for the year	-16 041	24 821
Cash and cash equivalents at start of year	370 028	345 170
Exchange rate differences in cash and cash equivalents	1 354	37
Cash and cash equivalents at end of year	355 341	370 028
SEK thousands	2018-12-31	2017-12-31
The following subcomponents are included in liquid funds:		
Lending to credit institutions	355 341	370 028
Total	355 341	370 028
Interest paid and dividends received which are included in cash flow from current operations		
SEK thousands	2018	2017
Interest earned	427	802
Interest paid	3 741	3 292

PARENT COMPANY INCOME STATEMENT

1 January – 31 December

SEK thousands	Note	2018	2017
Interest income	4	427	802
Interest expenses	4	-3 707	-3 292
Net interest income		-3 280	-2 490
Commission income	5	345 683	336 523
Commission expenses	6	-207 180	-233 899
Net result of financial transactions	7	25 153	41 171
Other operating revenue	8	26 850	19 303
Total operating revenue		187 227	160 609
General administration expenses	9	-124 658	-119 916
Write-down of shares in subsidiaries	15	-3 000	-1 500
Other operating expenses	10	-26 856	-12 583
Total expenses before credit losses		-154 514	-133 999
Operating profit		32 713	26 609
Appropriations	11	-12 000	-11 000
Tax on profit for the year	12	-6 105	-4 546
Profit/loss for the year		14 608	11 063

Income statement – Parent Company

1 January – 31 December

SEK thousands	2018	2017
Profit/loss for the year	14 608	11 063
Other comprehensive income to be reversed via the income statement	-	-
Comprehensive income after tax	14 608	11 063

PARENT COMPANY'S BALANCE SHEET

As at 31 December

SEK thousands	Note	2018	2017
ASSETS			
Lending to credit institutions	13	352 812	364 836
Bonds and other securities	14	124 461	57 248
Shares and participations in associated companies	15	1 596	1 081
Current tax receivables	12	22 408	29 483
Other assets	17	436 235	481 840
Prepaid expenses and accrued income	18	21 317	13 075
Total assets		958 830	947 562
LIABILITIES, PROVISIONS AND EQUITY			
Deposits from the public	19	589 513	642 769
Other liabilities	20	158 905	122 187
Accrued expenses and prepaid income	21	37 646	24 448
Total liabilities		784 065	789 405
Untaxed reserves	22	42 809	42 809
EQUITY			
Restricted equity	23		
Share capital (9,000 shares, quoted value SEK 1,000)		9 000	9 000
Non-restricted equity			
Profit or loss brought forward		106 348	95 285
Profit/loss for the year		14 608	11 063
Total shareholders' equity		129 956	115 348
Total liabilities, provisions and equity		958 830	947 562

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, 01/01/2017	9 000	133 870	11 415	154 285
Previous year's profit/loss	-	11 415	-11 415	-
Profit/loss for the year	-	-	11 063	11 063
Transactions with owners				
Dividend, SEK 5,555.5556 per share	-	-50 000		-50 000
Closing equity, 31/12/2017	9 000	95 285	11 063	115 348

SEK thousands	Restricted equity	Non-restricted equity	Total equity	
	Share capital	Profit or loss brought forward	Profit/loss for the year	
Opening equity, 01/01/2018	9 000	95 285	11 063	115 348
Previous year's profit/loss	-	11 063	-11 063	-
Profit for the year	-	-	14 608	14 608
Closing equity, 31/12/2018	9 000	106 348	14 608	129 956

PARENT COMPANY CASH FLOW STATEMENTS

1 January – 31 December

SEK thousands	2018-12-31	2017-12-31
Operating activities		
Operating profit (+)	32 713	26 609
Adjustment for items not included in cash flow		
Unrealised changes in value of securities (+/-)	-3 383	-984
Unrealised profits/losses	-1 280	6
Depreciation/Write-downs (+)	3 000	1 500
Income tax paid	970	-17 220
Cash flow from operating activities before changes in working capital	32 020	9 911
Cash flow from changes in working capital		
Change in bonds plus shares and participations (+/-)	-63 830	7 792
Changes in other assets (+/-)	37 361	-206 350
Changes in other liabilities (+/-)	43 916	-20 742
Cash flow from current operations	49 467	-209 389
Investment activities		
Acquisition of shares, subsidiary companies (-)	-3 515	-997
Cash flow from investment activities	-3 515	-997
Financing activities		
Deposits and borrowing from the general public (+/-)	-53 256	294 404
Paid Group contributions (-)	-6 000	-11 000
Dividends paid (-)	-	-50 000
Cash flow from financing activities	-59 256	233 404
Cash flow for the year	-13 304	23 018
Cash and cash equivalents at start of year	364 836	341 824
Exchange rate differences in cash and cash equivalents	1 280	-6
Cash and cash equivalents at end of year	352 812	364 836
SEK thousands	2018-12-31	2017-12-31
The following subcomponents are included in liquid funds:		
Lending to credit institutions	352 812	364 836
Total	352 812	364 836
Interest paid and dividends received which are included in cash flow from current operations		
SEK thousands	2018	2017
Interest earned	427	802
Interest paid	3 707	3 292

Stockholm May 21, 2019

We hereby declare that to the best of our knowledge the annual report has been prepared in accordance with good accounting practice. The information provided corresponds to the actual circumstances of the operation and nothing of material significance has been omitted that might influence the image of the company generated by the annual report.

The Annual Report, as shown above, was approved for publication by the Board on 21 May 2019. The company's income statement and balance sheet will be put forward for adoption at the Annual General Meeting on 23 May 2019.

The right investment at the right time

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