Interim report

January – June 2016

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Marginalen Bank's interim report

JANUARY – JUNE 2016

SUMMARY: SECOND QUARTER 2016 COMPARED WITH FIRST QUARTER 2016

- Operating profit rose by 8% to SEK 36.1 (33.4) million
- Profit after tax for the period increased by 8% to SEK 28.0 (25.9) million
- The cost/income ratio fell to 61.2% (62.7%)
- Consumer lending amounted to SEK 13,381.8 (13,077.7) million
- Return on equity rose to 8.9% (8.5%)
- Net interest income amounted to SEK 147.2 (145.7) million
- The loan loss rate was 1.1% (1.0%)
- The common equity tier 1 ratio was 10.8% (10.5%), while the total capital ratio was 16.4% (16.3%)

SUMMARY: JANUARY – JUNE 2016 COMPARED WITH JANUARY – JUNE 2015

- Operating profit rose by 8% to SEK 69.5 (64.5) million
- Profit after tax for the period increased by 8% to SEK 53.9 (50.1) million
- The cost/income ratio fell to 61.9% (66.8%)
- Consumer lending amounted to SEK 13,381.8 (12,901.9) million
- Return on equity was 8.7% (8.9%)
- Net interest income rose by 9% to SEK 292.9 (267.9) million
- The loan loss rate was 1.1% (0.8%)
- The common equity tier 1 ratio was 10.8% (9.4%), while the total capital ratio was 16.4% (15.2%)

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

- Gunilla Herrlitz was elected to the Bank's Board at the EGM on August 15th 2016.

KEY FIGURES, SEK MILLION	2016 Apr-Jun	2016 Jan-Mar	2016 Jan-Jun	2015 Jan-Jun
Net interest income	147,2	145,7	292,9	267,9
Operating income	190,7	181,4	372,1	337,3
Comprehensive income	28,0	26,1	54,1	42,6
Capital base	1 857,2	1 800,2	1 857,2	1 670,5
Total capital ratio, %	16,4	16,3	16,4	15,2

Comments from the CEO

Marginalen Bank has delivered another quarter of increased growth and improved earnings compared with the previous quarter. Profit for the period was SEK 28.0 million, which is an increase of SEK 2.1 million from Q1 (25.9). Profit for the first half of the year also improved, increasing to SEK 53.9 million, compared with SEK 50.1 million in the same period of 2015. Consumer lending increased by SEK 479.9 million to SEK 13,381.8 million, compared with SEK 12,901.9 million in Q2 2015.

We maintain our long-term focus on continuously simplifying our customers' day-to-day financial needs by developing digital services and interfaces within the Bank. Net interest income and other operating income increased compared with the previous quarter, while costs increased marginally. The cost/income ratio continued to decline and was 61.2% (Q1: 62.7%)

Our liquidity key ratio[1] remain in a strong position. During Q2, we started to rebalance our deposits in order to increase the proportion of fixed-term deposits in line with the aim we expressed in the report for Q1 2016. 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 followed down to the same extent as the lending rates, which continues to place pressure on our net interest ratio and affects the return on our liquidity portfolio. In Q2, the liquidity portfolio was rebalanced to correct the interest rate risk in our balance sheet and address increased macro risks. Brexit should mean a continuing period of negative interest rates, and it is our assessment that our liquidity reserve will show a negative return for the remainder of 2016.

We have applied for membership of RIX in order to manage clearing and settlement via the Riksbank rather than engaging representatives. This strengthens the Bank's brand and independence and improves opportunities for us to act as an impartial operator in the Swedish banking market. We expect to be able to join RIX towards the end of Q3 2016. Increased capital requirements, including an increase in the countercyclical capital buffer rate in June 2016 and a further increase in the same buffer announced for March 2017, mean that we need to strengthen the Bank's capital base through a continuation of good earnings and appropriate adjustment of the Bank's deposits, lending and liquidity.

Marginalen AB's acquisition of Sergel Group ("Sergel") from Telia Company was announced on 21 June. The acquisition includes the operations and subsidiaries in Sweden, Norway, Finland, Denmark, Latvia and Lithuania. Marginalen Bank is participating by acquiring debt portfolios for SEK 1.3 billion. The acquisition is subject to the Swedish Financial Supervisory Authority's approval. The Bank's balance sheet will increase by approximately the same amount through the acquisition and the Bank's earnings will improve as a result of the acquisition. Marginalen Bank has long experience in acquiring debt portfolios. The acquisition of Sergel brings the Bank's invoice management, internal and external debt collection and portfolio management a supplementary operation that presents significant opportunities for positive development both in terms of exchange of knowledge and future business.

Hans Lingquist left the Bank's Board on 20 June at his own request.

Sarah Bucknell
CEO, Marginalen Bank

[1] LCR and NFSR. For definitions, see key figures on page 13

About Marginalen Bank

Marginalen Bank's Group structure

Marginalen Bank Bankaktiebolag, corporate ID no. 5164060807 (Marginalen Bank) and its holding company Marginalen AB, corporate ID no. 5561284349, have been part of a consolidated arrangement since April 2012, in which ESCO Marginalen AB, corporate ID no. 5560965765, 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 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 conducted 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 AB, Inkasso AB Marginalen and Sweden Consumer Credit No. 1 Ltd (Jersey).

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 the 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, Corporate Banking and Marginalen Core. Financial and operational governance and monitoring of operations follow the division structure, and earnings trends, performance measures 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 in 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.

