

Marginalen Bank

UNAUDITED FINANCIAL REPORT

Q2 2015

August 24th, 2015



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CEO Statement

Dear customers and investors,

When summarizing the second quarter of 2015, we can conclude that we have delivered on our target of continued improved profitability. The total comprehensive income in Q2 2015 amounted to SEK 30,4 million which adds to the trend of improving profitability. Customer demand for our products remain firm and we are experiencing growth across all our business divisions. Our capitalization remains stable and we have a strong liquidity position. We consider the overall financial development in the second quarter to be satisfactory.

In light of the second quarter financial results, there are especially three things of particular importance that I would like to highlight; First and foremost, our business is continuing to grow driven by positive customer demands across the business divisions. In the second quarter the strong business activity we experienced in the first quarter continued. The consumer finance portfolio and the leasing portfolio were growing by 4,3% and 3,2% respectively during the quarter. As highlighted in the previous quarterly report, we are also experiencing substantial growth in our factoring products, a trend that continued in the second quarter. Secondly, our focus on tight expense control is an important profitability contributor. Comparing to Q2 2014, operating expenses, adjusted for an one-off item related to CEO resignation mentioned further below, decreased in Q2 2015 which is a satisfying achievement in light of our 21% growth in operating income during the same period. Our actions towards tight cost control expands across the company and expense discipline is a top priority for management. Thirdly, we are continuing our efforts to adjust our balance sheet composition in order to increase balance sheet efficiency with maintained strong financial position. The key result for us in this context is that we have decreased our share of liquidity in our asset base to the benefit of the lending portfolio. This leads to lower funding costs and improved asset returns while we also maintain strong liquidity ratios well above regulatory levels. Delivering on all focus areas mentioned above will ensure that we continue to improve our profitability also in coming quarters.

As a final remark, I would like to highlight a few organizational changes announced in the second quarter. After five years at Marginalen Bank, Fernando Miranda resigned from his position as CEO of Marginalen Bank and has thereby also left the bank. Fernando has played a crucial role in establishing Marginalen Bank on the Swedish banking market and we wish Fernando the best of luck in his future engagements. The recruitment process for a new CEO is ongoing and during this time, I have assumed the position as Acting CEO, temporary leaving my previous position as Chairman of the Board. Hans Lingqvist is currently Chairman of the Board.

Stockholm, August 2015
Bertil Johanson
Acting CEO, Marginalen Bank

Financial highlights

- In Q2 2015, total comprehensive income amounted to SEK 30,4 million (29,3), representing a growth of 4% or SEK 1,2 million
 - Adjusting for a SEK 9,0 million extraordinary income in Q2 2014, the total comprehensive income grew by SEK 10,2 million, or 50%
 - Operating income amounted to SEK 187,7 million (155,4) and operating expenses amounted to SEK 115,6 million (112,0)
 - Net credit losses amounted to SEK 19,7 million (24,2)
- At the end of Q2 2015, total assets amounted to SEK 17 240,6 million compared to SEK 17 174,2 as of Q4 2014, representing a growth of 0,4%
 - Lending to the public amounted to SEK 12 901,9 million compared to 11 922,0 as of Q4 2014
 - Total liquidity amounted to SEK 4 168,6 million compared to 5 058,5 as of Q4 2014
- Total equity amounted to SEK 1 152,0 million at the end of Q2 compared to SEK 1 109,5 million Q4 2014, representing a growth of 4% or SEK 42,6 million
- Total capital base amounted to SEK 1 670,5 million at the end of Q2 compared to SEK 1 551,4 as of Q4 2014, representing a growth of 8% or SEK 119,1 million
 - Total capital ratio amounted to 15,2% at the end of Q2 2015 compared to 15,3% Q4 2014 and CET1 ratio amounted to 9,4% compared to 10,0% Q4 2014

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Financial results

- In Q2 2015, net interest income grew by 16% compared to Q2 2014
 - Continued reduction of interest expenses still important driver of net interest income growth. Although underlying growth of the lending portfolio is strong, the interest income continues to be a challenge on the back of the low interest rate environment
 - Interest expenses amounted to SEK 66,2 million (91,3)
- The C/I-ratio improved by 10,5% compared with Q2 2014 and the trend of increased efficiency is continuing
 - One-off item of SEK 4 million related to resignation of CEO impacted the result in Q2 2015. Adjusting for this one-off item, operating expenses decreased by SEK 0,4 million between Q2 2015 and Q2 2014
- Credit losses developed favorably and decreased to SEK 19,7 million (24,2) during Q2 2015
- Total comprehensive income grew by 4,0% or SEK 1,2 million to SEK 30,4 million (29,3)

