

# Marginalen Bank

UNAUDITED FINANCIAL REPORT

Q1 2015

May 28<sup>th</sup>, 2015



## Disclaimer

*This document has been prepared by Marginalen Bank Bankaktiebolag ("Marginalen Bank") solely for information purposes. The document and all information contained herein may not be reproduced, in whole or in part, for any purpose except as authorized by Marginalen Bank.*

*Although the information contained herein is believed to be accurate in all material respects, no expressed or implied representation or warranty as to the accuracy or completeness of such information is made by Marginalen Bank, nor by any other party. This document has not been audited or independently verified. Nothing contained herein shall be relied upon as a promise or representation as to the future. No responsibility or liability (express or implied) is accepted for any errors, omissions or misstatements herein. The contents of this document are subject to corrections or change at any time and you will not be notified of such corrections or change.*

# CEO Statement

***Dear customers and investors,***

*We look back on another successful quarter with improved profitability and increased efficiency. In Q1 2015, our total comprehensive income amounted to SEK 12,2 million, representing a growth of 70% compared to Q1 2014. On a rolling twelve month basis, our total comprehensive income amounts to SEK 79,4 million, representing a growth of 100% compared to previous twelve month period.*

*In the first quarter we continued to experience strong growth in the consumer finance business. New origination of unsecured consumer credits reached all time high levels in the first months of the year with maintained focus towards profitable low risk segments. The leasing business had a somewhat slower start of the year as many customers held off on new investments. However, in the last weeks of the quarter we saw an up-pick in activity and we look forward to another good year for the leasing portfolio. The total lending portfolio was growing by 3% (SEK 385,3 million) between December 2014 and March 2015. Given the continued decrease of interest rates in the market, we are experiencing lower customer rates although the trend of decreasing rates that we experienced in Q4 2014 and early Q1 2015 has now levelled out and we expect a stabilization of rates going forward. One of the most positive developments we saw during the quarter was the development of our factoring products. This especially applies to invoice purchasing where purchased volumes significantly exceeded expectations in the first quarter. From a financial perspective, factoring products constitute a smaller part of our business today. However, we have great expectations on further growth and our ambition is that factoring products shall constitute a true corner stone product within our Corporate Bank. We are confident that we have the systems, the speed and the service level to provide really good solutions to our customers through our factoring products. During the quarter we also signed an interesting co-operation agreement with Folkspel where Marginalen Bank becomes a co-operation partner to Folkspel. Initially the co-operation focuses on debt collection products offered by Marginalen Core.*

*Our financial position remains strong with solid capital and liquidity ratios. In the first quarter we executed a tap issue of SEK 100 million within the existing AT1 framework which is now fully utilized. By the tap issue, our total capitalization increased to 16,2%. The issue was executed on March 9 2015 at a price of 98,00% and the bonds were subsequently registered for trading at NASDAQ.*

*The year started off well – let's continue on this path.*

Stockholm, May 2015  
Fernando Miranda  
CEO Marginalen Bank

## Financial highlights

- In Q1 2015, total comprehensive income amounted to SEK 12,2 million (7,2), representing a growth of 70% or SEK 5,0 million
  - Operating income amounted to SEK 151,4 million (135,5) and operating expenses amounted to SEK 111,3 million (107,2)
  - Net credit losses amounted to SEK 27,9 million (27,8)
- At the end of Q1 2015, total assets amounted to SEK 17 478,6 million (15 740,2), representing a growth of 11% or SEK 1 738,4 million
  - Lending to the public amounted to SEK 12 307,3 million (10 896,0)
  - Total liquidity amounted to SEK 4 975,0 million (4 576,6)
- Total equity amounted to SEK 1 121,6 million (836,3) at the end of Q1, representing a growth of 34% or SEK 285,3 million
- Total capital base amounted to SEK 1 680,8 million (957,1) at the end of Q1, representing a growth of 76% or SEK 723,7 million
  - Total capital ratio amounted to 16,2% (10,3) at the end of Q1 2015 and CET1 ratio amounted to 10,1% (8,2)

