

A person with dark hair and a grey shirt is holding a large, solid red rectangular sign in front of their face. The sign covers most of their body, leaving only their head, hands, and legs visible. The background is a light blue gradient.

An extraordinary bank for ordinary people

Financial Summary 2016

marginalen 

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A DIFFERENT KIND OF BANK

We listen to our customers and strive to offer straightforward, competitive financial services.



Marginalen Bank **simplifies** day-to-day finances with **uncomplicated** products for private individuals, business owners, municipalities and authorities.

Marginalen Bank in brief → 3

The bank experienced an **eventful** year in 2016.

A message from the CEO → 6

ROOTS IN THE 1970S

The bank was established when Marginalen acquired Citibank's Swedish consumer bank in 2010. But our history extends back to the 1970s.



The macro economy, regulatory changes and technological advances have a strong impact on the banking sector.

Operating environment → 8



about 320
employees
Employees → 22

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Society, the environment and business are the **focus** of our sustainability efforts.

Sustainability
→ 18



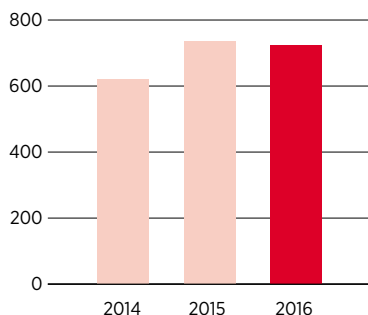
2016 in brief

- Marginalen Bank grew its comprehensive income from SEK 86.4 million to SEK 109.2 million.
- Marginalen Bank became a member of RIX, the payment system of the Swedish central bank (the Riksbank). This means that Marginalen Bank reduces its dependence on other banks by making all payments through the Riksbank.
- Mari Broman was appointed new Chair of the Board, and new board members Gunilla Herlitz, Peter Sillén and Anna-Greta Sjöberg were appointed.
- Charlotte Strandberg was appointed interim CEO of Marginalen Bank after Sarah Bucknell left her position as CEO.
- Marginalen Bank participated in the parent company Marginalen AB's acquisition of Sergel Group by acquiring debt portfolios for a purchase price of just over SEK 1 billion. The seller was Telia Company¹.
- Marginalen Bank's customer service won the silver medal in the Swedish Telephony and Customer Service championships in the category Banking & Finance.
- Marginalen Bank moved to a new head office at Adolf Fredriks Kyrkogata 8 in Stockholm.
- Marginalen launched Hygglig, a new payment service for e-commerce.

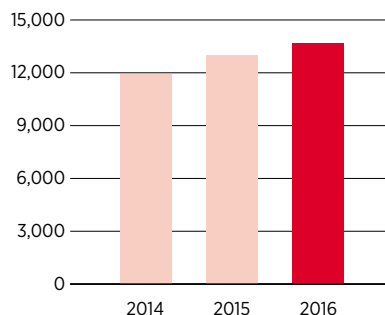
¹ The acquisition is subject to official approval.

KEY FIGURES, SEK MILLION	2016	2015	2014
Net interest income	557.7	572.9	502.3
Operating income	723.9	735.2	619.5
Comprehensive income	109.2	86.4	74.4
Capital base	1,900.1	1,789.5	1,551.4
Total capital ratio, %	16.7	16.3	15.3
Average number of employees, full-time equivalents	281	295	294

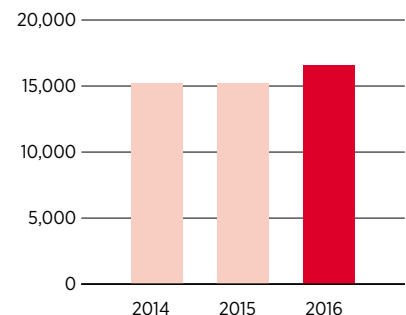
OPERATING INCOME, SEK MILLION



CONSUMER LENDING, SEK MILLION



DEPOSITS TO PERSONAL ACCOUNTS, SEK MILLION



Why a different bank is needed

Marginalen Bank simplifies day-to-day finances for private individuals, business owners, municipalities and authorities.

We want to make a difference

We believe it is important to offer products and services that people truly need and which make a difference in society. We want to act as a counterweight to the increasingly complicated savings products that are emerging on the market. Our products and services should be simple, transparent and secure. It's self-evident to us that individuals and businesses who lend money to us should also receive compensation in the form of a reasonable interest rate. That's why we focus on offering some of the most competitive current accounts, savings accounts and corporate accounts.

Every customer is equally important

There are groups in society today that for various reasons find themselves excluded from the banking market, which is a growing problem. We feel that as many people as possible should have access to the finance market, and not be automatically excluded due to a complicated credit history. Our credit department specialises in complex cases and spends time carefully evaluating each individual application. Much of our total lending goes to improving people's financial situation, but also to actualising their dreams and ideas.

The small business owner's best friend

At Marginalen Bank, we have completed the growth journey that many of our customers are on right now. We ourselves have been small business owners who have heard 'No' from banks and have met those who don't listen or understand. This has given us a unique understanding of the everyday life and challenges of the small business owner, laying the foundation for our corporate offering. Marginalen Bank offers financial services targeted primarily to small and medium businesses (SMBs). In addition, we provide accounting and debt collection services so customers can focus on their core business.

A different focus

We are able to build the bank we really believe in largely thanks to our owner's long-term approach. Put simply, we have a different focus and don't face the pressure to produce short-term earnings in time for the next quarter. Instead, we can calmly focus on our customers, products and services.

OUR BUSINESS CONCEPT

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 and offering straightforward, competitive products and services.

OUR VISION





Contribute to a better world by giving a financial helping hand to people looking for a bank and partner that looks beyond figures and gives just as much consideration to ideas and future prospects.





Our offering

We place considerable emphasis on ensuring our services are easy to use and understand, our terms are transparent and our customer relationships are friendly and helpful.

Target group	Services	Marginalen's packages	Delivery & distribution
Private customers	<ul style="list-style-type: none"> › Cards › Loans › Current and savings accounts › Insurance 	<ul style="list-style-type: none"> ✓ Simple ✓ Smart ✓ Modern ✓ User-friendly 	<ul style="list-style-type: none">  Customer service  Online  Mobile  Individual meetings
Corporate customers	<ul style="list-style-type: none"> › Loans › Transaction and savings accounts › Financing › Debt collection › Accounting services › Legal services › Insurance 	<ul style="list-style-type: none"> ✓ Transparent ✓ Knowledge ✓ Experience ✓ Personal service 	

A small bank with a big mission



It was a busy year in 2016 as we moved our position forward in several areas. We participated in the Sergel Group acquisition, and persevered in digitalising our business to improve our customer touchpoints even more.

