Annual Report

marginalen group

Annual Report 2010

This is a translation of the Swedish annual report. in the event of any differences between the Swedish and English versions, the Swedish version shall take precedence.

About Marginalen and the Year in review

About Marginalen

Marginalen Bank is a new bank on the Swedish market offering uncomplicated and clearly defined banking services to both individuals and companies

The bank, which is part of Marginalen Group, was founded in August 2010 as a result of the merger of Finans AB Marginalen and Bank2 as well as the acquisition of parts of Citi banks Swedish Consumer bank.

Marginalen Bank offers, amongst other things, lending, credit and bank cards and various financing solutions for individuals, companies, authorities and organisations. Our savings accounts have some of the market's best interest rates with a salary account offering an interest rate of 1.7 % at the end of 2010. As a bank we are more interested in prospects than past history because we know that trust is not built on interest rates, rather through listening, understanding needs and helping to realise dreams, big or small.

The Group also includes Marginalen Core, which offers companies, authorities and organisations a broad spectrum of services within Law, Debt Recovery, Financial Administration and HR. Our mission is to make more time and competence available to our customers so that they can focus on their core business.

We know from experience that having breadth in our business is an advantage. Often, the economic, legal and financial aspects of a business impact each other. Having a broad knowledge base allows us to understand the entire picture and, therefore, be a better partner.

Marginalen was originally founded in 1979 and has approximately 300 employees in Stockholm, Borås, Gävle, Kalix, Hudiksvall, Härnösand, Åre and Söderhamn, as well as in the Netherlands, Latvia and Lithuania. For more information about us visit www.marginalen.se

Vision

To contribute to a better world by creating an economic advantage for people who require banking services, and to serve as a partner who not only looks at figures, but equally, at ideas and the future.

Mission statement

Marginalen Bank creates time and opportunity for individuals and companies to develop by simplifying their day-to-day finances. We do this through listening to our customers and offering uncomplicated and competitive products and services.

Year in review

20 April
Finans AB Marginalen enters into an agreement to acquire parts of Citibank's Swedish consumer bank. The agreement includes loans and card products distributed amongst 130,000 customers at a value of SEK 6.2 billion. Employees at Citibank are invited to work at Marginalen bank.

21 June
Finans AB Marginalen is awarded a banking licence.

31 August
Bank2 merges with Finans AB Marginalen, and Marginalen Bank Bankaktiebolag is formed.

31 August
Marginalen Core is established as a single brand for our services for companies working with HR, Debt Recovery, Legal Services and Financial Administration.

November
Marginalen Bank's new credit card is approved by Visa and Mastercard. New cards are sent out to existing customers at Citibank.

8 November
Marginalen Bank's advertising campaign begins on TV, radio and in newspapers.

23 November
Citibank's acquisition is completed as the last of the loans are acquired, and 91 percent of employees choose to begin employment at Marginalen Bank.

Comments from the CEO

Comments from the CEO

2010 will be remembered as an eventful year for Marginalen with the acquisition of Citibank's Swedish consumer bank at its centre.

I say eventful, but that expression actually sounds too passive. Everything that happened during 2010 is a result of a conscious strategy and hard work. Without the effort of dedicated employees our establishment on the banking market would not have been possible.

The reasons why we choose to continue with our banking operations is that we see it as a natural development to add on to the business services we already offer, and that we further want to develop our bank towards private customers. Another important part is to create a bank that can bring something new to the market and the customers. This 'new' originates from a human approach based on responsiveness, humility and problem solving as a complement to more traditional assessment parameters. Our products and services should be simple and transparent, and we choose to promote the products and services which we assess the customers really need, in other words, no unnecessary products and conditions. All of this creates quality and simplicity for the customer. So what happened during 2010?

Marginalen acquires Citibank…

In April 2010, Marginalen Group enters into an agreement to acquire parts of Citibank's Swedish consumer bank. The agreement includes card and loan products to a value of SEK 6.2 billion divided between 130,000 customers. In June, Finans AB Marginalen is granted banking permission and in August Bank 2 is merged with Finans AB Marginalen and Marginalen Bank is formed. The most valuable asset in this deal are the approximately 100 employees (formerly of Citibank) who choose to start working for Marginalen Bank after the acquisition. Their competence and experience are crucial for our success.

…and creates a winning corporate culture

During the year we have worked on creating a winning corporate culture consisting of best practice from Marginalen and Citibank. We combine entrepreneurship and local knowledge with structural capital and process-thinking. This can be seen as a union of two extremes, between the local entrepreneurial companies and the global company that rests on verified structures and processes. But it is precisely this that

is the success factor, because it is my conviction that dynamism and creativity is produced in an environment where people have different backgrounds and approaches. Sweden is not homogenous and so we shouldn't be either.

The process of creating a strong culture is carried out within the framework of a cultural project that begun in the spring of 2010. All of our employees have been engaged in and taken part of, among other things, questionnaires, interviews and workshops. The result of this formed the basis of our new common values on which we will sustain and build our culture. The values that have been developed through the projects are professional, goal-oriented and modern.

New brands and new commercial enterprise

Parallel with the cultural project, we have also worked consciously with the public image of our bank – our brand. It is meant to distinguish us from our competitors and build relationships with the outside world. We have developed new logos and graphic profiles for Marginalen Bank and Core. Under the new brand, Marginalen Core, we have gathered all of the business services we offer outside of our banking services. The width – HR, Law, Economic Administration and Debt Collection, as well as Bank - gives us greater knowledge of our customers' operations and needs, which makes us a better business partner. It is also, of course, better for the customers to create a greater engagement with one supplier.

With the brand in place, the exciting work of brand building has begun. During November 2010, our advertising campaign on TV, radio and in print started. The purpose is to increase knowledge and create positive attitudes

towards us. We have chosen art as a communication concept – a format that we alone use. Our advertisements are drawn and hand-animated and take the form of short episodes from people's lives. We want to show that we understand people and that we can help them make their dreams come true, big or small.

Profit and sales are increasing

Despite all the internal work that often follows big integration projects, profit, as well as sales and pretty much all business areas, grew during the year. During 2010, sales amounted to over SEK 648 million and showed a profit after financial items of SEK 175 million. Considerable effort has gone into issuing our three new credit cards (formerly Citicard) Marginalen Classic, Marginalen Gold and Classic, Marginalen Traveller. Our cards allow us to cover a broad group of customers and, in order to make them more competitive and attractive, we've included a number of different insurance services.

Our social commitment is growing

Of course, it's very pleasing to see that both profit and turnover are increasing, but it's also important that we use a portion of these funds to give something back to society. To this end, we have, for many years now, been working on our social responsibility in the form of a number of different CSR (Corporate Social Responsibility) projects. One example of this is the Swedish Bankers' Association, to which we became affiliated during the year. The Association is a federation of companies in the financial sector that works against child abuse.

In order to improve our local environment we have also become members of Stockholm's climate pact, which consists of companies in Stockholm who work to improve the environment. In Kenya, we have continued our support to Jamii Bora. What is unique about Jamii Bora is that it is both an African bank and also a social project giving microloans to poor women and providing them with help in organising their lives with work and family. Furthermore, we are continuing our support of WWF. The next step in our social work is to integrate social responsibility in the product portfolio in a clearer way.

The future

We have an exciting period ahead of us. We have strong growth targets in all of our business areas. And now we are going to establish ourselves as one of the leading niche banks on the market, with a carefully determined selection of uncomplicated and competitive products and services. We will also continue working on developing an overall concept where banking services and other services such as Law, HR, Economic Administration and Debt Collection are sold as a comprehensive solution to, primarily, business customers. A condition for succeeding is that we continue working with creating a customer-focused and winning business culture and organisation.

Ewa Glennow
CEO

Directors' report

Directors' report

The Group experienced significant growth. Income rose 79 percent to SEK 648 million (363). Operating profit after credit losses was improved and amounted to SEK 175.1 million (166.3). On 21 June 2010, Marginalen Bank was granted its banking licence. The Marginalen Group acquired the Swedish consumer banking division of Citibank and is set to continue the development of a new bank on the Swedish market.

The acquisition of Citibank's Swedish consumer banking division by the Marginalen Group had a positive impact on pre-tax results of SEK 434 million. This was due to negative goodwill that occurred at the time of the acquisition, which was immediately taken up as revenue. The Citibank acquisition extends our customer base by approximately 130,000 and increases the number of employees by 92.

The Group's portfolio of acquired maturing credits was written down during the year by SEK 225 million. This was due to a change in the valuation method applied in respect of maturing credits.

THE GROUP

The Parent Company of the Marginalen Group (Marginalen) is Marginalen AB, the group comprises the subsidiaries Marginalen Bank Bankaktiebolag and Kredit AB Marginalen, which are subject to supervision by the Swedish Financial Supervisory Authority. Similarly, debt collection operations in the Group are supervised by the Swedish Data Inspection Board. Marginalen has operations in Sweden, the Baltic States and the Netherlands. A list of companies in the Group can be found in Note 47.

OPERATIONAL FOCUS

The Marginalen Group creates time and opportunities for individuals and companies to develop by simplifying their day-to-day finances. We do this by listening to our customers and offering uncomplicated and competitive products and services.

We provide services within our three key areas - Consumer Banking, Corporate Banking and Marginalen Core. We are constantly working to develop our business.

Our Consumer Banking division currently offers three products - Låna [Loans], Spara [Savings] and Kort [Cards] (credit and bank). Corporate Banking helps companies releasing operating capital using factoring and leasing, and also offers business accounts with competitive rates of interest. Marginalen Core offers a wide range of services within the spheres of Accounting, Law, HR, Invoice Administration, Payroll, Debt Collection, etc.

OPERATIONS DURING 2010

An important milestone was reached when Finans AB Marginalen was awarded a banking licence by the Swedish Financial Supervisory Authority on 21 June 2010. In order to create a strong banking organisation and to achieve synergies within systems, technology and marketing, Bank2 was merged into Marginalen Bank, which was formed on 31 August.

The acquisition of Citibank's Swedish consumer bank includes credit cards and unsecured loans to a nominal value of SEK 6.2 billion, distributed across 130,000 customers. As part of the deal, about 100 Citibank employees were offered employment at Marginalen Bank. The deal should be viewed in light of the Marginalen Group's focus on banking operations in Sweden, which began in earnest in June 2008 following the acquisition of Bank2. The acquisition served to strengthen Marginalen Bank's position, particularly in respect of private customers on the Swedish market.

Revenue in the Marginalen Group increased during the year by approximately SEK 285 billion, or 79 percent. This substantial increase comes from the underlying business and is also a positive effect from the acquisition of Citibank's Swedish consumer banking division. Net interest income increased by SEK 89.6 million, equivalent to 152 percent, with the Citibank element responsible for the majority of this increase.

Other operating income was affected positively by valuation effects in respect of credit stocks. Part of Marginalen's business is to create added value by actively working with credit stocks and, by doing so, generating revenue and results.

Growth in the business has generated increased deposit and lending volumes. As of 31 December 2010, lending amounted to SEK 6.227 billion (5.136), whilst deposits from the general public amounted to SEK 7.998 billion (4.764).

Marginalen continued the process of integrating and refining existing systems within its banking operations during 2010, the primary focus being on streamlining business flows in our systems where we have migrated customer data from Citibank's systems to those of Marginalen Bank.

During the financial year, Marginalen Bank signed a service level agreement with Swedish Consumer Credits No. 1 Limited, a Jersey-based company formed for the purposes of securitising loan receivable acquisitions. The agreement will see Marginalen manage the company's credit portfolio and provide associated reporting.

PERSONNEL

A substantial challenge during the year has been the creation of a foundation for Marginalen Bank. In order to harmonise and distil two separate corporate cultures into a single entity, a culture project was rolled out during the spring. The objective of the project was to create a common corporate culture based on shared values and a mutual vision. All employees were involved in this process, through surveys, workshops and detailed interviews, designed to provide the greatest benefit. Our new values are modern, professional and goal-oriented.

During the year, we have continued to aid in the further development of our personnel, through means such as the Marginalen Academy. The Academy is a forum in which all employees are trained in areas such as internal and external regulations, company products/services, external factors and international banking regulatory frameworks that affect us in a variety of ways. Examples of these include the Money Laundering Directive, our QLS quality system and regulatory compliance.

During the year we have succeeded in bringing more employees into our healthcare programme. This is evidenced by the fact that staff are more alert and take less sick leave.

The average number of employees for 2010 stood at 228 (203). The Citibank acquisition meant that we strengthened our organisation through the addition of 92 colleagues in full-time positions, offering expertise in market knowledge and banking.

INVESTMENT IN THE BRAND

Marginalen is focused on being a competitive bank and a new, attractive option for consumers and companies alike. Investments in the Marginalen Bank brand during the year have taken the form of high profile campaigns instituted through media such as the Internet, radio, TV and newspapers. These campaigns have served to raise awareness of Marginalen Bank and generated a positive perception of the business as witnessed by the increased business volumes.

THE BALTIC OPERATIONS

Marginalen's operations in the Baltic are driven by the company's Lithuanian subsidiary UAB Gelvora and Latvian subsidiary SIA Aizdevums.

UAB Gelvora has 50 employees and focuses primarily on debt collection activities. Its operating income stood at SEK 16.3 billion, with a balance sheet total of SEK 67.2 billion. New credit portfolios were acquired during the year.

Marginalen's other Baltic subsidiary, Latvia-based SIA Aizdevums, has 22 employees and focuses on lending activities. Its operating income stood at SEK 23.2 billion, with a balance sheet total of SEK 91.2 billion. During the year, maturing credit portfolios were acquired via UAB Gelvoras' branch in Latvia.

PARENT COMPANY'S OPERATIONS

Marginalen AB is the parent company of the Marginalen Group. Operations are conducted through 12 subsidiaries, the largest of which is Marginalen Bank Bankaktiebolag. During the year, the Marginalen Group acquired the majority of consumer credit business of the Swedish branch of Citibank International plc. Marginalen AB acted as the contracting party to Citibank in this transaction. The acquisition primarily comprised unsecured credits and credits in a credit portfolio. The deal also saw Marginalen take on 92 Citibank employees. All portfolios acquired by Marginalen AB from Citibank were immediately sold on to Kredit AB Marginalen and Marginalen Bank, from which the financial operations will be run. One portfolio was sold on to Swedish Consumer Credits No. 1 Limited (SCC1) via Marginalen AB's parent company Esco Marginalen. SCC1 is a Jersey-based company, set up to securitise the portfolio.

The increased turnover achieved is in respect of revenue from Group companies for brand development activities concerning Marginalen Bank. The acquisition and extended activies have resulted in Marginalen AB's equity being strengthened by means of a shareholders' contribution. The company has no employees, instead buying services from Group companies.

LIQUIDITY

The Group invests most of its liquidity in accounts held in other Swedish banks. Surplus liquidity is periodically invested in bonds or interest-bearing securities. In addition to liquid investments, the company also has a number of overdraft facilities in order to guarantee access to liquidity. This year has been characterised by good levels of liquidity.