---

**Contact persons:**

Fernando Miranda  
CEO Marginalen Bank  
+46 10 495 17 22  
+46 702 66 73 11

Pål Ryfors  
CFO Marginalen Bank  
+46 10 495 15 67  
+46 709 62 36 69

# Financial results

- Q1 2015 net interest income growth of 14% compared to Q1 2014
  - Slower growth on interest income resulting from the low interest rate environment. However, we have continuously decreased our interest expenses, contributing to a net interest income growth
  - Interest expenses amounted to SEK 76,7 million (91,0)
- The C/I-ratio improved by 5 bps compared to Q1 2014 and the trend of increased efficiency is continuing
- Credit losses developed according to expectations and amounted to SEK 27,9 million (27,8) during Q1 2015
- Total comprehensive income grew by 70% or SEK 5,0 million to SEK 12,2 million (7,2)

Profit and loss account SEK million	3 months			12 months	
	2015 Jan-Mar	2014 Oct-Dec	2014 Jan-Mar	Apr 2014 - Mar 2015	Apr 2013 - Mar 2014
Interest income	189,8	201,5	190,7	784,9	794,9
Leasing income	15,9	15,7	13,5	67,8	51,2
Interest expense	(76,7)	(82,1)	(91,0)	(329,6)	(373,3)
<b>Net interest income</b>	<b>129,1</b>	<b>135,0</b>	<b>113,1</b>	<b>523,1</b>	<b>472,9</b>
Other income	22,3	29,8	22,4	117,1	94,6
<b>Total operating income</b>	<b>151,4</b>	<b>164,9</b>	<b>135,5</b>	<b>640,3</b>	<b>567,5</b>
Total operating expenses	(111,3)	(122,6)	(107,2)	(449,0)	(426,5)
<b>Profit before credit losses</b>	<b>40,0</b>	<b>42,3</b>	<b>28,3</b>	<b>191,2</b>	<b>141,0</b>
Net credit losses	(27,9)	(27,3)	(27,8)	(119,8)	(90,9)
<b>Operating profit</b>	<b>12,1</b>	<b>14,9</b>	<b>0,5</b>	<b>71,4</b>	<b>50,1</b>
<b>Net profit</b> (net of tax)	<b>9,4</b>	<b>11,5</b>	<b>(1,1)</b>	<b>58,8</b>	<b>35,6</b>
Other comprehensive income <sup>1</sup> (net of tax)	2,8	(0,2)	8,3	20,6	4,0
<b>Total comprehensive income</b> (net of tax)	<b>12,2</b>	<b>11,3</b>	<b>7,2</b>	<b>79,4</b>	<b>39,6</b>
<b>Key drivers/statistics</b>					
C/I-ratio	74%	74%	79%	70%	75%
Operating margin	8%	9%	0%	11%	9%
Net profit margin	6%	7%	(1%)	9%	6%
Return on equity <sup>2</sup>	3%	4%	(1%)	6%	4%
Interest coverage ratio <sup>3</sup>	1,2	1,2	1,0	1,2	1,1

1. For the full year 2014, interest income from a limited number of bonds in the liquidity portfolio which were acquired at a premium have been subject to re-classification from other comprehensive income to interest income. The pre-tax re-classified amount amounts to approx. SEK 4 - 7 million by quarter 2014, or approx. 2% of interest income each quarter. The re-classification does not impact the total comprehensive income and has no impact on the equity. The full year 2014 figures reflects the full re-classification

2. Net profit in the period divided by average equity in the period

3. Operating profit and interest expenses divided by interest expenses

## Balance sheet

- Total assets grew by 1,8% during Q1 2015
  - Loans to the public grew by 3,2%, in large driven by new origination of unsecured consumer credits
  - Interest bearing securities amounted to SEK 3 953,8 million and loans to credit institutions grew to SEK 1 021,3 million
  - Total liquidity amounted to SEK 4 975,1 million compared to SEK 5 058,5 at the end of 2014
- Subordinated liabilities increased during the quarter driven by SEK 100 million tap-issue of AT1 bonds
- Public deposits grew by 1,5% during Q1