At the same time, we improved our earnings with comprehensive income rising to SEK 109.2 million (SEK 86.4 million). We continued to control costs and we adapted deposits as well as loans and liquidity to changing capital requirements, which meant that we strengthened our capital base during the year.

The Board was strengthened with the election of Mari Broman as Chair and Gunilla Herlitz, Peter Sillén and Anna-Greta Sjöberg as new board members.

Our Private Banking service showed the strongest growth during the year, but Corporate Banking also had a good year with a large influx of new financing customers and a boost for asset financing. Small and medium businesses (SMBs) are becoming a more and more important and interesting customer segment for us. We have ourselves evolved from being a small company and have undergone the growth journey that many of our customers are on right now. We have heard 'No's' from banks, toiled with administration and taken the risk involved in hiring an additional employee. These key experiences, together with our expertise in growth financing for SMBs, form the foundation of our corporate offering, an area that is growing in importance for the bank.

Simpler banking services through digitalisation

During the year the bank's digitalisation activities took off, and we moved forward with new products as well as improved systems. We launched a new version of our mobile bank, making it both easier and faster to do banking. E-signing was introduced as an option on loan applications, simplifying administration for our customers.

During the year we also took a decision to establish Marginalen Bank on the growing e-commerce payment market in Sweden. We launched Hygglig Checkout, a payment service that creates a secure and simple shopping experience.

To achieve success with our digital initiatives, we must increase our digital know-how within the bank and complement an analogue approach with a digital one. Several internal projects were conducted during the year to raise the digital literacy of our employees. To this end, we appointed a chief digital officer (CDO) to lead the digital transformation efforts at the bank.

Sustainability through and through

We kicked off our sustainability work at the beginning of the year with a move to our new head office at Adolf

Fredriks Kyrkogata in Stockholm. The Grönlandet Södra 13 building is designed by Sigurd Lewerentz, one of Sweden's most high-profile architects. This building is considered one of the most important modern buildings in Sweden, attracting the interest of architecture enthusiasts from all over the world. The office has an activity-based workplace design, so employees can choose between different workspaces depending on the task at hand. The flexible spaces create a more open and communicative approach among employees, departments and business areas, which in the end makes us a better bank for our customers.

We took steps to methodically build sustainability into all business models, including a focus on the measurability of our activities. We formed a sustainability council, with representatives from different areas of the business, that addresses sustainability issues and makes sure decisions are implemented in the organisation.

Acquisition of Sergel Group

On 21 June, it was announced that our parent company Marginalen AB acquired Sergel Group ("Sergel") from Telia Company. Marginalen Bank participated by acquiring debt portfolios in Sweden, Norway and Finland. Through this acquisition we strengthen the bank's position in portfolio acquisitions, an area in which we have many years of experience. At the time of writing, the acquisition process is pending approval by the regulatory authorities.

RIX – For a more independent bank

During the year, we became members of the Riksbank's payment system, RIX. This means that we manage clearing and settlement through the Riksbank instead of hiring an agent. This action strengthens the bank's autonomy and improves our ability to act as an independent player in the Swedish banking market. Membership also improves our capital position, since we can now invest liquidity with the Riksbank.

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Small and medium businesses (SMBs) are becoming a more and more important and interesting customer segment for us.

Outlook

Our focus in 2017 will be on further simplifying the everyday financial lives of our customers. As a vital part of these efforts, we will continue to digitalise the bank so that it will be even easier for customers to do their banking. Customer-facing digitalisation requires corresponding actions internally. We will therefore continue to digitalise and streamline our procedures and work processes. Sustainability is another area that will grow in importance for us. We will be producing our first sustainability report in 2017 in accordance with GRI standards.

It is the small and medium-sized businesses that form the backbone of the economy and contribute to its growth and stability. Companies with 5-49 employees have seen the largest employment growth in the past year, and we believe this trend will continue in 2017. Many of these companies are experiencing a lack of financing that represents a barrier to growth. We see solving their financing problems as a great challenge, and we intend to make more investments in this area.

CHARLOTTE STRANDBERG
INTERIM CEO MARGIALEN BANK

A changing environment requires new solutions

Macroeconomics, regulatory changes and technological advances have a strong impact on the banking sector. Competition is getting tougher, while customer behaviour is changing at an increasingly rapid rate. The number of banks is shrinking throughout Europe. Diversity benefits customers, and Marginalen Bank works actively to promote market opportunities.

Economic climate and fiscal policy

Swedish exports have shown a weaker recovery compared with previous cyclical upturns, mainly due to weak global investment growth and continued price pressure in the raw materials industry. The sluggish export growth can be partly explained by weak economic performance in several important recipient countries in the EU. In Europe, demand is expected to increase but the extent depends on factors such as developments abroad. The consequences of the US presidential election and the UK's planned exit from the EU are examples of world events that are expected to impact growth.

Despite the strong economic trend, fiscal policy is expansionary with increased government spending. Contributing factors are asylum immigration and investments in the public sector and infrastructure. The expansionary fiscal policy results in unfunded reforms, which in turn reduces structural savings. The Riksbank's attempts to push up inflation through record-low interest rates and huge support purchases of government bonds contribute to rising levels of household debt and skyrocketing housing prices. This could threaten long-term financial stability. But when the mortgage repayment requirement was introduced in 2016, the negative trend slowed. We can probably expect a tighter fiscal policy going forward.

Sweden's economy depends on exports

Marginalen Bank operates primarily in Sweden. Sweden has a small, export-dependent economy, which is highly sensitive to changes on the global market. Goods exports have stagnated over a number of years as a result of weak global demand, while service exports continue to exhibit robust growth. Policy statements for protectionism and against free trade have been forthcoming in both the United States and several European countries. If these

statements gain a wider foothold in public opinion, it might have significant consequences for Swedish exports as well as for the entire Swedish economy.

GDP development

For the past two years, the growth rate in the Swedish economy has been around 2.5 percent and has been mainly driven by consumption and housing investments. A slight acceleration in growth has occurred over the past few quarters. GDP growth in Sweden was just over 3 percent in 2016, but is expected to decline over the next few years. Growth is expected to reach 2.9 percent in 2017 and 2.1 percent in 2018.