Corporate 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[2*] 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

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2 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

The turbulence early in 2016, which created a stock market decline and dampened investors' risk appetite in the face of concerns over Chinese growth, abated at the end of Q1. The ECB continued its expansive monetary policy, and after previous expectations of several interest rate increases by the Federal Reserve in 2016, the market was left wondering when and, in particular, whether, the Fed would raise rates during the year.

The gradually increasing risk appetite in the market, with Swedish 10-year government bonds reaching almost 1% in April, was reduced as the date of the British referendum approached and several polls indicated a Brexit victory. Once the referendum result – a future EU exit for the UK – became a reality, credit spreads increased, global stock markets fell, particularly bank shares, while there were increased moves towards government bonds, the dollar and gold.

Stock markets and the credit market have subsequently recovered, but in the long term Brexit will have an adverse effect on global growth and central banks will continue to pursue an expansionary monetary policy. From a risk perspective, Brexit's direct impact on Marginalen Bank will be minimal.

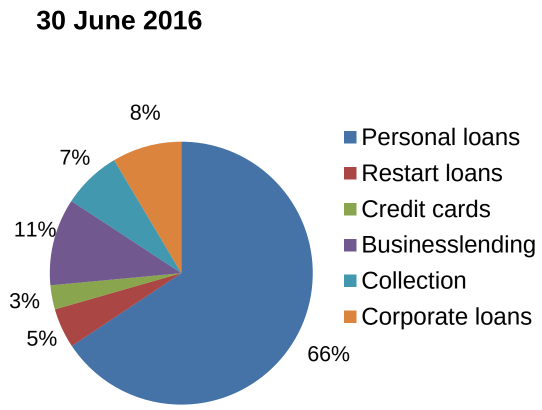
The Riksbank has not made any further adjustment to the key interest rates since the cut to -0.50% in February, but has continued to buy government bonds and has made a downward revision of its interest rate path, which will bring negative interest rates during the remainder of 2016 and much of 2017.

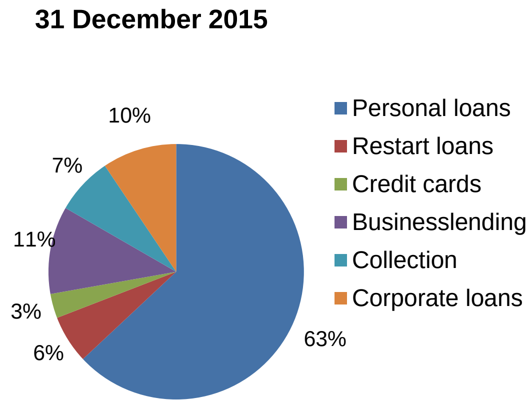
Customers

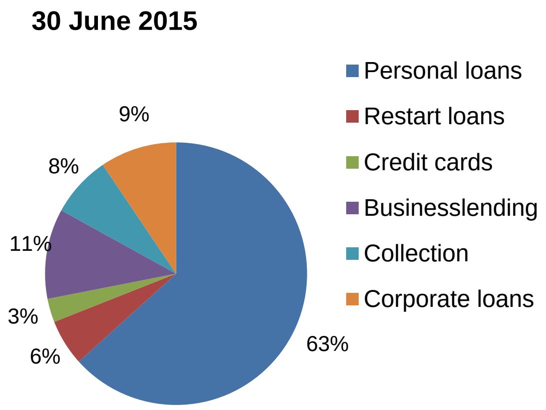
Composition and credit quality

Consumer lending – Product distribution

- Consumer lending increased by SEK 390.2 million in the first six months of 2016. The personal lending portfolio grew by 4% in the same period compared with 31 December 2015.
- There has been no major variance in the composition of assets in consumer lending since Q2 2015.