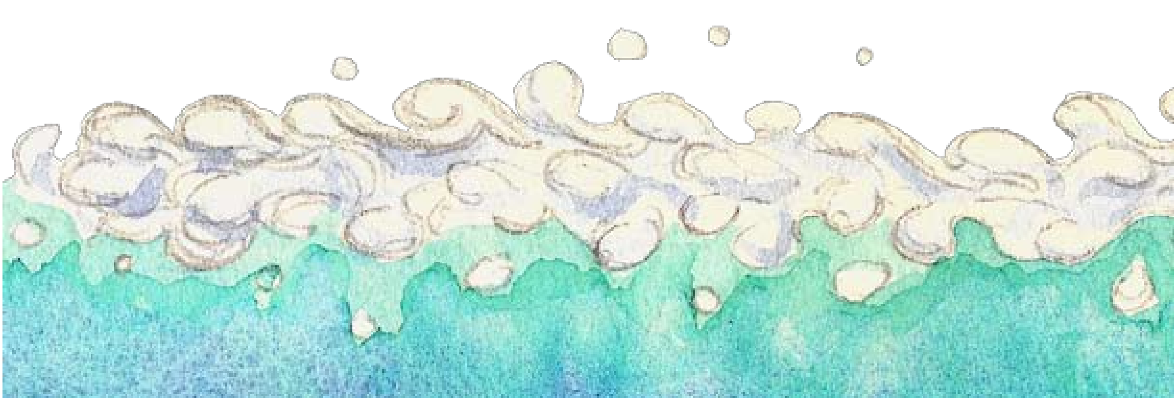
CAPITAL COVER, FINANCIAL RISKS AND OTHER RISKS

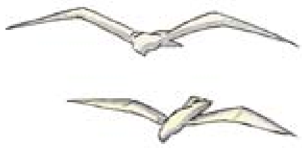
The business in which Marginalen operates is fraught with various types of risk. These are described as credit risks, market risks, liquidity risks, capital risks, operative risks, capital management risks and strategic risks. In order to mitigate the impact of these risks on the company's results and to keep a check on risk taking in the business, the Company's Board of Directors, which bears the ultimate responsibility for conducting internal checks, set up a number of targets and policies. The Company's Compliance department works to ensure that rules, instructions and policies are adhered to within the organisation. Directly under the CEO is a risk control function, which is responsible for tracking risks in the organisation.

The capital coverage ratio, i.e. the relationship between capital base and capital requirements, stood at 1.63 (1.46) as of 31 December 2010. For a more detailed description of financial risks, the use of financial instruments and capital coverage, see Notes 3 and 35.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

All shares in Marginalen AB have been trans-





ferred from Esco Marginalen AB to Marginalen during 2010. The main shareholder in the new parent company will be, as was the case with Esco Marginalen AB, Ewa Glennow. This will improve governance of the financial operations of the parent company. The fit and proper ownership issue is currently being dealt with by the Swedish Financial Supervisory Authority.

During spring 2011, the Group also acquired leasing company Caplease AB, which offers bespoke financial solutions for companies. This acquisition gives us access to complementary customer segments and new employees with good knowledge of leasing and installment payments.

FUTURE DEVELOPMENT

The future is about continuously adapting and developing our total offering in line with the changes we see in the outside world, on both micro and macro levels. The development of new mobile technology is changing consumer behaviour in a number of different areas and means that bank errands can be made at any time of day and at any place. We're tracking these developments at close quarters and will take the next step during 2011 by developing the Marginalen.se website and our Internet banking service.

In addition, our external advertising campaigns are set to continue with the aim of increasing awareness and knowledge of Marginalen Bank. The brand will be visible in newspapers, on TV and on radio.

In terms of corporate banking, work will be focused on taking a holistic approach to business customers' financial, administrative and legal needs. Products and services within the spheres of banking, debt collection, financial administration, law and HR will be packaged into solutions that are tailored to meet specific requirements.

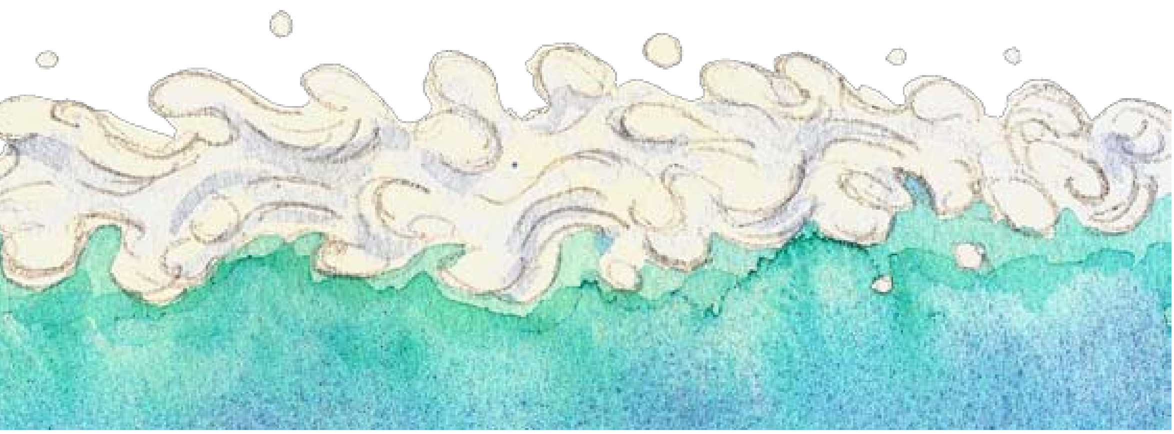
The Group's business concept is based on the idea that Marginalen Bank creates time and opportunities for people and businesses to develop by simplifying their day-to-day finances. We do this by listening to our customers' needs and offering straightforward and competitive products and services.

Marginalen Bank has a range of financial services for private individuals and companies, offering competitive lending and depositing, payment services, factoring and pledging, leasing and installment payment services.

Marginalen Core offers comprehensive financial administration services to companies experiencing both good times and bad.

Marginalen provides services within a number of different fields, including law, HR. accountancy, auditing, payroll administration and invoice administration.

We offer our services through qualified IT solutions and a geographically spread operation. Marginalen's 310 or so employees are located in offices throughout Sweden and in the Netherlands, Latvia and Lithuania. The company's Swedish operation has offices in Stockholm, Borås, Gävle, Kalix, Hudiksvall, Härnösand, Åre and Söderhamn.



Income Statement and Balance Sheet in summary and Key ratios for Group

INCOME STATEMENT

	2010	2009	2008 (4 MTH)	2007/2008	2006/2007
Operating income	648,329	363,027	73,807	138,330	120,973
Operating expenses	-473,200	-196,712	-54,954	-96,535	-94,015
Operating profit	**175,129**	**166,315**	**18,853**	**41,795**	**26,958**
Appropriations	-	-	-	-	-
Net profit/loss for the year before tax	**175,129**	**166,315**	**18,853**	**41,795**	**26,958**
Tax	-44,801	-47,705	607	-7,975	-8,613
Net profit/loss for the year	**130,328**	**118,610**	**19,460**	**33,820**	**18,345**

BALANCE SHEET

	2010	2009	2008 (4 MTH)	2007/2008	2006/2007
Assets:					
Lending to credit institutions	1,028,559	2,905,011	1,365,737	980,130	136,464
Lending to the general public	5,198,719	2,230,547	1,933,230	1,799,350	428,265
Other assets	2,961,606	299,636	190,020	368,139	301,545
	9,118,884	**5,435,194**	**3,488,987**	**3,147,619**	**866,274**
Liabilities and equity:					
Borrowing & depositing	7,998,113	4,763,639	2,956,642	2,608,500	510,864
Other liabilities	374,526	217,799	196,375	225,201	107,180
Subordinate liabilities	171,000	30,000	30,000	30,000	-
Equity	645,245	423,756	305,970	283,918	248,230
	9,188,884	**5,435,194**	**3,488,987**	**3,147,619**	**866,274**

KEY RATIOS

	2010	2009	2008 (4 MTH)	2007/2008	2006/2007
Financial income and expenses	148,524	58,867	20,922	14,001	1,987
Profit margin %	27.0	45.8	25.5	30.2	22.3
Return on equity %	20.3	31.0	12.5	10.7	8.1
Interest coverage ratio	2.2	2.4	1.4	1.7	3.5
Equity/assets ratio %	8.9	8.3	9.6	10.0	28.7
Capital cover quotient	1.63	1.46	1.50	1.52	4.94
Adjusted equity	816,245	453,756	335,970	313,918	248,230
Balance sheet total	9,188,884	5,435,194	3,488,987	3,147,619	866,274
Profit/loss before appropriations and tax	175,129	166,315	18,853	41,795	26,958

Financial income and expenses:	Interest income and leasing income minus Interest expenses and leasing amortisation
Profit margin:	Net profit/loss before appropriations divided by operating income
Return on equity:	Adjusted profit divided by average adjusted equity
Interest coverage ratio:	Operating income plus interest expenses divided by interest expenses.
Equity/assets ratio:	Adjusted equity at year-end divided by total assets at year-end.
Capital cover ratio:	Replacement for capital adequacy, a quotient of 1 is equivalent to 8 percent, 2 is equivalent to 16 percent etc.
Adjusted profit:	Net profit/loss before appropriations with deduction for 26.3 percent standard tax rate. (for years up to and including 2008, 28 percent)
Adjusted equity:	Taxed equity plus 73.7 percent of untaxed reserves and perpetual subordinated loan

Appropriation of profits

Parent Company	SEK
The following funds are at the disposal of the Annual General Meeting:	
Retained earnings	159,028,050
Net profit/loss for the year	736,094
	159,764,144
The Board of Directors and CEO propose that:	
To be carried forward	**159,764,144**

Regarding the Company's income and financial position in general, please refer to the subsequent income statement and balance sheet, and accompanying Notes. All amounts are provided in thousands of SEK (TSEK), unless otherwise stated.

Income statement

Group	Note	01.01.2010 - 31.12.2010	01.01.2009 - 31.12.2009
OPERATING INCOME			
Interest income	8	285,308	166,806
Leasing income	8	7,208	6,532
Interest expenses		-143,992	-114,471
Net interest income	4	**148,524**	**58,867**
Dividends received		182	-
Commission revenue	5	71,373	24,479
Commission expenses	6	-19,165	-6,149
Net income from financial transactions	7	-117,055	184,798
Other operating income	10	564,470	101,032
Total operating income		**648,329**	**363,027**
OPERATING EXPENSES			
General administrative expenses:			
Personnel costs	12	-110,767	-85,520
Other administrative expenses	13, 14	-231,833	-73,539
Depreciation and amortisation of tangible and of intangible non-current assets	15	-40,596	-7,911
Total expenses before loan losses		**-383,196**	**-166,970**
PROFIT/LOSS BEFORE LOAN LOSSES		265,133	196,056
Loan losses, net	18	-90,004	-29,742
INCOME BEFORE TAX		175,129	166,315
Tax on profit for the year	20	-44,801	-47,705
NET PROFIT/LOSS FOR THE YEAR		**130,328**	**118,610**

Statement of comprehensive income

Group	Note	01.01.2010 - 31.12.2010	01.01.2009 - 31.12.2009
NET PROFIT/LOSS FOR THE YEAR		130,328	118,610
Other comprehensive income			
Fair value Change, Gross *		-1,360	3,664
Deferred tax on Fair value Change		358	-763
Exchange rate differences		-16,837	-6,820
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**112,489**	**114,691**

* Refers to value changes on Current investments, Bonds and other Securities.

Balance sheet

Group	Note	31.12.2010	31.12.2009	01.01.2009
ASSETS				
Cash		31	38	105
Lending to credit institutions	21	1,028,559	2,905,011	1,365,737
Lending to the general public	22	5,198,719	2,230,547	1,933,230
Bonds and other interest-bearing securities	16	2,731,518	63,977	-
Shares and participations	17	33,298	32,390	-
Intangible fixed assets	15	65,607	93,341	96,984
Tangible fixed assets				
Equipment	15	11,897	13,211	4,629
Other assets	23	54,746	46,987	45,925
Prepaid expenses and accrued income	24	64,509	49,692	42,377
TOTAL ASSETS		**9,188,884**	**5,435,194**	**3,488,987**
LIABILITIES AND EQUITY				
Liabilities to credit institutions	25	-	-	93,740
Deposits from customers	26	7,998,113	4,763,639	2,862,902
Deferred income tax liabilities	27	85,490	130,110	82,067
Other liabilities	28	210,071	68,229	92,807
Accrued expenses and deferred income	29	78,965	19,460	21,501
Subordinated liabilities	30	171,000	30,000	30,000
TOTAL LIABILITIES		**8,543,639**	**5,011,438**	**3,153,017**
EQUITY	31			
Share capital		10,000	10,000	10,000
Reserves		-19,198	-1,359	2,560
Retained earnings		654,443	415,115	293,410
TOTAL EQUITY		**645,245**	**423,756**	**305,970**
TOTAL EQUITY AND LIABILITIES		**9,188,884**	**5,435,194**	**3,488,987**

Changes in equity

Group	Share capital	Fair value reserve	Translation reserve	Profit/loss brought forward	TOTAL
OPENING BALANCE, 1 JANUARY 2009	10,000	-33	2,593	293,410	305,970
Net profit/loss for the year				118,610	118,610
Other comprehensive income					
Fair value change	-	2,901		-	2,901
Exchange rate differences	-		-6,820	-	-6,820
Total other comprehensive income	-	2,901	-6,820	-	-3,919
Total comprehensive income	**-**	**2,901**	**-6,820**	**118,610**	**114,691**
Transactions with shareholders					
Group contribution received	-	-	-	4,200	4,200
Tax on Group contributions	-	-	-	-1,105	-1,105
Total transactions with shareholders	**-**	**-**	**-**	**3,095**	**3,095**
CLOSING EQUITY, 31 DECEMBER 2009	**10,000**	**2,868**	**-4,227**	**415,115**	**423,756**

OPENING BALANCE, 1 JANUARY 2010	**10,000**	**2,868**	**-4,227**	**415,115**	**423,756**
Net profit/loss for the year				130,328	130,328
Other comprehensive income					
Fair value change	-	-1,002		-	-1,002
Exchange rate differences	-		-16,837	-	-16,837
Total other comprehensive income	-	-1,002	-16,837	-	-17,839
Total comprehensive income	**-**	**-1,002**	**-16,837**	**130,328**	**112,489**
Transactions with shareholders		-			
Group contribution received	-	-	-		-
Tax on Group contributions	-	-	-		-
Shareholders' contribution provided	-	-	-		-
Shareholders' contribution received	-	-	-	109,000	109,000
Total transactions with shareholders	**-**	**-**	**-**	**109,000**	**109,000**
CLOSING EQUITY, 31 DECEMBER 2010	**10,000**	**1,866**	**-21,064**	**654,443**	**645,245**

* The number of shares stands at 2,000,000 (2,000,000), with a par value of 5 (5).

