Interim report

January – March 2016

Marginalen Bank's interim report

JANUARY – MARCH 2016

SUMMARY: FIRST QUARTER 2016 COMPARED WITH FOURTH QUARTER 2015

- Operating profit rose by 47% to SEK 33.4 million (22.7)
- Profit after tax for the period increased by 40% to SEK 25.9 million (18.5)
- The cost/income ratio dropped to 62.7% (66.4)
- Consumer lending amounted to SEK 13,077.8 million (12,991.6)
- The return on equity rose to 8.5% (5.9)
- Net interest income amounted to SEK 145.7 million (148.3)
- The loan loss rate totalled 1.0% (1.2)
- The common equity tier 1 ratio was 10.5% (10.5) and the total capital ratio was 16.3% (16.3)

SUMMARY: JANUARY – MARCH 2016, COMPARED WITH JANUARY – MARCH 2015

- Operating profit rose by 176% to SEK 33.4 million (12.1)
- Profit after tax for the period increased by 176% to SEK 25.9 million (9.4)
- The cost/income ratio dropped to 62.7% (72.8)
- Consumer lending amounted to SEK 13,077.8 million (12,307.3)
- The return on equity rose to 8.5% (3.4)
- Net interest income rose by 14% to SEK 145.7 million (127.3)
- The loan loss rate totalled 1.0% (0.9)
- The common equity tier 1 ratio was 10.5% (10.1) and the total capital ratio was 16.3% (16.2)

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

- Mari Broman appointed new Chairwoman
- Bertil Johanson stepped down as chairman and left the Board at the AGM on 18 April 2016
- Anna-Greta Sjöberg and Peter Sillén appointed new members of the Board
- During the quarter, Torbjörn Jacobsson, who has been with Marginalen for 13 years, was appointed Head of Risk and Bo Andersson was appointed the new Head of IT.

KEY RATIOS, SEK MILLION	2016 Jan–Mar	2015 Oct–Dec	2015 Jan–Mar
Net interest income	145.7	148.3	127.3
Operating income	181.4	183.2	149.6
Comprehensive income	26.1	17.9	12.2
Capital base	1,800.2	1,789.6	1,680.8
Total capital ratio, %	16.3	16.3	16.2

Comments from the CEO

I am delighted to see that our strategy is viable and that we are able to look back on a quarter with increased growth and improved earnings compared with the last quarter and Q1 2015. Comprehensive income before tax totalled SEK 33.7 million, which is an increase of SEK 18.0 million (15.7) compared with Q1 2015 and an increase of SEK 11.8 million (21.9) on Q4 2015. Consumer lending grew by SEK 770.4 million to SEK 13,077.7 million (12,307.3).

The improvement in earnings is a result of long-term efforts to continually simplify our customers' day-to-day financial needs by developing digital services and interfaces within the bank. Customers have discovered the quality and simplicity of our services, which mainly impacted through increased growth in Personal Banking. Business Banking experienced a slightly tougher quarter, which was primarily due to our factoring and leasing business performing less strongly than expected.

While we had the fortitude to grow, we also kept tight control of costs and cut operating expenditure by SEK 8 million during the quarter, which led to a steady drop in the cost/income ratio. Our liquidity measures are in a persistently strong position. We have for some time been reducing the liquidity reserve via reduced variable deposits, while endeavouring to increase the share of fixed-term deposits. This is a deliberate strategy aimed at cutting the risk level in deposits and improving the maturity mix between deposits and lending.

The deposit rates have not been included in the Riksbank's cuts to the same extent as lending rates, which puts pressure on our net interest ratio and impacts the return on our liquidity portfolio. In April the liquidity portfolio was rebalanced to correct the interest rate risk in our balance sheet, as well as to tackle increased macro risks. We are of the opinion that the return in our liquidity reserve will be negative in 2016.

We have applied for membership of RIX to manage clearing and settlement via the Riksbank instead of engaging representatives. This strengthens the bank's brand and independence and improves opportunities for us to act as an impartial operator on the Swedish banking market.

Greater capital requirements, including in the form of announced increases to the countercyclical capital buffer rate in June 2016 and March 2017, will mean we need to strengthen the bank's capital base through persistently healthy earnings and by continuing to adjust the bank's deposits, lending and liquidity appropriately.

The positive trend in the bank is a result of concerted efforts and employees who enjoy their jobs and work together towards shared goals. One important stage in achieving these goals was our move to new offices on Adolf Fredriks Kyrkogata in January 2016. The move brings us all under one roof in Stockholm and allows us to work in a modern and stimulating environment, which is a key factor for both corporate culture and general wellbeing.

Our corporate culture is reflected in how we act on the market. Simplicity and customer experience are the linchpins of our new mobile app, which was launched in February to give our customers easy access to our services. The app will be continually updated with new functions, and is an important part of our ongoing strategy to simplify our customers' day-to-day finances. On the same theme – simplicity in both internal and external processes – we have upgraded our online platform and our application processes. In organisational terms we place great emphasis on creating conditions for a more innovation-driven corporate culture, built on key elements such as new skills, cross-functional collaboration and forums for exchanging ideas and gaining inspiration.

We must aim to be at the forefront of digital developments in our society. Demands from users are no longer industry-dependent – simplicity, service and accessibility are standard requirements in 2016. Fintech companies are constantly finding new ways of showing how easily navigable and engaging banking services can be. New customer groups that have grown up with the internet and its opportunities will not waste time on a service provider that fails to live up to expectations. It is with these key principles in mind that we will continue to develop Marginalen Bank going forward.

Sarah Bucknell
CEO, Marginalen Bank

About Marginalen Bank and its operations

Marginalen Bank's Group structure

Marginalen Bank Bankaktiebolag, company reg. no. 516406-0807 (Marginalen Bank) and its holding company Marginalen AB, company reg. no. 556128-4349, have been part of a consolidated arrangement since April 2012, in which ESCO Marginalen AB, company reg. no. 556096-5765, is the parent company.

Marginalen Bank and its consolidated arrangement come under the supervision of the Swedish Financial Supervisory Authority and is subject to the rules that regulate credit institutions in Sweden. The regulations relate to such matters as governance, risk management, liquidity management, capital adequacy and large exposures. The Swedish deposit guarantee applies to customers of Marginalen Bank in the same way as for other Swedish banks, and Marginalen Bank is the only ISO 9001:2008 certified bank in Sweden. Consolidated operations are pursued in Marginalen Bank and in its sister companies UAB Gelvora (Lithuania), SIA Gelvora.lv (Latvia), UAB General Financing (Lithuania), SIA Aizdevums.lv (Latvia), Marginalen Financial Services, SCC1 Ltd. and Inkasso AB Marginalen.

