



Management report

The Board of Directors and CEO of Garantum Fondkommission AB hereby submit the annual report for the 2020 financial year.

Ownership

Garantum Fondkommission AB, ("Garantum") owns 100% of Garantum Invest AB, corporate registration number 556859-2447 with registered office in Stockholm. Garantum has 2 subsidiaries, as set out below, and the

- 100% of the shares in Garantum Structured Products AB, corporate registration number 556672-8365, with registered office in Stockholm.
- 88% of the shares in Garantum Finland OY, corporate registration number 2184866-8, with registered office in Helsinki

Garantum Invest AB prepares consolidated financial statements for the 2020 financial year.

General information about the business

Garantum operates a securities business including asset management, the arrangement of structured financial products, the brokering of financial products and otherwise participates in transactions in such instruments. As part of its operations, Garantum provides advice on financial matters and conducts other activities relating to the securities business, and conducts these activities in accordance with the Securities Business Act and the company's securities licence. The Swedish Financial Supervisory Authority has granted Garantum permits to conduct its business since April 2005. All permits are published on www.fi.se.

The Garantum Group pursues transnational business in Finland and Norway and has 40(41) affiliated agents.

Development of the company's activities, profit/loss and financial position

Financial information

The profit for the company as of 31 December 2020.

The operating profit amounted to SEK 19.2 (30.6) million, and the profit after tax amounted to SEK 9.5 (17.0) million.

Total revenue was SEK 202.0 (214.1) million.

Operating expenses amounted to SEK 182.8 (183.5) million during the financial year. At year end, total staff amounted to 49 (45) employees.

During the year, the company arranged 130 (167) different products, the longest issue of which had a term of 6.5 (8.0) years, and the shortest a term of 2.0 (2.0) years. The average term amounted to 4.7 (5.0) years.

Equity amounted to SEK 142.5 (133.0) million. The total capital ratio amounted to 18.33 /18.68) %.

Corporate development

The year was significantly impacted by the ongoing pandemic from several perspectives. The organisation quickly adapted and demonstrated admirable determination to handle the situation together in the best possible way. Much of the work began to be done in shifts where different teams took turns working from home and at the office. New digital solutions were implemented to enable efficient working from home. The number of business trips, particularly for customer-related activities, significantly declined, which had a positive impact on accelerating the implementation of a more digitised way of working. Face-to-face meetings were replaced by digital meetings. Customer activities were carried out in a newly set-up studio where professional, live broadcasts and recordings were done to reach customers and business partners.

During the first half of the year, the market fluctuated greatly, sometimes dramatically. Basic revenue generators such as bond markets, discretionary management, stock trading and structured products contributed to earnings, despite a turbulent market. Nevertheless, total revenue declined over the year due to somewhat weaker volumes and margins, which reduced the operating profit somewhat compared to the previous year. Despite the lower profit, we consider it a manifestation of our strength that we completed an extraordinary year in the black. The last half year showed a positive trend within all basic revenue generators, and we now see that we are beginning to reap the benefits of our long-term strategic efforts. We see an influx of customers seeking non-standardised solutions and individualised, quality-assured advice.

Investments and further development of our infrastructure and organisation continued to proceed as planned. The development of our technical platform with unique tools is accelerating, creating better prerequisites for the provision of individualised, quality-assured advice. We're starting to see how these investments create a competitive advantage where advisors working on our platform can enhance the added value for their customers compared to other solutions.

During the year, we gathered all the Group's analysis and management resources in one place at Garantum Fondkommission. Each of them possesses unique skills that when brought together represent decades of experience from the financial market. This allows us to provide even more powerful management services, products and analyses.

Our Finnish operations were relocated to our office in Stockholm over the year. Prospects of building up third-party distribution were deemed limited and which is why our remaining customers are now being handled by the Swedish organisation.

Environmental policy

The company continued to work to heighten its environmental awareness. Since the last report, decisions have been implemented for sorting of waste and office supplies, eco-friendly electricity, eco-friendly paper for printed promotional material, eco-friendly promotional pens and use of bicycle couriers, as well as official trips wherever possible using eco-friendlier alternatives such as train rather than car or plane. Further steps were taken in 2020 to significantly reduce the use of paper by, among other things, transitioning to providing product brochures in electronic format wherever possible.

