



Garantum *Annual Report* 2019

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Directors' Report

The board and the CEO of Garantum Fondkommission AB hereby present the annual report and the group accounts for the 2019 financial year.

Ownership circumstances

Garantum Fondkommission AB, ('Garantum') is wholly owned by Garantum Invest AB, Corporate Identity No. 556859-2447, with its registered office in Stockholm. Garantum has two subsidiaries, as below, and their ownership is as follows:

- 100% of the shares in Garantum Strukturerade Produkter AB, Corporate Identity No. 556672-8365, with its registered office in Stockholm.
- 88% of the shares in Garantum Finland OY, Corporate Identity No. 2184866-8, with its registered office in Helsinki

General information about the company

Garantum carries out securities business, including asset management, organisation of structured financial products and conveyance of financial products, or otherwise participation in transactions regarding such instruments. As part of these operations, Garantum provides advice on financial issues and carries out other activities that are linked to securities business and are consistent with the Swedish Securities Business Act and the company's securities permit. Garantum has had a permit to operate from the Swedish Financial Supervisory Authority since April 2005. All permits are published at www.fi.se.

Garantum carries out cross-border trading in Finland and Norway, and has 41 (39) associated representatives. At the beginning of the year, the sister company Garantum Partner AB's associated representatives were moved to Garantum.

Development of the company's business, performance and position

Financial information

Profit/loss for the Garantum Group and the parent company as of 31st December 2019.

The group's operating profit was SEK 29.8m (26.2m), whilst the profit after tax was SEK 11.8m (14.1m). The total revenue was SEK 215.5m (190.9m), of which SEK 214.1m (187.2m) concerned the parent company, SEK 0.2m (5.0m) concerned the Swedish subsidiary and SEK 1.2m (1.7m) concerned the Finnish subsidiary, including intra-group transactions.

Operating expenses were SEK 185.7m (164.7m) during the financial year, of which SEK 183.5m (154.5m) concerned the parent company. The company had 45 (43) staff at the end of the year.

During the course of the year the group organised 167 (152) different products, the longest issue having a term of 8.0 (8.6) years and the shortest a term of 2.0 (2.0) years. The average term was 5.0 (4.8) years.

The equity capital in the group was SEK 163.6m (165.9m). The parent company's capital ratio was 18.68% (18.20%).

Business development

Garantum got off to an excellent start to 2019. Throughout the first six months of the year we saw good flows into both structured products and funds. Towards the end of the year the pressure decreased slightly, above all regarding structured products, but overall we ended up with a satisfactory result for the year as a whole.

There was once again uncertainty regarding application of the regulatory framework that affected the volumes of structured products in the autumn. Garantum continued its focused work of clarifying and explaining where, when and how structured products can best come into their own. We thereby consolidated and strengthened our position as the Nordic countries' leading supplier of structured products.

Just as in previous years, funds continued to be a positive factor in 2019. We have also worked hard on giving an edge to the experience of our fund market. In 2019 we simplified the fund offering by decreasing the number of available funds from 3,000 to 150 and applying stricter quality assurance. Recently we have also rationalised the purchase and sales flows, and improved reporting as regards funds – for both customers and advisors. These changes have been appreciated, and have led to a clear effect. It is in many respects positive that funds are assuming increasing importance in terms of advisory services as well as in customers' portfolios. In 2019 the fund volume of deposits doubled, which means that after many years of development the fund platform is now starting to significantly contribute to the result.

In autumn 2019 an updated strategic plan was launched in order to bring Garantum's value chain up to the next level. The key words are quality assurance, service and individualised advice. In future the business's cachet will more clearly be private banking. This will mean a greater emphasis on analytical products and asset management.

The digitisation of flows and processes is continuing, and implementation of new and more efficient system support for the business is ongoing. The original plan was commencement of operations during 2020, but this has been deferred to spring 2021, since we have decided to replace more parts of the existing support with our new system. The Norwegian business is still focusing on a broadening of the product offering. Fund sales commenced during the second half of 2019. A geographical broadening is also pending. Everything is in place for the opening of a new office in Bergen. This was scheduled for spring 2020, but has been deferred to the autumn because of covid-19.

In Finland we made a decision in 2019 to move our business from a subsidiary to a branch, with the aim of limiting administrative expenses. In connection with that decision the staffing was reduced. The emphasis on our own sales has been scaled down, and the focus is now once again on building up third-party distribution.