Rising consumer demand

The pace of growth in consumer spending increased in 2016. According to Statistics Sweden's Financial Market Statistics, consumer loans showed a growth rate of 5.8 percent in December 2016, compared with a rate of 3.7 percent in December 2015. The Economic Tendency Survey, published by the National Institute of Economic Research, revealed that consumer expectations of how their personal finances will evolve in the coming year rose somewhat in November 2016 to a level that has not been measured since 2013. Consumer confidence weakened slightly in December 2016 although it remained above the historical average.

Outlook for small businesses

Small and medium-sized businesses form the backbone, growth and stability that affects the economy.¹⁾ Companies with 5-49 employees have seen the largest employment growth in the past year. It is mainly such companies that make up Marginalen Bank's current customer base on the corporate side.

The majority of all businesses finance their current operations and investments using their own earnings. At the same time, many business owners experience difficulty in obtaining financing on reasonable terms, which is also one of the leading obstacles to expansion and new hiring. Since 1990, four out of five jobs on the Swedish labour market have been created by small businesses. The availability of financing has a decisive impact on companies' ability to grow and develop.

Regulatory changes and changes to tax laws

Regulatory changes for the banking sector, such as higher capital requirements, are pushing up costs for banks. At the same time, regulatory changes are being made that aim to strengthen the position of consumers through greater choice and increased demands for transparency. This presents opportunities for new operators to enter areas of the banking market and compete on price, service and accessibility. This increases demand, while brands and the ability to distinguish oneself plays an increasingly significant role.

Digitalisation

Digitalisation improves accessibility and makes it easier to compare prices and offerings, which fuels competi-

tion. Many companies are experiencing a significant shift, where traditional business models are being questioned and evolving. Social media create the norms for how services should function online. When young people become bank customers, they expect the same innovative thinking and simplicity from their bank. As a bank, we aim to live up to the wishes and requirements of customers today and into the future. How we will achieve this is a core issue of the strategic activities of the bank and the Board.

Process management gains significance

It is not just increased competition and capital requirements that are putting banks' business models to the test. A new banking regulation has been introduced in recent years and will apply to all banks within the EU, regardless of size. A study conducted in 2016 shows, as in previous years, that the regulation is perceived as highly detailed. Process management within banks is expected to become more important as a means of competition. For many years, Marginalen Bank has had an ISO 9001-certified management system in place for effective process management and control.

¹⁾Swedbank's Småföretagsbarometer (Riksrappporten, September 2016)





>90%

use our loans to
repay other more
expensive forms
of credit.

Simple products for all

Margialen Bank offers:

- › Deposits & loans
- › Cards & payment services
- › Insurance

Customers administrate their banking
services via a simple and user-friendly
online bank and mobile app.

Marginalen Bank simplifies personal finance

For us, simplicity, transparency and personal service are essential hallmarks. Managing your finances should be a simple task, and it should take no more than a few clicks to complete banking transactions. Our customers should be offered simple, straightforward and necessary products and services. The terms and conditions should be transparent, the interest rate reasonable and customers should be treated as individuals. Our vision is to simplify our customers' day-to-day finances through a simple and engaging banking experience.

Secure accounts with interest

In a financial world where the trend is moving towards increasingly complex banking and savings products, we think it's important to offer simple, secure alternatives. We offer some of the most competitive current accounts and savings accounts on the market, where customers can choose between fixed and variable rates of interest. At the end of 2016, our current account carried an interest rate of 0.6 percent, while our fixed-interest accounts offered up to 2.75 percent. All accounts are covered by the state deposit guarantee.

Loans that create breathing room

Marginalen Bank offers a Personal Loan and a Restart Loan. Most of our customers – over 90 percent – use our loans to repay other more expensive loans and credit, thus improving their personal finances.

The Private Loan, which accounts for the vast majority of our lending, is a flexible loan with many uses. In addition to enabling customers to repay other more expensive credit, it can be used for renovations, car purchases or even for a dream holiday. No collateral is required for the loan, but the customer needs to have a steady income and pass the usual credit check.

The Restart Loan is partly for people who need a fresh start with their finances. They often have a complicated credit history with lots of different credit. Or they are people who are excluded from the lending market because they have defaulted on a payment. One explanation for their payment difficulties may be an unforeseen life event.

Marginalen Bank has formed a department with advisers specialising in these complex and sensitive matters that offers more targeted personal service and requires more manual work than standardised, automated models. This customer group represents our most satisfied customers.

Cards and insurance

Marginalen Bank offers three types of credit card: Bank Card, which is a perfect basic card, Traveller, which turns purchases into trips, and Gold, which includes many attractive insurance policies. We also have an extensive range of additional insurance, including personal accident insurance, and insurance that pays loans, credit card bills and other bills in the event of illness or unemployment. Customers can also insure themselves against one of the fastest growing crimes in Sweden: identity theft. Our ID theft insurance provides quick, personal assistance to victims.

2.75 %
interest rate
on our fixed-rate
accounts.

2016 in brief

- Consumer lending increased by SEK 693.2 million to SEK 13,684.8 million, largely due to a favourable trend for Personal Loans. Consumer lending in Private Banking increased by SEK 800 million to SEK 10,200 million.
- Launch of new mobile banking service.
- Deposits from individuals increased by SEK 1,405.6 million to SEK 16,597 million.
- Launch of 3-month and 6-month fixed-rate accounts.