Risks and uncertainties

Garantum's operations are subject to a number of different risks on a daily basis. In some segments, these are a natural part of business activities, such as market risks in the trading portfolio. Garantum's Board of Directors has executive responsibility for Garantum's risk management. According to specific instructions and within a specific framework, the Board of Directors delegates responsibility to Garantum's CEO who is charged with executive responsibility for Garantum's risk management. For day-to-day management and monitoring of risks, Garantum has entered into an independent contractor agreement with Garantum Invest AB concerning risk management and compliance. The Board is kept informed by reporting on a regular basis. See Note 3 for more details. 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 company during the financial year was 49 persons (44). The number of employees at the end of the financial year was 53 (45), 34 (27) of whom were men and 19 (18) women. See further details in Note 9.

Events after the balance sheet date

The year started out well, and we are seeing our strongest first quarter in many years. The stock market has seen an excellent trend which had a positive effect on all business flows in the areas of bonds, discretionary management, stock trading and structured products. We are increasingly seeing the results of our strategic efforts of recent years to develop our provision of services, focused on individually adapted advice. The breadth of our provisions prompts many advisers to join forces with us, and during the year, several associated agents joined our platform. In addition, other partners, who for a prolonged period of time have adapted their undertakings to the new set of regulations, have started to resume their business relations with us. We are also landing more and bigger customers who choose to place their portfolios with us. This shows that we have a powerful, competitive provision of services in all customer segments. This summer we are building for the future and preparing for a major system changeover. With this investment, we are laying the groundwork that will make our investment platform more competitive than ever.

PROPOSAL FOR PROFIT ALLOCATION

At the disposal of the Annual General Meeting is SEK

Retained earnings	123 940 810
Profit/loss for the year	9 543 804
Total	133 484 614

SEK 1000 per share is distributed to the shareholders	9 000 000
Profit carried forward to next year	124 484 614
Total	133 484 614

Board assesses that the company's activities, after the proposed dividend, will be continue to be conducted with good profitability. The liquidity in the company is also assessed to be maintained at a reassuring level. Therefore, the proposed dividend is justified in the light of what is stated in Section 3(2) of Chapter 17 of the Swedish Companies Act (precautionary rule).

See further details in Note 22.

MULTI-YEAR OVERVIEW

PROFIT/LOSS AND BALANCE SHEETS	2020	2019	2018	2017	2016
Income statement					
Total operating income	201 995	214 097	187 227	160 609	148 425
Total costs before credit losses	-182 779	-183 481	-154 514	-133 999	-122 574
Operating profit/loss	19 216	30 616	32 713	26 609	25 851
Profit/loss for the year	9 544	16 985	14 608	11 063	11 415
Balance sheet					
Lending to credit institutions	686 310	382 657	352 812	364 836	341 824
Other assets	752 204	681 925	606 018	582 726	371 013
Total assets	1 438 513	1 064 582	958 830	947 562	712 837
Deposits from the public	846 789	635 417	589 513	642 769	348 364
Other liabilities	413 808	258 915	196 551	146 636	167 378
Total liabilities	1 260 597	894 332	786 065	789 405	515 743
Untaxed reserves	35 432	37 309	42 809	42 809	42 809
Equity	142 485	132 941	129 956	115 348	154 285
Total liabilities and equity	1 438 513	1 064 582	958 830	947 562	712 837
RATIOS					
	2020	2019	2018	2017	2016
Balance sheet total, SEK 1000	1 438 513	1 064 582	958 830	947 562	712 837
Return on assets, %	0,66	1,60	1,52	1,17	1,60
Solvency, %	12	12	14	12	22
Total capital ratio, %	18,33	18,68	18,20	23,09	24,49
Capital ratio	2,29	2,33	2,27	2,89	3,06
Average number of employees	49	42	39	46	44

As regards Garantum's profit/loss and financial position in general, reference is made to subsequent income statements and balance sheets and associated notes to the accounts.