Cash flow statement

Group	01.01.2010 - 31.12.2010	01.01.2009 - 31.12.2009
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**2,905,049**	**1,365,842**
OPERATING ACTIVITIES		
Operating income	175,129	166,315
ADJUSTMENT FOR ITEMS NOT INCLUDED IN THE CASH FLOW		
Depreciation/amortisation impacting operating income	7,685	7,911
Impairment losses of intangible non-current assets	32,911	-
Disposals of intangible non-current assets	0	3
Fair value Change Lending to the general public	180,694	-184,956
Items not included in the cash flow	**221,290**	**-177,042**
Sales of equipment	8,728	21
Change in interest receivables (incr-/decr+)	-14,817	-4,658
Change in interest liabilities (incr+/decr-)	59,505	-2,041
Change in bonds and other interest-bearing securities	-2,665,815	-55,291
Income tax paid	-96,920	11,292
Lending to the general public (incr-/decr+)	-510,610	-112,361
Deposits from customers (incr+/decr-)	3,234,474	1,900,737
Other operating assets (incr-/decr+)	-260	-11,600
Other operating liabilities (incr+/decr-)	126,282	-24,578
Cash flows from operating activities	**536,973**	**1,690,794**
INVESTING ACTIVITIES		
Investments in intangible assets	-37,839	-2,595
Investments in equipment	3,219	-10,278
Change in shares and participations	-	-32,390
Business combinations	-2,628,814	-
Cash flows from investing activities	**-2,663,434**	**-45,263**
FINANCING ACTIVITIES		
Shareholders' contribution received	109,000	-
Shareholders' contribution provided	-	-898
Group contribution received	-	-11,686
Group contribution paid	-	-
Change of long-term loans and subordinate liabilities (incr+/decr-)	141,000	-93,740
Exchange rate differences	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	**250,000**	**-106,324**
CASH FLOW FOR THE PERIOD	**-1,876,459**	**1,539,207**
Cash and cash equivalents at end of period	**1,028,590**	**2,905,049**

The cash and cash equivalents reported in the cash flow statement are reported in the balance sheet under the items “Cash” and “Lending to credit institutions”.

Interest paid and received included in cash flow from operating activities		
Interest received	285,308	166,806
Interest paid	-143,992	-114,471

Income statement

Parent Company	Note	01.01.2010 - 31.12.2010	01.01.2009 - 31.12.2009
OPERATING INCOME		22 000	-
OPERATING EXPENSES			
Other external expenses	43	-16,474	-2,315
Personnel costs	44	-	-
Total operating expenses		**-16,474**	**-2,315**
OPERATING PROFIT/LOSS		**5,526**	**-2,315**
FINANCIAL ITEMS			
Result from participations in Group companies		-	7,000
Interest income and other financial income*		17,429	226
Interest expenses and other financial expenses*		-20,580	-5,282
Other financial items		-4	259
Total financial items		**-3,155**	**2,203**
APPROPRIATIONS		**-**	**-**
INCOME BEFORE TAX		**2,371**	**-112**
Tax on profit for the year	46	-1,635	-708
NET PROFIT/LOSS FOR THE YEAR		**736**	**-820**

STATEMENT OF COMPREHENSIVE INCOME			
NET PROFIT/LOSS FOR THE YEAR		**736**	**-820**
Other comprehensive income		-	-
Fair value change, Gross *		-	-
Exchange rate differences		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**736**	**-820**

* Intra-Group financial income 633.
* Intra-Group financial expenses 13,401.

Balance sheet

Parent Company	Note	31.12.2010	31.12.2009
ASSETS			
FIXED ASSETS			
Financial non-current assets			
Shares and participations in Group companies	47	492,350	309,952
Total fixed assets		**492,350**	**309,952**
CURRENT ASSETS			
Other receivables	48	58,722	6,197
Prepaid expenses and accrued income		10,841	57
Total current assets		**69,563**	**6,254**
Cash & bank balances		**8,692**	**26,837**
TOTAL ASSETS		**570,605**	**343,043**
LIABILITIES AND EQUITY			
EQUITY	45, 49		
Restricted equity			
Share capital*		10,000	10,000
Reserves		2,000	2,000
Non-restricted equity			
Retained earnings		159,028	50,848
Profit/loss for the year		**736**	**-820**
Total equity		**171,764**	**62,028**
LIABILITIES			
Subordinate liabilities	50	30,000	30,000
Liabilities with Group companies	51	361,304	244,525
Other liabilities		3,057	1,883
Long-term liabilities		4,006	4,607
Accrued expenses and deferred income		474	-
Total liabilities		**398,841**	**281,015**
TOTAL EQUITY AND LIABILITIES		**570,605**	**343,043**

* The number of shares amounts to 2,000,000 (2,000,000) with a quotient value of SEK 5 (5) per share.
* Pledged assets – Note 52.
* Contingent liabilities None, Note 55.
* Commitments, unlimited guarantee 35,000, Note 55.

Changes in equity

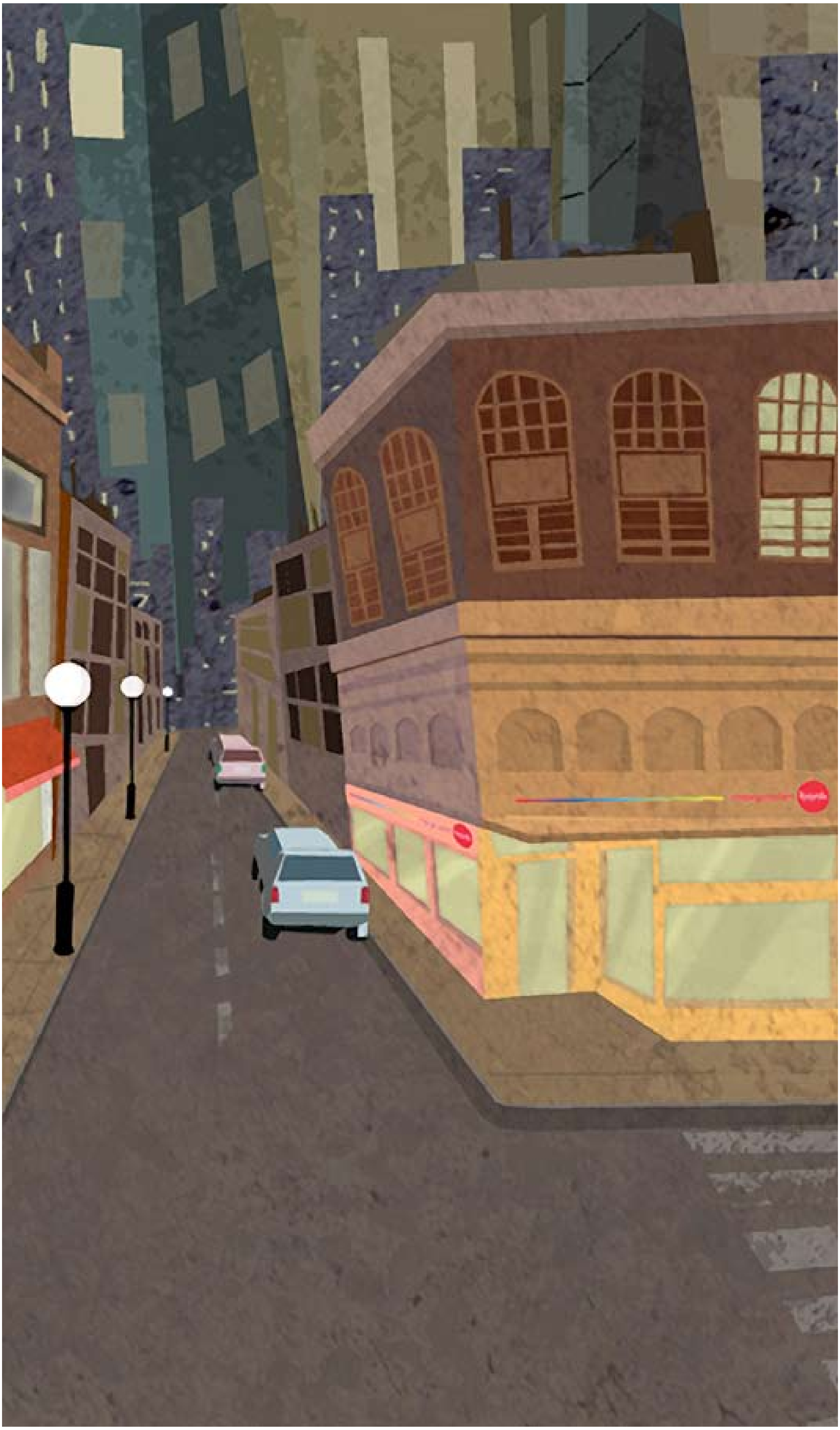
Parent Company	Share capital	Restricted reserves	Profit/loss brought forward	TOTAL
OPENING BALANCE, 1 JANUARY 2009	10,000	2,000	56,366	68,366
Net profit/loss for the year	-	-	-820	-820
Other comprehensive income				
Fair value change	-	-	-	-
Exchange rate differences	-	-	-	-
Total comprehensive income			**-820**	**-820**
Group contribution paid	-	-	-11,686	-11,686
Group contribution received	-	-	8,992	8,992
Shareholders' contribution paid	-	-	-3,532	-3,532
Tax on Group contributions	-	-	708	708
Total transactions with shareholders			**-5,518**	**-5,518**
CLOSING BALANCE, 31 DECEMBER 2009	**10,000**	**2,000**	**50,028**	**62,028**

OPENING BALANCE, 1 JANUARY 2010	**10,000**	**2,000**	**50,028**	**62,028**
Net profit/loss for the year	-	-	736	736
Other comprehensive income				
Fair value change	-	-	-	-
Exchange rate differences	-	-	-	-
Total comprehensive income			**736**	**736**
Group contribution paid	-	-	-	-
Group contribution received	-	-	1,100	1,100
Shareholders' contribution paid	-	-	-811	-811
Shareholders' contribution received	-	-	109,000	109,000
Tax on Group contributions	-	-	-289	-289
Total transactions with shareholders			**109,000**	**109,000**
CLOSING BALANCE, 31 DECEMBER 2010	**10,000**	**2,000**	**159,764**	**171,764**

Cash flow statement

Parent Company	01.01.2010 - 31.12.2010	01.01.2009 - 31.12.2009
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**26,837**	**23,106**
OPERATING ACTIVITIES		
Operating income	2,371	-112
Income tax paid	-1,635	-708
Other operating assets (increase-/decrease+)	-63,309	1,882
Other operating liabilities (increase+/decrease-)	758	4,799
Cash flows from operating activities	**-61,815**	**5,860**
INVESTING ACTIVITIES		
Acquisition of subsidiaries	-182,398	-73,431
Cash flows from investing activities	**-182,398**	**-73,431**
FINANCING ACTIVITIES		
Change of long-term loans and subordinate liabilities (increase+/decrease-)	116,779	77,527
Shareholders' contribution received	109,000	-
Shareholders' contribution paid	-811	-3,532
Group contribution received	1,100	8,993
Group contribution paid	-	-11,686
Cash flows from financing activities	**226,068**	**71,302**
CASH FLOW FOR THE YEAR	**-18,145**	**3,731**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**8,692**	**26,837**

Cash and cash equivalents correspond to the sum total of the posts “Cash and bank balances” and “Lending to credit institutions” in the balance sheet.



notes

Notes

List of Notes

Note 1 General information

Marginalen AB ("the Parent Company") and its subsidiaries (collectively "the Group") provide financial administration services, financing solutions, and lending and deposit (savings account) services. Furthermore, the Group manages credit portfolios containing both functioning credit facilities owned by the Company, and acquired receivables that have fallen due for payment. Operations are conducted in 8 locations throughout Sweden, as well as in the Netherlands, Lithuania and Latvia.

The Parent Company is a limited liability company registered and based in Stockholm, Sweden. The Company's visiting address is Valhallavägen 66, 100 41 Stockholm, Sweden. The postal address is Box 26134, 100 41 Stockholm.

The Board of Directors approved this report for publication on 14 June 2011.

Note 2 Summary of important accounting principles

Basis for the preparation of the reports

The Marginalen AB Group prepares financial statements in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), the Swedish Financial Supervisory Authority's regulations and guidelines 2008:25, RFR 1 Supplementary Accounting Rules for Groups, as well as International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU.

The Parent Company´s accounting principles are found in paragraph 2.22.

2.1 Transition to IFRS

The consolidated financial statements for the financial year 2010 are the first financial statements to be prepared in accordance with IFRS without qualifications (so-called "full IFRS"). The Group has previously applied the so-called legally restricted IFRS. The Group already reports financial leasing in the Group and has not amortized goodwill, but has performed annual impairment tests. The transition to full IFRS has, thus, not elicited any effect on the consolidated financial statements compared to previous years. The Marginalen Group has applied IFRS 1 in preparing these consolidated financial statements. The Group's transition date is 1 January 2009 and the opening balance is established as of this date.

The Group has applied the following exemptions from full retroactive application of IFRS when preparing these financial statements in accordance with IFRS 1.

(a) Business Combinations

The Group has applied the exemption for business combinations in IFRS 1 and has, therefore, not recalculated the business combinations executed before 1 January 2009. All business combinations from 1 January 2009 onwards have been reported in accordance with updated IFRS 3.

Preparing financial statements in conformity with IFRS requires the use of certain critical accounting estimates. Furthermore, management is required to make certain assessments in the application of the Group's accounting principles. Those areas in which assumptions and estimates are of significant importance for the financial statements are disclosed in Note 42, Significant estimates and assessments for accounting purposes.

Amounts are quoted in SEK thousand unless otherwise stated. Numbers in parentheses refer to the corresponding period in the previous year.

2.2 Changes in accounting principles and disclosures for the financial year 2010

Standards, amendments and interpretations that have come into force during 2009 and 2010.

IFRIC 17 Distribution of non-cash assets to owners

The Group applies IFRIC 17 as of 1 January 2010, but this has not had any impact on the consolidated financial statements

IAS 27, Amendment, Consolidated and Separate Financial Statements

The amendment (effective from 1 July 2009) requires the effects of all transactions with non-controlling interests to be recorded, even in the case that the effect implies that the non-controlling portion is negative, as well as requiring that transactions with non-controlling interests be recorded in equity, and that, in the event a Parent Company loses controlling influence, any remaining interest be re-valued to fair value. The amended standard will impact the reporting of future transactions. The Group applies IAS 27 as of 1 January 2010, but this has not had any impact on the consolidated financial statements.

IFRS 3, Amendment 2010, Business Combinations

Business Combinations (revised) is effective from 1 July 2009. The amendment applies prospectively to combinations after the date on which the amendment comes into force. The application will involve changes to the manner in which future acquisitions are reported, regarding the reporting of transaction costs, any contingent consideration, and successive acquisitions, among other things. The revised standard continues to stipulate that the acquisition method is applied to business combinations, with some significant changes. For example, all payments made in the purchase of a business are reported at fair value on the acquisition date. All acquisition-related costs are expensed. The Group applies IFRS 3 as of 1 January 2010.

The amendment has impacted business combinations conducted during the year in the respect that all transaction costs have been expensed.

IAS 38, Amendment, Intangible assets
The amendment provides guidance in determining the fair value of intangible assets acquired in business combinations and enabling the reporting of a group of assets as a single asset if the individual component assets have similar useful lives. The Group applies IAS 38 as of 1 January 2010, but this has not had any impact on the consolidated financial statements.

IFRS 5, Amendment, Non-current Assets Held for Sale and Discontinued Operations
The amendment specifies and clarifies the disclosure requirements pertaining to fixed assets (or disposal groups) classified as assets held for sale or discontinued operations. The Group applies IFRS 5 as of 1 January 2010, but this has not had any impact on the consolidated financial statements.