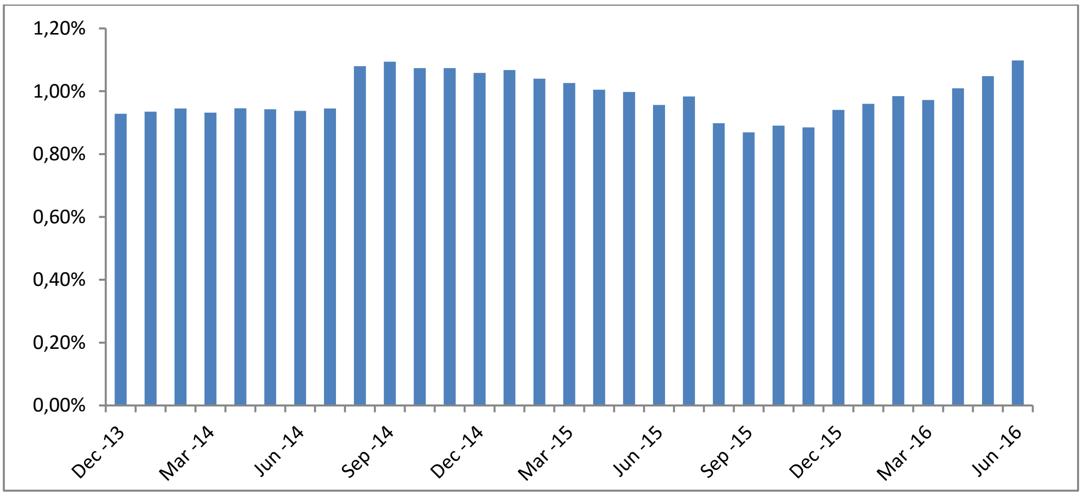






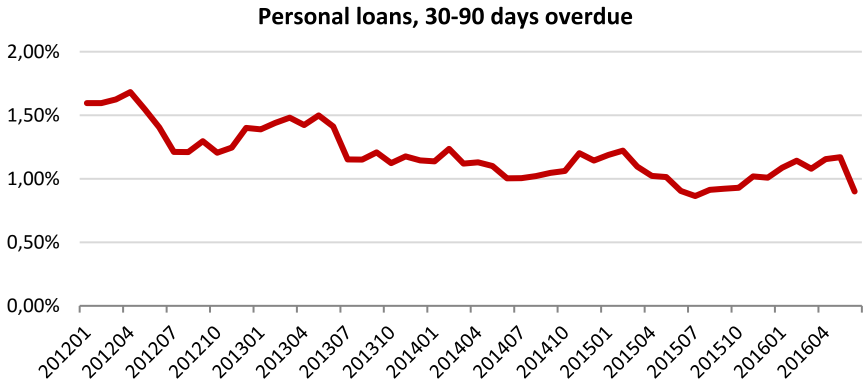
Development of loan reserves

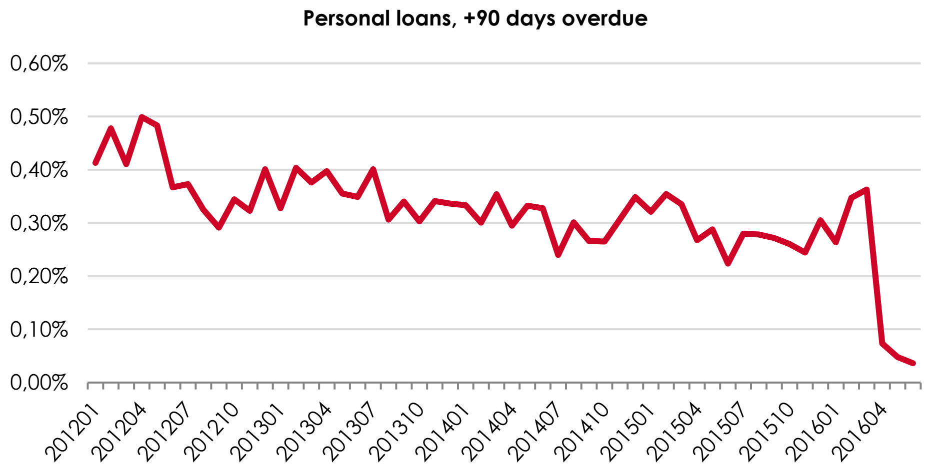
The collection threshold in the loan subledger for consumer loans was lowered in Q2. This has resulted in an increase in provisions for customer losses in the second quarter. The provisions for customer losses are expected to return to a lower level in the second half of 2016.

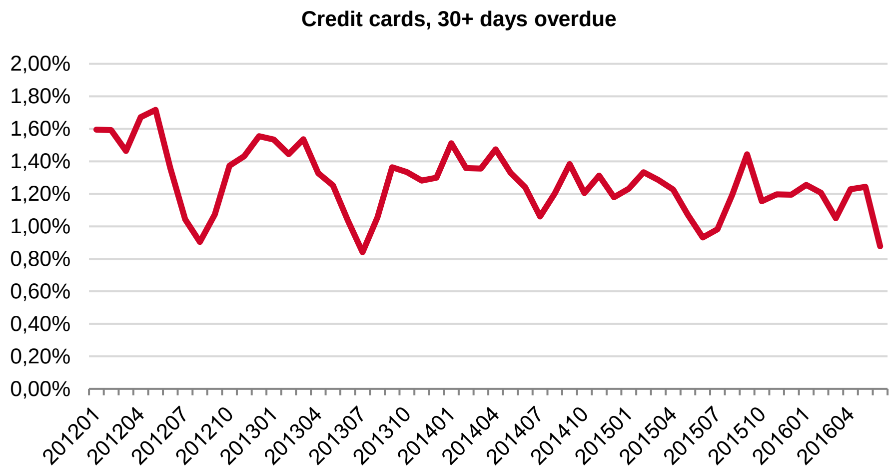


Consumer credit – Overdue volumes trend

The proportion of overdue contracts for personal loans is lower than for the previous quarter. The proportion of overdue contracts for credit cards is somewhat lower, which is considered to be a normal seasonal effect.

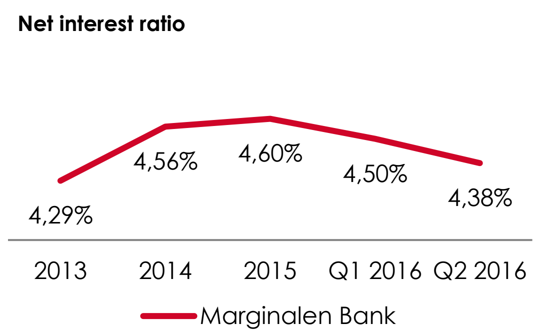






Comment: 30+ days overdue contracts refers to 30-120 days overdue contracts, and 90+ days overdue contracts refers to 90–120 days overdue contracts

Net interest ratio



Income and earnings (comparison with Q1 2016)

Earnings

Marginalen Bank's operating income for the second quarter increased by 5% to SEK 190.7 (181.4) million. Interest income amounted to SEK 189.9 (186.1) million, while interest expense totalled SEK 56.5 (-54.1) million. Net interest income for the period was SEK 147.2 (145.7) million, an increase of SEK 1.5 million. Costs before loan losses amounted to SEK -116.7 (-113.8) million. Employee benefits expenses were SEK -68.0 (-65.5) million, while other administrative expenses amounted to SEK -43.7 (42.0) million. Depreciation, amortisation and impairment of non-current assets totalled SEK -5.0 (6.3) million, most of which related to amortisation of intangible non-current assets and depreciation of equipment. Loan losses increased somewhat in Q2 and amounted to SEK -37.9 (34.2) million.