At the end of May 2019 Garantum's subsidiary Garantum Strukturerade Produkter AB received a review decision from the Swedish Tax Agency, involving a net-change total of SEK 8.5m. The case is now before the Administrative Court in Stockholm, and as nothing new has arisen, the company's opinion remains that the change will not result in any expense for Garantum. No reservation will be made in the accounts as of 31st December 2019.

Environmental policy

During 2019 the company commenced implementation of the plan of action prepared during 2018. The plan of action focuses on areas such as work environment, use of resources, community commitment and customer offering. In connection with making the decision on the plan of action, a sustainability officer was also appointed whose remit is to drive the realisation of the plan of action and to take part in industry-wide initiatives such as the Swedish Securities Dealers Association's sustainability group.

Garantum has also continued to regularly distribute structured products based on green bonds. At the end of 2019 this concept was developed further, resulting in the first so-called 'triple impact' product. The thought behind this is achievement of a threefold positive impact through 1) a green bond that finances the transition to sustainability, above all within the energy and transport sectors, 2) exposure in the option component to limited-liability companies with a high sustainability ranking and 3) donating money for local sustainability work on the basis of sales revenue. The first issue attracted much attention, and involved a major donation to the Baltic Salmon Fund, which is seeking to promote long-term sustainable management of wild salmon and trout stocks in the Baltic Sea and its watercourses.

The company has furthermore continued to promote increased environmental awareness. Decisions have already been made regarding the sorting of waste and office supplies at source, environmentally friendly electricity, environmentally friendly paper for advertising printing, environmentally friendly promotional pens and use of bike couriers, and as regards business trips as far as possible being made using more environmentally friendly options such as train instead of car or plane. Further steps during 2020 will be a significant reduction in paper usage by switching to only providing product leaflets in

Risks and uncertainty factors

Garantum's business is exposed to a number of different risks every day. To some extent this is a natural part of our business operations, e.g. market risks in the trading book. Garantum's board has overall responsibility for the company's risk management. By virtue of a special instruction and within certain parameters the board has delegated responsibility to Garantum's CEO, who bears the ultimate functional responsibility for Garantum's risk management. Garantum has entered into a service agreement with Garantum Invest AB concerning risk control and compliance, for daily management and control of risks. The board receives regular reports. 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

Staff

The average number of employees in the group during the financial year was 44 (43). The number of employees at the beginning of the financial year was 45 (43), of whom 27 (26) were men and 18 (17) women. See further in Note 9.

Events after the closing day

The start of 2020 has been different, to say the least. The effects of the regulatory frameworks, digitisation and sustainable conveyance of the correct investment at the right time remain important items on the agenda, but the corona crisis is overshadowing most things. The negative effects on demand and the chances to do business have so far been manageable for Garantum. The level of activity is noticeably lower, but we are also seeing that the situation is giving birth to many new ideas, and we are now quickly learning to deal with and serve our customers in new ways. There is a great spirit of enterprise in our impromptu TV studio. Customer meetings are being live-streamed; updates from analysts and managers are being broadcast live; educational films are being produced and disseminated using social media. We are acquiring new skills that make the business more efficient and effective, including in a future without physical distancing. We are hoping that we will encounter such a future

PROPOSED ALLOCATION OF PROFITS

At the disposal of the annual general meeting, SEK

Retained earnings	106 956 108
Profit/loss for the year	16 984 702
Total	123 940 810
Carry forward to next year	123 940 810
Total	123 940 810

The board proposes that the profit/loss for the year be carried forward to next year.