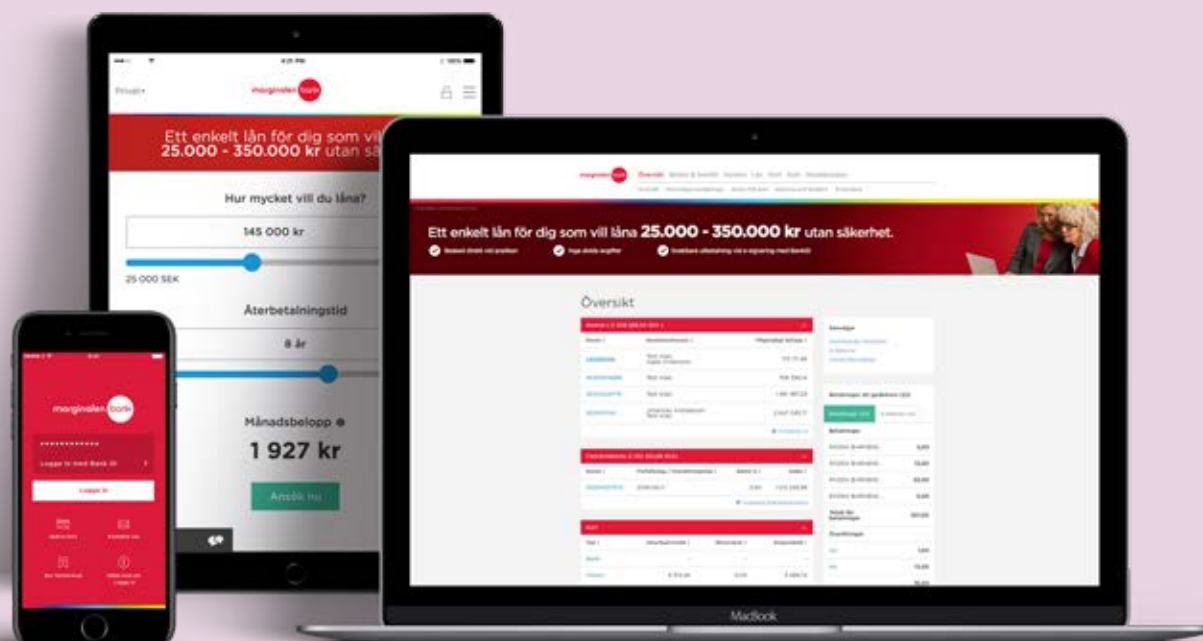
Focus for 2017

Launch of a new mobile platform for easier access to banking services

Simplify processes and customer interface to improve the customer experience

Continue to design an improved and uniform customer experience for all services

Launch of a new card system



Case



The Persson family got a fresh start

Life doesn't always turn out as planned and sometimes different life stories don't fit into the standard matrix of what characteristics a bank customer should have. That's just what happened to Marie Persson, who lost her income and even her bank when she got sick. Now the family had only one income to live on and was forced to highly prioritise their bill-paying.

– We didn't want to lose the house, and since we had to choose which bills we were going to pay we prioritised the mortgage.

Unfortunately, the family got behind in their bills and defaulted on some payments. When Marie got well and went back to work, she turned to her bank for help with sorting out the family's situation and getting back on their feet.

– I was given the cold shoulder. They refused, even though I now had a job and income and could pay off a loan. The bank didn't listen to me, they just looked at the past. My VISA card had expired and I didn't even get to order a new one. I'm very disappointed in these banks that want people to borrow in the good times but turn their backs on you when times are tough.

The solution: a Restart Loan

Marie contacted Marginal Bank, where she used to be a customer.

– I finally found someone who listened to and believed in me. Everything isn't all black or white for Marginalen, and I was not automatically disqualified because I had defaulted on payments; you saw that we could manage the loan with our incomes.

– And here we sit and have solved all our debt and credit problems, and the loan even helped us renovate our kitchen. We have a new lease on life and I'm so glad you believed in me and helped me out of a difficult situation. We often talk about our new start in the family, says Marie.

Well, maybe it's time to rename the Restart Loan to the New Start Loan.

MARIE PERSSON

PRIVATE CUSTOMERS

About the Restart Loan

The Restart Loan is for those who find it difficult to get a conventional loan because of a poor credit rating, for example. You decide what you want use the money for – to pay off debt, buy and renovate a home, or buy a car.

Applying for a Restart Loan requires that you:

- Are at least 20 and a legal resident of Sweden.
- Have an annual income of at least SEK 200,000. If it's a joint application, the joint annual income should be at least SEK 350,000.
- Settle claims from debt collectors or the Enforcement Authority before you invest in anything else.



SEK 1,412

million, total
lending in 2016.

Corporate offering

Marginalen Bank offers:

- › Financial services, Accounting consultants and Payroll specialists
- › Legal advisers
- › Debt collection
- › Transaction and savings accounts
- › Loans
- › Insurance

A corporate offering based on our own experience

Everyday life for a small business owner is complex and there is rarely enough time to focus on growth. We conducted a survey which reveals that small business owners devote an average of one working day a week to administration. This administrative burden hinders growth and also becomes bigger as the company grows. With that as our starting point, we developed our corporate offering.

Our breadth makes us a better partner

Marginalen offers services for small and medium-sized companies, authorities and organisations. We offer everything from banking services to accounting services and debt collection, insurance, legal advice and HR. The various disciplines complement one another and having a comprehensive approach to our corporate customers makes us a better and more long-term partner. We notice that our clients appreciate the simplicity of only having to deal with one partner.

We understand the everyday life of business owners

At Marginalen we have the advantage of having completed the growth journey that many of our customers are on right now. We have progressed from being a sole proprietorship to a company with 320¹⁾ employees. Bureaucracy, unsympathetic financiers and an increasingly heavy administrative burden impeded our growth as well. This situation spawned a concept of the need for a new type of bank on the Swedish market, a bank that understands the daily pressures that small business owners and entrepreneurs are under.

Banking services with a customer focus

Corporate Banking offers growth financing, including business loans, invoice financing and leasing. Fields that our customers are involved in include building and construction, transport, forestry and agriculture, industry, retail and medical technology. At the end of 2016, total lending amounted to SEK 1,412 million.

We believe our customers should earn a reasonable rate of interest on the capital that they deposit with us. Corporate Banking therefore offers a wide range of deposit accounts carrying both variable and fixed interest rates. At the end of 2016, our transaction account carried an interest rate of 0.40 percent, while customers' surplus liquidity could be invested in our fixed interest account at a rate of 2.75 percent. Our accounts are covered by the state deposit guarantee.

Running a company is associated with various types of personal risk. To reduce these risks, we offer a strong range of insurance products for insuring machinery and equipment at competitive prices.

Hygglig eCommerce

During the year, a payment service for online merchants was launched with no contract periods, fixed fees, and simple order management and administration. Consumers get a safe and easy payment service centred around the shopping experience.

Accounting services

Marginalen has a separate accounting function. We have external assignments and help our customers with everything that would normally be carried out by a finance department. Bookkeeping, payroll and financial reporting are our bread and butter. Our accounting consultants are authorised and we establish teams based on customer requirements. Many companies lack access to specialist expertise in payroll and HR issues. Marginalen's payroll specialists work with everything from providing labour-law advice to payroll administration. Our legal advisers help our customers with matters such as contract law, corporate law, damages law and commercial law.