IAS 1, Amendment, Presentation of Financial Statements
The amendment clarifies that the potential settlement of a liability through the issuance of shares is not relevant for its classification as long-term or short-term. Through a change in the definition of current liability, the amendment permits that a liability is classified as long-term (provided that the Company has an unconditional right to defer settlement through the transfer of liquid funds or other assets for a period of at least 12 months after the end of the financial year) even though the counterparty can, at any time, demand a settlement with shares. The Group applies IAS 1 as of 1 January 2010, but this has not had any impact on the consolidated financial statements.

Standards, amendments and interpretations of existing standards that are not yet effective and have not been adopted early by Marginalen AB

At the time of preparation of the annual reports on 31 December 2010, a number of standards and interpretations had been published which have not yet come into force.

IFRS 9, Amendment, Financial Instruments
IFRS 9, Financial Instruments (is to be applied for financial years beginning 1 January 2013 or later). The standard will impact the Group, but our analysis of the potential impact is not yet complete. Consequently, we have no information regarding the scope of the impact.

2.3 Consolidated financial statements

Subsidiaries
Subsidiaries are all of those companies in which the Group has the power to govern the financial and operational policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group exercises controlling influence over another Company. Subsidiaries are included in the consolidated accounts from the date on which the controlling influence is transferred to the Group. They are excluded from the consolidated accounts from the date that controlling influence ceases.

The purchase method is used for the accounting of the acquisition of subsidiaries by the Group. The acquisition value is measured as the fair value of the assets provided as compensation, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition related costs are expensed as they arise. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, initially, measured at their fair values at acquisition date, irrespective of the extent of any minority interest. The amount by which the acquisition value exceeds the fair value of the Group's share of the acquired identifiable assets liabilities and contingent liabilities is recorded as goodwill. If the acquisition value is less than the fair value of the assets acquired and liabilities and contingent liabilities assumed from the subsidiary, the difference is recognised directly in the income statement.

Intragroup transactions and balance sheet items, as well as unrealised gains and losses on transactions between Group companies, are eliminated. The accounting principles of subsidiaries have been changed, where necessary, to ensure consistent application of the Group's principles.

2.4 Translation of foreign currencies

(a) Functional currency and reporting currency
Items included in the financial statements for the various entities within the Group are valued in the currency used in the economic environment in which the respective companies are, primarily, operative (functional currency). Swedish krona (SEK) is used in the consolidated accounts, which is the Parent Company's functional currency and reporting currency.

(b) Transactions and balance sheet items
Receivables and liabilities have been valued at the rate on the balance sheet date. Exchange rate differences are reported, as of 2006/2007, in the income statement under the item 'Net income from financial transactions'. In order to minimise exchange rate differences, currency derivatives have been used. These are revalued to fair value on an ongoing basis and reported in the income statement under the item 'Net income from financial transactions'. Foreign exchange gains and losses attributable to loans and cash and cash equivalents are reported in the income statement as financial income or expenses. All other exchange gains and losses are reported in the item "Other gains / losses - net" in the income statement.

(c) Group companies
The results and financial positions of all Group companies (none of which has a hyper-inflation currency as functional currency) that have a functional currency other than the reporting currency, are translated into the Group's reporting currency according to the following:

a) assets and liabilities in each of the separate balance sheets are translated at the rate on the balance sheet date

b) income and expenses in each of the separate income statements are translated at the average exchange rate (as long as this average rate is a reasonable approximation of the accumulated effect of the rates applying on the transaction date, in which case income and expenses are translated at transaction date rate), and

c) all exchange rate differences arising are reported in other comprehensive income and accumulated as a separate portion of equity.

At consolidation, exchange rate differences arising from translation of net investments in foreign operations are transferred to other comprehensive income and accumulated as a separate portion of equity.

In the case of disposal of foreign operations, in part or in whole, exchange rate differences reported in equity are transferred to the income statement and reported as a portion of capital gains/losses.

Goodwill and adjustments to fair value arising in an acquisition of foreign operations are treated as assets and liabilities in those operations and are translated at the rate on the balance sheet date.

2.5 Revenue recognition

Revenue is recognised when it can be calculated in a reliable manner and when it is probable that the economic benefits associated with the transaction will accrue to the Company. The Company's revenues refer to various types of products and services and are reported separately on an ongoing basis per business area. In cases involving the provision of services, revenues are reported in the period in which the service is rendered and can be calculated in a reliable manner, and when the economic benefits accrue to the Company (relates to both fixed fees and current accounts).

Interest income and interest expenses
Interest income and interest expenses included in the income statement are comprised of interest on financial assets and liabilities. Interest income on receivables and interest expenses on liabilities are reported on the basis of the application of the effective interest method. Interest income and interest costs include, as applicable, allocated amounts of fees received, which are included in the effective interest, transaction costs and any possible reductions and other differences between the original value of the receivable/liability and the amount to be settled at maturity.

Financial leasing income
The item leasing income includes income from product leasing and installment purchases, net leasing income, that is, after depreciation according to plan, which is allocated and reported according to the annuity method during the tenor of the lease agreement.

The product lease is primarily financial leasing of forest machinery and construction machinery.

Commission income and commission expenses
Commission income is received from the provision of services within the product areas debt recovery, lending and post-monitoring. The manner in which commission income is reported depends on the purpose for charging the fees. These fees are recognised in revenue either as the services are provided or in conjunction with the execution of significant activities. Commission expenses include costs directly attributable to the above-mentioned commission income. This item is comprised primarily of fees for intermediary services and is reported as an expense during the period in which the services are received.

Net income from financial transactions
The item 'Net income from financial transactions' is comprised of realised and unrealised changes in value. These changes in value consist of exchange rate changes, changes in value referring to foreign exchange contracts, changes in fair value of assets classified as available for sale and changes in fair value regarding lending to the general public.

2.6 Administration costs

General administration costs include personnel costs, including salaries, pension costs, employers' contributions and other social security fees, training and other payroll overheads. Other administration costs comprise of costs for premises, office costs, fees and other administration costs.

2.7 Financial Assets - Recognition and measurement

A financial instrument is defined as any form of agreement giving rise to a financial asset in a company and a simultaneous financial liability or equity instrument in the counterparty. The Company classifies its financial assets in the following categories: financial assets valued at fair value through income statement, loan receivables and accounts receivable, and financial assets held for sale. The classification is dependent on the purpose for which the financial asset was acquired. The management establishes the classification of the financial assets when they are initially reported.

The financial assets described below are detailed in a matrix, refer to Note 36.

(a) Financial assets valued at fair value through the income statement
Financial assets valued at fair value through the

income statement are financial assets which the management, at the time of reporting, has chosen to classify as belonging to this category. Financial assets which are classified in this category are comprised of derivatives and some acquired portfolios with matured credits which are reported in the balance sheet as a part of the item 'Lending to the general public'. The criteria determining whether the portfolio can be classified in this manner are that it is managed and valued at fair value, excluding transaction costs.

At the time of acquisition and in following periods the receivables are valued at fair value. Gains or losses resulting from changes in fair value in this category are reported in the period in which they arise and are included in the item 'Net income from financial transactions'.

(b) Loans receivable and accounts receivable

Loans receivable and accounts receivable are financial assets which have has determined or determinable payments and which are not listed on an active market. They are included in the items 'Lending to credit institutes', 'Lending to the general public', 'Other assets' and as a part of accrued income.

Loan receivables and accounts receivable are initially reported at fair value and subsequently at accrued acquisition value with the application of the effective interest method, less any possible provision for impairment.

(c) Financial assets available for sale

Financial assets available for sale are assets which have been identified as available for sale or which are not classified in any other category. The Company has classified the assets reported in the item 'Bonds and other interest-bearing securities' in this category. The yield is reported in the item 'Interest income'. As regards shares and participations where a reliable value cannot be determined, the acquisition value, including any impairment, is used. These shares and participations are also classified in this category.

Assets in this category are initially valued at fair value plus any transaction costs and in subsequent periods at fair value. Any change in value is reported directly against other comprehensive income.

When an asset in this category is sold or written down, accumulated adjustments in fair value are transferred from equity to the income statement as gains or losses from financial instruments under the heading 'Net income from financial transaction'.

Financial assets are removed from the balance sheet when the right to receive the cash flows from the instrument in question has expired or been transferred, and the company has transferred all of the material risks and benefits associated with the ownership.

2.8 Impairment of financial assets

The Group assesses, at each balance sheet date, whether there is objective evidence of an impairment requirement for a financial asset or group of financial assets. As regards shares classified as assets available for sale, a significant or long-term decline in fair value of a share to a level under its acquisition value is considered to comprise an indication of an impairment requirement. If such evidence exists for financial assets available for sale, the accumulated loss – calculated as the difference between the acquisition value and actual fair value, with deduction for any previous impairment reported in the income statement – is transferred from equity and reported in the income statement. Impairment of equity instruments reported in the income statement is not reversed through the income statement.

The criteria used by the Group for assessment of whether there is objective evidence of an impairment requirement include:

- significant financial difficulties for the issuer or debtor,
- a breach of contract, such as non-payment or delayed payment of interest and principal,
- if the Group grants, for financial or legal reasons connected to the borrower's financial difficulties, a concession which the borrower would not otherwise consider
- it is probable that the borrower will enter into bankruptcy or another form of financial reconstruction,
- the discontinuation of an active market for the asset in question due to financial difficulties, or
- observable data indicating a measurable reduction in the expected future cash flows from a portfolio of financial assets since the time of the initial reporting of these assets, despite such a reduction not yet being identifiable as attributable to any of the separate financial assets in the portfolio, including:

(i) negative changes in the payment status for borrowers in the portfolio, or

(ii) domestic or local financial circumstances related to non-payments within the asset in the portfolio.

2.9 Provision for loans receivable and accounts receivable

Provision is made for decreases in the value of loan receivables and accounts receivable when objective evidence exists that the Group will not receive all amounts due according to the original conditions of the receivable. Significant financial difficulties on the part of the debtor, the likelihood that the debtor will file for bankruptcy or undergo financial reconstruction, and any omitted or delayed payments (overdue by more than 30 days) are considered indicators that an impairment requirement may exist. The size of the provision consists of the difference between the value of the assets and the present value of estimated future cash flows, discounted by the original effective interest rate. The asset's value is reduced through the use of a provision for depreciation, and the loss is reported in the income statement, in the item 'Other administrative costs' or 'Loan losses, net'. When it is not possible to collect a receivable, this is written off against the provision for depreciation. Recovery of amounts that were previously written off is credited to 'Other administrative costs' or 'Loan losses, net', in the income statement. Included items are 'Accounts receivables', 'Lending to credit institutions' and 'Lending to the general public'.

2.10 Derivative instruments

Derivatives valued at fair value through the income statement

The Group do not fulfill the criteria for hedge accounting. Changes in fair value for such derivative instruments are reported immediately in the income statement in the item 'Net income from financial transactions'. The derivative instruments primarily used are certificates.

2.11 Lending to credit institutions

Bank balances and lending to other credit institutions are included in lending to credit institutions.

2.12 Financial liabilities - classification and valuation

Financial liabilities are classified in the category 'Other financial liabilities' and are included in the items 'Liabilities to credit institutions', 'Deposits from the general public', 'Other liabilities' and portions of 'Accrued costs'.

The financial liabilities described below are displayed in a matrix, refer to Note 36.

Liabilities to credit institutions and deposits from the general public are initially reported at fair value, net after transaction costs. The items are subsequently reported at accumulated acquisition value and any difference between received amounts (net after transaction costs) and the repayment amount is reported in the income statement, allocated across the duration of the loan, with the application of the effective interest method.

Accounts payable and other liabilities are initially valued at fair value and, thereafter, at accrued acquisition value.

Financial liabilities are derecognized from the balance sheet when the compensation obligation for the instrument has elapsed, or been transferred, and the Company has been released from the material risks and commitments associated with the financial liability.

2.13 Loan losses

Loan losses which have been confirmed during the year or are likely to arise, with deduction for recovered, previously reported loan losses, are reported in the income statement. All loan losses are reported on the basis of individual valuation of the corresponding receivable in the balance sheet.

As a basis, loan receivables are classified as uncertain when interest or repayments are more than 60 days overdue, or if knowledge exists regarding a debtor's future inability to pay and if the value of the collateral is simultaneously insufficient to cover both the capital and interest receivables by a wide margin.

2.14 Fixed assets

Tangible fixed assets consist primarily of equipment reported at acquisition value less accumulated depreciation according to plan and any impairment. The acquisition value includes expenditure directly attributable to the asset required in order to bring the asset in place and in order for it to be utilised for its purpose. Computer equipment is depreciated according to plan over three years, while other equipment is depreciated according to plan over five years.

2.15 Intangible assets

(a) Goodwill

Goodwill comprises the amount by which acquisition value exceeds the fair value of the Group's share of the acquired subsidiary's identifiable net assets at the acquisition date. Goodwill on acquisitions of subsidiaries is recognised as an intangible asset. Goodwill is tested annually for any impairment requirement and is reported at acquisition value less accumulated impairment losses. Impairment losses on goodwill are not reversed. Profit or loss arising from the disposal of an entity includes the recorded amount of goodwill relating to the divested entity.

Goodwill is allocated to cash generating units for the testing of any impairment requirement. Allocation is made to the cash-generating units or groups of cash generating units, determined in accordance with the Group's operating segments, which are expected to benefit from the business combination in which the goodwill item arose.

(b) Self-developed software

Costs for the maintenance of software are expensed as incurred. Development costs that are directly attributable to the development and testing of identifiable and unique software products which are controlled by the Group, are recognised as intangible assets when the following criteria are met:

- it is technically possible to complete the software so that it can be used,
- the Company's intention is to complete the software and to use or sell it
- there are opportunities to use or sell the software,
- it can be shown how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the costs that are attributable to the software during its development can be measured in a reliable manner.

Directly attributable costs, which are capitalized as part of the software, include expenditures for employees, as well as a reasonable share of indirect costs. Other development costs not meeting these criteria are expensed as incurred. Development costs previously expensed are not reported as assets in the subsequent period. Development costs for software that reported as an asset are amortised over their estimated useful life, which does not exceed three years.

2.16 Impairment of non-financial assets

Assets that have an indefinite useful life, such as goodwill or intangible assets that are not ready for use, are not amortised but are tested annually for any impairment requirement. Assets which are amortized are assessed with respect to impairment whenever events or changes in conditions indicate that the reported value may not be recoverable. An impairment loss is made of the amount by which the asset's reported value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling costs and its value in use. For the purposes of assessing impairment requirements, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). For assets other than financial assets and goodwill, previously written down, an assessment is made of whether a reversal should be made per each balance sheet date.

2.17 Taxes

Income tax is comprised of current taxes and deferred taxes. Income tax is reported in the income statement, except when the corresponding transaction is reported directly in equity or in other comprehensive income, in which case attributable tax effects are also reported in equity or in other comprehensive income.

Current tax

Current taxes are taxes which are to be paid or received regarding the current year, with the application of the tax rates prevailing on balance sheet date. Adjustments to current taxes attributable to previous periods are also included.

Deferred tax

Deferred taxes are calculated on the basis of temporary differences between the reported value and fiscal value of assets and liabilities. Deferred taxes are also calculated on any loss carry-forwards. Deferred tax assets are only reported to the extent it is likely that the carry-forward can be used to offset profits in future taxation.

Tax effect of Group contribution

Group contributions are usually reported directly in retained earnings. The tax effect of Group contributions is taken into account by taking into consideration the impact on current income taxes.