Operations

Marginalen Bank has approximately 300,000 customers in Sweden. Our head offices are in Stockholm, where some 300 employees work. Marginalen Bank was established when Marginalen acquired Citibank's Swedish consumer bank in 2010, but our history extends back to the late 1970s.

Marginalen Bank's largest area of operations is banking and financial services, followed by collection, accounting, legal and HR services. Our business concept is to create time and opportunities for people and companies to develop by simplifying their day-to-day finances. We do this by listening to our customers and by offering straightforward, competitive products and services.

Operations in Marginalen Bank are pursued via three divisions: Personal Banking, Business Banking and Marginalen Core. Financial and operational governance and monitoring of operations follow the division structure, and earnings trends, key ratios and business volumes are measured and analysed by division. In addition to the three divisions there are a number of support functions, including Business Support, Credit, Finance, HR, IT, Marketing & Communication and control functions.

Personal Banking within Marginalen Bank offers a basic range of simple and transparent services within areas such as saving, lending, payments and insurance. Marginalen Bank enjoys a strong position within the deposits segment, with some of the market's most competitive savings accounts with both fixed and variable rates of interest. Personal Banking also offers competitive lending products and credit cards.

Business Banking offers various types of financing solutions, including loans, leasing, factoring and invoice payment, as well as deposits. The division primarily finances machinery and equipment within forestry, agriculture, engineering, construction, IT, healthcare and fixtures for store chains.

Marginalen Core* is aimed at small and medium-sized businesses, government agencies and municipalities, and offers debt collection, financial management, legal and HR services. For the past 30 years, collection operations have been offering services including Swedish collection, housing debt collection, debt monitoring, acquisition of loan portfolios and international collection. Together with other service offerings within Marginalen Core, the objective is to ease the administrative burden of companies and entrepreneurs, thereby freeing up both time and skills for core operations.

*Services offered within Financial Management and HR are provided by Konsult AB Marginalen, which is part of the same Group as Marginalen Bank.

Market development

Early in 2016 there was turbulence on the world's stock markets, while the appetite for risk on the financial markets was subdued by concern over growth statistics for the US and China. Expectations that the Federal Reserve would follow up the interest rate hike that was implemented in December for the first time in seven years with additional interest rate cuts diminished. The European Central Bank and Riksbank cut their respective key interest rates in an attempt to achieve their inflation targets.

Deposit rates on the Swedish market did not follow Riksbank's cuts

Despite the Riksbank's struggle to achieve its inflation target, and a record-low key interest rate as with the European market, Sweden stands out in terms of its strong growth. GDP for 2015 was notably high at 4.1%, and this strong growth is expected to persist in 2016 as well, albeit at a slightly lower level.

The Riksbank is expected to keep the key interest rate at the same level during the year, while volatility in credit spreads and stock markets is expected to continue.

Marginalen Bank keeps a close watch on macroeconomic developments and continually produces scenario analyses in order to be well prepared for changes in the economic trend.

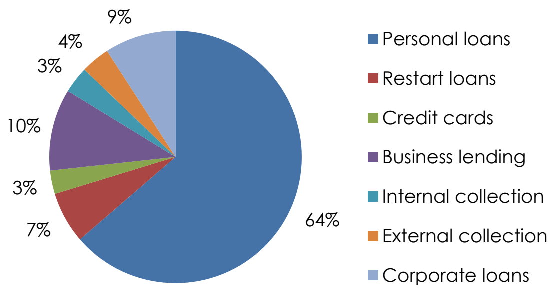
Customers

Composition and credit quality

Consumer lending – Product distribution

- Consumer lending increased by SEK 86.1 million in the first quarter of 2016. The personal lending portfolio grew by 1.3% in the same period.
- There has been no major variance in the composition of assets in consumer lending since Q1 2015.

31 March 2016



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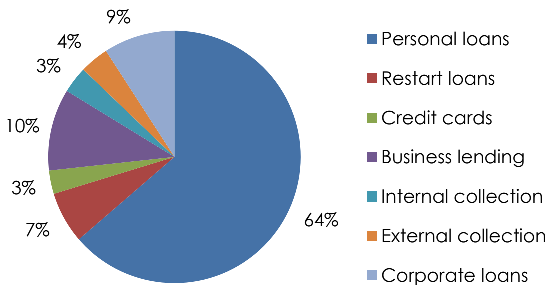

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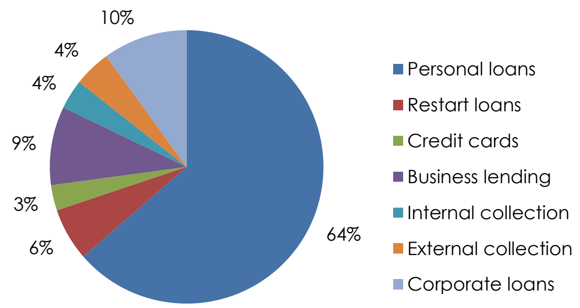
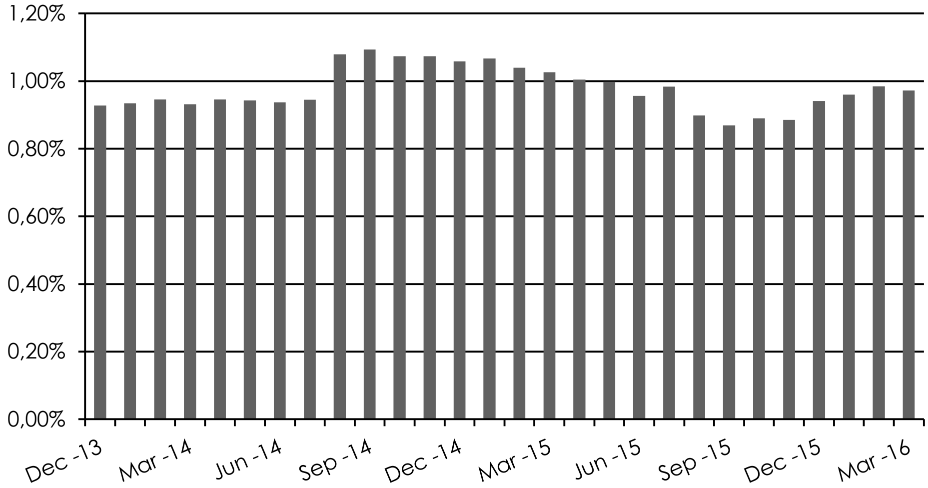


