



Garantum
Annual Report
2014

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 2014.

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,
- 51% 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 of structured financial products and brokering of financial products, or other participation in transactions relating to such instruments. As part of its business activities, Garantum provides advice on financial issues and pursues other activities associated with securities trading and 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 21 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 2014.

The Group's operating profit amounted to SEK 47.3 (100.3) million, while the profit after tax amounted to SEK 35.8 (77.2) million. Total revenue amounted to SEK 224.0 (262.8) million, of which SEK 173.0 (207.8) million related to the parent company, SEK 53.8 (67.5) million related to the Swedish subsidiary and SEK 13.3 (10.4) million related to the Finnish subsidiary, including internal Group transactions.

Operating expenses amounted to SEK 176.7 (162.5) million during the financial year, of which SEK 118.8 (109.2) million related to the parent company. The company employed 52 (48) staff at the end of the year.

During the year, the Group arranged 354 (253) different products, the longest issue having a term of 7 years (6 years) and the shortest a term of 1.5 year (1 years). The average term was 5 years (4.75 years).

The parent company has unutilized 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 2014.

Equity in the Group amounts to SEK 210.6 (246.5) million. The capital coverage ratio in the parent company amounts to 19.4 (30.8) %. Profit for the year and a proposed dividend are not included in the calculation of primary and total capital.

Business development

Garantum delivered a lower profit in 2014 compared with the previous year. The deterioration was due to a fall in volumes, at the same time as market conditions including interest rates and the volatility of underlying assets changed during the year, which made it more difficult to maintain product margins. Savings in structured investments remained at an historically low level.

Garantum has chosen to continue to invest in the future and not make organizational changes to offset the reduction in volume. Garantum did well because once again the company managed to take market share.

Adjustments to changes in the regulatory framework were an important part of Garantum's changes and a lot of effort was put in to ensure that the company would comply with the requirements. Many of the investments made by Garantum in recent years began to show returns. The company continued along its chosen path of investing in business development and infrastructure. Investments focused on customers and product reporting, product development and control and monitoring. During 2014, operations expanded, including the establishment of a new office in Norway.

Environmental policy

The company's active environmental awareness has continued to develop during the year. Measures include sorting waste and office materials, environmentally friendly electricity, carbonated water on tap, environmentally friendly paper for printing 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. 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 50 (46). The Group employed 52 (48) people at the end of the financial year, of whom 34 (30) were men and 18 (18) were women. See also Note 9.

Events after the end of the balance sheet date

No other events of significance to the assessment of the financial position of the Group as at 31 December 2014 have occurred since the end of the report period.

