

Garantum Annual Report 2023



Management report

The Board of Directors and the CEO of Garantum Fondkommission AB hereby submit the annual report for the 2023 financial year.

Ownership

Garantum Fondkommission AB, ("Garantum") is fully owned by Garantum Invest AB, corporate registration number 556859-2447 with registered office in Stockholm. Garantum has 1 subsidiaries, as set out below, and the ownership amounts to:

- 100% of the shares in Garantum Strukturerade Produkter AB, corporate registration number 556672-8365, with registered office in Stockholm.

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 has 49 (49) affiliated agents and pursues transnational business in Norway.

Development of the company's business, performance and position

Financial information

The profit for the company as of 31 December 2023.

The operating profit amounted to SEK 90.7 (59.1) million, and the profit after tax amounted to SEK 56,6 (34.5) million. Total revenue was SEK 264.1 (217.2) million.

Operating expenses amounted to SEK 173.4 (158.1) million during the financial year. At year end, total staff amounted to 54 (53) employees.

During the year, the company arranged 191 (178) different products where the longest issue had a maturity of 6.0 (8.0) years and the shortest had a maturity of 2.0 (2.0) years. The average maturity amounted to 4.94 (4.87) years.

Equity amounted to SEK 201.1 (174.5) million. The total capital ratio amounted to 20.65 (20.66) %.

Corporate development

The past year has been characterised by the implementation of several important strategic initiatives and technological developments, aimed at meeting the needs of our clients and advisors. Rising interest rates and increasing inflation led many to seek opportunities to protect their capital through different types of alternative yield profiles, resulting in heightened interest in the Group's various savings and management products, particularly capital-protected investments. Despite challenges and an ever-changing environment, we have strengthened our position as a leading provider of tailored investment solutions and personalized wealth advisory services.

Garantum was once again recognised by the European industry organisation Structured Retail Products (SRP) for its work with structured products in 2023. The awards are a result of both volume and the returns that benefit our customers.

In the spring of 2023, the Swedish Financial Supervisory Authority began an investigation of the company, which lasted until the summer.

Positive flows across all business areas contributed to strong financial performance for the full year.

Strong growth in Wealth Management and Private Banking

Our strategic work with the management offering, by placing personalised advice at the centre, is showing results, and during the year we consolidated our internal advisory units under a new common brand: Garantum Wealth Management. The number of advisors, both internal and affiliated agents, grew to approximately 140, located in over 30 cities in Sweden and Norway.

Growth continued within the Private Banking segment, highlighting a strong and competitive offering. In the spring and autumn, the Garantum Private Banking Conference was held again to full houses in Gothenburg and Stockholm. Alongside the brand launch of Garantum Wealth Management, ten major customer events were held across the country under the name Garantum Wealth Management Investor Forum. The events were well-attended and appreciated, marking the start of a new chapter for the Group where the customer offering has been further enhanced.

During the year, majority stakes in two advisory companies, Fond & Försäkring in Ängelholm and Svenska FinansMäklarna in Uppsala, were acquired. These acquisitions align well with the Garantum group's vision of being the foremost provider of personalised wealth advisory services. The continued ownership by the previous owners ensures continuity and ongoing commitment. These acquisitions mark an investment in these regions and a clear growth strategy within wealth advisory services and Private Banking.

Overall, the focus on wealth advisory services reflects our ambition to provide customers with access to unique, personalised solutions, all under one roof, with a local advisor close to the clients. All our advisors are also part of something larger: Garantum's comprehensive investment and management offering, combined with the Group's collective knowledge and expertise. With this backing, the advisor can build tailored investment portfolios of high quality based on the customer's life situation, risk appetite and investment goals.

Award-winning structured products

Demand for alternative yield profiles through our award-winning structured products remained high. Rising interest rates particularly favoured the conditions for capital-protected investments, and we saw increased interest among investors. At the 21st SRP Europe Awards, Garantum won the awards for “Best Performance Sweden 2023” and “Best Distributor Sweden 2023”. Additionally, Garantum was the only Swedish entity nominated for the best distributor of capital-protected investments in Europe. These awards are based on the value of sold products and their returns upon maturity, which ultimately is the most important factor: creating added value and returns for our customers. Garantum has won "Best Distributor" for nine consecutive years, demonstrating our leadership in this investment area. We continue to work tirelessly to ensure that more investors can access tailored investment solutions through qualified and personalised advice locally close to our customers.