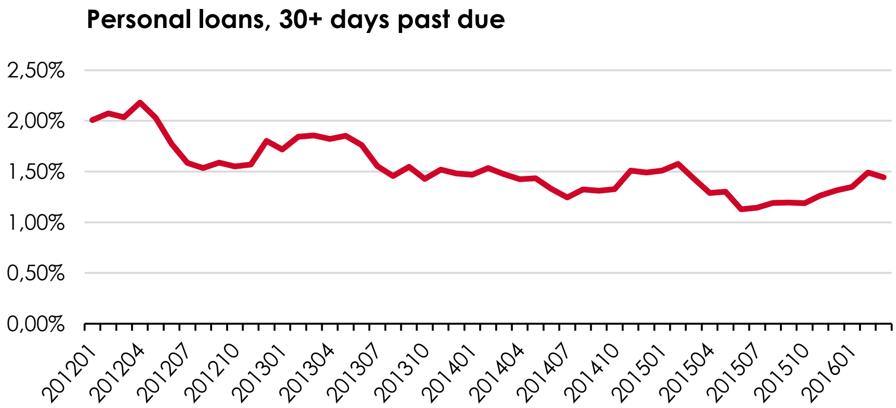
Development of loan reserves

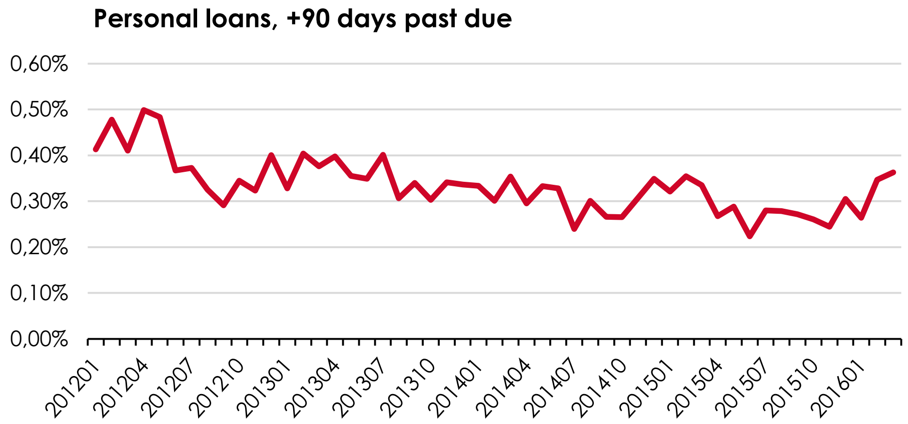
- There has been a slight increase in the loan loss reserve, which is deemed to be a normal seasonal effect.

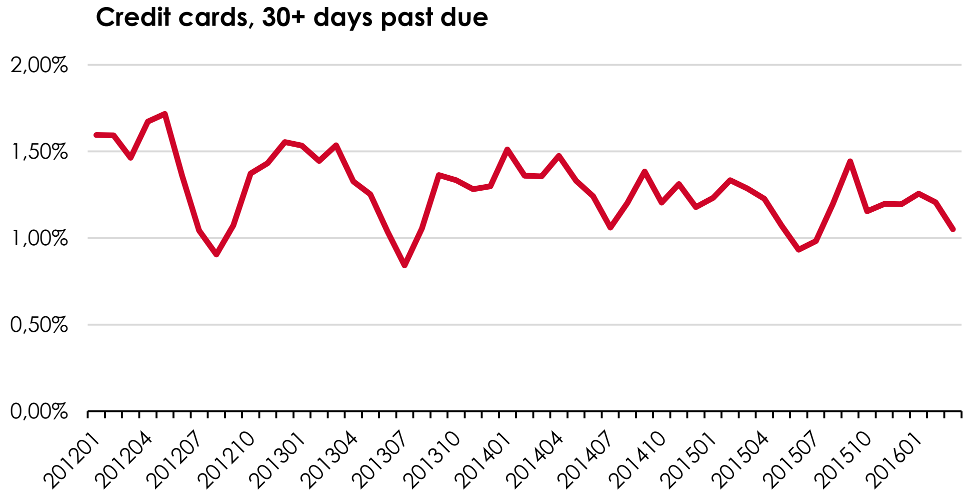


Consumer credit – Overdue volumes trend

The proportion of overdue contracts for personal loans is somewhat higher than for the previous quarter, which is deemed to be a normal seasonal effect. The trend for overdue contracts for credit cards continues to improve.

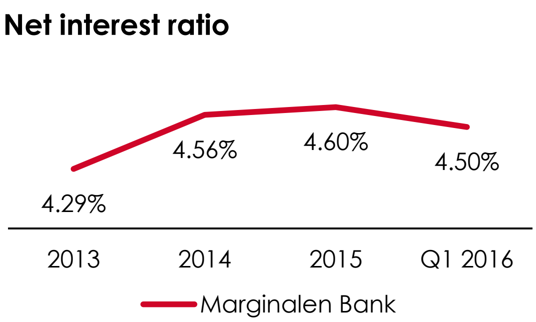






Comment: 30+ days overdue contracts refers to 30-60 day overdue contracts, and 90+ days overdue contracts refers to 90-120 days overdue contracts.

Net interest ratio



Income and earnings (comparison with Q4 2015)

Earnings

During the quarter, operating income for Marginalen Bank totalled SEK 181.4 million (183.3), while interest income amounted to SEK 186.1 million (191.6) and interest expense to SEK -54.1 million (-58.4). Net interest income for the period was SEK 145.7 million (148.3). Costs before loan losses dropped by 7%, amounting to SEK -113.8 million (-121.8). Personnel costs dropped by 2%, amounting to SEK -65.4 million (-67.0), while other administrative expenses declined by 15% to SEK -42.1 million (-49.8). Depreciation, amortisation and impairment of non-current assets totalled SEK -6.3 million (-5.0) and mainly include depreciation/amortisation of intangible non-current assets and equipment. Loan losses dropped by 12% in the first quarter and totalled SEK -34.2 million (-38.8), which was, however, slightly worse than expected.