Debt collection in Sweden and abroad

Marginalen has operated a debt collection service for more than 35 years and knows what it takes to help our customers ensure their liquidity in a professional and dignified manner. Our debt collection agents are certified and our operations are ISO 9001:2008 certified. We also have legal professionals with expertise in several areas who can provide assistance if a debt collection case goes to court.

We are members of the European Collectors Association, which means that we help customers collect receivables in foreign countries.

1) Number of employees at end of 2016.

2016 in brief

- Launch of new payment solution 'Hygglig' for e-commerce. During the year, we concluded several new partnership agreements enabling closer relationships with e-retailers.
- New e-signing solution that simplifies customers' daily lives.
- Development of payment functions in the online bank.
- Stable growth in asset financing with new financing customers.
- New additional cover for leasing and instalment customers.

Focus for 2017

Continue development of the online bank and mobile bank with more digital services for corporate customers

Continue development of Hygglig payment solution with an instalment purchase option

Digital accounting services for corporate customers

Launch of the Corporate Card for corporate customers

Collaborate with Norwegian franchise organisation to increase lending to Norwegian franchises

Develop tools to further simplify customers' ability to submit overdue receivables for debt collection

Develop online and chat interfaces for our customers' customers



Case



Brilliant prospects for reflector company

Popomax's entrepreneurial journey began with a discussion on bum warmers for children at a 40-year birthday party. But it didn't stop there. Engineers Ewa Romö and Kersti Kempe decided to create a proof of concept for their idea in Sweden. During a girls' night out, it emerged that there was a real need for outdoor equipment that would make it easier for families with small children to go on nature outings. Together, they started the company Popomax in 2002.

Starting the company itself was simple. "There was plenty of information on the internet, and we got start-up grants," says Ewa, CEO and founder of Popomax.

But the newly hatched entrepreneurs quickly discovered they had to sell a lot of bum warmers to be able to give themselves a salary. They needed to broaden their product range, and a solution arrived unexpectedly when Ewa's children came home from school one day.

"They came home with a soft promotional reflector, and this was in the days when there were only boring hard reflectors. And so the idea was born to create stylish, cool reflectors for the consumer market."

The reflectors – they called them Glimmisar – launched at the Formex fair in 2003.

"We sold out everything and when we contacted our retail customers, they had sold out, too. So it was a good start.

The big challenge came when it was time to get more customers. We had to make call after call, and we quickly understood that you needed to enjoy chasing people down."

In 2006 Popomax started an export operation, and today the company's products are available in several European countries in addition to the Nordics as well as in Japan, the United States and Canada.

What challenges do you face today?

"To convince adult men that it's cool to wear a nice reflector. Competition has stiffened, and we want to continue to grow and expand in more export markets. Also, it can be hard to be a supplier for large companies that have a 60-day payment period and bad payment habits, but in these cases we've been selling invoices to Marginalen Bank. This has meant a boost to liquidity since we get paid straight away. It's been working really well for us."

How do you finance growth?

"For us, we've had flat-out rejections on loans from major banks, despite the fact that we've been in business for over 10 years, have never posted a loss and have a large inventory value. They want us to put up our homes, property and other assets as security, but we refuse to do this as founders of a public company," says Eva.

"So it was great that Marginalen Bank gave us account credit, bought our invoices and even made sure we got a good interest rate on our transaction account and our savings account. Marginalen has a more open attitude and is easier to cooperate with compared to other banks. I feel like the bank wants to take care of me as a customer," she concludes.

EVA ROMÖ

CEO POPOMAX

Sustainable business

Throughout our history, and even before we became a bank and the concept of sustainability was established, Marginalen Bank saw it as its task to help the groups in society that the banking and finance industries have traditionally shunned.

They are often smaller companies, entrepreneurs and people with complicated credit histories. Thanks to our expertise in the unique needs of these groups, we can help many of them to achieve stable day-to-day finances. We can see how we make a real difference for many of our customers. That's 'sustainability' to us.

We've used a sustainability perspective to design our business model, taking into account our long-term responsibility towards society, the environment and business. This means that we must have satisfied customers and employees, be economical with our resources and reduce our environmental footprint. In these ways, we can contribute to developing society sustainably.

GRI reporting¹

In 2017, we will begin reporting according to the following GRI parameters:

EN1: Materials used

EN3c: Energy consumption

EN17: Greenhouse gas emissions from business travel

LA12: Diversity of governance bodies and employees

Our responsibility

BUSINESS

- We offer products and services that are aligned with the work we do for the environment and society at large.
- We choose to cooperate with and invest in organisations and companies that take their social and environmental responsibilities seriously.
- All employees have individual sustainability goals incorporated into their performance goals.

ENVIRONMENT

- We work actively to ensure we have a low environmental impact with regard to our services, offices and business travel.
- We encourage our stakeholders to consider environmental issues in order to achieve a low environmental impact throughout the value chain.

SOCIETY

- We provide services that involve social responsibility, such as financing for small and medium businesses and loans for people who have complicated credit histories.
- We contribute time or money to organisations whose mission is to help vulnerable people, particularly within the areas we as a bank have a direct link to.
- We aim to be an attractive employer that strives to achieve gender equality and diversity.

1) GRI = Global Reporting Initiative

Activities and initiatives

Inclusive services – new opportunities in the marketplace

Our current accounts and savings accounts offer some of the market's most competitive interest rates. Our responsibility is also about helping companies grow. Marginalen's corporate unit focuses on this, as well as providing small businesses with financing and administrative assistance for bookkeeping and accounting.

More digital solutions

In 2016 we spent time getting more digital solutions up and running for both existing and new customers. This resulted in using fewer paper invoices and instead using digital solutions like e-invoices along with BankID.

Responsible partnerships

We are involved in the fight against child pornography through our membership in the Financial Coalition against Commercial Sexual Exploitation of Children. The coalition is a collaboration among companies that work actively to prevent financial systems from being exploited and used for the consumption of child pornography. We also support our partner organisation ECPAT's work towards a world free from child sexual abuse. And as a partner to Folkspel, we help support Swedish sport and leisure associations. Marginalen Bank is an indirect shareholder in Jamii Bora Bank Ltd in Kenya. Just like Marginalen Bank, Jami Bora Bank focuses on helping small businesses to get established and grow. Marginalen Bank participates in the internship programme Jobbspårnet, run by the Royal Swedish Academy of Engineering Sciences and the Public Employment Services. This programme helps new immigrants who are university educated find a job in Sweden.