FIVE-YEAR SUMMARY

CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET, SEK thousands	2014	2013	2012	2011	2010
Income statement					
Total operating revenue	224,014	262,804	198,755	196,669	286,964
Total expenses before credit losses	-176,720	-162,514	-149,725	-155,154	-173,125
Operating income	47,294	100,290	49,030	41,515	113,839
Tax	-11,515	-23,073	-12,946	-11,787	-30,554
Profit/loss for the year	35,779	77,217	36,084	29,728	83,285
Balance sheet					
Lending to credit institutions	402,488	356,642	207,318	251,653	247,231
Other assets	310,171	188,229	225,462	233,886	413,769
Total assets	712,659	544,871	432,780	485,539	661,000
Deposits from the public	283,845	160,586	121,832	112,597	115,644
Other liabilities	218,192	137,768	104,378	165,201	365,264
Total liabilities	502,037	298,354	226,210	277,798	480,908
Equity	206,239	243,203	203,650	204,200	177,253
Holdings without a controlling influence	4,382	3,314	2,920	3,541	2,839
Total equity and liabilities	712,659	544,871	432,780	485,539	661,000
CONSOLIDATED KEY RATIOS					
Balance sheet total, SEK thousands	712,659	544,871	432,780	485,539	661,000
Return on assets, %	5.0%	14.2%	8.3%	6.1%	12.6%
Equity ratio, %	29	45	47	42	27
Average number of employees	50	46	43	40	35.5
PARENT COMPANY INCOME STATEMENT AND BALANCE SHEET					
Income statement					
Total operating revenue	172,970	207,762	124,619	111,238	167,438
Total expenses before credit losses	-118,823	-109,249	-79,429	-79,773	-64,675
Operating income	54,147	98,513	45,190	31,465	102,763
Profit/loss for the year	31,955	57,905	25,901	17,756	76,616
Balance sheet					
Lending to credit institutions	389,755	348,323	199,213	242,262	237,038
Other assets	304,603	187,140	209,960	213,579	395,400
Total assets	694,358	535,463	409,173	455,841	632,438
Deposits from the public	283,845	160,586	121,832	112,597	115,644
Other liabilities	205,835	132,153	91,094	148,680	347,563
Total liabilities	489,680	292,739	212,926	261,277	463,207
Untaxed reserves	42,809	42,809	18,359	7,577	-
Equity	161,869	199,915	177,888	186,987	169,231
Total equity and liabilities	694,358	535,463	409,173	455,841	632,438
PARENT COMPANY'S KEY INDICATORS					
Balance sheet total, SEK thousands	694,358	535,463	409,173	455,841	632,438
Return on assets, %	4.6%	10.8%	6.3%	3.9%	12.1%
Equity ratio, %	23	37	43	41	27
Total capital coverage ratio, %	19.4%	30.8%	n/a	n/a	n/a
Capital-output ratio	2.42	3.85	3.44	3.70	3.61
Average number of employees	43	39	36.5	33	29.5

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	2014	2013
Interest income	4	4,803	7,049
Interest expenses	4	-1,975	-1,808
Net interest income		2,828	5,241
Commission income	5	313,552	351,829
Commission expenses	6	-197,161	-216,040
Net result of financial transactions	7	51,864	66,121
Other operating revenue	8	52,931	55,653
Total operating revenue		224,014	262,804
General administration expenses	9	-134,183	-121,260
Depreciation on intangible assets	16	-2,441	-2,441
Depreciation on tangible assets	17	-212	-245
Other operating expenses	10	-39,884	-38,568
Total expenses before credit losses		-176,720	-162,514
Operating income		47,294	100,290
Tax on profit for the year	11	-11,515	-23,073
Profit/loss for the year		35,779	77,217
Attributable to:			
Parent Company's shareholders		32,810	75,354
Holdings without a controlling influence		2,969	1,863

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 January – 31 December

SEK thousands	2014	2013
Income for the period accounted over the income statement	35,779	77,217
Other comprehensive income to be reversed via the income statement	446	149
Total comprehensive income for the year	36,225	77,366
Attributable to:		
Parent Company's shareholders	33,037	75,430
Holdings without a controlling influence	3,188	1,936

BALANCE SHEET – GROUP

As at 31 December

SEK thousands	Note	2014	2013
ASSETS			
Lending to credit institutions	12	402,488	356,642
Bonds and other securities	14	143,738	76,386
Intangible assets	16	139	2,580
Tangible assets	17	219	433
Current tax receivables	11	1,992	2,066
Other assets	18	147,587	94,583
Prepaid expenses and accrued income	19	16,496	12,181
Total assets		712,659	544,871
LIABILITIES, PROVISIONS AND EQUITY			
Deposits from the public	20	283,845	160,586
Current tax liability	11	8,493	6,869
Deferred tax liability	11	9,418	9,418
Other liabilities	21	154,359	84,024
Accrued expenses and prepaid income	22	45,922	37,457
Total liabilities		502,037	298,354
EQUITY			
	24		
Restricted equity			
Share capital (9,000 shares, quoted value SEK 1,000)		9,000	9,000
Non-restricted equity			
Translation reserve		-288	-515
Earnings including profit for the year		197,527	234,718
Total equity attributable to Parent Company's shareholders		206,239	243,203
Holdings without a controlling influence		4,382	3,314
Total shareholders' equity		210,622	246,517
Total liabilities, provisions and equity		712,659	544,871
Assets pledged and contingent liabilities	30		