2.18 Remuneration to employees

Salaries and remuneration

Salaries and remuneration are expensed in the item 'Personnel costs' as they arise. Liabilities for deferred remuneration to employees are reported in the item 'Other liabilities'. Severance pay is payable when the employee's employment is terminated by the Group before the normal retirement date or whenever an employee accepts voluntary termination of employment in exchange for such compensation.

Pension obligations

The majority of the Group's pension plans are defined contribution plans. For defined contribution plans, the Group pays contributions to publicly or privately-administered pension insurance plans on a contractual or voluntary basis. However, there are defined benefit plans reported as defined contribution plans, as allowed by UFR6 under IAS19. The contributions are recognised as a cost during the period in which the employee performed the services to which the fees refer. Commitments for post-retirement pensions and family pensions for a number of the Company's employees are assured via insurance with Alecta. According to a statement (URA 45) from the Swedish Financial Accounting Standards Council Emerging Issues Task Force, this is a defined benefit plan encompassing a number of employers. The Group's expense recognized as a defined contribution is presented in Note 12 Information regarding employees. The Company has not had access to the information required in order to report this plan as a defined benefit plan.

2.19 Leasing

Leasing agreements are classified as financial and operational. Financial leasing contracts imply that the economic risks and rewards associated with the ownership of an object are, to all intents and purposes, transferred from the lessor to the lessee. Operational leasing agreements are those which are not deemed to be financial. All leasing agreements in which the Company is lessor are operating lease agreements. Costs for operating leases are reported in such a manner that leasing fees are expensed continuously throughout the leasing period. All leasing agreements held by the Company in which the Company is lessor have been deemed to be financial leases and are reported as lending. Payments received are allocated and reported as amortisation on the receivable or as leasing revenue. Leasing revenue is allocated so that a constant return is received each period from the reported net investment. Amortisation takes place in accordance with the annuity method, and the duration of the agreement is generally 36 or 60 months.

2.20 Dividends

Dividends to shareholders are reported as a liability in the Company's financial statements in the period in which the dividend is approved by the Company's shareholders.

2.21 Merger

The merger carried out during the year between Marginalen Bank Bankaktiebolag and Bank2 was undertaken as an internal Group restructuring and reported in accordance with the Group-value method. This implies that the assets and liabilities were taken over at the value based on the acquisition analysis prepared at the time of the original acquisition of Bank2. Thereby, the previous fiscal value of the brand name, Bank2,was transferred to the legal entity. During the year, the Company has, however, elected to write-down the brand name in its entirety, which is why the Company has been impacted by a write-down expense amounting to a total of SEK 31,433,000. See Note 15 for further details. The merger difference arising from the merger has been transferred directly to equity.

2.22 Accounting Principles of the Parent Company

The Parent Company has prepared its Annual Report in accordance with the terms of the Swedish Annual Accounts Act (ÅRL 1995:1554) and Swedish Financial Accounting Standards Council recommendation RFR 2 (Accounting for legal entities). RFR 2 requires that the parent company covered by the annual report for the legal entity in question applies all EU-approved IFRS standards and pronouncements as far as is possible within the framework of the Swedish Annual Accounts Act, taking into consideration the association between accounting and taxation. This means that the Parent Company, except in those instances outlined below, has applied the same accounting principles as the Group.

Financial assets and liabilities

Taking into account the association between accounting and taxation, Marginalen AB utilises the exemption from the application of IAS 39 as afforded by RFR 2. Marginalen's starting point when reporting all financial assets and liabilities is the cost method as described in the Swedish Annual Accounts Act.

Group contributions and shareholders' contributions

Group contributions and shareholders' contributions are reported in accordance with the principles the Swedish Financial Accounting Standards Council's Emerging Issues Task Force states, both in legal entities in the Group. Group contribution (including their tax effects) and shareholder contributions are reported directly into equity. Paid shareholders' contributions are reported as an increase in parent company's investment.

Note 3 Financial risks and Other Risks

3.1 Objectives, Organisation and Governance

The Group's business operations are, similar to all business operations, exposed to risk, and the Group has the objective and policy to limit the impact of these risks on the results. The Board of Directors is responsible for establishing clear objectives concerning long-term level, composition and management as regards the risks associated with the operations.

The Board's instructions regarding governance and internal controls are fundamental for the governance of operations and effective internal control. Together with the Group's business plans, the rules and regulations lay the foundation for the manner in which the Board perceives and wants to develop the Group's operations.

Reporting directly to the CEO, there is a function for risk control whose task is to analyze and follow up on risks within the business. The reporting of risks occurs on a continuous basis to both the management and the Board. For the ongoing management, identification and control of risks, the Group has implemented a quality and management system which is certified in accordance with the ISO 9001:2008 standard.

Supporting information from the ongoing management and business planning forms the basis for the Internal Capital Assessment (ICA).

The responsibility for this assessment, which consists of the limitation and monitoring of Group risks, is in the hands of the Board of Marginalen AB. All of the Group's risks have been analyzed and subsequently certified and analyzed in various scenario analyses. These tests and analyses are based on conditions during a weak business cycle.

The results of the risk assessment form the basis for the capital planning.

3.2 Credit risk in lending to the general public

Credit risk is defined as a risk that the Company suffers losses due to a debtor being unable to fulfill their contractual obligations. This arises primarily in connection with lending and during the execution of services, but can also comprise of counterparty relationships in financial administration. Credit risks derive mainly from lending/financing to customers, while counterparty risk arises when our services are of a different nature than purely lending/financing. Financial management risk mainly consists of the possibility that the counterparty (the other credit institution or company issuing the financial instrument) is unable to fulfill their obligations; refer to Note 16 (bonds and interest-bearing securities) as well as Note 21 (Lending to credit institutions). The Board has the overall responsibility for the Group's credit exposure. The Board has, in specific instructions, delegated responsibility, within a certain frame, to the various credit delegations. Primarily, credit and risk management is undertaken through individual assessment of the counterparty and its assets. Major credit commitments are reviewed at least once a year, by the credit committee.

In order to facilitate the control and handling of credit risks, a risk classification is applied which also includes the size of individual exposures and the portfolio's composition. The risk classification system implies that the loans are classified in different risk classes depending on the risk of insolvency (rating of the solvency of the counterparty) and the risk in the event of insolvency (assessed value of collateral received).

The Group's credit risk exposures, gross and net, as well as concentrations in terms of counterparties and loans receivable by category of borrower are displayed in the tables below.

Loans receivable per category of borrower

Loans receivable, gross	2010	2009
Corporate sector	408,140	213,286
Household sector	4,918,471	2,067,530
of which personal entrepreneurs	49,502	74,742
Total	**5,326,611**	**2,280,816**
of which:		
Fully functional loans receivable		
Corporate sector	366,428	173,973
Household sector	3,438,891	1,173,291
Overdue loans receivable		
Corporate sector	33,992	39,314
Corporate sector	1,383,939	894,238
Renegotiated loans receivable		
Corporate sector	7,720	-
Household sector	95,641	-
Total	**5,326,611**	**2,280,816**
Less:		
Provisions		
Corporate sector	19,457	12,886
Household sector	108,435	37,383
Loans receivable, net accounted value		
Corporate sector	388,683	200,400
Household sector	4,810,036	2,030,147
Total	**5,198,719**	**2,230,547**

Credit quality regarding fully functional loans receivable

Corporate sector	2010	2009
Lower risk	66,511	16,884
Medium risk	64,041	98,501
Higher risk	16,027	58,588
Rating unavailable	219,849	-
Total	**366,428**	**173,973**

Private individuals	2010	2009
Lower risk	1,368,759	520,312
Medium risk	987,750	296,917
Higher risk	845,933	356,062
Rating unavailable	236,449	-
Total	**3,438,891**	**1,173,291**

Age analysis, due loans receivable

	2010	2009
Due in 1-30 days	153,263	64,624
Due in 31-90 days	127,256	72,389
Due in over 90 days	1,137,412	796,539
	1,417,931	**933,552**
The collateral for the outstanding claims are valued at	260,877	286,230

Distribution of collateral securities for loans receivable som är förfallna

2010	Mortgage deeds	Other collateral	Total
Corporate sector			
Other credits	6,567	21,796	28,363
Household sector			
Mortgages	191,324	39,304	230,628
Other credits	-	1,886	1,886
Total	**197,891**	**62,986**	**260,781**

2009	Mortgage deeds	Other collateral	Total
Corporate sector			
Other credits	11,478	26,814	38,292
Household sector			
Mortgages	274,313	2,430	276,743
Other credits	-	53,646	53,646
Total	**285,791**	**82,890**	**368,681**

The collateral available for loans receivable consists primarily of properties, leased items and accounts receivable.

Book value of requisitioned collateral 0 (0).

3.3 Market risk

Market risk refers to risks arising in the process of the handling of interests, currencies and other price-related financial instruments.

Interest risk is defined as the risk that the Company's current and future net interest income/expenses will deteriorate as a result of undesired changes in interest. Currency risk is defined as the risk that the Company will suffer losses due to undesired exchange rate fluctuations.

The general rule is that interest rate and currency risk should be limited, preferably eliminated, through hedging with derivative instruments. By routinely identifying all exposures, net positions concerning both interest and currency can be controlled and eliminated.

Transaction exposure – it is important for Marginalen to be able to provide the Company's foreign customers with payment possibilities in their own currency. Consequently, the Company, as described above, minimises the risks for exchange rate differences by hedging through the use of currency derivatives.

Translation exposure – The Group conducts own operations abroad. This implies that the Group is exposed to foreign currency translation differences. A summary of currency exposure is shown in Note 39.

A description of actual risks can be found in the sensitivity analysis regarding fixed interest periods in Note 22 and regarding currencies in Note 39.

Price Risk - Occurs when an asset in shares or participations is disposed of and the price on the market has changed. Marginalen is to a small extent exposed to this type of risk.

Interest rate risk

A description of the estimated effects of the changes in offered interest rate terms on income before taxes is provided below.

These calculations presume that all other factors which could impact the Group are unchanged.

This is not to be looked upon as if these particular variables are more, or less, likely to change but is instead to serve as a description of the effect which the risk of a change in this particular variable could have.

Risks in deposits from customers

Variable		Change	2010	2009
Fluctuation of the deposit interest rate	Profit/loss before tax	+ 1%-unit	-79,972	-48,048
		- 1%-unit	78,438	45,339
	Equity	+ 1%-unit	-58,939	-35,411
		- 1%-unit	57,809	33,415

Risks in lending to the general public

Variable		Change	2010	2009
Fluctuation of the lending rate	Profit/loss before tax	+ 1%-unit	42,398	22,305
		- 1%-unit	-42,398	-22,305
	Equity	+ 1%-unit	31,388	16,550
		- 1%-unit	-31,388	-16,550

Risks in Lending to credit institutions

Variable		Change	2010	2009
Fluctuation of the lending rate	Profit/loss before tax	+ 1%-unit	10,052	50,069
		- 1%-unit	-7,584	-35,062
	Equity	+ 1%-unit	7,414	36,924
		- 1%-unit	-5,595	-25,863

Risks in the acquisition of portfolios with matured credits

The Group acquires portfolios with overdue credits for amounts that are considerably less than the nominal value of the receivables. At acquisition, all rights and risks in the portfolio are assumed by the Group. In order to minimise the risk, decisions on acquisitions are undertaken very carefully. The acquisitions are usually made of portfolios of which the Group has handled the debt recovery administration and consequently, has good knowledge of. Prior to any acquisition, a careful valuation is made based on the forecasted cash flows and the structure of the receivables in the portfolio.

Acquired portfolios with overdue credits are classified as loans and receivables, except when the Company has chosen to apply the fair value option. At the acquisition date Marginalen estimates the cash flows the acquired portfolio is expected to generate, based on experience from similar portfolios. In connection with the acquisition the effective interest rate of the portfolio is established as the rate that discounts the expected future cash flows to a present value equal to the cost of the portfolio. In subsequent periods, interest income is reported based on the effective interest rate and the book value of the portfolio. Received payments attributable to the portfolio represent amortizations and thereby reduce the book value of the portfolio. At each quarterly report a new assessment is made of the remaining cash flows, these are discounted to a present value using the original effective interest rate. If this present value differs from book value the profit or loss is reported in the income statement. In those cases when Marginalen has chosen to classify the acquired portfolio in accordance with the fair value option to the category fair value through the income statement, a fair value model is used to value the acquired portfolio based on expected future cash flows of amortization, interest payments and fees. The fair value model is described in note 37, at fair value.

Risk-weighing with respect to risks in other activities

According to the guidelines of the Financial Supervisory Authority, the financial group must calculate the risk-weighted amount in other activities. Risk-weighing has been carried out in accordance with the standardised method. The calculations are shown in Note 35.

Sensitivity Analysis of Financial assets valued at fair value through the income statement (Overdue credit portfolios)

The estimated effects on earnings after tax of changes in certain variables affecting the calculation of fair value in this category are described below. The calculations assume that all other factors that may affect the Company are unchanged. This should not be seen as that these variables are more or less likely to change but as a description of the impact that the risk of this variable change can have.

Variable	Change	2010	2009
Fluctuation of the long-term market rates	+ 1%-unit	-17,730	-33,794
	- 1%-unit	20,728	39,510
Fluctuation of the cash flow in the valuation	+ 5%	11,179	22,369
	- 5%	-11,179	-22,949

* 2010 7-year Swedish municipal bond (SE GVB 7Y), 2009 10-year Swedish municipal bod (SE GVB 10Y)

Currency risk

Currency risk is the risk that the fair value of on future cash flows from a financial instrument varies due to fluctuations in exchange rates. The Group is subject to currency risks due to various currency exposures, Latvian lats (LVL), Lithuanian litas (LTL) and Euro (EUR). Currency risk arises through future business transactions, reported assets and liabilities and net investments in foreign operations. A summary of the Group's assets and liabilities per currency is presented in Note 39.

Variable		Change	2010	2009
Change in the exchange rate SEK-EUR	Profit/loss before tax	+ 10%-units	1,317	1,061
		- 10%-units	-1,317	-1,061
	Equity	+ 10%-units	971	782
		- 10%-units	-971	-782
Change in the exchange rate SEK-LTL	Profit/loss before tax	+ 10%-units	-	-855
		- 10%-units	-	855
	Equity	+ 10%-units	-1,818	-630
		- 10%-units	1,818	630
Change in the exchange rate SEK-LVL	Profit/loss before tax	+ 10%-units	-	855
		- 10%-units	-	-855
	Equity	+ 10%-units	-3,183	630
		- 10%-units	3,183	-630

3.4 Liquidity risk

Liquidity risk refers to the risk of not being able to fulfill the payments we have committed to undertake within the framework of lending and borrowing. For lending, there must be efficient methods to control the amount of open limits, parallel with the offered and planned limits to customers. For borrowing, it is a requirement that there are methods to handle the fluctuations in the customer's behavior when requesting that the borrowed funds be repaid.

The Board has the overall responsibility for the Group's liquidity risks. The Board has, in special instructions and within a given framework, delegated responsibilities to various functions.

In the handling of liquidity risks, an ongoing follow-up takes place of the assets' spread over time. According to Marginalen's Finance Policy, this implies that available funds are to be adapted in relation to the requirements on payment capacity in terms of ongoing transactions, the scope of the operations, market status and associated refinancing requirements.