We participate in Volunteer Day, which gives employees the opportunity to volunteer during working hours, and in the Climate Pact, to help reduce carbon dioxide emissions in Stockholm.

Responsible services – Restart Loan

Our Restart Loan helps people with complex credit histories achieve a better financial future. These individuals often have multiple credit and payment defaults. Our advisers are specialised in these sensitive issues, which often require a close personal dialogue with the customer. By granting these customers credit, we are helping them get their finances in order.

New office with sustainability in focus

We have moved to a modern office in Stockholm. Sustainability is a vital component in everything from material selection to technical installations and the design of the open-plan office. In conjunction with the move, we also merged our two offices in Stockholm into one, which is positive for the environment.

Marginalen Bank Master Award

The Marginalen Bank Master Award is presented to the top graduating student in Stockholm University's Masters programme in Banking and Finance. The award aims to encourage young people to get involved and exert their influence on the financial sector.



Certificate for Marginalen Bank Master Award.

**TANJA ÅBERG KURÉN**

SUSTAINABILITY COORDINATOR



What does a sustainability coordinator actually do?

“I am responsible for coordinating our sustainability work and am the chair of our sustainability council. We provide input to the management team and Board of Directors, disseminate information to different areas of the business and act as ambassadors for our sustainability efforts. We also follow up sustainability targets and review new initiatives. My task as chair is to coordinate this work.”

How does Marginalen Bank address sustainability?

“The most important thing for us is that the sustainability efforts begin at the heart of the company, in our business model. We strive to make all sustainability initiatives that develop the company a natural part of the business. I help coordinate approved initiatives together with the sustainability council. The managers are then responsible for implementing the decisions. Our goal is to weave the sustainability initiatives into our services and processes. Our sustainability work covers three areas: society, the environment and business.”

How is sustainability integrated into the business model?

“By the business model itself being sustainable – that’s the basic premise. Our business model is grounded in the bank’s commitment to make a real difference for our customers and society as a whole. For example, we help groups who are vulnerable from a financial perspective. This includes small business owners who need help financing their growth, or individuals with a complicated credit history. We’re also trying to integrate sustainability into the business model by assigning sustainability goals to all of our employees. This means that sustainability must be front and centre in all parts of the company. A decisive factor in creating long-term sustainability is

making it relevant to our business. We can’t do everything, but we’ve got to focus on the areas that we can influence and that have a natural connection to our business.”

How do these sustainability initiatives affect customers?

“The range of products and services is the result of a sustainable business model that makes a difference in society for people and companies alike. Since implementing sustainability in our daily tasks, it informs all areas of the business all the way through to the customer. We all need to keep sustainability in mind.

What will be the focus of the sustainability efforts next year?

“In 2017, we will start to publish GRI sustainability reports, which will require considerable resources. We’ll also continue our work with the Financial Coalition against Commercial Sexual Exploitation of Children, ECPAT and the Stockholm Climate Pact, and supervise the trainees we recruit to our IT department from the Jobbsprånget programme. If the project turns out to be as successful as I think it will be, I expect that we’ll offer internships to even more recent immigrants. We’ll further develop our internal volunteer day, too, which means that all employees will get to devote one day each year to an initiative or organisation they’re passionate about. It could be working at a non-profit or a soup kitchen.”

Do you keep a sustainability perspective even in the private sphere?

“I try to keep my sustainability radar on even when I’m not on the job, and do what I can to contribute to a better society and a better environment. It always feels as if you could do more, but I donate monthly to five different charities – and sometimes more when I think it’s really needed. I usually choose organic options when I buy food, I recycle and I walk to work. And I don’t have a car, which is actually quite rare.”



Marginalen as a workplace

Marginalen Bank is an entrepreneurial company that has developed from a small business into today being a workplace for some 320¹ employees, thereby establishing its position as one of several contenders on the Swedish banking market. Naturally this leaves its mark on the bank's culture, which is born out of entrepreneurship, business acumen and a spirit of enterprise. In other words, employees at Marginalen Bank have good opportunities to make a career and develop professionally.

New head office creates new ways of working

During the year, we moved to a new head office at Adolf Fredriks Kyrkogata in Stockholm. The move gave us the chance to create a workspace that supports an open and flexible approach to working. Employees choose between different environments, from project zones to quiet zones, depending on what their work day looks like.

Leadership forum brings managers together

The leadership forum is a meeting place for everyone with personnel responsibility and constitutes an important part of how the bank is managed. In the forum, people discuss how the bank's strategies should be reflected in their daily work and how corporate culture can be strengthened. The forum holds meetings each month and helps to develop managers as well as other employees. During the year, we spent significant time developing the symbols of our business culture to remind us of what's important in the Marginalen Bank culture.

Digitalisation determines our evolution

The digitalisation of the finance industry is accelerating, and new challenges are appearing on the market. Marginalen Bank's digitalisation efforts engage the entire company. During the year, we developed a digital vision and continued to digitalise our work methods. An important aspect of this activity has been increasing digital literacy throughout the bank and evaluating digital skills when recruiting new employees.

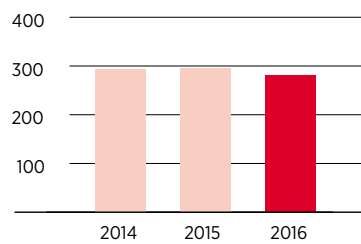
Meeting the employees of tomorrow

Every year we present the Marginalen Bank Master Award in Banking and Finance to the top graduating student in Stockholm University's Master's programme in Business Administration, with a concentration on banking and finance. We also take part in career fairs and work with recruitment company Universum to find out how students perceive Marginalen Bank.

¹ Number of employees at end of 2016.



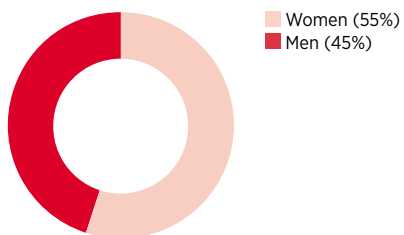
FULL-TIME EMPLOYEES



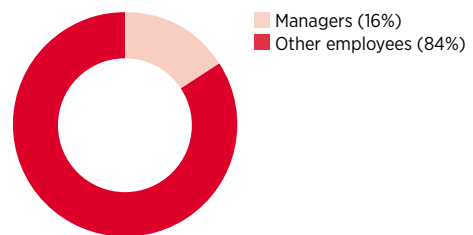
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Marginalen Bank is continually out visiting universities and colleges in order to meet the employees of tomorrow.