Marginalen Bank is recognising an operating profit of SEK 33.4 million (22.7) for Q1 2016, up 47%. Comprehensive income for the period totals SEK 26.1 million (17.9), an increase of 46%.

Financial position and capital adequacy

Financial position

Marginalen Bank continues to have good liquidity. Deposits with credit institutions and investments in bonds and other interest-bearing securities amounted to SEK 3,601.1 million (4,191.5) at the end of the period.

Consumer lending – which totalled SEK 13,077.7 million (12,991.6) at the end of the quarter – is primarily financed by deposits to personal accounts. At the end of the period, total deposits to personal accounts amounted to SEK 14,730.4 million (15,191.4). Operations in Marginalen Bank are not dependent on any international financing.

Capital adequacy and risk management

On 31 March 2016, the total capital ratio, i.e. the relationship between capital base and risk-weighted exposure amount, was 16.3%. The capital base amounted to SEK 1,800.2 million and risk-weighted exposure amount to SEK 11,056.2 million. On 31 December 2015, the total capital ratio was 16.3%; the capital base amounted to SEK 1,789.6 million and risk-weighted exposure amounted to SEK 10,951.2 million. Marginalen recognises credit risk and counterparty risk according to the standardised method, operational risk according to the basic indicator approach and liquidity risk, market risk and strategic risk according to internal classification methods with established policies and instructions, with the aim of limiting and controlling Marginalen's risk-taking.

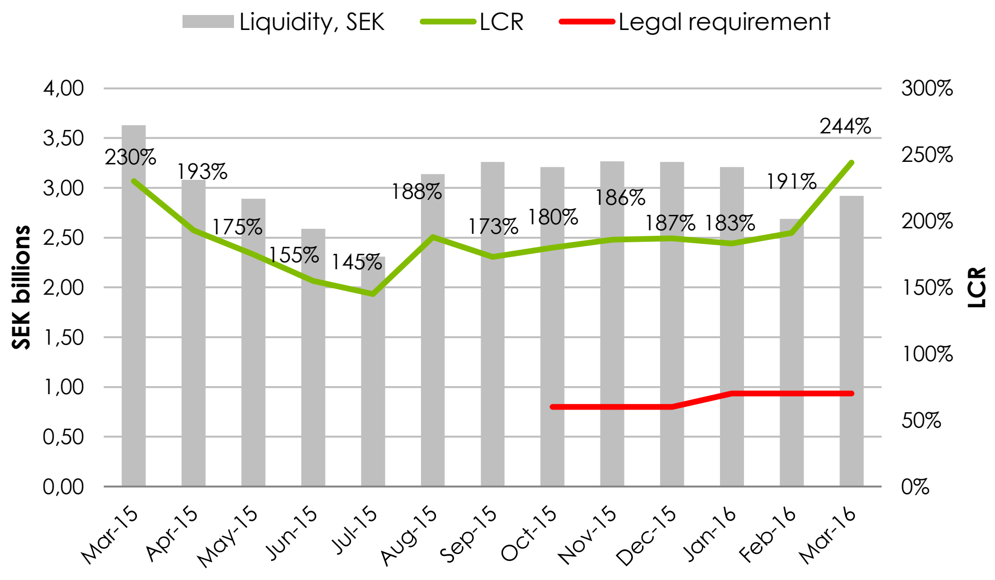
General information about financial and other risks

Marginalen Bank is financed with both liabilities and equity. Financing with liabilities by its very nature involves liquidity and refinancing risks. Marginalen is affected by general economic conditions and the situation on the world's financial markets. Marginalen Bank's development can also be affected by uncertainties in macroeconomic trends. Marginalen Bank carries out extensive stress tests, considering various scenarios to enable the bank to manage both upswings and downturns in the economy.

Treasury and financing

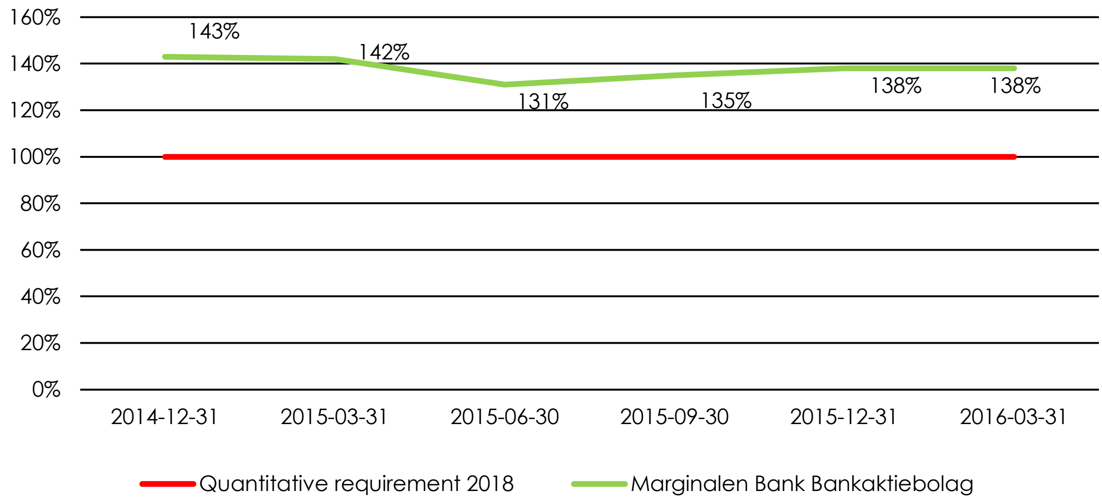
- The liquidity situation continues to be healthy with a liquidity reserve of SEK 2,969 million in high-quality assets.
- In March 2016, the LCR quota was 244% (187) according to the European Banking Authority's reporting standard COREP1, a change that is mainly due to increased inflows in the bank's net cash flow.
- Large scale deposits to personal accounts as a financing source and no short-term market borrowing means the bank's NSFR level satisfies forthcoming regulatory requirements well.
- Marginalen Bank has applied for membership of RIX.