The Group continuously monitors its liquidity, as well as analyses its liquidity risk. Cash flow forecasts are prepared on an ongoing basis and there is a careful monitoring of the Group's liquidity reserve in order to ensure that the Group has sufficient liquid funds to fulfill the requirements of its ongoing operations.

The Group's refinancing possibilities are evaluated on an ongoing basis, based on the assessed liquidity risk.

There has been no deterioration of possibilities, which have been deemed to be positive, during the financial crisis. Refinancing takes place primarily via deposits from the general public.

Financial liabilities - Liquidity exposure

The table analyses the financial liabilities which will be settled on a net basis, specified according to the period remaining after balance sheet date until the contractual maturity date. The amounts stated in the table represent the contractual, non-discounted cash flows.

Remaining contract period until maturity

Per 31 December 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total (undiscounted) cash flow
Liabilities to credit institutions	-	-	-	-	-
Deposits from customers	7,998,113	-	-	-	7,998,113
Accounts payable and other liabilities	234,063	16,964	47,994	220,796	519,817
The Company's own liabilities, pledged assets	-	-	-	44,761	44,761
Contingent liabilities, see also Note 33	-	-	-	-	-
Commitments, see also Note 34	617,037	-	-	-	617,037
	8,849,213	16,964	47,994	265,557	9,179,728

Per 31 December 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total (undiscounted) cash flow
Liabilities to credit institutions	-	-	-	-	-
Deposits from customers	4,763,639	-	-	-	4,763,639
Accounts payable and other liabilities	68,229			30,000	98,229
The Company's own liabilities, pledged assets	-	-	-	40,518	40,518
Contingent liabilities, see also Note 33	1,000	2,000	2,000	-	5,000
Commitments, see also Note 34	115,344	-	-	-	115,344
	4,948,212	2,000	2,000	70,518	5,022,730

In the the above table, the closing day's exchange rates and interest rate levels have been used for the calculation of future cash flows. Regarding the perpetual subordinated loans (other liabilities), a maturity of 10 years has been adopted.

3.5 Risks in asset management

The goal of the Group's asset management is to be able to invest funds with a yield in excess of the usual bank interest rate and that this is done in a manner which maintains the Group's payment capacity. Available funds are, according to the Group's investment policy, to be allocated to interest-bearing bank accounts, interest-bearing bonds and other specially defined securities with a good risk spread.

3.6 Capital risk

The Group's goal regarding the capital structure is to secure the Group's ability to continue to develop its operations, in order for it to generate returns to shareholders and benefits to other interested parties, and in order to maintain an optimal capital structure for development possibilities, as well as keeping the cost of capital down.

In order to maintain or adjust the capital structure, the Group can change its borrowing structure or change its equity by; issuing new shares, receiving a shareholders' contribution, issuing a perpetual subordinated loan, changing the dividend paid to shareholders or by repaying capital to shareholders.

The financial companies Group estimates the capital on the basis of the capital adequacy ratio. Refer to Note 35.

3.7 Operational risk

Operational risks refer to the risk of losses as a result of internal processes and procedures being incorrect or unsuited for their purposes, human error or deficient systems. External events and deficiencies in the legal handling of issues are also included. The major purpose is, primarily, to identify all operational risks with the aim of developing procedures and methods to prevent them from impacting the financial outcome of the operations. In order to counteract operational risk, there is a system for developing and maintaining internal control functions, amongst other things, via a clear division of responsibilities between the various positions within the operations.

3.8 Strategic risk

Strategic risk is defined as the risk of loss of current revenue streams or loss of future revenue possibilities due to charged market premises as a result of a downturn in the economy, increased competition, laws impinging on business activity/regulations or other external factors which negatively impact the Company's business model. Strategic risk also includes the risk of external parties negatively impacting Marginalen's brand. Furthermore, strategic risk also includes the risk of unfavourable business decisions which are not related to operational risk.

Note 4 Net interest income

Group	2010	2009
Interest income		
Lending to credit institutions	27,996	37,523
Lending to the general public	251,137	121,753
Interest-bearing securities	3,851	5,183
Other	2,324	2,347
	285,308	**166,806**
of which interest income from Group companies	2,355	342
Leasing income		
Leasing rents	**7,208**	**6,532**
Interest expenses		
Interest expenses for liabilities to Swedish credit institutions	-61	-6,643
Interest expenses for liabilities to foreign credit institutions	-	-128
Interest expenses for deposits from customers	-133,068	-100,848
Other interest expenses	-10,863	-6,852
	-143,992	**-114,471**
of which interest expenses from Group companies	-5,277	-714
Average interest rate (%) on deposits from customers	-2.09%	-2.64%
Net interest income	**148,524**	**58,867**

Note 5 Commission revenue

Group	2010	2009
Lending commissions	39,521	30,821
Other commissions	31,852	14,359
	71,373	**45,180**

Note 6 Commission expenses

Group	2010	2009
Intermediary commission	-19,165	-6,149

Note 7 Net income from financial transactions

Group	2010	2009
Fair value change in lending to the general public	-180,694	184,956
Realised income from overdue credits, excluding income from agreements	73,008	45,868
Impairment loss of acquired credit portfolios valued at accrued acquisition value	-11,183	
Change in value of assets and liabilities in foreign currency	1,814	-158
	-117,055	**230,666**

Note 8 Geographic distribution of income

Group	2010		2009	
Interest income				
Sweden	265,728	93%	147,441	89%
The Netherlands	-		3	0%
Lithuania	4,692	2%	2,323	1%
Latvia	14,888	5%	17,039	10%
	285,308		**166,806**	
Leasing income				
Sweden	7,208	100%	6,532	100%
The Netherlands	-	0%	-	0%
Lithuania	-	0%	-	0%
Latvia	-	0%	-	0%
	7,208		**6,532**	

	2010		2009	
Commission revenue				
Sweden	51,840	72%	21,496	48%
The Netherlands	4,094	6%	6,538	14%
Lithuania	9,813	14%	10,866	24%
Latvia	5,626	8%	6,280	14%
	71,373		**45,180**	
Other operating income				
Sweden	563,203	100%	33,325	97%
The Netherlands	-	0%	-	0%
Lithuania	715	0%	894	3%
Latvia	552	0%	244	1%
	564,470		**34,463**	
Total per geographical area				
Sweden	887,979	96%	208,794	84%
The Netherlands	4,094	0%	6,541	3%
Lithuania	15,220	2%	14,083	6%
Latvia	21,066	2%	23,563	9%
	928,359		**252,981**	

Note 9 Group sales

Group	2010	2009
Sales have been made to other Group companies amounting to	91	126

Note 10 Other operating income

Group	2010	2009
Consulting fees	6,429	12,213
Profit of an acquisition at a low price	433,705	-
Adjustment amount of acquired assets	78,032	-
Other operating income	46,304	22,250
	564,470	**34,463**

Note 11 Group purchases

Group	2010	2009
Purchases have been made from other Group companies totalling	11,830	15,387

Note 12 Information regarding employees

Group	2010		2009	
Average number of employees	Average number of employees	of whom men	Average number of employees	of whom men
Sweden	142	48	123	42
Netherlands	14	5	14	5
Lithuania	31	17	33	19
Latvia	41	15	33	11
	228	**85**	**203**	**77**

	2010	2009
Absence due to illness (Sweden)	3.5%	3.9%
Specified according to gender		
Women	4.6%	3.4%
Men	1.8%	4.4%
Specified according to age interval		
- 29 years	2.1%	1.6%
30 - 49 years	4.5%	4.7%
50 - years	2.2%	2.4%

Group	2010	2009
Salaries and other remuneration		
- to Chairman of the Board	787	501
- to Members of the Board	371	394
- to CEO, vice CEO	2,064	2,111
- to other employees	62,563	53,386
Total salaries and remuneration	**65,785**	**56,392**
Social security contributions	**21,170**	**17,587**
Pensions premiums		
Board, CEO and vice CEO	126	149
Other employees	6,398	4,124
Total salaries and remuneration, pension costs and social security contributions	**93,479**	**78,252**

	Number	of whom men	Number	of whom men
Members of the Board	10	6	10	6
CEO and Other Senior Management	10	4	10	4

The Swedish Financial Supervisory Authority has passed a resolution implying new regulations effective as of 1 January 2010, concerning remuneration in financial companies. These have been adopted by the Marginalen Group, which operates under the supervision of the Swedish Financial Supervisory Authority. Variable remuneration is paid only to a limited extent and as there are no agreements regarding severance pay for senior management, it has been assessed that further disclosures, in addition to the information provided in this Note, are not required.

Note 13 Operational lease agreements

Group	2010	2009
Total leasing and rental costs during the year	13,989	10,547
Future leasing fees referring to operational leases with a remaining duration of:		
Less than 1 year	17,879	18,448
Longer than 1 year, but not longer than 5 years	29,937	6,506
Longer than 5 years	3,174	-
	50,990	**24,954**

Note 14 Disclosures regarding audit fees

Group	2010	2009
Öhrlings PricewaterhouseCoopers		
Audit assignment	1,991	1,980
Auditing activities other than audit assignment	875	527
Tax advice	150	-
Other services	366	-
	3,382	**2,507**

The audit assignment includes the review of the annual report and financial statements, the administration of the Board of directors and the CEO, other work tasks that it is the duty of the Company's auditors to conduct, as well as consultation or other services that are a result of observations from such reviews or the implementation of other such tasks. Audit-related advice includes the review of interim reports, reporting to authorities and services related to certification issuing and statements. Tax advice includes general services for foreign residents and other taxation issues. Other services include advice on accounting issues, services in connection with corporate / business changes, operational efficiency and assessment of internal control.

Note 15 Intangible and tangible fixed assets

Intangible fixed assets

Group	2010	2009	01.01.2009
Trademarks referring to Bank2			
Acquisition value			
Opening acquisition value	31,433	31,433	31,433
Acquired acquisition value	-	-	-
Purchases for the year	-	-	-
Impairment losses	-31,433	-	-
	-	**31,433**	**31,433**
Accumulated depreciation			
Opening accumulated depreciation	-2,794	-698	-
Impairment losses	4,191	-	-
Depreciation for the year	-1,397	-2,096	-698
	-	**-2,794**	**-698**
Closing residual value trademarks	**-**	**28,639**	**30,735**

Group	2010	2009	01.01.2009
Goodwill			
Acquisition value			
Opening acquisition value	50,348	50,348	50,112
Acquired acquisition value	-	-	-
Adjusted acquisition value	250	-	-
Purchases for the year	-	-	236
Sales / impairment	0	-	-
	50,598	**50,348**	**50,348**
Accumulated amortisation			
Opening accumulated amortisation	-	-	-
Reversal of previously performed amortisation	-	-	-
Sales / impairments	-	-	-
Amortisation for the year	-5,669	-	-
	-5,669	**-**	**-**
Closing residual value goodwill	**44,929**	**50,348**	**50,348**

Testing of the the impairment requirement for goodwill is done by an impairment test based on the recoverable amount of the value in use. The test is done in accordance with the model, as described in Note 37 (a). At the impairment tests for 2010 the goodwill attributable to the cash generating unit Lexus has been written down to zero.

Group	2010	2009	01.01.2009
Other Intangible assets (IT systems, development expenditure etc)			
Acquisition value			
Opening acquisition value	22,101	19,616	18,601
Acquired acquisition value	-	128	47
Foreign currency translation	-130	-62	161
Purchases for the year	10,640	2,497	1,340
Sales / impairment	-47	-78	-533
	32,564	**22,101**	**19,616**
Accumulated depreciation			
Opening accumulated depreciation	-7,747	-3,714	-2,885
Foreign currency translation	87	32	-83
Acquired accumulated depreciation	-	-129	-169
Sales / impairment	47	75	369
Depreciation for the year	-4,273	-4,011	-946
	-11,886	**-7,747**	**-3,714**
Closing residual value, Other intangible assets	**20,678**	**14,354**	**15,901**
Closing residual value, Intangible assets	**65,607**	**93,341**	**96,984**

Tangible fixed assets

Group	2010	2009	01.01.2009
Equipment			
Acquisition value			
Opening acquisition value	23,453	13,503	22,567
Foreign currency translation	-478	-194	443
Adjusted opening acquisition value	-	9,936	1,305
Acquired acquisition value	6,129	-	-
Purchases for the year	3,029	384	976
Sales/disposals	-11,070	-176	-11,788
	21,063	**23,453**	**13,503**

Group	2010	2009	01.01.2009
Accumulated depreciation			
Opening accumulated depreciation	-10,242	-8,874	-10,562
Foreign currency translation	359	151	-329
Adjusted opening accumulated depreciation	-	-	-1,682
Sales/Disposals	2,342	155	4,496
Depreciation for the year	-1,625	-1,674	-797
	-9,166	-10,242	-8,874
Closing reported value	**11,897**	**13,211**	**4,629**

Other intangible assets, defined as IT systems, development expenditure, etc., are attributable primarily to the business areas and the bank´s pre-system. IT systems are primarily characterised as standard systems, apart from the client handling and debt recovery system developed by Marginalen Bank.

Note 16 Bonds and other interest-bearing securities (expressed in SEK)

Counterparty with external rating		Group	2010	2009
Moodys	Baa3	Volvo Treasury AB 8.5% 120320	42,438	44,011
Moodys	Aaa	Sandvik Treasury Cert FFD 100120	-	19,966
Moodys	Aa2 - P1	Certificate	1,699,537	-
Moodys	-	Certificate	989,543	
			2,731,518	**63,977**

Note 17 Shares and participations

Group	2010	2009
Carnegie Fondkonto	28,258	27,350
Jamii B. Scandinavia AB	5,040	5,040
	33,298	**32,390**

As fair value is not considered to be reliably measured the shares of Jamii B Scandinavia are stated at cost.

Note 18 Loan losses, net

Group	2010	2009
Receivables from the general public		
Specific provision for individually valued loan receivables		
Write-off of determined credit losses for the year	-1,241	-111
Provision for probable credit losses for the year	-21,165	-12,893
Payments received on previous year's established loan losses	74	374
Cancelled, unrequired provisions for probable credit losses	4,358	-
Groupwise provision, provisions indirectly valued credit losses for the year	-72,030	-17,112
Net costs for the year	**-90,004**	**-29,742**

Note 19 Group contributions

Group	2010	2009
Group contribution received from ESCO Marginalen AB	-	4,200
	-	**4,200**

Note 20 Income tax

Group	2010	2009
Deferred tax	44,258	-47,003
Current tax	-89,059	-702
Total reported tax expenses	**-44,801**	**-47,705**

The income tax on the profit before tax differs from the theoretical amount which would have arisen in applying the current tax rate as follows:

Group	2010	2010 (%)	2009	2009 (%)
Income before tax	175,129		166,315	
Income tax calculated according to tax rates applicable for the profit in the respective countries	-44,110	-25.2%	-45,328	-27.3%
Non-taxable income	189	0.1%	-216	-0.1%
Non-deductible expenses	-2,738	-1.6%	-2,237	-1.3%
Utilisation of loss carry forward amounts that have not previously been reported	1,866	1.1%	491	0.3%
Loss carry forwards for which no deferred tax asset has been reported	-8	0.0%	-415	-0.2%
Total reported tax expense	**-44,801**	**-25.6%**	**-47,705**	**-28.7%**

Weighted average tax rate amounted to 25 per cent (27 per cent).