SUMMARY OF GROUP CHANGES IN EQUITY

SEK thousands	Restricted equity	Non-restricted equity	Earnings	Equity pertaining to the Parent Company's shareholders	Holdings without a controlling influence	Total shareholders' equity
	Share capital	Translation of accounts of foreign subsidiaries				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
Other comprehensive income						
Translation difference		76		76	73	149
Dividend, SEK 3,889 per share			-35,000	-35,000	-1,543	-36,543
Closing equity, 31/12/2013	9,000	-515	234,718	243,203	3,314	246,517

SEK thousands	Restricted equity	Non-restricted equity	Earnings	Equity pertaining to the Parent Company's shareholders	Holdings without a controlling influence	Total equity
	Share capital	Translation of accounts of foreign subsidiaries				Total equity
Opening equity, 01/01/2014	9,000	-515	234,718	243,203	3,314	246,517
Profit/loss for the year			32,809	32,809	2,969	35,779
Other comprehensive income						
Translation difference		227		227	219	446
Dividend, SEK 7,778 per share			-70,000	-70,000	-2,119	-72,119
Closing equity, 31/12/2014	9,000	-288	197,527	206,239	4,382	210,622

GROUP CASH FLOW STATEMENTS

1 January – 31 December

SEK thousands	31/12/2014	31/12/2013
Operating activities		
Operating profit (+)	47,294	100,290
Adjustment for items not included in cash flow		
Unrealised changes in value of securities (+/-)	1,356	3,684
Unrealised profits/losses	-217	-359
Depreciation (+)	2,653	2,686
Income tax paid	-9,817	22,013
Cash flow from operating activities before changes in working capital	41,269	128,314
Cash flow from changes in working capital		
Decrease (+)/Increase (-) of bonds plus shares and participations	-68,708	10,092
Decrease (+)/Increase (-) of other assets	-57,318	-12,274
Decrease (-)/Increase (+) of liabilities to credit institutions	-	-
Decrease (-)/Increase (+) of deposits and borrowing from the general public	123,259	38,754
Decrease (-)/Increase (+) of other liabilities	78,798	20,552
Cash flow from current operations	117,300	185,438
Investment activities		
Investments in intangible assets (-)	-	-
Investments in tangible assets (-)	2	-79
Cash flow from investment activities	2	-79
Financing activities		
Dividends paid (-)	-72,119	-36,543
Cash flow from financing activities	-72,119	-36,543
Cash flow for the year	45,183	148,816
Cash and cash equivalents at start of year	356,642	207,318
Exchange rate differences in cash and cash equivalents	663	508
Cash and cash equivalents at end of year	402,488	356,642
SEK thousands	31/12/2014	31/12/2013
The following subcomponents are included in liquid funds:		
Lending to credit institutions	402,488	356,642
Total	402,488	356,642
Interest paid and dividends received which are included in cash flow from current operations		
SEK thousands	2014	2013
Interest earned	4,803	7,049
Interest paid	1,975	1,808
	1,808	1,848

PARENT COMPANY INCOME STATEMENT
1 January – 31 December

SEK thousands	Note	2014	2013
Interest income	4	4,755	6,988
Interest expenses	4	-1,967	-1,795
Net interest income		2,788	5,193
Commission income	5	313,552	351,829
Commission expenses	6	-207,934	-224,683
Dividends received	25	2,205	1,916
Net result of financial transactions	7	51,866	66,205
Other operating revenue	8	10,493	7,302
Total operating revenue		172,970	207,762
General administration expenses	9	-115,074	-106,863
Depreciation on intangible assets	16	-	-
Depreciation on tangible assets	17	-101	-125
Other operating expenses	10	-3,648	-2,261
Total expenses before credit losses		-118,823	-109,249
Operating income		54,147	98,513
Provisions for untaxed reserves	23	-	-24,450
Group contributions paid	25	-13,000	-
Tax on profit for the year	11	-9,192	-16,158
Profit/loss for the year		31,955	57,905