Qualified liquidity and LCR



Quantitative requirement of 70% as of 1 January 2016

Net stable funding ratio (NSFR)



Key ratios

	2016 Jan–Mar	2015 Oct–Dec	2015 Jan–Mar
Profit margin, %	18.4	12.4	8.1
Return on equity, %	8.5	5.9	3.4
Interest coverage ratio, times	1.6	1.4	1.2
Net interest ratio, %	4.5	4.5	4.2
Equity/assets ratio, %	7.4	7.0	6.4
Capital base, SEK million	1,800.2	1,789.6	1,680.8
Common equity tier 1 ratio, %	10.5	10.5	10.1
Tier 1 ratio, %	13.2	13.2	12.9
Total capital ratio, %	16.3	16.3	16.2
Liquidity coverage ratio (LCR, CRR), %	244.0	187.0	230.0
NFSR, %	138.0	138.0	142.0
Balance sheet total, SEK million	16,928.9	17,429.6	17,478.6
Return on assets, %	0.6	0.4	0.2
Operating profit, SEK million	33.4	22.7	12.1
Comprehensive income, SEK million	26.1	17.9	12.2
Cost/income ratio, %	62.7	66.4	73.3
Lending/Deposits, %	88.8	85.5	79.8
Loan loss rate, %	1.0	1.2	0.9

Definitions

Profit margin	Profit before appropriations divided by operating income
Return on equity	Adjusted earnings divided by average adjusted equity
Adjusted equity	Equity plus 78% of untaxed reserves
Interest coverage ratio	Operating profit plus interest expenses divided by interest expenses
Net interest ratio, %	Net interest income divided by average consumer lending
Equity/assets ratio	Adjusted equity at year-end divided by total assets at year-end
Capital base	Sum of tier 1 and tier 2 capital, less deductions in accordance with the capital adequacy regulation (EU no. 575/2013), Article 36
Common equity tier 1 ratio	Common equity tier 1 divided by total risk-weighted exposure amount
Tier 1 ratio	Tier 1 capital divided by total risk-weighted exposure amount
Total capital ratio	Capital base divided by total risk-weighted exposure amount
Capital adequacy quotient	A quotient of 1 corresponds to an 8% capital adequacy ratio, 2 corresponds to 16%, and so on
Capital adequacy ratio	Capital base divided by exposure amount
Liquidity coverage ratio (LCR)	Size of liquidity reserve in relation to anticipated stressed net cash flow during a 30-day period
NSFR	Stable financing divided by liquid assets (in accordance with Marginalen Bank's interpretation of the Basel Committee's new recommendation, BCBS295)
Adjusted earnings	Profit before appropriations less 22%
Return on assets	Operating profit divided by average balance sheet total
Comprehensive income after tax	Comprehensive income incl. components that have been, or may in future be reclassified to the income statement
C/I ratio	Total operating costs divided by total operating income
Lending/Deposits	Consumer lending divided by deposits to personal accounts
Loan loss rate	Net loan losses divided by average consumer lending

Financial statements

Marginalen Bank

Income statement, SEK million

	Note	2016 Jan–Mar	2015 Oct–Dec	%	2015 Jan–Mar	%
Interest income	3	186.1	191.6	-3	189.8	-2
Leasing income		13.7	15.1	-9	14.2	-4
Interest expenses	3	-54.1	-58.4	-7	-76.7	-29
Net interest income		**145.7**	**148.3**	**-2**	**127.3**	**14**
Fee and commission income	3	31.0	26.8	16	27.0	15
Fee and commission expenses		-1.4	-1.8	-22	-1.7	-18
Net income from financial transactions	4	0.6	4.5	-87	-9.9	-106
Other operating income	3	5.5	5.5	0	6.9	-20
Total operating income		**181.4**	**183.3**	**-1**	**149.6**	**21**
Employee benefit expenses	3	-65.4	-67.0	-2	-66.6	-2
Other administrative expenses	3	-42.1	-49.8	-15	-39.0	8
Depreciation/amortisation and impairment of non-current assets		-6.3	-5.0	26	-4.0	58
Total operating expenses before loan losses		**-113.8**	**-121.8**	**-7**	**-109.6**	**4**
Earnings for the period before loan losses		**67.6**	**61.5**	**10**	**40.0**	**69**
Net loan losses	9	-34.2	-38.8	-12	-27.9	23
Operating profit/loss		**33.4**	**22.7**	**47**	**12.1**	**176**
Income tax		-7.5	-4.2	79	-2.7	178
Profit/loss for the period		**25.9**	**18.5**	**40**	**9.4**	**177**

Statement of comprehensive income

	2016 Jan–Mar	2015 Oct–Dec	%	2015 Jan–Mar	%
Profit/loss for the period reported in the income statement	**25.9**	**18.5**	**40**	**9.4**	**176**
Components that may be reclassified to the income statement					
Change in fair value of bonds	0.3	-0.8	-138	3.6	-92
Change in fair value of deferred tax	-0.1	0.2	-150	-0.8	-88
Other profit/loss after tax for the period	**0.2**	**-0.6**	**-133**	**2.8**	**-93**
Comprehensive income for the period	**26.1**	**17.9**	**46**	**12.2**	**114**

Balance sheet, SEK million

	Note	2016 31 Mar	2015 31 Dec	%	2015 31 Mar	%
Assets:	1					
Cash		0.0	0.0	-	0.0	-
Eligible government debt instruments, etc.		1,417.1	2,260.6	-37	603.4	135
Lending to credit institutions		632.0	831.3	-24	1,021.3	-38
Consumer lending		13,077.7	12,991.6	1	12,307.3	6
Bonds and other interest-bearing securities		1,552.0	1,099.6	41	3,350.4	-54
Derivatives		0.0	9.0	-100	0.0	-
Shares and participations		5.0	5.0	-	5.0	-
Intangible non-current assets		34.0	36.3	-6	34.1	0
Property, plant and equipment		18.8	18.8	0	9.1	107
Other assets		60.6	70.8	-14	37.9	60
Prepaid expenses and accrued income		131.7	106.6	24	110.1	20
Total assets		**16,928.9**	**17,429.6**	**-3**	**17,478.6**	**-3**
Liabilities and equity:						
Deposits to personal accounts		14,730.4	15,191.4	-3	15,426.8	-5
Derivatives		66.8	102.9	-35	7.3	815
Other liabilities		60.0	114.0	-47	68.4	-12
Accrued expenses and deferred income		176.0	139.8	26	185.9	-5
Provisions		10.7	23.3	-54	32.5	-67
Subordinated liabilities		638.8	638.1	0	636.0	0
Total liabilities		**15,682.7**	**16,209.5**	**-3**	**16,356.9**	**-4**
Equity						
Restricted equity						
Share capital		52.5	52.5	-	52.5	-
		52.5	52.5	-	52.5	-
Unrestricted equity						
Fund for assets available for sale		0.0	-0.2	-100	30.1	-100
Retained earnings		1,167.8	1,053.9	11	1,029.7	13
Profit/loss for the period		25.9	113.9	-77	9.4	176
		1,193.7	1,167.6	2	1,069.2	12
Total equity		**1,246.2**	**1,220.1**	2	**1,121.7**	**11**
Total liabilities and equity		**16,928.9**	**17,429.6**	**-3**	**17,478.6**	**-3**