### Balance sheet

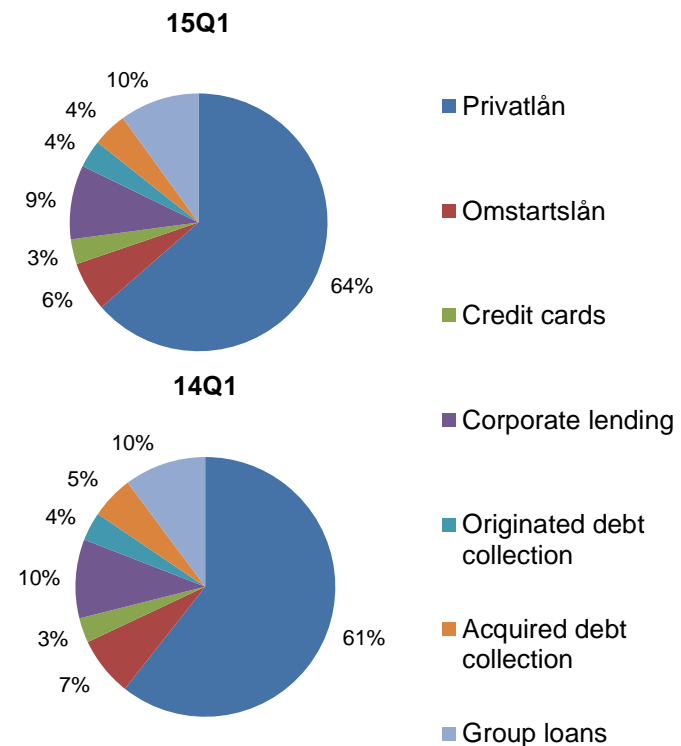
SEK million	Mar-15	Dec-14	Mar-14
Loans to credit institutions	1 021,3	950,3	671,6
Loans to the public	12 307,3	11 922,0	10 896,0
Interest bearing securities	3 953,8	4 108,2	3 904,9
Other assets	86,2	110,8	155,4
Prepaid expenses and a/i <sup>1</sup>	110,1	83,0	112,3
<b>Total assets</b>	<b>17 478,6</b>	<b>17 174,2</b>	<b>15 740,2</b>
Public deposits	15 426,8	15 206,3	14 369,0
Other liabilities	75,7	164,2	82,8
Accrued expenses and p/i <sup>2</sup>	185,9	121,3	222,5
Provisions	32,5	34,9	38,6
Subordinated liabilities	636,0	538,0	191,0
<b>Total liabilities</b>	<b>16 357,0</b>	<b>16 064,8</b>	<b>14 904,0</b>
<b>Total equity</b>	<b>1 121,6</b>	<b>1 109,5</b>	<b>836,3</b>
<b>Total liabilities &amp; equity</b>	<b>17 478,6</b>	<b>17 174,2</b>	<b>15 740,2</b>
<b>Key ratios</b>			
Return on assets, % <sup>3</sup>	0,22%	0,30%	(0,01%)
Equity ratio, %	6,42%	6,46%	5,31%

- Prepaid expenses and accrued income
- Accrued expenses and prepaid income
- Net profit in the period divided by average total assets in the period

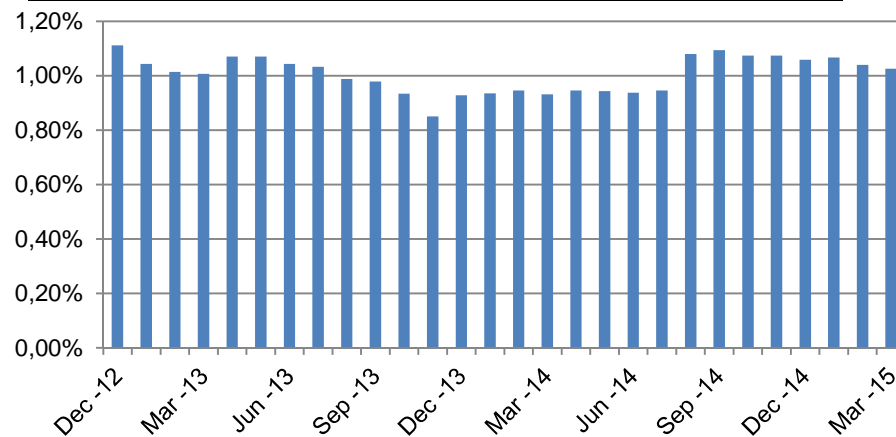
# Asset quality

- Continued solid asset growth in Q1 2015. Privatlån increased its share of lending to the public to 64% (61)
  - The Privatlån portfolio has grown by 5% during Q1 2015. This portfolio accounts for 64% of the total lending portfolio as of Q1 2015
- No significant changes in asset composition over the year
- Favorable development of credit risk reserves across all assets
- Acquired debt collection decreased to 4% (5) of lending as on the back of limited amount of new purchases