Income statement – Parent Company
1 January – 31 December

SEK thousands	2014	2013
Income for the period accounted over the income statement	31,955	57,905
Other comprehensive income to be reversed via the income statement	-	-
Total comprehensive income for the year	31,955	57,905

PARENT COMPANY'S BALANCE SHEET
As at 31 December

SEK thousands	Note	2014	2013
ASSETS			
Lending to credit institutions	12	389,755	348,323
Bonds and other securities	14	143,738	76,386
Shares and participations in associated companies	15	584	584
Tangible assets	17	50	151
Other assets	18	145,788	101,520
Prepaid expenses and accrued income	19	14,443	8,499
Total assets		694,358	535,463
LIABILITIES, PROVISIONS AND EQUITY			
Deposits from the public	20	283,845	160,586
Current tax liability	11	8,493	6,869
Other liabilities	21	157,251	93,895
Accrued expenses and prepaid income	22	40,091	31,389
Total liabilities		489,680	292,739
Untaxed reserves	23	42,809	42,809
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		120,914	133,010
Profit/loss for the year		31,955	57,905
Total shareholders' equity		161,869	199,915
Total liabilities, provisions and equity		694,358	535,463
Assets pledged and contingent liabilities	30		

SUMMARY OF PARENT COMPANY'S CHANGES IN EQUITY

SEK thousands	Restricted equity	Non-restricted equity	Total equity	
	Share capital	Profit/loss brought forward	Profit/loss for the year	
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
Dividend, SEK 3,889 per share	-	-35,000		-35,000
Closing equity, 31/12/2013	9,000	133,011	57,905	199,915

SEK thousands	Restricted equity	Non-restricted equity	Total equity	
	Share capital	Profit/loss carried forward	Profit/loss for the year	
Opening equity, 01/01/2014	9,000	133,011	57,905	199,915
Profit/loss for the year	-	-	31,955	31,955
Total income and expenses, excl. transactions with the company's owners	-	-	31,955	31,955
Previous year's profit/loss	-	57,905	-57,905	0
Dividend, SEK 7,778 per share	-	-70,000		-70,000
Closing equity, 31/12/2014	9,000	120,914	31,955	161,869

PARENT COMPANY CASH FLOW STATEMENTS

1 January – 31 December

SEK thousands	31/12/2014	31/12/2013
Operating activities		
Operating profit (+)	54,147	98,513
Adjustment for items not included in cash flow		
Unrealised changes in value of securities (+/-)	1,356	3,684
Unrealised profits/losses	-426	-442
Depreciation (+)	101	125
Income tax paid	-7,568	24,989
Cash flow from operating activities before changes in working capital	47,610	126,869
Cash flow from changes in working capital		
Decrease (+)/Increase (-) of bonds plus shares and participations	-68,708	10,092
Decrease (+)/increase (-) of other assets	-50,212	-25,547
Decrease (-)/Increase (+) of deposits and borrowing from the general public	123,259	38,754
Decrease (-)/Increase (+) of other liabilities	72,057	33,312
Cash flow from current operations	124,006	183,480
Investment activities		
Sale of shares in subsidiaries, assets	-	267
Investments in tangible assets (-)	-	-79
Cash flow from investment activities	-	188
Financing activities		
Paid Group contributions (-)	-13,000	-
Dividends paid (-)	-70,000	-35,000
Cash flow from financing activities	-83,000	-35,000
Cash flow for the year	41,006	148,668
Cash and cash equivalents at start of year	348,323	199,213
Exchange rate differences in cash and cash equivalents	426	442
Cash and cash equivalents at end of year	389,755	348,323
SEK thousands	31/12/2014	31/12/2013
The following subcomponents are included in liquid funds:		
Lending to credit institutions	389,755	348,323
Total	389,755	348,323
Interest paid and dividends received which are included in cash flow from current operations		
SEK thousands	2014	2013
Interest earned	4,755	6,988
Interest paid	1,967	1,795