Changes in equity

SEK million	Share capital*	Reserves	Fund for financial assets available for sale	Retained earnings	TOTAL
January–March 2015					
Opening balance, 1 January 2015	**52.5**	**-**	**27.3**	**1,029.7**	**1,109.5**
Profit/loss for the quarter				9.4	9.4
Other comprehensive income			2.8		2.8
Comprehensive income			**2.8**	**9.4**	**12.2**
Closing balance, 31 March 2015	**52.5**	**-**	**30.1**	**1,039.1**	**1,121.7**
January–December 2015					
Opening balance, 1 January 2015	**52.5**	**-**	**27.3**	**1,029.7**	**1,109.5**
Profit/loss for the year				113.9	113.9
Other comprehensive income			-27.5		-27.5
Comprehensive income			**-27.5**	**113.9**	**86.4**
Transactions with shareholders					
Group contributions paid (net after tax)				-14.8	-14.8
Shareholders' contribution received				39.0	39.0
Total transactions with shareholders				24.2	24.2
Closing balance, 31 December 2015	**52.5**	**-**	**-0.2**	**1,167.8**	**1,220.1**
January–March 2016					
Opening balance, 1 January 2016	**52.5**	**-**	**-0.2**	**1,167.8**	**1,220.1**
Profit/loss for the quarter				25.9	25.9
Other comprehensive income			0.2		0.2
Comprehensive income			**0.2**	**25.9**	**26.1**
Closing balance, 31 March 2016	**52.5**	**-**	**0.0**	**1,193.7**	**1,246.2**

*Number of shares amounts to 525,000 with a quotient value of SEK 100.

Cash flow statement

SEK million	2016 Jan–Mar	2015 full year	2015 Jan–Mar
Cash and cash equivalents at start of period*	**702.5**	**910.9**	**910.9**
Cash flow from operating activities	-541.5	-1,097.6	-301.9
Cash flow from investing activities	366.4	769.2	265.6
Cash flow from financing activities	0.0	120.0	100.0
Cash flow for the period	**-175.1**	**-208.4**	**63.7**
Cash and cash equivalents at end of period*	**527.4**	**702.5**	**974.6**

*Cash and cash equivalents includes cash and lending to credit institutions, less blocked funds.

Notes

The interim information on pages 2-14 constitutes an integral part of this financial report.

Note 1 Accounting policies

This interim report has been prepared in accordance with IFRS/IAS 34. Marginalen Bank applies statutory IFRS, which means that the interim report has been prepared in accordance with IFRS with the additions and exceptions following from the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities, the Swedish Financial Supervisory Authority's regulations and general advice on Annual Reports in credit institutions and securities companies (FFFS 2008:25), as well as the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL).

Changes to accounting policies and presentation

Bonds that have been acquired as of 2015 are recognised at fair value via the income statement (known as the fair value option).

IFRS 16

Provided that IFRS 16 is adopted by the EU, and provided that the date proposed by IASB for IFRS to enter into force does not change, the standard will be applied from the 2019 financial year. The bank is in the process of analysing the financial impact of the new standard.

The accounting policies, bases for calculations and presentation in the financial statements are essentially unchanged compared with the 2015 Annual Report.

Amounts are given in SEK millions unless otherwise stated. Figures in parentheses relate to the corresponding period last year.

Note 2 Capital adequacy

	2016 31 Mar	2015 31 Dec	2015 31 Mar
Common equity tier 1 ratio	10.5%	10.5%	10.1%
Tier 1 ratio	13.2%	13.2%	12.9%
Total capital ratio	16.3%	16.3%	16.2%
Total common equity tier 1 capital requirement including buffer requirement	8.0%	8.0%	7.0%
of which: requirement for capital conservation buffer	2.5%	2.5%	2.5%
of which: requirement for countercyclical capital buffer	1.0%	1.0%	-
Common equity tier 1 capital available for use as buffer	6.0%	6.0%	5.6%

Capital base	2016 31 Mar	2015 31 Dec	2015 31 Mar
Share capital	52.5	52.5	52.5
Retained earnings	1,167.8	1,053.9	1,059.7
Audited annual income that may be included in capital base			
Net after deductions for predictable costs and dividends	-	113.9	-
Less dividend	-	-	-
Common equity tier 1 capital before legislative adjustments (1)	**1,220.3**	**1,220.3**	**1,112.2**
Less intangible assets (2)	-34.0	-36.3	-34.1
Less additional value adjustment (2)	-24.9	-32.5	-33.3
Common equity tier 1 capital after legislative adjustments	**1,161.4**	**1,151.5**	**1,044.8**
Perpetual subordinated loan	293.9	293.6	292.5
Tier 1 capital after legislative adjustments	**1,455.3**	**1,445.1**	**1,337.4**
Fixed-term subordinated loan	344.9	344.5	343.4
Tier 2 capital	**344.9**	**344.5**	**343.4**
Total capital after legislative adjustments	**1,800.2**	**1,789.6**	**1,680.8**

Capital base requirement	2016 31 Mar	2015 31 Dec	2015 31 Mar
Risk-weighted exposure amount			
Credit risk – standardised method (4)	9,858.7	9,753.8	9,305.5
Market risk (currency risk) (5)	-	-	-
Operational risk – Basic indicator approach (6)	1,197.4	1,197.4	1,061.9
CVA risk (7)	0.1	0.0	0.0
Total risk-weighted exposure amount	**11,056.2**	**10,951.2**	**10,367.4**
Capital base requirement			
Credit risk – standardised method	788.7	780.3	744.4
Market risk (currency risk)	-	-	-
Operational risk – Basic indicator approach	95.8	95.8	85.0
CVA risk	-		-
Total minimum capital base requirement	**884.5**	**876.1**	**829.4**