Marginalen Bank reported an operating profit of SEK 36.1 (33.4) million for Q2 2016, an increase of 8%. Comprehensive income for the period was SEK 28.0 (26.1) million, an increase of 7%.

Financial position and capital adequacy
(comparison with 31 December 2015)

Financial position
Marginalen Bank continues to show good liquidity. Deposits with credit institutions and investments in bonds and other interest-bearing securities amounted to SEK 2,555.0 (3,360.2) million at the end of the period.

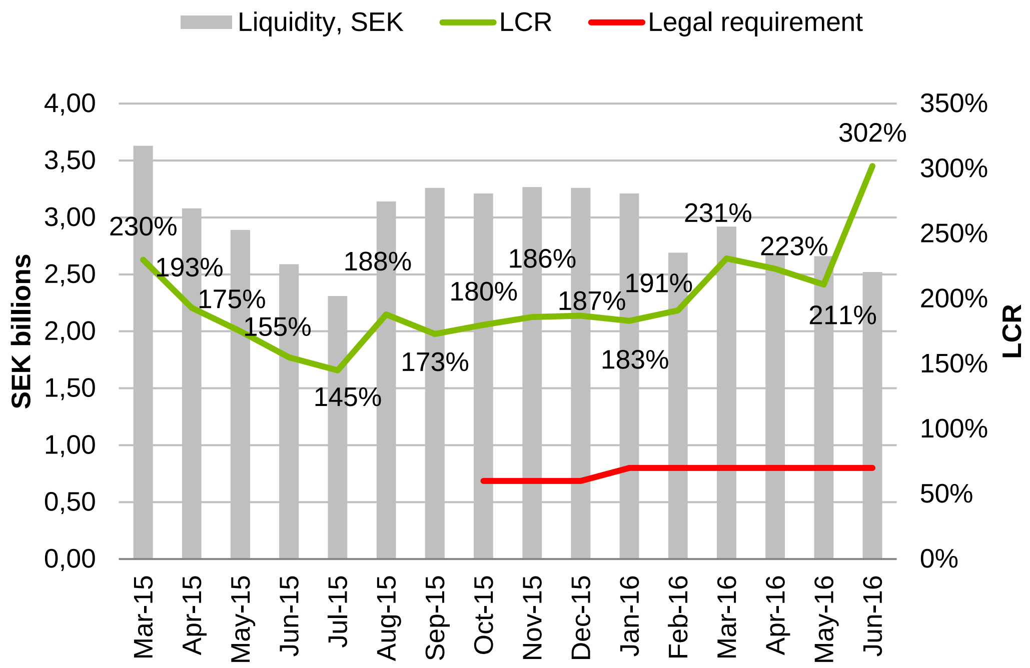
Consumer lending – which totalled SEK 13,381.8 (12,991.6) million at the end of the quarter – is primarily financed by deposits to personal accounts. At the end of the period, total deposits to personal accounts amounted to SEK 15,009.6 (15,191.4) million. Operations in Marginalen Bank are not dependent on any international financing.

Capital adequacy and risk management
On 30 June 2016, the total capital ratio, i.e. the relationship between capital base and risk-weighted exposure, was 16.4%. The capital base amounted to SEK 1,857.2 million, while risk-weighted exposure was SEK 11,303.8 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 was SEK 10,951.2 million. Marginalen Bank 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 using 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 in 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.

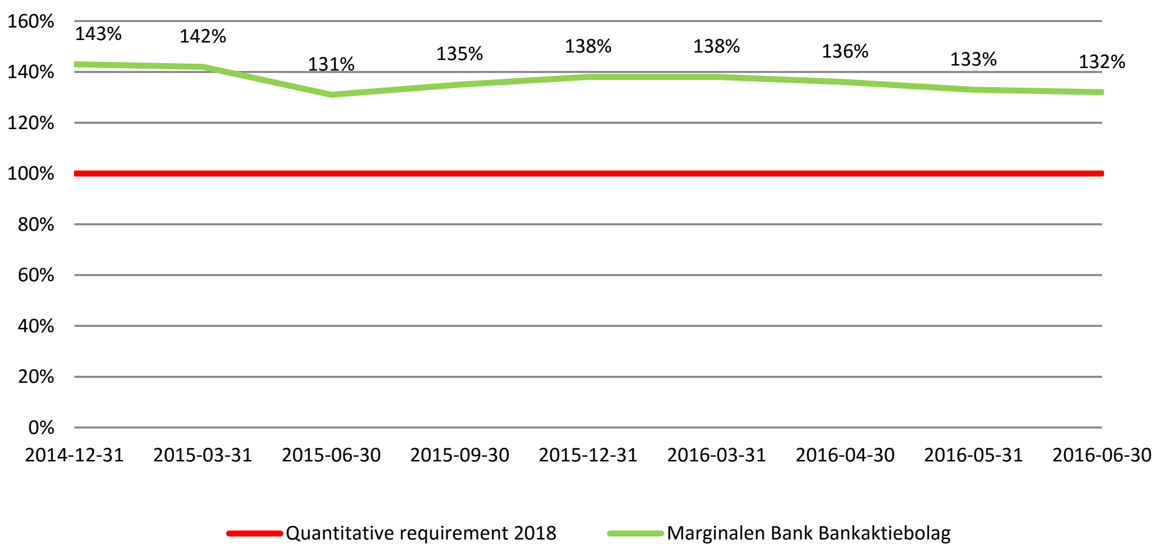
Treasury and funding
- The liquidity situation continues to be healthy, with a liquidity reserve of SEK 2,555 million in high-quality assets.
- In June 2016, the LCR, in accordance with the European Banking Authority's reporting standard COREP1, was 302% (Q1 2016, 231%). The change is largely due to increased inflows in the Bank's net cash flow.
- Large-scale deposits to personal accounts as a financing source and the absence of short-term market borrowing means the Bank's NSFR is at a satisfactory level for meeting forthcoming regulatory requirements.
- Marginalen Bank has applied for membership of RIX.