MULTI-YEAR OVERVIEW

CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET, SEK thousands	2019	2018	2017	2016	2015
Income statement					
Total operating revenue	215 496	190 920	176 231	169 125	241 223
Total expenses before credit losses	-185 744	-164 680	-162 606	-157 648	-182 589
Operating profit	29 751	26 240	13 625	11 477	58 634
Appropriations	-12 600	-6 000	-	-	-
Tax	-5 354	-6 105	-4 546	-3 928	-14 213
Profit/loss for the year	11 797	14 135	9 079	7 550	44 420
Balance sheet					
Lending to credit institutions	385 180	355 341	370 028	345 170	442 678
Other assets	683 639	606 081	586 522	376 955	234 637
Total assets	1 068 819	961 422	956 550	722 125	677 315
Deposits from the public	635 417	589 513	642 769	348 364	340 994
Other liabilities	269 831	206 019	162 005	181 046	103 355
Total liabilities	905 249	795 532	804 774	529 410	444 349
Equity	164 177	166 260	151 800	192 650	230 340
Holdings without a controlling influence	-607	-370	-24	65	2 626
Total equity and liabilities	1 068 819	961 422	956 550	722 125	677 315
CONSOLIDATED KEY INDICATORS					
Balance sheet total, SEK thousands	1 068 819	961 422	956 550	722 125	677 315
Return on assets, %	1,10	1,47	0,01	1,05	6,56
Equity ratio, %	15,36	17,29	15,87	26,68	34,01
Average number of employees	44	43	46	51	54
PARENT COMPANY INCOME STATEMENT AND BALANCE SHEET					
Income statement					
Total operating revenue	214 097	187 227	160 609	148 425	193 795
Total expenses before credit losses	-183 481	-154 514	-133 999	-122 574	-127 531
Operating income	30 616	32 713	26 609	25 851	66 264
Profit/loss for the year	16 985	14 608	11 063	11 415	44 579
Balance sheet					
Lending to credit institutions	382 657	352 812	364 836	341 824	437 555
Other assets	681 925	606 018	582 726	371 013	226 879
Total assets	1 064 582	958 830	947 562	712 837	664 434
Deposits from the public	635 417	589 513	642 769	348 364	340 994
Other liabilities	258 915	196 551	146 636	167 378	93 182
Total liabilities	894 332	786 065	789 405	515 743	434 176
Untaxed reserves	37 309	42 809	42 809	42 809	42 809
Equity	132 941	129 956	115 348	154 285	187 449
Total equity and liabilities	1 064 582	958 830	947 562	712 837	664 434
PARENT COMPANY'S KEY INDICATORS					
Balance sheet total, SEK thousands	1 064 582	958 830	947 562	712 837	664 434
Return on assets, %	1,60	1,52	1,17	1,60	6,71
Equity ratio, %	12	14	12	22	28
Total capital coverage ratio, %	18,68	18,20	23,09	24,49	27,29
Capital-output ratio	2,33	2,27	2,89	3,06	3,41
Average number of employees	42	39	46	44	47

As regards Garantum's results and position overall, please see the following income statements and balance sheets with the related notes to the accounts.

CONSOLIDATED INCOME STATEMENT

1 January – 31 December

thousand SEK	Note	2019	2018
Interest income	4	764	427
Interest expenses	4	-2 380	-3 741
Net interest income		-1 616	-3 314
Commission income	5	343 599	345 683
Commission expenses	6	-193 137	-205 520
Net result of financial transactions	7	25 209	25 178
Other operating revenue	8	41 440	28 893
Total operating revenue		215 496	190 920
General administration expenses	9	-137 122	-132 351
Depreciation of right-of-use assets	9	-305	-
Depreciation of tangible assets	16	-7	-9
Other operating expenses	10	-48 311	-32 320
Total expenses before credit losses		-185 744	-164 680
Operating profit		29 751	26 240
Appropriations	11	-12 600	-6 000
Tax on profit for the year	12	-5 354	-6 105
Profit/loss for the year		11 797	14 135

Attributable to:

Parent Company's shareholders	12 040	14 479
Holdings without a controlling influence	-242	-344

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 January – 31 December

SEK thousands	2019	2018
Profit/loss for the year	11 797	14 135
Items that can be reversed via the income statement		
Translation of foreign operations	48	-21
Other comprehensive income after tax	48	-21
Total profit after tax	11 845	14 114

Attributable to:

Parent Company's shareholders	12 082	14 460
Holdings without any controlling influence	-237	-346