Credit risk according to standardised method

Exposures for credit risk per exposure class	2016 31 Mar Risk-weighted exposure amount	2016 31 Mar Capital requirement	2015 31 Dec Risk-weighted exposure amount	2015 31 Dec Capital requirement	2015 31 Mar Risk-weighted exposure amount	2015 31 Mar Capital requirement
Governments and central banks	-	-	-	-	-	-
Municipalities and comparable associations and authorities	-	-	-	-	-	-
Institutional exposure	128.3	10.3	167.1	13.4	204.5	16.4
Business exposure	541.6	43.3	637.0	51.0	455.8	36.5
Household exposure	7,460.1	596.8	7,374.2	589.9	7,094.4	567.6
Exposure with property collateral	401.6	32.1	351.6	28.1	162.7	13.0
Unregulated items	1,091.2	87.3	1,054.1	84.3	1,119.1	89.5
Exposure in the form of covered bonds	151.1	12.1	89.5	7.2	223.1	17.8
Exposure to equities	5.0	0.4	5.0	0.4	5.0	0.4
Other items	79.7	6.4	75.3	6.0	40.9	3.3
Total minimum capital requirement	**9,858.6**	**788.7**	**9,753.8**	**780.3**	**9,305.5**	**744.5**

Explanations to the capital information

Common equity tier 1 capital (1) before legislative adjustments. Intangible assets, deferred tax assets, and price revisions (2) are not covered by sufficient capital but instead constitute a deduction from the capital base. Credit risk (4) is calculated on all assets to be included in the capital cover. The asset is risk weighted according to the standardised method to between 0% and 150%. The capital requirement for the credit risk comprises 8% of the assets' risk-weighted amount. Market risk (5) comprises exchange rate risk where the capital requirement is calculated as 4 or 8% of the net exposure. Operational risk (6) is calculated in accordance with the basic indicator approach with 15% of average net income for the last three financial years. CVA (7) credit valuation adjustment risk is calculated according to the standardised method and concerns risk in OTC derivatives.

Marginalen Bank complies with current CRR regulations.

Note 3 Related-party transactions

During the period, normal transactions with companies within the same Group have occurred pertaining to lending and administrative services.

Note 4 Net income from financial transactions

	2016 Jan–Mar	2015 Oct–Dec	%	2015 Jan–Mar	%
Financial assets measured at fair value via income statement					
Interest-bearing securities	25.7	-2.2	-1,266	-	-
Acquired credit portfolios	7.6	8.1	-6	2.6	194
Interest rate derivatives	-33.5	7.8	-527	-11.5	192
Currency derivatives					
Financial assets available for sale					
Interest-bearing securities	0.8	-0.3	-360	-0.4	-295
Loans and receivables					
Acquired credit portfolios	-6.3	1.3	-586	-0.6	954
Exchange rate fluctuations	6.3	-10.2	-162	0.0	-
Total net income from financial transactions	**0.6**	**4.5**	**-87**	**-9.9**	**-106**

Note 5 Classification of financial assets and liabilities

Financial assets Valuation categories 31 March 2016	Total carrying amount Fair value via income statement Held for trading	Fair value option	Loans receivable, other	Financial assets available for sale	Total fair value
Cash			0.0		0.0
Eligible government debt instruments	1,417.1				1,417.1
Lending to credit institutions			632.0		632.0
Consumer lending		120.5	12,957.2		13,092.2
Bonds and interest-bearing securities	1,477.0			75.0	1,552.0
Shares and participations				5.0	5.0
Trade receivables			44.6		44.6
Other receivables			16.0		16.0
Total	**2,894.1**	**120.5**	**13,649.8**	**80.0**	**16,758.9**

Financial liabilities Valuation categories	Total carrying amount Fair value via income statement Held for trading	Fair value option	Other liabilities measured at amortised cost	Total fair value
Deposits to personal accounts			14,730.4	14,730.4
Subordinated liabilities			638.8	638.8
Derivatives	66.8			66.8
Trade payables			19.1	19.1
Other liabilities			41.0	41.0
Total	**66.8**		**15,429.3**	**15,496.1**

Financial assets Valuation categories 31 December 2015	Total carrying amount Fair value via income statement Held for trading	Fair value option	Loans receivable, other	Financial assets available for sale	Total fair value
Cash			0.0		0.0
Eligible government debt instruments	1,991.9			268.7	2,260.6
Lending to credit institutions			831.3		831.3
Consumer lending		126.9	12,864.7		13,126.6
Bonds and interest-bearing securities	847.5			252.1	1,099.6
Shares and participations				5.0	5.0
Derivatives	9.0				9.0
Trade receivables			52.1		52.1
Other receivables			18.7		18.7
Total	**2,848.4**	**126.9**	**13,766.8**	**525.8**	**17,402.9**

Financial liabilities Valuation categories	Total carrying amount Fair value via income statement Held for trading	Fair value option	Other liabilities measured at amortised cost	Total fair value
Deposits to personal accounts			15,191.4	15,191.4
Subordinated liabilities			638.1	638.1
Derivatives	102.9			102.9
Trade payables			32.2	32.2
Other liabilities			81.8	81.8
Total	**102.9**		**15,943.5**	**16,046.4**

Note 6 Fair value

To follow is a summary of the main methods and assumptions used to establish the fair value of financial instruments. Both loans and deposits are predominantly at variable rates of interest, which means carrying amounts are equivalent to fair value.

For the remainder of lending which is at a fixed interest rate, fair value is calculated by discounting anticipated future cash flows, where the discount rate is set at the current reference rate determined by the central banks.

Marginalen Bank measures certain financial instruments at fair value. Disclosures are therefore required regarding fair value measurement per level, according to the valuation hierarchy in IFRS 7.
Level 1 – Quoted prices (not adjusted) in active markets for identical assets or liabilities.
Level 2 – Other observable data for the asset or liability besides quoted prices.
Level 3 – Data for the asset or liability that is based on unobservable inputs.

The fair value of quoted financial assets is represented by the asset's quoted bid price at the end of the reporting period. The fair value of unquoted financial assets is established by using valuation techniques such as discounted cash flows. In this regard, generally available information is used as far as possible and company-specific information used as little as possible.