Qualified liquidity and LCR



Quantitative requirement of 70% as of 1 January 2016

NSFR- Net Stable funding ratio



Key figures

	2016 Apr-Jun	2016 Jan-Mar	2016 Jan-Jun	2015 Jan-Jun
Profit margin, %	18,9	18,4	18,7	19,1
Return on equity, %	8,9	8,5	8,7	8,9
Interest coverage ratio, times	1,6	1,6	1,6	1,5
Net interest ratio, %	4,4	4,5	4,4	4,3
Equity/assets ratio, %	7,4	7,4	7,4	6,7
Capital base, SEK million	1 857,2	1 800,2	1 857,2	1 670,5
Common equity tier 1 ratio, %	10,8	10,5	10,8	9,4
Tier 1 ratio, %	13,4	13,2	13,4	12,1
Total capital ratio, %	16,4	16,3	16,4	15,2
Liquidity coverage ratio (LCR, CRR), %	302,0	231,0	302,0	155,0
NFSR, %	132,0	138,0	132,0	131,0
Total assets, SEK million	17 211,4	16 928,9	17 211,4	17 240,6
Return on assets, %	0,8	0,6	0,8	0,7
Operating profit, SEK million	36,1	33,4	69,5	64,5
Comprehensive income, SEK million	28,0	26,1	54,1	42,6
Cost/income ratio, %	61,2	62,7	61,9	66,8
Lending/Deposits, %	89,2	88,8	89,2	85,2
Loan loss rate, %	1,1	1,0	1,1	0,8

Alternative performance measures

Alternative performance measures (APMs) are financial measures of historical or future financial performance, financial position or cash flow that are not defined in applicable financial reporting regulations (IFRS), the fourth Capital Requirements Directive (CRD IV) or Regulation (EU) No 575/2013 on capital requirements (CRR). Marginalen Bank uses alternative performance measures where relevant in order to monitor and describe the Bank's financial situation and improve comparability between periods. These do not need to be comparable with similar performance measures presented by other companies

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 the end of the period divided by total assets at the end of the period
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 Apr-Jun	2016 Jan-Mar	%	2016 Jan-Jun	2015 Jan-Jun	%
Interest income	3	189.9	186.1	2	376.0	382.3	-2
Leasing income		13.8	13.7	1	27.5	28.5	-4
Interest expenses	3	-56.5	-54.1	4	-110.6	-142.9	-23
Net interest income		**147.2**	**145.7**	**1**	**292.9**	**267.9**	**9**
Fee and commission income	3	30.0	31.0	-3	61.1	56.0	9
Fee and commission expenses		-1.5	-1.4	7	-2.9	-3.8	-24
Net gains/losses on financial transactions	4	6.8	0.6	1,033	7.3	1.1	564
Other operating income	3	8.2	5.5	49	13.7	16.1	-15
Total operating income		**190.7**	**181.4**	**5**	**372.1**	**337.3**	**10**
Staff costs	3	-68.0	-65.5	4	-133.5	-137.6	-3
Other administrative expenses	3	-43.7	-42.0	4	-85.6	-79.5	8
Depreciation/amortisation and impairment of non-current assets		-5.0	-6.3	-21	-11.3	-8.1	40
Total operating expenses before loan losses		**-116.7**	**-113.8**	**3**	**-230.4**	**-225.2**	**2**
Earnings for the period before loan losses		**74.0**	**67.6**	**9**	**141.7**	**112.1**	**26**
Net loan losses	9	-37.9	-34.2	11	-72.2	-47.6	52
Operating profit		**36.1**	**33.4**	**8**	**69.5**	**64.5**	**8**
Income tax		-8.1	-7.5	8	-15.6	-14.4	8
Profit for the period		**28.0**	**25.9**	**8**	**53.9**	**50.1**	**8**

Statement of comprehensive income

	2016 Apr-Jun	2016 Jan-Mar	%	2016 Jan-Jun	2015 Jan-Jun	%
Profit for the period reported in the income statement	**28.0**	**25.9**	**8**	**53.9**	**50.1**	**8**
Items that may be reclassified to the income statement						
Change in fair value of bonds	0.0	0.3	-100	0.3	-9.6	-103
Change in fair value of deferred tax	0.0	-0.1	-100	-0.1	2.1	-105
Other profit/loss after tax for the period	**0.0**	**0.2**	**-100**	**0.2**	**-7.5**	**-103**
Comprehensive income for the period	**28.0**	**26.1**	**7**	**54.1**	**42.6**	**27%**