Tax attributable to other comprehensive income amounts to TSEK 358 (-763).

Note 21 Lending to credit institutions

Group	2010	2009	01.01.2009
Maturity information			
Payable on request	1,028,511	1,899,160	465,737
Remaining maturity of a maximum of three months	-	605,796	500,000
Remaining maturity of more than three months but, at most, one year	-	400,000	400,000
Remaining maturity longer than 1 year but, at most, five years	48	55	
	1,028,559	**2,905,011**	**1,365,737**

Rating

Lending to credit institutions		2010	2009	01.01.2009
Counterparties with external ratings				
Moodys	Aaa	15	-	25
Moodys	Aa1	-	-	150,391
Moodys	Aa2	292,167	73,889	1,216
Moodys	A2	705,594	751,954	-
Moodys	Aa3	-	-	1,193,880
Moodys	A1	7,132	8,559	2,506
Moodys	Ba3	-	-	12
Moodys	B+	-	-	-
Counterparties without external ratings		23,651	2,070,609	17,708
		1,028,559	**2,905,011**	**1,365,737**

Note 22 Lending to the general public

Group

Lending to the general public	2010	2009	01.01.2009
Nominal amount capital receivables – matured credit portfolios	7,106,547	3,035,621	2,817,576
Valuation at fair value	250,984	475,023	-
Provision for expected credit losses – matured credit portfolios	-2,260,489	-2,168,698	-2,384,024

Lending to the general public	2010	2009	01.01.2009
Nominal amount capital receivables – other	125,082	-1,397,185	1,523,887
Provision for expected credit losses – other	-23,405	-33,561	-24,209
Market value of capital receivables	**5,198,719**	**2,230,547**	**1,933,230**

Fair value calculation of acquired receivables

	2010	2009	01.01.2009
Opening fair value adjustments	475,023	292,433	282,535
Change referring to new acquisitions	-	95	1,486
Change referring to market risk	-73,913	-46,144	25,227
Change referring to credit risk	-150,126	228,639	-16,815
	250,984	**475,023**	**292,433**
Country			
Sweden	5,035,802	2,123,574	1,785,224
Rest of Europe	161,858	105,488	109,110
Rest of world	1,059	1,485	38,896
	5,198,719	**2,230,547**	**1,933,230**
Collateral			
Housing including tenant-owner's rights	54,094	889,809	846,966
Other real estate	456	1,867	-
Guarantees	1,524	3,919	3,773
Credit receivables	746	3,985	63
Shares and subordinated debentures	-	213,828	183,103
Invoice receivables	18,615	21,506	25,080
Leasing objects	101,713	84,242	77,564
Unsecured and other collateral	5,021,571	1,011,391	796,681
	5,198,719	**2,230,547**	**1,933,230**
Sector/business			
Swedish non-financial companies	215,939	162,265	123,382
Swedish households and self-employed	4,780,638	1,923,616	1,663,484
Credit institutions	-	-	-
Foreign public	202,142	144,666	146,364
	5,198,719	**2,230,547**	**1,933,230**

Maturity information:

Financial leases	2010	2009	01.01.2009
Remaining maturity of a maximum of three months	168	296	603
Remaining maturity more than three months but, at most, one year	4,545	2,317	2,099
Remaining maturity more than one year but, at most, five years	77,586	68,574	60,246
Remaining maturity more than five years	19,414	13,055	14,616
	101,713	**84,242**	**77,564**

Other receivables:	2010	2009	01.01.2009
Payable on request	47,433	10,226	-
Remaining maturity of a maximum of three months	586,793	185,286	104,189
Remaining maturity more than three months but, at most, one year	239,630	97,968	122,143
Remaining maturity more than one year but, at most, five years	675,019	407,274	358,540
Remaining maturity more than five years	3,548,131	1,445,550	1,270,794
	5,097,006	**2,146,304**	**1,855,666**

Financial leases	2010	2009	01.01.2009
Gross investments	145,083	118,905	104,575
Book value	101,713	84,242	77,564
Non-earned financial income	17,158	12,940	13,608
Variable fees included in the profit for the period	6,325	6,101	2,830

Material leasing agreements

No leasing agreements were entered into during the year.

Interest term	2010	2009	01.01.2009
Payable on request	3,296,200	205,838	10,437
Remaining maturity of a maximum of three months	1,658,739	1,189,971	1,405,837
Remaining maturity more than three months but, at most, one year	18,832	715,417	366,869
Remaining maturity more than one year but, at most, five years	22,482	42,485	99,437
Remaining maturity more than five years	202,446	76,836	50,651
	5,198,719	**2,230,547**	**1,933,231**

Note 23 Other assets

Group	2010	2009	01.01.2009
Accounts receivable - trade	9,855	10,700	12,713
Deferred tax assets	7,890	391	8,272
Receivables from Group companies	5,623	12,316	5,259
Other receivables	31,378	23,580	19,681
Total other assets	**54,746**	**46,987**	**45,925**

Provision for doubtful debts

Group	2010	2009	01.01.2009
Opening balance	-478	-1,954	-903
Reversed, provision no longer made	329	1,470	60
Provisions for the year	-1,524	6	-1,111
Closing balance	**-1,673**	**-478**	**-1,954**

Note 24 Prepaid expenses and accrued income

Group	2010	2009	01.01.2009
Accrued interest income	32,528	32,184	23,959
Accrued fees and expenses	3,602	4,160	3,597
Other accrued income	1,267	6,398	4,363
Prepaid expenses	27,112	6,950	10,458
	64,509	**49,692**	**42,377**

Note 25 Liabilities to credit institutions

Group	2010	2009	01.01.2009
Maturity information			
Payable on request	-	-	6,438
Remaining maturity of a maximum of three months	-	-	4,125
Remaining maturity more than three months but, at most, one year	-	-	12,075
Remaining maturity more than one year but, at most, five years	-	-	7,950
Remaining maturity more than five years	-	-	-
Bank overdraft facilities utilised	-	-	63,152
	-	**-**	**93,740**
Fixed interest term with a term of, at most, three months			
Approved bank overdraft facilities	33,200	19,450	112,400
Approved credit facilities	-	-	24,150

Note 26 Deposits from the general public

Group	2010	2009	01.01.2009
Maturity information			
Payable on request	7,998,113	4,763,639	2,862,902
Remaining maturity of a maximum of three months	-	-	-
Remaining maturity more than three months but, at most, one year	-	-	-
Remaining maturity more than one year but, at most, five years	-	-	-
Remaining maturity more than five years	-	-	-
	7,998,113	**4,763,639**	**2,862,902**

Note 27 Deferred income tax liabilities

Group	2010	2009	01.01.2009
Valuation of lending to the public	80,065	116,605	68,378
Deferred tax, trademarks	-	7,532	8,083
Deferred tax, other temporary differences	5,020	5,210	5,606
Fair value change	405	763	-
	85,490	**130,110**	**82,067**

Change in deferred tax 2010	Opening balance	Reported in income statement	Reported in other comprehensive income	Closing balance
Lending to the public	116,605	-36,540		80,065
Deferred tax, trademarks	7,532	-7,532	-	0
Deferred tax, other temporary differences	5,210	-190	-	5,020
Fair value change	763	-	-358	405
Total	**130,110**	**-44,262**	**-358**	**85,490**

Change in deferred tax 2009	Opening balance	Reported in income statement	Reported in other comprehensive income	Closing balance
Lending to the public	68,378	47,186		116,605
Deferred tax, trademarks	8,083	-551		7,532
Deferred tax, other temporary differences	5,606	-396		5,210
Fair value change	-		763	763
Total	**82,067**	**47,280**	**763**	**130,110**

Deferred tax liabilities

	2010	2009	01.01.2009
deferred tax liabilities to be paid after more than 12 months	82,696	111,861	58,031
deferred tax liabilities to be paid within 12 months	13,815	18,249	24,036

Note 28 Other liabilities

Group	2010	2009	01.01.2009
Liabilities to Group companies	339	446	12,462
Client funds	22,942	1,647	7,942
Accounts payable - trade	27,934	16,398	9,024
Income tax liabilities	86,627	946	1,031
Other liabilities	72,229	48,792	62,348
	210,071	**68,229**	**92,807**

Note 29 Accrued expenses and deferred income

Group	2010	2009	01.01.2009
Deferred income	7,130	8,199	2,424
Accrued interest	90	69	6,027
Accrued personnel costs	20,764	7,746	6,395
Other accrued costs	50,981	3,446	6,655
	78,965	**19,460**	**21,501**

Note 30 Subordinate debts

Group	Interest rate	2010	2009	01.01.2009
Perpetual subordinated loan from Group companies	3.53%	171,000	30,000	30,000
Expenses for Subordinate debts		5,277	354	776

Nominal value is equal to book value.

Note 31 Equity

Group

Information regarding changes in equity is presented in the Statement of changes in equity, refer to page 21.

Note 32 Pledged assets for the Company's own liabilities

Group	2010	2009	01.01.2009
Pledged assets and comparable collateral for the Company's own liabilities and reported obligations:			
Floating charges	71,000	40,000	40,000
Lending to credit institutions	None	None	5,663
Lending to the general public	4,761	518	367,814
	75,761	**40,518**	**413,477**

Note 33 Contingent liabilities

Group	2010	2009	01.01.2009
Other pledged assets and comparable collateral:			
Guarantee commitment	35,000	5,000	None
	35,000	**5,000**	**None**

Note 34 Commitments

Group	2010	2009	01.01.2009
Granted loans unpaid	121,788	97,254	71,006
Unutilised portion of bank overdraft facility	495,249	18,090	2,942
	617,037	**115,344**	**73,948**

Note 35 Capital adequacy

The financial company group	2010	2009	01.01.2009
Calculation of capital base			
Equity in accordance with the previous annual report (1)	772,718	425,012	306,078
Proposed dividend	-	-	-
Change in fair value of assets held for sale (2)	-1,899	-2,901	-
Deduction for intangible assets (3)	-73,497	-93,637	-96,170
Primary capital (Net)	**697,322**	**328,474**	**209,908**
Supplementary capital	30,000	30,000	30,000
Total capital base	**727,322**	**358,474**	**239,908**
Capital requirements:			
Credit risks - standardised method (4)	384,305	210,676	135,973
Operational risk - base method (5)	61,059	35,477	23,580
Exchange rate risk	-	-	-
Total capital requirements	**445,364**	**246,152**	**159,553**
Capital adequacy analysis:			
Capital base	727,423	358,474	239,908
Capital requirements	445,364	246,152	159,553
Capital ratio (Capital base / Capital requirements)	1.63	1.46	1.50

Information:
Equity (1) according to the balance sheet in the annual report. Market valuation of financial assets available for sale (2) has adjusted the capital base as regards unrealised value. Intangible assets (3), such as goodwill, are not included in the capital cover but are a deduction from the capital base.

Credit risks (4) are calculated on all assets to be included in the capital cover. The asset is risk weighted according to the standardised method between 0% and 150%. The capital adequacy requirement for the credit risk amounts to 8% of the asset's risk-weighted amount. Operational risk (5) is calculated according to the base method with 15% of the three last years' average net income.

The capital cover ratio shows how many times greater the capital base is compared to the institution's capital requirement.

Note 36 Classification of financial assets and liabilities

Group 2010	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total Book value	Fair value
	Fair value option			Held for trade purposes			
Liquid funds	31					31	31
Lending to credit institutions	5,874	1,022,685				1,028,559	1,028,559
Lending to the general public	303,352	4,895,366				5,198,718	5,198,718
Bonds and other interest-bearing securities			2,731,518			2,731,518	2,731,518
Shares and participations	28,258		5,040			33,207	33,207
Derivatives	91					91	91
Accounts receivable - trade		10,056				10,056	10,056
Other receivables		44,691				44,691	44,691
Total	**337,515**	**5,972,798**	**2,736,558**		**-**	**9,046,871**	**9,046,871**
Liabilities to credit institutions					-	-	-
Deposits from customers					7,998,113	7,998,113	7,998,113
Subordinate debts					171,000	171,000	171,000
Accounts payable - trade					27,934	27,934	27,934
Other liabilities					182,137	182,137	182,137
Total	**-**	**-**	**-**		**8,379,184**	**8,379,184**	**8,379,184**

Group 2009	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total Book value	Fair value
	Fair value option			Held for trade purposes			
Liquid funds						26	26
Lending to credit institutions		2,905,003				2,905,003	2,905,003
Lending to the general public	540,505	1,690,042				2,230,547	2,230,547
Bonds and other interest-bearing securities			63,977			63,977	63,977
Shares and participations	27,350		5,040			32,390	32,390
Derivatives	25					25	25
Accounts receivable - trade		8,108				8,810	8,810
Other receivables		36,257				36,257	36,257
Total	**567,880**	**4,639,436**		**0**	**-**	**5,276,333**	**5,276,333**
Liabilities to credit institutions					-	-	-
Deposits from customers					4,763,639	4,763,639	4,763,639
Subordinate debts					30,000	30,000	30,000
Accounts payable - trade					14,737	14,737	14,737
Other liabilities					21,050	21,050	21,050
Total	**-**	**-**	**-**		**4,829,426**	**4,829,426**	**4,829,426**

The following summarises the primary methods and assumptions undertaken to establish the fair values of the financial instruments listed in the table above. For definition of fair value, refer to Note 37 below.

The vast majority of lending and borrowing is made at a variable rate of interest, meaning that book value can be placed on the same footing as fair value.

Accounts receivable and Accounts payable are considered short-term and thus their book value is deemed to reflect their fair value.

Note 37 Fair value

As of 1 January 2009, the Group applies the amendment to IFRS 7 for financial instruments valued at fair value in the income statement. Thereby, information is required regarding the fair value calculation per level in the following fair value hierarchy:

Level 1 – Listed price (unadjusted) on active markets for identical assets or liabilities

Level 2 – Other observable data for the asset or liability than listed prices.

Level 3 – Data for the asset or liability, not based on observable market data.

Fair value of listed financial assets corresponds to the asset's listed transaction price on the closing date. Fair value of unlisted financial assets is determined by using valuation techniques such as discounted cash flows. In this respect, publicly available information is used whenever possible, and company-specific information is used as little as possible.

The instruments that are regularly revalued to fair value are the acquired portfolios of defaulted receivables. They are valued on the basis of discounted cash flows and are, thus, attributed to level 3 as defined in the valuation hierarchy in IFRS 7. A valuation on the basis of discounted cash flows is based on forecasted cash flows attributable to the specific asset, which are calculated at present value at a discount rate (required return) that takes into account both the time value of cash, as well as the risk that the projected cash flows are associated with. For an assessment of an asset's value on the basis of discounted cash flows, an assessment is required of:

a) Required return (discount rate)
b) Projected cash flows

A) Required return

To estimate the market's required return of capital the assets weighted average cost of capital (WACC) is estimated, based o a market-based allocation of capital and equity. The applied rate of return is, for the asset weighted average cost of capital (WACC), based on a marketable allocation of capital cost of borrowed capital and equity, respectively. The capital cost of equity is calculated in accordance with the CAPM (Capital Asset Pricing Model). The starting point is that the required return should reflect the required return that a market participant would have used in the valuation of the assets. Market data included in the required rate of return has been obtained from publicly available information.