NUMBER OF EMPLOYEES BY GENDER



NUMBER OF MANAGERS WITH PERSONNEL RESPONSIBILITY



**ANNA MARTINKARI**

CHIEF DIGITAL OFFICER



What's most important for a CDO?

“In order to succeed, it's important to create opportunities for new types of partnerships and broadly increase internal competence. The ultimate goal, as I see it, is to make my own role and all titles and processes with the prefix “digital” superfluous.”

How would you describe your career at the bank?

"I was working at Citibank as an e-business manager when Marginalen acquired the consumer business in October 2010. So I decided to start working at Marginalen Bank and got the chance to take part in building something completely new – a different kind of bank."

Is there an entrepreneurial spirit at the bank?

"Absolutely! Things move fast, you have quick decision-making paths, and a lot of the ideas that I've gotten to test out here probably wouldn't have been possible at a more rigid company."

What do you think is the difference between developing and pursuing a career in a smaller, entrepreneurial-style bank compared with a major bank?

"I previously worked at Swedish branches of US banks, so in my case it's always been about building, delivering, testing, having fun and developing. What's special from my perspective has rather been the feeling of actually participating and building something from the ground up. I've seen Marginalen develop into a bank with more than 300,000 customers."

What's it like being a manager at Marginalen Bank?

"You've got the mandate and empowerment to make things happen. It's very much up to you to find ways to create and drive development forward. It's not possible to be too dependent on traditional structures or comfortable with the status quo if you really want to enjoy your work here. And it's important to have good management colleagues and to get to work with a talented

team – which I honestly have had the privilege of doing."

The CDO role is new at the bank. Has it been difficult for you to establish a new function at the bank?

"Both yes and no. Because the role is new, I've had to test the waters to be able to learn and create real conditions for change. An important insight I gained after my first 10 months was to always get support from the CEO and management; otherwise, it's difficult to achieve anything. Management has to act as an ambassador for our change initiatives, especially since this is very much about Marginalen's culture, and we are a 'family' who together develops the organisation's different work methods."

The banking business has become increasingly digital. What does this actually mean for Marginalen Bank?

"It means that we need even more focus on laying the groundwork for us to move faster. We don't have any bank branches and we are relatively young, and it's crucial that we cleverly leverage our size and our entrepreneurial spirit to make major readjustments. Just like

all of our competitors, we must be aware at all times that we'll always be compared with the latest user experience."

How do you nurture customer relationships when they become digitalised?

"It's all about creating a feeling for the user. That inexplicable thing that happens when a company acts and delivers in a way that creates true user ambassadors. To achieve this, we need to create value, meet needs, always be accessible and do our jobs with transparency and heart."

What demands does digitalisation place on other bank employees?

"It's essential that all employees understand our vision and what it takes for us to get there. So, we need to develop skills across the organisation, not because everyone should become web experts but because we have got to work together on innovation. Much of the work begins with one's own experience and how digital we feel when we swipe our keycards every morning. We want everyone to bring their 'private digitalist' to work."



Governance, risk, and organisation

Effective control and risk management is incorporated throughout Marginalen Bank’s operations. This is reflected in our organisational structure and our working methods.

Overall corporate governance is based on the Annual General Meeting, which elects the Board. The Board in turn elects the CEO, who is responsible for daily operating activities.

The governance documents adopted by the Board establish the framework of operational governance and a high level of internal control. Together with our business plan, the internal rules provide a platform for the continued development of the bank.

The internal governance and control of Marginalen Bank is based on the principle of three lines of defence. The first line of defence comprises the company’s risk management and compliance, a set of processes used to manage risk and compliance on a daily basis. The second line of defence is the control functions for risk control and regulatory compliance that control the first line. The third line of defence comprises the internal audit, which is subordinate to the Board. The internal audit evaluates the first two lines of defence.



Our security practices

At Marginalen Bank we believe it is important for all our customers to feel secure in their contact with us. We work with security issues at the bank in the following ways.

ISO certified

Marginalen Bank is the only bank to have a management system that complies with the rules and requirements of the ISO 9001:2008 standard. Marginalen Bank's management system is reviewed annually by Det Norske Veritas (DNV). The bank's management system manages the overall internal processes at the bank. The management system is a platform for secure and structured work methods.

Permit from Financial Supervisory Authority to conduct banking operations

Marginalen Bank has a permit from the Swedish Financial Supervisory Authority to conduct banking operations and is thus subject to the supervision and ongoing control of the Authority. The Authority's task is to ensure confidence in the financial market by intervening if a company fails to comply with current rules.

The Personal Data Act

The Personal Data Act contains rules on the use of personal data. The purpose of the Act is to protect people from invasion of privacy through use of their personal data. A key element of Marginalen Bank's work on privacy protection is that individual customers can find out if their personal data is used, which information is used and how it is used. A customer is always entitled to request a statement from Marginalen Bank detailing such information on use of personal data.

Covered by deposit guarantee

The deposit guarantee scheme, which is financed by the affiliated institutions, means that the government guarantees the money our customers deposit in accounts with Marginalen Bank. This means that as a customer, you will receive compensation from the government if the bank were to go bankrupt or if the Financial Supervisory Authority were to decide that the government deposit scheme is to come into effect. Marginalen Bank is covered by the scheme and has a permit from the Financial Supervisory Authority to receive customer funds in accounts. The deposit guarantee scheme pays compensation for capital and accrued interest up to a maximum of SEK 950,000 per person. The scheme aims to protect the public's deposits and contribute to ensuring the stability of the financial system. The scheme was introduced in Sweden in 1996 and was based on an EU directive. Other EU countries have the same guarantee scheme. A similar scheme is also found in several countries outside the EU.

Preventing money laundering

Marginalen Bank follows regulations that are intended to prevent money laundering and terrorist financing. Money laundering refers to funds from criminal activities that enter legitimate systems. Terrorist financing is defined as raising, providing or receiving funds or other assets that support terrorism. The bank has procedures in place to prevent transactions that involve criminal activities. For this reason, you may be asked to produce identification or answer questions if you want to make certain transactions. You may also need to show receipts, invoices or other documents. In doing so, you are helping fight criminal activity.