## Lending portfolio – product break-down



## Development of credit risk reserves<sup>1</sup>

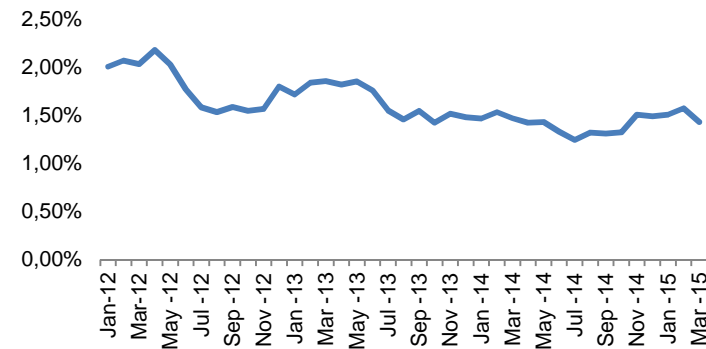


1. Credit risk reserves are defined as net credit losses divided by the average lending during a rolling twelve month period

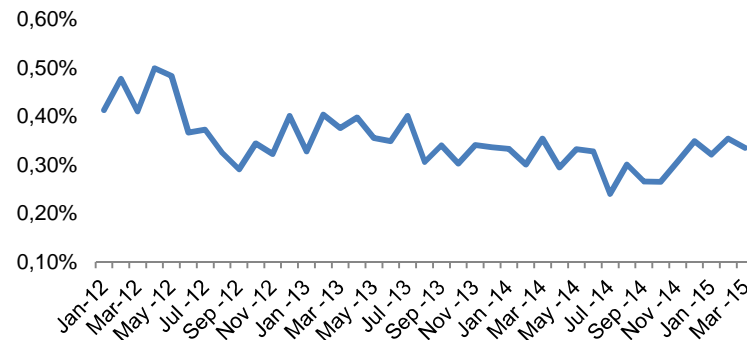
# Consumer credit – Delinquency trends

- Seasonality effects in line with expectations with improving delinquency trends in Q1 2015 as the fourth quarter normally shows slightly higher delinquency rates
- Further improvement of credit quality in line with the strategy of targeting profitable low risk segments
- Consumer unsecured loans delinquencies have improved over the last 24 months
- Stable delinquency levels for credit cards

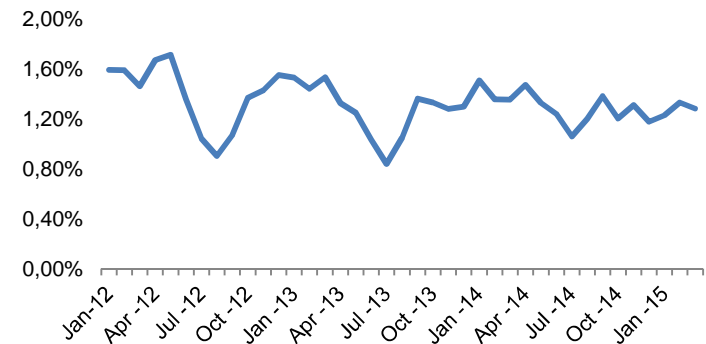
**Consumer loans, 30 days delinquencies**



**Consumer loans, 90 days delinquencies**



**Credit card , 30 days delinquencies<sup>1</sup>**



Note: 30 days delinquencies refer to 30 – 60 days delinquencies and 90 days delinquencies refer to 90 – 120 delinquencies

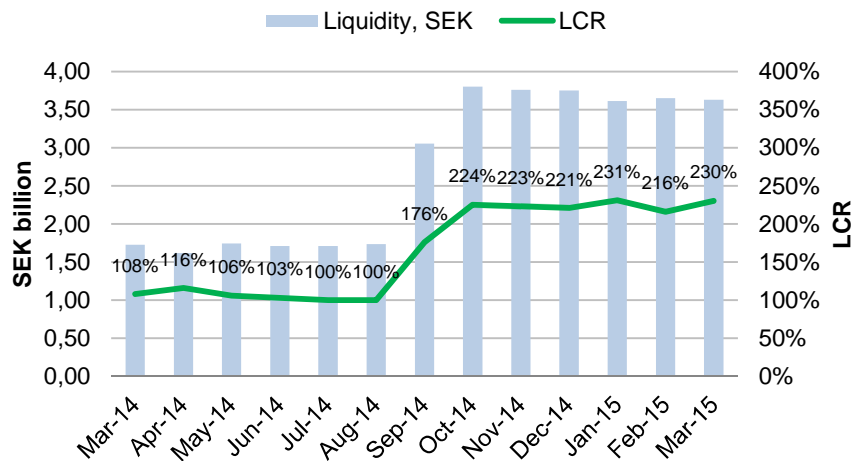
1. In Q4 2014 the bank wrote-off a limited number of old claims in the credit card portfolio. The financial impact was not significant. Hence, the "Credit card loans, 30 day delinquencies" graph has been re-stated in order to reflect the current portfolio