The risk-free rate is estimated on the basis of market rates for Swedish government bonds with a maturity equal to the average forecast period for cash flows. The market risk premium is estimated on the basis of annual surveys of the Swedish financial market. Beta is assessed upon an estimate of the asset's market risk, based on data from Bloomberg regarding relevant comparable companies on the Swedish market. The cost for long-term financing is estimated upon publicly available information about interest rate levels for corporate bonds and securitised loans.

B) Projected cash flows

The Group makes forecasts and assumptions about future cash flows from the portfolios. These cash flows consist of payments of principal amounts on the receivables, interest payments, fees, as well as costs for management and administration. The forecast for payments of principal amounts on receivables is based on the estimated flows and not on the contractual flows.

Cash flow of the acquired portfolios with overdue receivables is forecasted up to 30 years. Management's forecast takes into account historical cash flows, types of receivables, the age of the debtor, the nominal amount of receivables, as well as experience from other portfolios of receivables. Based on these parameters, a curve of expected cash flows from the debt collection is built. Monitoring and forecasting is done on a portfolio basis. At each quarter, an internal evaluation of expected cash flows during the upcoming periods is made, which may vary both upwards and downwards in relation to historical outcomes. Only changes that are assessed to be permanent are taken into account when assessing the future cash flows. At each evaluation case, macro factors such as GDP growth, economic conditions and interest rates are taken into account.

	Level 1	Level 2	Level 3	Total
Assets 2010				
Net return – Financial assets at fair value via the income statement:				
Available-for-sale financial assets:			303,352	303,352
Shares and participations	28,167			28,167
Derivative instruments held for trade		91		91
Available-for-sale financial assets:				
Bonds and other interest-bearing securities		2,731,518		2,731,518
Shares and participations				
Total assets	**28,167**	**2,731,609**	**303,352**	**3,063,128**

	Level 1	Level 2	Level 3	Total
Assets 2009				
Financial assets at fair value through the income statement:				
Receivables acquired			540,505	540,505
Shares and participations	27,350			27,350
Derivative instruments held for trade		25		25
Available-for-sale financial assets:				
Bonds and other interest-bearing securities		63,977		63,977
Shares and participations				
Total assets	**27,350**	**64,002**	**540,505**	**631,857**

Financial assets valued at fair value based on Level 3

Profit after tax included in the income statement for 2010 is reported in operating profit, as net income from financial transactions at an amount of TSEK 79,785.

For detailed information regarding Level 3, refer to Note 22 Lending to the general public.

Financial assets valued at fair value based on level 3

Receivables acquired	2010	2009
Opening balance	**540,505**	**417,405**
Total gains or losses:		
Income statement	-237,153	123,005
In Equity	-	-
Acquisitions		95
Adjustments	-	-
Removal from Level 3	**-**	**-**
Closing balance	**303,352**	**540,505**

Note 38 Information regarding the Parent Company

The Company is 100 percent owned by ESCO Marginalen AB, Corporate Identity Number: 556096-5765, Stockholm.

Note 39 Currency distribution at balance sheet date

	SEK	EUR	LTL	LVL	Other	Total
Assets						
Lending to credit institutions	1,000,111	8,561	394	2,654	16,839	1,028,559
Lending to the general public	5,085,452	4,219	47,184	54,494	7,370	5,198,719
Other assets	2,952,934	4,925	1,503	2,244	-	2,961,606
Total	**9,038,497**	**17,705**	**49,081**	**59,392**	**24,209**	**9,188,884**
Liabilities						
Other liabilities	8,519,629	5,593	11,259	7,158	-	8,543,639
Equity	506,242	-1,060	55,998	84,065	-	645,245
Total	**9,025,871**	**4,533**	**67,257**	**91,223**	**-**	**9,188,884**
Positions in derivatives (Note 40)	-	9,182	-	-	-	
Net position in currency	-	22,354	-18,176	-31,831	24,209	

Fluctuations in exchange rates have only a marginal effect on the Group's result.

Note 40 Derivative instruments

Group		2010		2009		01.01.2009	
Hedging Instrument	Currency	Nom. value	Book value	Nom. value	Book value	Nom. value	Book value
Forward agreement	EUR	1,020	91	1,020	25	1,020	-832

The derivatives refer to currency hedging of bank deposits and receivables in EUR. These are subscribed on a rolling three-month basis.

Note 41 Transactions with related parties

During the period, the Group paid interest to the Parent Company, Esco Marginalen AB, on the subordinated loan specified in Note 50 below. A shareholders' contribution of SEK 109,000,000 was received from the Parent Company during the period.

During the year, Esco Marginalen AB issued subordinate loans to Kredit AB Marginalen and Maginalen Bank Bankaktiebolag of SEK 101,000,000 and SEK 40,000,000 respectively.

During the year, the Marginalen Group acquired Citibank's Swedish consumer credit operations. Marginalen AB was party to the agreement, selling the financial assets acquired to Marginalen Bank AB immediately following the acquisition. For further information, see Note 54.

Note 42 Significant assumptions and estimations

In order to prepare the annual report in accordance with IFRS, the management is required to make assumptions and estimations based on historical experience and estimations that are deemed appropriate and justifiable. The actual outcome may differ from these assumptions.

Acquired credit portfolios

Reporting of acquired credit stocks is accounted for in the Group on the basis of a present value calculation of expected future cash flows. Calculation and follow up is made quarterly during the year to ensure that this calculation model is correct. Any value change is reported in the quarterly income statement.

Expected Loan Losses

If a debtor has not paid a matured receivable on its maturity date, our established collection routines are initiated and continue until the credit has been settled, an agreement has been made or the credit has once again, become current. Risk provision principles are based on the major rule that credit engagements with business clients are valued individually, while provisions are made for credits to consumers on the basis of a collective assessment after collateral for individual engagements has been taken into account

Testing of impairment requirement for goodwill

Goodwill is comprised of the amount by which the acquisition value exceeds the fair value of the Group's share of the acquired subsidiary's identifiable net assets on the acquisition date. Goodwill is is allocated to cash generating units at the time of testing for any impairment requirement. The Group reviews at least once per year whether there is any impairment requirement for goodwill, in accordance with IFRS 3. The recoverable amount for cash generating units is established through the calculation of value-in-use.

Note 43 Group purchases

Parent Company	2010	2009
Purchases from other companies within the Group amounted to	1,080	1,081

Note 44 Personnel

	2010		2009	
Parent Company	Number of	of whom men	Number of	of whom men
The Company has no employees				
Gender distribution within the Board of Directors	6	5	5	4

There are no agreements concerning special severance pay for senior management. No remuneration has been paid.

Note 45 Group contributions

Parent Company	2010	2009
Group contributions received from		
Kredit AB Marginalen	-	-
MFS AB	-	-
Konsult AB Marginalen	1,100	-
Marginalen Bank Bankaktiebolag	-	4,793
ESCO Marginalen AB	-	4,200
Group contribution paid to		
Marginalen Bank Bankaktiebolag	-	-
Konsult AB Marginalen	-	-11,686
ESCO Marginalen AB	-	-
	1,100	**-2,693**

Note 46 Income tax

Parent Company	2010	2009
Deferred tax	-	-
Current tax	-1,635	-708
Total reported tax expense	**-1,635**	**-708**

The income tax on profit before tax differs from the theoretical amount that would have arisen with the application of the actual tax rate as follows:

Parent Company	2010	2010 (%)	2009	2009 (%)
Income before tax	2,371		-113	
Income tax calculated according to the current tax rate	-624	26.3%	30	26.3%
Income not subject to tax	-	0.0%	-	0.0%
Expenses not deductible for tax purposes	-1,750	0.0%	-	0.0%
Usage of loss carry forwards that have not previously been reported	739	0.0%	-	0.0%
Fiscal deficits for which no deferred tax asset has been reported	-	0.0%	-738	-653.1%
Total reported tax expense	**-1,635**	**-1,446.5%**	**-708**	**-626.8%**

Note 47 Shares and participations in Group companies

Parent Company, Classified as fixed assets				2010
Onoterade Company, Registered offices	Number of	Share of equity	Book value	Equity
Kredit AB Marginalen, 556589-3681, Stockholm *)	8,500	100%	8,544	421,438
Marginalen Bank Bankaktiebolag, 516406-0807, Stockholm *)	90,000	100%	163,069	200,219
Inkasso AB Marginalen, 556199-4285, Stockholm	5,000	100%	610	600
Konsult AB Marginalen, 556458-4299, Stockholm	1,000	100%	100	957
Helix Inkasso AB, 556392-6863, Stockholm	1,000	100%	124	110
Marginalen Financial Services AB, 556672-8043, Stockholm	1,000	100%	100	480
K10 Redovisning AB, 556625-2705, Stockholm	1,000	100%	2,815	454
B2 Sweden AB, 556668-4964, Stockholm	1,400,000	100%	118,500	112,579
Lexus International BV, 13032061, Netherlands	1,184	100%	1	-1,234
UAB Gelvora, 125164834, Lithuania	2,000	100%	77,464	55,998
SIA Aizdevums.lv, 40003468776, Latvia	105,600	100%	120,845	84,065
B2 Holding Finland Oy, 2005152-6, Finland	8,000	100%	89	87
Suomen Velkajärjestelyt Oy, 2011867-1, Finland	8,000	100%	89	87
Securedate Ltd., UK	1	50%	-	1
(Amount attributable to Securedate are in GBP thousand)			**492,350**	

*) Companies that are credit institutions.

Note 48 Other assets

Parent Company	2010	2009
Receivables from Group companies	49,493	4,625
Other receivables	9,229	1,572
	58,722	**6,197**

Note 49 Equity

Information regarding changes in equity are reported in the Statement of Changes in Equity, refer to page 25.

Note 50 Subordinate liabilities

Parent Company	Interest rate	2010	2009
Perpetual subordinated loan from Group companies	3.53%	30,000	30,000
Expenses for subordinate debts		921	354

Nominal value is equal to book value.

Note 51 Other liabilities

Parent Company	2010	2009
Liabilities to Group companies	195,167	233,921
Other liabilities	166,137	10,604
	361,304	**244,525**

Note 52 Accounts receivable - trade

Parent Company	2010	2009
Pledged assets and comparable collateral for the Company's own liabilities		
Shares in subsidiaries	None	None
Other pledged assets and comparable collateral	31,000	None
	31,000	**None**

Note 53 Contingent liabilities

Parent Company	2010	2009
For Group companies	None	None
	None	**None**

Note 54 Acquisition of operations

On 10 June 2010, the Marginalen Group acquired the majority of the consumer credit operations of the Swedish branch of Citibank International plc. The acquisition primarily included unsecured credits and credits in a credit card portfolio. The deal also saw 92 Citibank employees join the Marginalen Group. The acquisition was completed upon receiving approval from the Swedish Competition Authority and the Swedish Financial Supervisory Authority. The purpose of the acquisition was to extend and develop banking operations in respect of private individuals.

Marginalen AB was the contracting party to Citibank in this deal. All portfolios acquired by Marginalen AB from Citibank were immediately sold on to Kredit AB Marginalen and Marginalen Bank Bankaktiebolag, from which financial operations will be run.

From a Group perspective, the Citibank acquisition is reported as a business combination as the Group took over both credit portfolios and staff. Similarly, the acquisition has also been reported as a business combination by both Marginalen Bank and Kredit AB Marginalen subsidaries, from which operations will be run. The fact that the acquisition has been reported as a business combination means that all assets and liabilities have been valued at fair value on the date of acquisition.

In Marginalen AB, the acquisition is reported as an asset acquisition. This is because Marginalen AB only acquired the financial assets, intending to tranfer these to the Marginalen Bank and Kredit AB Maginalen subsidaries immediately following the acquisition. All staff transferred immediately to the subsidiaries. Because Marginalen AB applies RFR 2 and does not adhere to IAS 39 (see section 2.22 Parent Company accounting principles for more information), the financial assets acquired were reported in the Parent Company at acquisition value.

The fact that the acquisition was completed at a price that necessitated the reporting of Profit of an acquisition at a low price can be attributed in part to strategic reasons on the seller's side.

The total purchase price of the acquisition amounted to SEK 2,628,813,000. The credits included in the acquisition were valued at fair value on the date of acquisition. Negative goodwill was reported in conjunction with this valuation, which was taken up as revenue as Profit of an acquisition at a low price. This is included in the income statement under Other operating income.

The agreement with Citibank means that the profit/loss of the acquired operations accrue to Marginalen as from 1 June 2010.

On 23 November 2010, the acquisition was supplemented by additional credits, the purchase price of which (included in the total) amounted to SEK 137,386,000. The profit/loss from these credits is included in the income statement from 18 November 2010. A portfolio was sold on to Swedish Consumer Credits No 1 Limited (SSC1) via Marginalen AB's parent company Esco Marginalen AB. SSC1 is a Jersey-based company that intends to securitise the portfolio.

Acquisition related costs amounted to SEK 9,750,000 and are included in Other administrative expenses. The Group's income statement includes revenue of approximately SEK 216,000,000 and an operating profit of SEK -52,000,000 in respect of the acquired operation from the date of acquisition (1 June 2010).

Had the acquisition occurred on January 1 the corresponding revenues would have amounted to approximately 359 million and operating profit to -84 million.

Information regarding acquired net assets

Parent Company	2010
Fixed assets	6,129
Lending to the general public	3,071,949
Other liabilities	- 15,560
Fair value, net assets.	**3,062,519**
Profit of an acquisition at a low price	- 433,705
Acquisition price	**2,628,814**

1) Profit of an acquisition at low price is reported pre-tax, in the interim report profit of an acquisition at low price was reported after taxes with the tax effect in other liabilities.

Note 55 Commitments

Parent Company	2010	2009
Granted loans, not distributed	None	None
Unutilised portion of bank overdraft facility	35,000	35,000

Stockholm, 14 June 2011

PETER LÖNNQUIST
Chairman

ANDERS FOLKVARD

ANDERS FOSSELIUS

ALEXANDER VON YXKULL

JAN BELFRAGE

EWA GLENNOW
CEO

My audit report was presented on June 14, 2011

BERTIL JOHANSON
Authorised Public Accountant

Audit Report

To the Annual Meeting of the Shareholders of Marginalen AB, corporate identity number 556128-4349

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Chief Executive Officer of Marginalen AB for the year 2010. These accounts and the administration of the Company are the responsibility of the Board of Directors and the Chief Executive Officer. They are also responsible for the application of the Annual Accounts Act when preparing the annual accounts and for the application of and compliance with the international financial reporting standards IFRS as adopted by the EU and the Annual Accounts for Credit Institutions and Securities Companies when preparing the consolidated accounts. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

I conducted the audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and Chief Executive Officer and significant estimates made by the Board of Directors and Chief Executive Officer when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board Member or the Chief Executive Officer. I also examined whether any Board Member or the Chief Executive Officer has, in any other way, acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and the consolidated accounts have been prepared in accordance with the international accounting standard IFRS as adopted by the EU and the Annual Accounts Act for Credit Institutions and Securities Companies give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

I recommend to the annual meeting of Shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit for the parent company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Stockholm, 14 June 2011

BERTIL JOHANSON
Authorised Public Accountant

* The annual report and consolidated accounts of the Company are included in the printed version of this document on pages 14-59.