INCOME STATEMENT

1 January – 31 December

SEK thousand	Note	2020	2019
Interest income	4	1 172	764
Interest expenses	4	-1 240	-2 358
Net interest income		-68	-1 594
Commission income	5	333 747	343 599
Commission costs	6	-204 397	-194 369
Net income from financial transactions	7	19 658	25 021
Other operating income	8	53 056	41 440
Total operating income		201 995	214 097
General administrative expenses	9	-131 514	-134 049
Write-downs of shares in subsidiaries	15	-	-1 496
Other operating expenses	10	-51 265	-47 936
Total costs before credit losses		-182 779	-183 481
Operating profit/loss		19 216	30 616
Year-end appropriations	11, 21	-5 903	-7 100
Tax on profit for the year	12	-3 770	-6 531
Profit/loss for the year		9 544	16 985

Report for the total profit/loss

1 January – 31 December

SEK thousand	2020	2019
Profit/loss for the year	9 544	16 985
Other comprehensive income that will be reversed through the income statement	-	-
Comprehensive income after tax for the year	9 544	16 985

BALANCE SHEET

As per 31 December

SEK thousand	Note	2020	2019
TOTAL ASSETS			
Lending to credit institutions	13	686 310	382 657
Bonds and other securities	14	162 338	166 241
Shares and units in group companies	15	100	100
Current tax asset	12	46 188	32 593
Other assets	16	497 280	450 030
Deferred costs and accrued income	17	46 298	32 961
Total assets		1 438 513	1 064 582
LIABILITIES, PROVISIONS AND EQUITY			
Deposits from the public	18	846 789	635 417
Other liabilities	19	342 181	209 243
Accrued costs and deferred income	20	71 628	49 672
Total liabilities		1 260 597	894 332
Untaxed reserves	21	35 432	37 309
EQUITY	22		
Restricted equity			
Share capital (9,000 shares and P/B ratio SEK 1,000)		9 000	9 000
Unrestricted equity			
Retained profit or loss		123 941	106 956
Profit/loss for the year		9 544	16 985
Total equity		142 485	132 941
Total liabilities, provisions and equity		1 438 513	1 064 582

SUMMARY OF CHANGES IN EQUITY

SEK thousand	Restricted equity	Unrestricted equity	Total equity	
	Share capital	Retained profit or loss	Profit/loss for the year	
Opening equity 1 January 2019	9 000	106 348	14 608	129 956
Profit/loss for the previous year	-	14 608	-14 608	-
Profit/loss for the year	-	-	16 985	16 985
Dividend, SEK 5,555.5556 per share	-	-14 000	-	-14 000
Closing equity 31 December 2019	9 000	106 956	16 985	132 941

SEK thousand	Restricted equity	Unrestricted equity	Total equity	
	Share capital	Retained profit or loss	Profit/loss for the year	
Opening equity 1 January 2020	9 000	106 956	16 985	132 941
Profit/loss for the previous year	-	16 985	-16 985	-
Profit/loss for the year	-	-	9 544	9 544
Dividend	-	-	-	-
Closing equity 31 December 2020	9 000	123 941	9 544	142 485

CASH FLOW STATEMENT

1 January – 31 December

SEK thousand	2020-12-31	2019-12-31
Ongoing operations		
Operating income	19 216	30 616
Adjustment for items not included in the cash flow		
Unrealised changes in the value of securities	-2 220	6 934
Unrealised gains / losses	2 034	-173
Depreciation/write-downs	-	1 496
Income tax paid	-17 364	-16 716
Cash flow from ongoing operations before changes in working capital	1 666	22 157
Cash flow from changes in working capital		
Change in bonds, shares and participation	6 123	-48 714
Change in other assets	-60 587	-25 438
Change in other liabilities	147 114	49 763
Cash flow from ongoing operations	94 316	-2 232
Investment activities		
Acquisition of shares in subsidiaries	-	-
Cash flow from investment activities	-	-
Financing activities		
Deposits from the public	211 371	45 904
Dividend paid	-	-14 000
Cash flow from financing activities	211 371	31 904
Cash flow for the year	305 687	29 672
Cash and cash equivalents at the beginning of the year	382 657	352 812
Exchange-rate difference in cash and cash equivalents	-2 034	173
Cash and cash equivalents at year-end	686 310	382 657

SEK thousand	2020-12-31	2019-12-31
The following subcomponents are included in cash and cash equivalents:		
Lending to credit institutions	686 310	382 657
Total	686 310	382 657

Interest paid and dividends received that are included in cash flow from ongoing operations		
SEK thousand	2020	2019
Interest received	1 172	764
Interest paid	1 240	2 358

Stockholm, date: 18th of May 2021

To the best of our knowledge, this annual report was prepared in accordance with generally accepted accounting principles. The information provided is consistent with the actual circumstances of the business, and nothing of material importance has been omitted that could affect the depiction of the company established by the annual report.

As stated above, the Annual Report has been approved for presentation by the Board of Directors on 18th of May 2021. The Income Statement and Balance Sheet of the company will be adopted on 19th of May 2021.