The instruments that are regularly remeasured at fair value are the acquired portfolios with overdue receivables. They are measured based on discounted cash flows and therefore assigned to Level 3 in accordance with the valuation hierarchy in IFRS 7. Measurement on the basis of discounted cash flows is based on projected cash flows attributable to the specific asset, which are calculated at present value with a discount rate (required return) that takes account of both the time value of money and the risk associated with the projected cash flows. An assessment of an asset's fair value based on discounted cash flows requires an assessment of:

a) Market-based required return (discount rate)
b) Projected cash flows

A) Required return
In order to estimate the market's required rate of return, an estimate is made of the asset's weighted average cost of capital (WACC) based on a market-based distribution of the capital cost of borrowed capital and equity, respectively. The capital cost of equity is calculated in accordance with the Capital Asset Pricing Model (CAPM). The premise is that the required return shall reflect the required return that a market participant would have used in measuring the assets. Market data included in the required return has been obtained from information that is publicly available. The risk-free rate is estimated on the basis of market rates for Swedish government bonds with a maturity of 10 years. The market risk premium is estimated based on

annual surveys of the Swedish financial market. Beta is assessed based on an estimate of the asset's market risk, which is based on data from Bloomberg regarding relevant comparable companies in the Swedish market. The cost of long-term financing is estimated based on publicly available information about interest rates for corporate bonds and securitised loans.

B) Projected cash flows
Marginalen makes forecasts and assumptions about future cash flows from the portfolios. These cash flows comprise payments of principal amounts on the receivables, interest payments, fees and management and administration costs. The forecast for payments of principal amounts on receivables is based on estimated flows and not on contractual flows.

The cash flow for the acquired portfolios with overdue receivables is forecasted up to 30 years. Management's forecast takes account of historical cash flows, type of receivable, the age of the debtor, the nominal amount of receivables and experience from other portfolios of receivables. A curve of anticipated cash flow from collection is established based on these parameters. Monitoring and forecasts are carried out on a portfolio basis. Every quarter an internal evaluation is conducted of anticipated cash flow for the coming periods, which may deviate both upwards and downwards in relation to historical outcomes. Only changes that are deemed to be permanent are taken into account when assessing the future cash flow. Each time an evaluation is carried out, macro factors such as GDP growth, economic conditions and interest rates are also considered.

The following table shows a distribution of the Group's assets and liabilities measured at fair value and amortised cost.

Assets, 31 March 2016	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value via income statement:				
Eligible government debt instruments		1,417.1		1,417.1
Acquired receivables			120.5	120.5
Shares and participations			5.0	5.0
Bonds and interest-bearing securities		1,552.0		1,552.0
Financial assets measured at amortised cost via income statement:				
Lending to credit institutions	632.0			632.0
Consumer lending			12,957.3	12,957.3
Other assets			60.6	60.6
Total assets	**632.0**	**2,969.1**	**13,143.4**	**16,744.5**
Financial liabilities measured at fair value via income statement:				
Derivatives held for trading	66.8			66.8
Financial liabilities measured at amortised cost via income statement:				
Deposits to personal accounts			14,730.4	14,730.4
Subordinated liabilities			638.8	638.8
Other liabilities			60.1	60.1
Total liabilities	**66.8**	**-**	**15,429.3**	**15,496.1**

Assets, 31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value via income statement:				
Eligible government debt instruments		2,260.6		2,260.6
Acquired receivables			126.9	126.9
Shares and participations			5.0	5.0
Bonds and interest-bearing securities		1,099.6		1,099.6
Derivatives held for trading		9.0		9.0
Financial assets measured at amortised cost via income statement:				
Lending to credit institutions	831.3			831.3
Consumer lending			12,864.7	12,864.7
Other assets			70.8	70.8
Total assets	**831.3**	**3,369.2**	**13,067.4**	**17,267.9**
Financial liabilities measured at fair value via income statement:				
Derivatives	102.9			102.9
Financial liabilities measured at amortised				
cost via income statement:				
Deposits to personal accounts			15,191.4	15,191.4
Subordinated liabilities			638.1	638.1
Other liabilities			114.0	114.0
Total liabilities	**102.9**		**15,943.5**	**16,046.4**

Financial assets measured at fair value based on Level 3	31 March 2016	31 December 2015
Opening balance	131.9	140.1
Total change in value of acquired receivables	-6.4	-8.2
Closing balance	**125.5**	**131.9**

Changes in value are recognised in net income from financial transactions

For Level 3 assets measured at fair value, sensitivity to external effects has been calculated by shifting the bank's own internal assumptions in the calculation of WACC, taking account of interest rate changes. A reasonable change of +1% in the risk-free interest (SEGVB 10Y) gives a reasonable negative change of SEK -8.4 million and a reasonable change of -1% produces a reasonable positive effect of SEK 9.7 million.

Note 7 Pledged collateral

Pledged assets and comparable collateral for the company's own liabilities and recognised obligations:	2016 31 Mar	2015 31 Dec	2015 31 Mar
Floating charges	35.0	35.0	35.0
Other pledged assets and comparable collateral	124.1	143.8	46.7
Total pledged assets	**159.1**	**178.8**	**81.7**

Note 8 Contingent liabilities

	2016 31 Mar	2015 31 Dec	2015 31 Mar
Loans granted, undisbursed	424.1	326.9	154.9
Unutilised portion of approved overdraft facility	756.9	699.1	915.8
Total contingent liabilities	**1,181.0**	**1,026.0**	**1,070.7**

Note 9 Net loan losses

Receivables from consumer lending	2016 Jan–Mar	2015 Oct–Dec	%	2015 Jan–Mar	%
Specific provision for individually assessed loan receivables:					
Write-off of established loan losses for the year	-0.1	-12.0	-99	-1.6	-94
Net provision for probable loan losses for the year	-2.4	16.1	-115	0.3	-900
Payments received on previous year's established losses	0.4	1.4	-71	0.1	300
Net costs for the year	**-2.1**	**5.5**	**-138**	**-1.2**	**75**
Provision by group for individually assessed loan receivables:					
Provision/dissolution of provision by group	-32.1	-44.3	-27	-26.7	-20
Net costs for the year	**-32.1**	**-44.3**	**-27**	**-26.7**	**-20**
Net costs for the year for loan losses	**-34.2**	**-38.8**	**-12**	**-27.9**	**23**

This report has not been subject to specific review by the company's auditors.

Publication of financial information

Marginalen Bank's financial statements can be downloaded at www.marginalen.se

Financial calendar 2016
Interim report for Q2 2016: 19 August
Interim report for Q3 2016: 17 November

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