Garantum is one of the largest arrangers of structured products in the Nordics and has arranged over 5,000 placements since 2005. Historical return figures show an average annual return of 7.8 percent (excluding commission) for all placements completed up to and including 2023, which is in line with the Stockholm Stock Exchange. Returns are often linked to the performance of an underlying asset such as shares, funds, credits, commodities, or currencies. The products offer a wide range of orientations and risk levels. The differences in performance between product types are significant, but most investments have some form of risk protection. As with other asset classes, it is important to diversify risk and build portfolios with various investments and adapt risk according to personal preferences and conditions, which aligns with how our advisors work. Significant investments have been made in the customer and advisor web portals to increase clarity and transparency in customers' portfolios.

Interest in structured products is growing in Europe. In 2023, the growth rate was 34 percent, with a total volume of 180 billion USD. Structured products are more common in investment portfolios in other European countries and the USA. As more investors recognise the advantages structured products bring to a portfolio, we hope to see increased interest in Sweden as well, particularly in capital-protected investments with the conditions we can offer today due to the higher interest rate environment and the benefits they contribute to a diversified portfolio.

Transparency and quality development in focus for the customer and advisor web

We continue to invest in and develop our infrastructure and organisation. Our technical platform is rapidly evolving with unique tools that enable high-quality and personalised advice. We see these investments providing us with a competitive advantage, allowing our advisors to offer added value to their customers with the tools we provide.

Our operations are based on clarity and transparency. This permeates the processes of product arrangement, training, marketing, packaging, information and follow-up of customers as well as the advisory process. The starting point is that a client should make informed investment decisions both at the time of investment and in ongoing management.

Quality development is based on several sources such as legislation, control functions, observations in ongoing operations, customer needs, and efficiency and rationalisation efforts. The interaction between advisory support, customer and advisor web, and other information is central to ensuring customer understanding and quality in the advice given. Garantum has worked for nearly 20 years to gradually develop these components alongside the development of review processes and systems for reviewing given advice and ensuring the quality of advisors.

With the system change initiated in 2021, we now have a better and more flexible technical architecture. This also creates conditions for continued development work. A focus area has been to integrate the information in the customer and advisor web with the information in advisory support. In this regard, balancing the information on the appropriate platform has been important to ensure that clients receive necessary information in a clear and accurate manner. Several development points have been implemented to increase customer benefit and understanding. With our technical foundation in place, we continue to work towards becoming the leading fintech platform for personalised advice on the market.

High customer satisfaction – more than 9 out of 10 have great trust in their financial advisor

In the autumn of 2023, a survey was conducted among customers of Garantum's local advisors and agents across the country. The response rate was very high, with 1,571 respondents, indicating high engagement and providing a good statistical basis. Some results show that

- 93% believe the advisor has knowledge and competence in financial investments and savings products.
- 92% perceive the advisor as professional.
- 90% find the advisor attentive to individual needs, conditions, and economic situation.
- 85% receive feedback from the advisor within 24 hours.

The survey highlights what customers appreciate about their advisor. Primarily, it is about the advisor providing important knowledge about the financial market and financial products. It is considered valuable to have a professional person to discuss these matters with, and the assessment of the advisor's competence is very high. Responses also show that clients appreciate receiving explanations about risks and other characteristics associated with different investments. Making rational and well-informed investment decisions is something many seek assistance with. Listening to our advisors, we understand that their services have been particularly appreciated when external conditions have been challenging.

On the softer side, it is about service, attentiveness, and understanding of the client's individual situation and goals. This is something highly valued by clients and central to our philosophy. We believe the best financial investments are those based on the individual's unique situation. The advisor's role is to frame this and then add their market knowledge and the investments that best match this in the current situation. Overall, we are very pleased with the survey results and see them as a confirmation that our strategy of offering personalised and individual advice is the right one. There are no standard people, so we do not believe in standard solutions; we treat everyone individually.