Balance sheet

SEK million	Note	2016 30 Jun	2015 31 Dec	%	2015 30 Jun	%
Assets:	1					
Cash		0.0	0.0	-	0.0	-
Eligible government debt instruments, etc.		1,647.2	2,260.6	-27	1,351.4	22
Lending to credit institutions		1,056.2	831.3	27	1,380.0	-23
Consumer lending		13,381.8	12,991.6	3	12,901.9	4
Bonds and other interest-bearing securities		907.8	1,099.6	-17	1,437.2	-37
Derivatives		-	9.0	-100	2.4	-100
Shares and participations		5.0	5.0	0	5.0	0
Intangible non-current assets		33.1	36.3	-9	35.9	-8
Property, plant and equipment		18.5	18.8	-2	8.8	110
Other assets		61.3	70.8	-13	41.7	47
Prepaid expenses and accrued income		100.5	106.6	-6	76.3	32
Total assets		**17,211.4**	**17,429.6**	**-1**	**17,240.6**	**0**
Liabilities and equity:						
Deposits to personal accounts		15,009.6	15,191.4	-1	15,134.5	-1
Derivatives		20.0	102.9	-81	0.2	
Other liabilities		57.5	114.0	-50	69.1	-17
Accrued expenses and deferred income		194.0	139.8	39	220.0	-12
Provisions		16.6	23.3	-29	28.1	-41
Subordinated liabilities		639.5	638.1	0	636.7	0
Total liabilities		**15,937.2**	**16,209.5**	**-2**	**16,088.6**	**-1**
Equity						
Restricted equity						
Share capital		52.5	52.5	0	52.5	0
		52.5	52.5	0	52.5	0
Unrestricted equity						
Fund for assets available for sale		0.0	-0.2	-100	19.7	-100
Retained earnings		1,167.8	1,053.9	11	1,029.7	13
Profit for the period		53.9	113.9	-53	50.1	8
		1,221.7	1,167.6	5	1,099.5	11
Total equity		**1,274.2**	**1,220.1**	**4**	**1,152.0**	**11**
Total liabilities and equity		**17,211.4**	**17,429.6**	**-1**	**17,240.6**	**0**

Changes in equity

SEK million	Share capital*	Reserves	Fund for AFS financial assets	Retained earnings	TOTAL
January-June 2015					
Opening balance, 1 January 2015	**52.5**	**-**	**27.3**	**1,029.7**	**1,109.5**
Interim profit				50.1	50.1
Other comprehensive income			-7.5		-7.5
Comprehensive income			**-7.5**	**50.1**	**42.6**
Closing balance, 30 June 2015	**52.5**	**-**	**19.8**	**1,079.8**	**1,152.1**
January-December 2015					
Opening balance, 1 January 2015	**52.5**	**-**	**27.3**	**1,029.7**	**1,109.5**
Profit 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-June 2016					
Opening balance, 1 January 2016	**52.5**	**-**	**-0.2**	**1,167.8**	**1,220.1**
Interim profit				53.9	53.9
Other comprehensive income			0.2		0.2
Comprehensive income			**0.2**	**53.9**	**54.1**
Closing balance, 30 June 2016	**52.5**	**-**	**0.0**	**1,221.7**	**1,274.2**

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

Cash flow statement

SEK million	2016 Jan-Jun	2015 full year	2015 Jan-Jun
Cash and cash equivalents at start of period*	**702.5**	**910.9**	**910.9**
Cash flow from operating activities	-603.5	-1,097.6	-962.3
Cash flow from investing activities	899.9	769.2	1,299.8
Cash flow from financing activities	0.0	120.0	100.0
Cash flow for the period	**296.4**	**-208.4**	**437.5**
Cash and cash equivalents at end of period*	**998.9**	**702.5**	**1,384.4**

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

Notes

The interim information on pages 2-13 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 IFRS with statutory exemptions, which means that the interim report has been prepared in accordance with IFRS, with additions and exceptions pursuant to 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 acquired in or after 2015 are recognised at fair value in the income statement (the fair value option).

IFRS 9

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement, published by the IASB in July 2014. Provided IFRS 9 is adopted by the EU and the IASB's proposed effective date for the standard does not change, IFRS 9 will be applied from the 2018 financial year. The standard covers three areas: classification and measurement, impairment and general hedge accounting. The Bank is in the process of analysing in further detail the financial impact of the new standard.

IFRS 16

Provided IFRS 16 is adopted by the EU and the IASB's proposed effective date for the standard does not change, IFRS 16 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 the previous year.