CONSOLIDATED BALANCE SHEET

As at 31 December

thousand SEK	Note	2019	2018
ASSETS			
Lending to credit institutions	13	385 180	355 341
Bonds and other securities	14	167 571	126 206
Right-of-use assets	9	610	-
Tangible assets	16	18	24
Current tax receivables	12	33 613	22 898
Other assets	17	448 845	435 217
Prepaid expenses and accrued income	18	32 983	21 735
Total assets		1 068 819	961 422
LIABILITIES, PROVISIONS AND EQUITY			
Deposits from the public	19	635 417	589 513
Deferred tax liability	12	8 148	9 418
Leasing liabilities	9	616	-
Other liabilities	20	211 097	158 505
Accrued expenses and prepaid income	21	49 970	38 096
Total liabilities		905 249	795 532
EQUITY			
	23		
Share capital (9,000 shares, quoted value SEK 1,000)		9 000	9 000
Translation reserve		-187	-228
Earnings including profit for the year		155 364	157 488
Total equity attributable to Parent Company's shareholders		164 177	166 260
Holdings without a controlling influence		-607	-370
Total shareholders' equity		163 571	165 890
Total liabilities, provisions and equity capital		1 068 819	961 422

SUMMARY OF CONSOLIDATED CHANGES IN EQUITY CAPITAL

thousand SEK	Share capital	Translation of currencies in foreign subsidiaries	Earnings	Equity capital attributable to the parent company's shareholders	Holdings without any controlling influence	Total equity capital
Opening equity capital 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	166 260	-370	165 890
Closing equity capital 31.12.2018	9 000	-228	157 489	166 260	-370	165 890

thousand SEK	Share capital	Translation of currencies in foreign subsidiaries	Earnings	Equity capital attributable to the parent company's shareholders	Holdings without any controlling influence	Total equity capital
Opening equity capital 01.01.2019	9 000	-228	157 489	166 260	-370	165 890
Profit/loss for the year			12 040	12 040	-242	11 797
Change in tax rate deferred tax liability			-164	-164		-164
Other comprehensive income		42		42	6	48
Total comprehensive income	9 000	-187	169 364	178 178	-607	177 571
Transactions with the owners						
Dividend, SEK 1,555.5555 per share			-14 000	-14 000	-	-14 000
Total	-	-	-14 000	-14 000	-	-14 000
Closing equity capital 31.12.2019	9 000	-187	155 364	164 178	-607	163 571

CONSOLIDATED CASH-FLOW STATEMENTS

1 January – 31 December

SEK thousands	2019-12-31	2018-12-31
Operating activities		
Operating income	29 751	26 240
Adjustment for items not included in the cash flow		
Unrealised changes in value of securities	7 120	-3 369
Unrealised profits / losses	-142	-1 376
Depreciation	7	9
Income tax paid	-17 339	992
Cash flow from operating activities before changes in working capital	19 397	22 496
Cash flow from changes in working capital		
Change in bonds as well as shares and participations	-48 484	-63 870
Change in other assets	-25 485	40 575
Change in other liabilities	52 318	38 015
Cash flow from current operations	-2 254	37 216
Investment activities		
Investments in tangible assets	-1	-1
Cash flow from investment activities	-1	-1
Financing activities		
Deposits from the public	45 904	-53 256
Dividends paid	-14 000	-
Cash flow from financing activities	31 904	-53 256
Cash flow for the year	29 649	-16 041
Cash and cash equivalents at start of year	355 341	370 028
Exchange rate differences in cash and cash equivalents	190	1 354
Cash and cash equivalents at end of year	385 180	355 341

SEK thousands	2019-12-31	2018-12-31
The following subcomponents are included in liquid funds:		
Lending to credit institutions	385 180	355 341
Total	385 180	355 341

Interest paid and dividends received which are included in cash flow from current operations		
SEK thousands	2019	2018
Interest earned	764	427
Interest paid	2 380	3 741

PARENT COMPANY'S INCOME STATEMENT

1 January – 31 December

thousand SEK	Note	2019	2018
Interest income	4	764	427
Interest expenses	4	-2 358	-3 707
Net interest income		-1 594	-3 280
Commission income	5	343 599	345 683
Commission expenses	6	-194 369	-207 180
Net result of financial transactions	7	25 021	25 153
Other operating revenue	8	41 440	26 850
Total operating revenue		214 097	187 227
General administration expenses	9	-134 049	-124 658
Write-down of shares in subsidiaries	15	-1 496	-3 000
Other operating expenses	10	-47 936	-26 856
Total expenses before credit losses		-183 481	-154 514
Operating profit		30 616	32 713
Appropriations	11, 22	-7 100	-12 000
Tax on profit for the year	12	-6 531	-6 105
Profit/loss for the year		16 985	14 608

Income statement – Parent Company

1 January – 31 December

SEK thousands	2019	2018
Profit/loss for the year	16 985	14 608
Other comprehensive income to be reversed through income statement	-	-
Comprehensive income after tax	16 985	14 608