# Treasury and funding

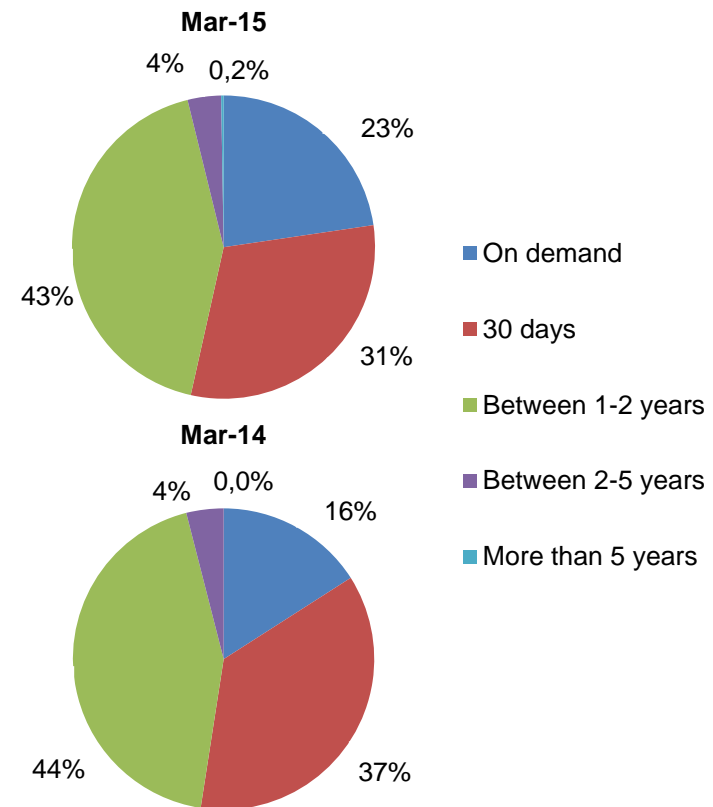
- Maintaining a sizeable liquidity portfolio with SEK 3,6 billion of qualified liquidity
  - As of Mar 2015, the LCR was 230% according to the European Banking Authority's reporting standard COREP<sup>1</sup>
- Slight change deposit product composition with changes in shorter maturity products
  - Increase in on demand deposits to 23% (16) and decrease of 30 day deposits to 31% (37)

**Qualified liquidity and LCR**



1. Quantitative requirement of 60% as of October 2015  
 2. Refers to original specific terms for each product respectively (Sw: Rängebindingstid)

**Retail deposit portfolio – maturity break-down<sup>2</sup>**



## Capital adequacy

- By the end of Q1 2015, the capital base amounted to SEK 1 680,8 million
  - In March 2015, Marginalen Bank issued an additional SEK 100 million of AT1 bonds (within the existing AT1 terms)
- Total capital ratio of 16,2% at the end of Q1 2015 compared to 15,3% by Q4 2014
  - CET1 ratio amounted to 10,1% and Tier 1 ratio amounted to 12,9%

### Capital adequacy summary

SEK million	Mar-15	Dec-14	Mar-14
<b>Equity</b>	<b>1 112,2</b>	<b>1 109,5</b>	<b>832,1</b>
Adjustments	(67,4)	(96,1)	(66,0)
CET1	1 044,8	1 013,4	766,1
AT1	292,5	194,9	141,0
T2	343,4	343,1	50,0
<b>Capital base</b>	<b>1 680,8</b>	<b>1 551,4</b>	<b>957,1</b>
Total assets	17 478,6	17 174,1	15 740,2
RWEA	10 367,5	10 142,0	9 329,3
Credit risk	9 305,5	9 048,1	8 321,8
Market risk	--	32,1	--
Operational risk	1 061,9	1 061,9	1 007,5
<b>Capital ratios</b>			
CET1 ratio	10,1%	10,0%	8,2%
Tier 1 ratio	12,9%	11,9%	9,7%
Total capital ratio	16,2%	15,3%	10,3%

Note: Unaudited Q1 profit is not included in the capital base. Marginalen Bank plans to perform financial audit as of August 2015 and December 2015.