Note 2 Capital adequacy

	2016 30 Jun	2015 31 Dec	2015 30 Jun
Common equity tier 1 ratio	10.8%	10.5%	9.4%
Tier 1 ratio	13.4%	13.2%	12.1%
Total capital ratio	16.4%	16.3%	15.2%
Total common equity tier 1 capital requirement including buffer requirement	8.5%	8.0%	7.4%
of which: requirement for capital conservation buffer	2.5%	2.5%	2.5%
of which: requirement for countercyclical capital buffer	1.5%	1.0%	-
Common equity tier 1 capital available for use as buffer	6.3%	6.0%	4.9%

Capital base	2016 30 Jun	2015 31 Dec	2015 30 Jun
Share capital	52.5	52.5	52.5
Retained earnings	1,167.8	1,053.9	1,049.4
Audited annual income that may be included in capital base, net after deductions for predictable costs and dividends	53.9	113.9	-
Less dividend	-	-	-
Common equity tier 1 capital before legislative adjustments (1)	**1,274.1**	**1,220.3**	**1,101.9**
Less intangible assets (2)	-33.1	-36.3	-35.9
Less additional value adjustment (2)	-23.3	-32.5	-32.1
Common equity tier 1 capital after legislative adjustments	**1,217.7**	**1,151.5**	**1,033.8**
Perpetual subordinated loan	294.2	293.6	292.9
Tier 1 capital after legislative adjustments	**1,511.9**	**1,445.1**	**1,326.7**
Fixed-term subordinated loan	345.3	344.5	343.8
Tier 2 capital	**345.3**	**344.5**	**343.8**
Total capital after legislative adjustments	**1,857.2**	**1,789.6**	**1,670.5**

Capital base requirement	2016 30 Jun	2015 31 Dec	2015 30 Jun
Risk-weighted exposure amount			
Credit risk – standardised method (4)	10,106.0	9,753.8	9,935.6
Market risk (currency risk) (5)	-	-	-
Operational risk – Basic indicator approach (6)	1,197.4	1,197.4	1,061.9
CVA risk (7)	0.5	0.0	0.0
Total risk-weighted exposure amount	**11,303.8**	**10,951.2**	**10,997.5**
Capital base requirement			
Credit risk – standardised method	808.5	780.3	794.8
Market risk (currency risk)	-	-	-
Operational risk – Basic indicator approach	95.8	95.8	85.0
CVA risk	-	-	-
Total minimum capital base requirement	**904.3**	**876.1**	**879.8**

Credit risk according to standardised method — 30 June 2016

Exposures for credit risk per exposure class	Risk-weighted exposure amount	Capital requirement
Governments and central banks	-	-
Municipalities and comparable associations and authorities	-	-
Institutional exposure	212,8	17,0
Corporate exposure	614,2	49,1
Household exposure	7 576,6	606,1
Exposure with property collateral	422,8	33,8
Unregulated items	1 105,0	88,4
Exposure in the form of covered bonds	91,5	7,3
Exposure to equities	5,0	0,4
Other items	78,1	6,2
Total minimum capital requirement	**10 106,0**	**808,5**

Credit risk according to standardised method — 31 December 2015

Exposures for credit risk per exposure class	Risk-weighted exposure amount	Capital requirement
Governments and central banks	-	-
Municipalities and comparable associations and authorities	-	-
Institutional exposure	167,1	13,4
Corporate exposure	637,0	51,0
Household exposure	7 374,2	589,9
Exposure with property collateral	351,6	28,1
Unregulated items	1 054,1	84,3
Exposure in the form of covered bonds	89,5	7,2
Exposure to equities	5,0	0,4
Other items	75,3	6,0
Total minimum capital requirement	**9 753,8**	**780,3**

Credit risk according to standardised method — 30 June 2015

Exposures for credit risk per exposure class	Risk-weighted exposure amount	Capital requirement
Governments and central banks	-	-
Municipalities and comparable associations and authorities	-	-
Institutional exposure	277,7	22,2
Corporate exposure	765,1	61,2
Household exposure	7 322,5	585,8
Exposure with property collateral	297,5	23,8
Unregulated items	1 088,9	87,1
Exposure in the form of covered bonds	131,8	10,5
Exposure to equities	5,0	0,4
Other items	47,1	3,8
Total minimum capital requirement	**9 935,6**	**794,8**

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 currency 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

Normal transactions concerning lending and administrative services have been conducted with companies within the same Group during the period.

Note 4 Net gains/losses on financial transactions

	2016 Apr-Jun	2016 Jan–Mar	%	2016 Jan-Jun	2015 Jan-Jun	%
Financial assets at fair value through profit or loss						
Interest-bearing securities	-6,3	25,7	-125	19,4	-	100
Acquired credit portfolios	-0,3	-0,8	-66	-1,1	5,0	-121
Derivatives	-6,0	-33,5	-82	-39,5	-6,4	521
Available-for-sale financial assets						
Interest-bearing securities	0,0	0,8	-100	0,8	0,7	7
Loans and receivables						
Acquired credit portfolios	6,8	2,1	223	8,9	3,1	190
Exchange rate fluctuations	12,5	6,3	99	18,8	-1,3	
Total net income from financial transactions	**6,8**	**0,6**	**1 033**	**7,3**	**1,1**	**564**

Note 5 Classification of financial assets and liabilities

Financial assets Valuation categories 30 June 2016	Total carrying amount: Fair value through profit or loss – Held for trading	Fair value option	Loans, other	AFS financial assets	Total Fair value
Cash			0,0		0,0
Eligible government debt instruments	1 647,2				1 647,2
Lending to credit institutions			1 056,2		1 056,2
Consumer lending		114,9	13 266,9		13 537,1
Bonds and interest-bearing securities	907,8				907,8
Shares and participations				5,0	5,0
Trade receivables			41,9		41,9
Other receivables			19,4		19,4
Total	**2 555,0**	**114,9**	**14 384,4**	**5,0**	**17 214,6**