PARENT COMPANY'S BALANCE SHEET

As at 31 December

thousand SEK	Note	2019	2018
ASSETS			
Lending to credit institutions	13	382 657	352 812
Bonds and other securities	14	166 241	124 461
Shares and participations in associated companies	15	100	1 596
Current tax receivables	12	32 593	22 408
Other assets	17	450 030	436 235
Prepaid expenses and accrued income	18	32 961	21 317
Total assets		1 064 582	958 830
LIABILITIES, PROVISIONS AND EQUITY			
Deposits from the public	19	635 417	589 513
Other liabilities	20	209 243	158 905
Accrued expenses and prepaid income	21	49 672	37 646
Total liabilities		894 332	784 065
Untaxed reserves	22	37 309	42 809
EQUITY	23		
Restricted equity			
Share capital (9,000 shares, quoted value SEK 1,000)		9 000	9 000
Non-restricted equity			
Profit or loss brought forward		106 956	106 348
Profit/loss for the year		16 985	14 608
Total shareholders' equity		132 941	129 956
Total liabilities, provisions and equity capital		1 064 582	958 830

SUMMARY OF PARENT COMPANY'S CHANGES IN EQUITY CAPITAL

thousand SEK	Restricted equity capital	Non-restricted equity capital	Profit/loss for the year	Total equity capital
	Share capital	Profit or loss brought forward		
Opening equity capital 01.01.2018	9 000	95 285	11 063	115 348
Previous year's profit/loss	-	11 063	-11 063	-
Profit/loss for the year	-	-	14 608	14 608
Closing equity capital 31.12.2018	9 000	106 348	14 608	129 956

thousand SEK	Restricted equity capital	Non-restricted equity capital	Profit/loss for the year	Total equity capital
	Share capital	Profit or loss brought forward		
Opening equity capital 01.01.2019	9 000	106 348	14 608	129 956
Previous year's profit/loss	-	14 608	-14 608	-
Profit/loss for the year	-	-	16 985	16 985
Transactions with owners				
Dividend, SEK 1,555.5555 per share	-	-14 000		-14 000
Closing equity capital 31.12.2019	9 000	106 956	16 984	132 941

PARENT COMPANY'S CASH FLOW STATEMENT

1st January – 31st December

SEK thousand	2019-12-31	2018-12-31
Ongoing operations		
Operating income	30 616	32 713
Adjustment for items not included in the cash flow		
Unrealised changes in the value of securities	6 934	-3 383
Unrealised gains / losses	-173	-1 280
Depreciation/Write-downs	1 496	3 000
Income tax paid	-16 716	970
Cash flow from ongoing operations before changes in working capital	22 157	32 020
Cash flow from changes in working capital		
Change in bonds, shares and participation	-48 714	-63 830
Change in other assets	-25 438	37 361
Change in other liabilities	49 763	43 916
Cash flow from ongoing operations	-2 232	49 467
Investment activities		
Acquisition of shares in subsidiaries	-	-3 515
Cash flow from investment activities	-	-3 515
Financing activities		
Deposits from the public	45 904	-53 256
Group contribution paid	-	-6 000
Dividend paid	-14 000	-
Cash flow from financing activities	31 904	-59 256
Cash flow for the year	29 672	-13 304
Cash and cash equivalents at the beginning of the year	352 812	364 836
Exchange-rate difference in cash and cash equivalents	173	1 280
Cash and cash equivalents at year-end	382 657	352 812

SEK thousand	2019-12-31	2018-12-31
The following subcomponents are included in cash and cash equivalents:		
Lending to credit institutions	382 657	352 812
Total	382 657	352 812

Interest paid and dividends received that are included in cash flow from ongoing operations

SEK thousand	2019	2018
Interest received	764	427
Interest paid	2 358	3 707

Stockholm, 11 June 2020

We hereby declare that to the best of our knowledge the annual report has been prepared in accordance with generally accepted accounting principles. The information provided is in line with the actual circumstances pertaining to the business, and nothing of substantial significance has been omitted that could affect the picture of the company created by the annual accounts.

As can be seen from the above, the board approved the annual report for publication on 11 June 2020. The company's income statement and balance sheet will be proposed for adoption at the annual general meeting on 11 June 2020.