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. Board of Directors has a special instruction, and have within certain frameworks delegated the responsibility to Garantum's CEO, who is ultimately responsible for Garantum's risk management. For the daily risk management and checks, Garantum has entered into an outsourcing 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 53 (53). The number of employees at the end of the financial year was 54 (51), of whom 36 (30) were men and 18 (21) were women. See further details in Note 9.

Events after the balance sheet date

In April 2024, the Financial Supervisory Authority returned with its review letter, and our responses were submitted at the beginning of May 2024.

We still see satisfactory flows across all business areas, and the financial result is very strong at the start of 2024. Demand for our tailored investment solutions has increased at the beginning of the year, with continuing growth in interest for capital-protected investments.

Growth within Garantum Wealth Management continues. New offices have been opened in Enköping, Härnösand and Sundsvall, with new local advisors in place. Discussions regarding acquisitions and new hires are also ongoing, which makes us confident in the growth rate within the organization and the influx of new clients.

PROPOSAL FOR PROFIT ALLOCATION

At the disposal of the Annual General Meeting is SEK

Retained earnings	135 493 294
Profit/loss for the year	56 631 117
Total	192 124 410

SEK 6111.11 per share is distributed to the shareholders	55,000,000
Profit carried forward to next year	137 124 410
Total	192 124 410

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, and the company is expected to continue to fulfil the regulatory capital adequacy requirements for the operations. The proposed dividend can therefore be justified in light of the statements made in Section 3(2) of Chapter 17 of the Swedish Companies Act (precautionary rule). See further details in Note 21.

MULTI-YEAR OVERVIEW

PROFIT/LOSS AND BALANCE SHEETS	2023	2022	2021	2020	2019
Income statement					
Total operating income	264 131	217 232	241 937	157 728	214 097
Total costs before credit losses	-173 430	-158 134	-177 627	-138 512	-183 481
Operating profit/loss	90 701	59 098	64 310	19 216	30 616
Profit/loss for the year	56 631	34 501	36 508	9 544	16 985
Balance sheet					
Lending to credit institutions	470 670	465 181	790 064	686 310	382 657
Other assets	744 927	972 860	974 561	752 204	681 925
Total assets	1 215 597	1 438 042	1 764 625	1 438 513	1 064 582
Deposits from the public	720 775	965 292	857 296	846 789	635 417
Other liabilities	246 148	250 606	695 786	413 808	258 915
Total liabilities	966 923	1 215 898	1 553 082	1 260 597	894 332
Untaxed reserves	47 550	47 650	41 550	35 432	37 309
Equity	201 124	174 494	169 993	142 485	132 941
Total liabilities and equity	1 215 597	1 438 042	1 764 625	1 438 513	1 064 582
RATIOS					
Balance sheet total, SEK 1000	1 215 597	1 438 042	1 764 625	1 438 513	1 064 582
Return on assets, %	4,66	2,40	2,07	0,66	1,60
Solvency, %	20	15	12	12	12
Total capital ratio, %	20,65	20,66	16,72	18,33	18,68
Capital ratio	2,58	2,58	2,09	2,29	2,33
Average number of employees	53	53	54	49	42

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

INCOME STATEMENT

1 January – 31 December

SEK thousands	Note	2023	2022
Interest income	4	37 285	7 995
Garantum Fondkommission AB, ("Garantum") is fully owned by Garanti	4	-2	-1 125
Net interest income		37 283	6 870
Commission income	5	491 030	513 172
Commission costs	6	-300 246	-306 502
Net income from financial transactions	7	33 213	1 523
Other operating income	8	2 851	2 170
Total operating income		264 131	217 232
General administrative expenses	9	-173 430	-158 134
Write-downs of shares in subsidiaries	14	-	-
Total costs		-173 430	-158 134
Operating profit/loss		90 701	59 098
Year-end appropriations	10, 20	-17 450	-14 030
Tax on profit for the year	11	-16 620	-10 568
Profit/loss for the year		56 631	34 501

Report for the total profit/loss

1 January – 31 December

SEK thousand	2023	2022
Profit/loss for the year	56 631	34 501
Other comprehensive income to be reversed via the income statement	-	-
Comprehensive income after tax	56 631	34 501