Financial liabilities Valuation categories	Total carrying amount: Fair value through profit or loss – Held for trading	Fair value option	Other liabilities measured at amortised cost	Total fair value
Deposits to personal accounts			15 009,6	15 009,6
Subordinated liabilities			639,5	639,5
Derivatives	20,0			20,0
Trade payables			20,0	20,0
Other liabilities			37,5	37,5
Total	**20,0**		**15 706,6**	**15 726,6**

Financial assets Valuation categories 31 December 2015	Total carrying amount: Fair value through profit or loss – Held for trading	Fair value option	Loans, other	AFS financial assets	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
Värdepapper					
Shares and participations				5,0	5,0
Derivatives	9,0				9,0
Accounts receivable			52,1		52,1
Other receivables			18,7		18,7
Summa	**2 848,4**	**126,9**	**13 766,8**	**525,8**	**17 402,9**

Financial liabilities Valuation categories	Total carrying amount Fair value through profit or loss Held for trading	Fair value option	Other liabilities measured at amortised cost	Total fair value
Inlåning från allmänheten			15 191,4	15 191,4
Efterställda skulder			638,1	638,1
Derivat	102,9			102,9
Leverantörsskulder			32,2	32,2
Övriga skulder			81,8	81,8
Summa	**102,9**		**15 943,5**	**16 046,4**

Note 6 Fair value

A summary of the main methods and assumptions used to determine the fair value of financial instruments is presented below. 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 fair value hierarchy of IFRS 7.

Level 1 – Quoted prices (not adjusted) in active markets for identical assets or liabilities.

Level 2 – Observable inputs for the asset or liability other than quoted prices.

Level 3 – Data for the asset or liability 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 determined by using measurement techniques such as discounted cash flows. In this regard, generally available information is used as far as possible and company-specific information 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 fair value hierarchy of IFRS 7. Measurement on the basis of discounted cash flows uses 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 must take into account:

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. 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 forecast 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 of anticipated cash flow is conducted 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, 30 June 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss:				
Eligible government debt instruments		1 647,2		1 647,2
Acquired receivables			114,9	114,9
Shares and participations			5,0	5,0
Bonds and interest-bearing securities		907,8		907,8
Financial assets at amortised cost through profit or loss:				
Lending to credit institutions	1 056,2			1 056,2
Consumer lending			13 266,9	13 266,9
Other assets			61,3	61,3
Total assets	**1 056,2**	**2 555,0**	**13 448,1**	**17 059,3**
Financial liabilities at fair value through profit or loss:				
Derivatives held for trading	20,0			20,0
Financial liabilities at amortised cost through profit or loss:				
Deposits to personal accounts			15 009,6	15 009,6
Subordinated liabilities			639,5	639,5
Other liabilities			57,5	57,5
Total liabilities	**20,0**		**15 706,6**	**15 726,6**

Assets, 31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:				
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 at amortised cost through profit or loss:				
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 at fair value through profit or loss:				
Derivatives	102,9			102,9
Financial liabilities at amortised cost through profit or loss:				
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	30 June 2016	31 December 2015
Opening balance	131,9	140,1
Total change in value of acquired receivables	-12,0	-8,2
Closing balance	**119,9**	**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 -8.0 million and a reasonable change of -1% produces a reasonable positive effect of SEK 9.1 million

Note7 Pledged collateral

Pledged assets and comparable collateral for the company's own liabilities and recognised obligations:	2016 30 Jun	2015 31 Dec	2015 30 Jun
Floating charges	35,0	35,0	35,0
Other pledged assets and comparable collateral	72,3	143,8	31,5
Total pledged assets	**107,3**	**178,8**	**66,5**

Note 8 Contingent liabilities

	2016 30 Jun	2015 31 Dec	2015 30 Jun
Loans granted, undisbursed	458,5	326,9	514,1
Unutilised portion of approved overdraft facility	776,6	699,1	907,1
Total contingent liabilities	**1 235,1**	**1 026,0**	**1 421,2**

Note 9 Net loan losses

Receivables from consumer lending	2016 Apr-Jun	2016 Jan-Mar	%	2016 Jan-Jun	2015 Jan-Jun	%
Specific provision for individually assessed loan receivables:						
Write-off of established loan losses for the year	-0,8	-0,1	753	-0,8	-22,5	-96
Net provision for probable loan losses for the year	-5,9	-2,4	147	-8,3	14,1	-159
Payments received on previous year's established losses	0,3	0,4	-27	0,7	0,3	130
Net costs for the year	**-6,4**	**-2,1**	**207**	**-8,5**	**-8,1**	**4**
Provision by group for individually assessed loan receivables:						
Provision/dissolution of provision by group	-31,5	-32,1	-2	-63,7	-39,5	61
Net costs for the year	**-31,5**	**-32,1**	**-2**	**-63,7**	**-39,5**	**61**
Net costs for the year for loan losses	**-37,9**	**-34,2**	**11**	**-72,2**	**-47,6**	**52**

The Board of Directors and CEO certify that the interim report gives a true and fair view of Marginalen Bank's operations, position and results and describes significant risks facing the company.

Stockholm, 19 August 2016

Mari Broman
Chairman

Peter Lönnquist

Ewa Glennow

Anders Fosselius

Anna-Greta Sjöberg

Peter Sillén

Gunilla Herrlitz

Sarah Bucknell
CEO

Publication of financial information

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

Financial calendar 2016
Interim report for Q3 2016 will be published on 29 November 2016.

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