Board of Directors



**Mari
Broman**

Chair of the Board

Mari joins us from Riksbanken, where she served as deputy CEO 2006–2014. Currently a board member of Serneke AB and Chair of IQ Samhällsbyggnad AB, Forserum Safety Glass and has been Assistant City Director for the City of Gothenburg.



**Peter
Lönnquist**

Vice Chairman

Member of the Swedish Bar Association. President of Spendrup's owner foundations. Chairman of Spendrup Invest and Spendrup Brands. Board member of Cellmax Technologies AB and the Koalan Foundation.



**Ewa
Glennow**

Member of the Board

CEO and Board member of Marginalen AB. Member of the Boards of Marginal Bank Bankaktiebolag, Marginal Group, Fast-Partner AB, Exensor Security International AB and Shoutly AB.



**Anders
Fosselius**

Member of the Board

Civil Engineer (DIHR) who has previously held senior positions in industrial and export companies and the advertising sector. Now works with business and leadership development.



**Anna-Greta
Sjöberg**

Member of the Board

Founder of the healthcare company Crispa AB. Leading positions at the Royal Bank of Scotland 1998–2011. Is a board member of Hufvudstaden AB and the life insurance organisation Trygg Foundation.



**Peter
Sillén**

Member of the Board

Currently head of the engineering programme Engineering and Finance at KTH Royal Institute of Technology. He has also held various senior positions in the Axel Johnson Group in areas such as CSR, customer relationships and new markets.



**Gunilla
Herlitz**

Member of the Board

Gunilla joins us from her position as CEO of the Swedish newspapers Expressen, Dagens Industri and Dagens Nyheter as well as business area manager for Bonnier News. She has been editor-in-chief of Dagens Nyheter and Dagens Industri, and a member of Bonnier's executive team.

Management



**Charlotte
Strandberg**

Interim CEO

Employed since 1981. Business area manager for Marginalen Core. Deputy CEO since 2000.



**Noel
Cramer**

Head of Private Banking

Joined Marginalen Bank in 2013. Former CEO of Citibank EMEA, where he led several initiatives. Prior to that he held several senior positions at Citibank, including Head of Lending at Citibank Northern Europe.



**Eleonor
Åslund**

Head of HR

Joined Marginalen Bank in 2007. Has more than 25 years of experience in HR. Previously business area manager and manager for consultants at Wise Group. Prior to that head of HR at a number of international companies.



**Jan
Arpi**

CFO

Joined Marginalen Bank in 2015. Has many years of varied experience from the financial sector. Previously held several CEO and CFO positions and his most recent position was with Swedbank, where he was Head of Group Finance with responsibility for 220 employees.



**Max
Mennfort**

Chief Legal Officer

Has been with Marginalen Bank since 2013. Many years' experience from SEB Merchant Banking and Enskilda Securities. Prior to that he worked for business law firm Vinge and for two small banks. Max has a degree in economics and business.



**Bo
Andersson**

Head of IT

Joined Marginalen Bank in 2016. Has a great deal of experience working with digitalisation in the banking industry, with a focus on creating effective, business-oriented IT organisations. Most recent position was with SBAB Bank and has previously worked with companies such as Preem, ICA Banken, IKANO Banken and Öresundsbanken.

Income statement

SEKm	Note	Jan 1, 2016 – Dec 31, 2016	Jan 1, 2015 – Dec 31, 2015
Interest income		752.4	776.8
Lease income		57.2	57.4
Interest expense		-251.9	-261.3
Net interest income	4	557.7	572.9
Fee and commission income	5	117.4	109.7
Fee and commission expense	6	-4.7	-6.7
Net fee and commission		112.7	103.0
Net gains/losses on financial transactions	7	26.5	31.0
Other operating income	9, 10	27.0	28.3
Total operating income		723.9	735.2
General administrative expenses			
Staff costs	12	-263.6	-259.7
Other administrative expenses	11, 13, 14	-175.7	-187.9
Depreciation, amortisation and impairment of property, equipment, lease and intangible assets	16	-19.4	-17.5
Total expenses before loan losses		-458.7	-465.1
Profit before loan losses		265.2	270.1
Net loan losses	19	-122.6	-119.2
Profit before tax		142.5	150.9
Profit before tax		142.5	150.9
Tax	21	-33.6	-37.0
Profit for the year		109.0	113.9

Statement of comprehensive income

SEKm	Note	Jan 1, 2016 – Dec 31, 2016	Jan 1, 2015 – Dec 31, 2015
Profit for the year		109.0	113.9
Items that may be reclassified to the income statement			
Available-for-sale instrument		0.3	-35.3
Income tax relating to components of other comprehensive income		-0.1	7.8
Total other comprehensive income		0.2	-27.5
Total comprehensive income of the year		109.2	86.4

Balance sheet

SEKm	Note	Dec 31, 2016	Dec 31, 2015
ASSETS			
Cash and balances with central banks		754.8	0.0
Interest-bearing securities eligible as collateral with central banks	15	2,387.0	2,260.6
Loans to credit institutions	22	339.3	831.3
Loans to the public	23	13,684.8	12,991.6
Bonds and other interest-bearing securities	17	1,425.6	1,099.6
Derivative instruments	38	17.5	9.0
Shares	18	5.5	5.0
Immateriella anläggningstillgångar	16	45.2	36.3
Intangible assets	16	18.0	18.8
Other assets	24	67.2	70.8
Prepaid expenses and accrued income	25	105.5	106.6
Total assets		18,850.4	17,429.6
LIABILITIES AND EQUITY			
Deposits and borrowing from the public	26	16,597.0	15,191.4
Derivative instruments	38	0.0	102.9
Other liabilities	27	102.0	114.0
Accrued expenses and deferred income	28	176.2	139.8
Provisions	29	5.0	23.3
Subordinated liabilities	30	640.9	638.1
Total liabilities		17,521.1	16,209.5
EQUITY			
	20, 31		
Share capital		52.5	52.5
Other funds		10.9	-
Funds for financial assets available for sale		0.0	-0.2
Retained earnings		1,156.9	1,053.9
Profit for the year		109.0	113.9
Total equity		1,329.3	1,220.1
Total liabilities and equity		18,850.4	17,429.6

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