BALANCE SHEET

As per 31 December

SEK thousands	Note	2023	2022
ASSETS			
Garantum Fondkommission AB, ("Garantum") is fully owned by Garanti	12	470 670	465 181
Bonds and other securities	13	467 114	334 008
Shares and units in group companies	14	100	100
Current tax asset	11	43	6 095
Other assets	15	242 430	602 806
Deferred costs and accrued income	16	35 241	29 851
Total assets		1 215 597	1 438 042
LIABILITIES, PROVISIONS AND EQUITY			
Deposits from the public	17	720 775	965 292
Other liabilities	18	172 114	178 975
Accrued costs and deferred income	19	74 034	71 631
Total liabilities		966 923	1 215 898
Untaxed reserves	20	47 550	47 650
EQUITY	21		
Restricted equity			
Share capital (9,000 shares and P/B ratio SEK 1,000)		9 000	9 000
Unrestricted equity			
Retained profit or loss		135 493	130 993
Profit/loss for the year		56 631	34 501
Total equity		201 124	174 494
Total liabilities, provisions and equity		1 215 597	1 438 042

SUMMARY OF CHANGES IN EQUITY

SEK thousand	Restricted equity	Non-restricted equity	Total equity	
	Share capital	Profit or loss brought forward	Profit for the year	
Opening equity, 1 January 2022	9 000	124 485	36 508	169 993
Profit/loss for the previous year	-	36 508	-36 508	-
Profit for the year	-	-	34 501	34 501
Dividend	-	-30 000	-	-30 000
Closing equity, 31 December 2022	9 000	130 993	34 501	174 494

SEK thousand	Restricted equity	Non-restricted equity	Total equity	
	Share capital	Profit or loss brought forward	Profit for the year	
Opening equity, 1 January 2023	9 000	130 993	34 501	174 494
Profit/loss for the previous year	-	34 501	-34 501	-
Profit for the year	-	-	56 631	56 631
Dividend	-	-30 000	-	-30 000
Closing equity, 31 December 2023	9 000	135 494	56 631	201 125

CASH FLOW STATEMENT

1 January – 31 December

SEK thousand	2023-12-31	2022-12-31
Ongoing operations		
Garantum Fondkommission AB, ("Garantum") is fully owned by Garantum Invest AB,	90 701	59 098
Adjustment for items not included in the cash flow		
Unrealised changes in the value of securities	11 123	-7 167
Unrealised gains/losses	1 201	-1 309
Income tax paid	-10 568	-17 508
Cash flow from ongoing operations before changes in working capital	92 457	33 114
Cash flow from changes in working capital		
Change in bonds, shares and participation	-144 228	-56 984
Change in other assets	354 986	72 792
Change in other liabilities	-22 008	-453 110
Cash flow from ongoing operations	281 207	-404 188
Investment activities		
Cash flow from investment activities	-	-
Financing activities		
Deposits from the public	-244 517	107 996
Dividend paid	-30 000	-30 000
Cash flow from financing activities	-274 517	77 996
Cash flow for the year	6 690	-326 192
Cash and cash equivalents at the beginning of the year	465 181	790 064
Exchange-rate difference in cash and cash equivalents	-1 201	1 309
Cash and cash equivalents at year-end	470 670	465 181
SEK thousand	2023-12-31	2022-12-31
The following subcomponents are included in cash and cash equivalents:		
Lending to credit institutions	470 670	465 181
Total	470 670	465 181
Interest paid and dividends received that are included in cash flow from ongoing operations		
SEK thousand	2023	2022
Interest received	37 285	7 995
Interest paid	2	1 125

Stockholm May 21, 2024

To the best of our knowledge, this annual report was prepared in accordance with generally accepted accounting principles. The provided information corresponds to the actual conditions of the operations and nothing of material significance which could impact the image of the company created by this annual report has been omitted.

The annual report, as shown above, was approved for publication by the Board on May 21, 2024. The company's income statement and balance sheet will be put forward for adoption at the Annual General Meeting on May 22, 2024.

Our audit report was submitted on May 22, 2024.

Öhrlings PricewaterhouseCoopers AB