Profit and loss account SEK million	3 months			12 months	
	2015 Apr-Jun	2015 Jan-Mar	2014 Apr-Jun	Jul 2014- Jun 2015	Jul 2013 - Jun 2014
Interest income	192,5	189,8	196,5	780,9	800,6
Leasing income	14,3	14,2	16,3	65,9	56,4
Interest expense	(66,2)	(76,7)	(91,3)	(304,5)	(366,2)
Net interest income	140,6	127,3	121,5	542,2	490,8
Other income	47,1	22,3	33,8	130,4	107,4
Total operating income	187,7	149,7	155,4	672,6	598,2
Total operating expenses	(115,6)	(109,6)	(112,0)	(452,6)	(424,5)
Profit before credit losses	72,1	40,0	43,4	220,0	173,7
Net credit losses	(19,7)	(27,9)	(24,2)	(115,3)	(96,6)
Operating profit	52,4	12,1	19,2	104,7	77,0
Net profit (net of tax)	40,8	9,4	18,3	81,3	57,4
Other comprehensive income ¹ (net of tax)	(10,3)	2,8	11,0	(0,8)	20,0
Total comprehensive income (net of tax)	30,4	12,2	29,3	80,5	77,4

Key drivers/statistics

C/I-ratio	61,6%	73,3%	72,1%	67,3%	71,0%
Operating margin	27,9%	8,1%	12,3%	15,6%	12,9%
Net profit margin	21,7%	6,3%	11,7%	12,1%	9,6%
Return on equity ²	14,3%	3,4%	8,6%	8,0%	6,9%
Interest coverage ratio ³	1,8	1,2	1,2	1,3	1,2

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. Annualized net profit for the period, divided by average equity in the period

3. Operating profit and interest expenses divided by interest expenses

Balance sheet

- Total assets decreased by 1,4% second quarter
 - Behind the slight decrease in total assets during 2015 lending growth is off-set by our focused efforts towards lowering the share of liquidity in the asset composition
 - Loans to the public grew by 4,8%, in large driven by new origination of unsecured consumer credits
 - Interest bearing securities amounted to SEK 2 788,6 million and loans to credit institutions grew to SEK 1 380,0 million
 - Total liquidity amounted to SEK 4 168,6 million compared to SEK 4 975,0 at the end of Q1 2015
- Subordinated liabilities increased during 2015 driven by SEK 100 million tap-issue of AT1 bonds, executed during Q1 2015
- Public deposits decreased by 1,9%

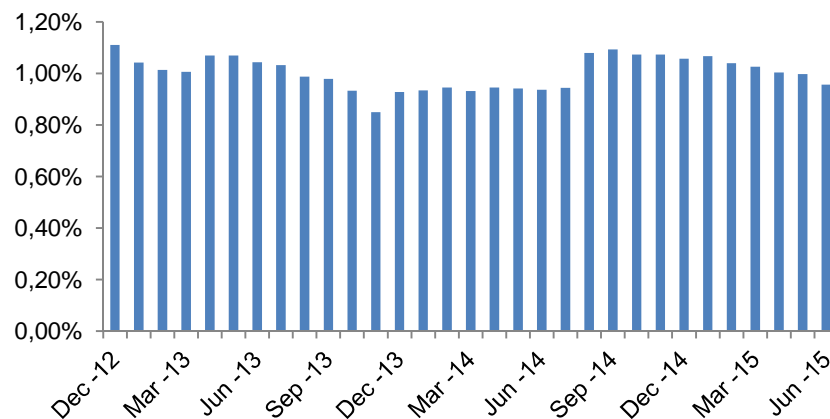
Balance sheet SEK million	Jun-15	Mar-15	Dec-14
Loans to credit institutions	1 380,0	1 021,3	950,3
Loans to the public	12 901,9	12 307,3	11 922,0
Interest bearing securities	2 788,6	3 953,8	4 108,2
Other assets	93,9	86,2	110,8
Prepaid expenses and a/i ¹	76,3	110,1	83,0
Total assets	17 240,6	17 478,6	17 174,2
Public deposits	15 134,5	15 426,8	15 206,3
Other liabilities	69,3	75,7	164,2
Accrued expenses and p/i ²	220,0	185,9	121,3
Provisions	28,1	32,5	34,9
Subordinated liabilities	636,7	636,0	538,0
Total liabilities	16 088,6	16 357,0	16 064,8
Total equity	1 152,0	1 121,6	1 109,5
Total liabilities & equity	17 240,6	17 478,6	17 174,2
Key ratios			
Return on assets, % ³	0,9%	0,2%	0,3%
Equity ratio, %	6,7%	6,4%	6,5%

1. Prepaid expenses and accrued income
2. Accrued expenses and prepaid income
3. Annualize net profit for the period, divided by average total assets in the period

Asset quality

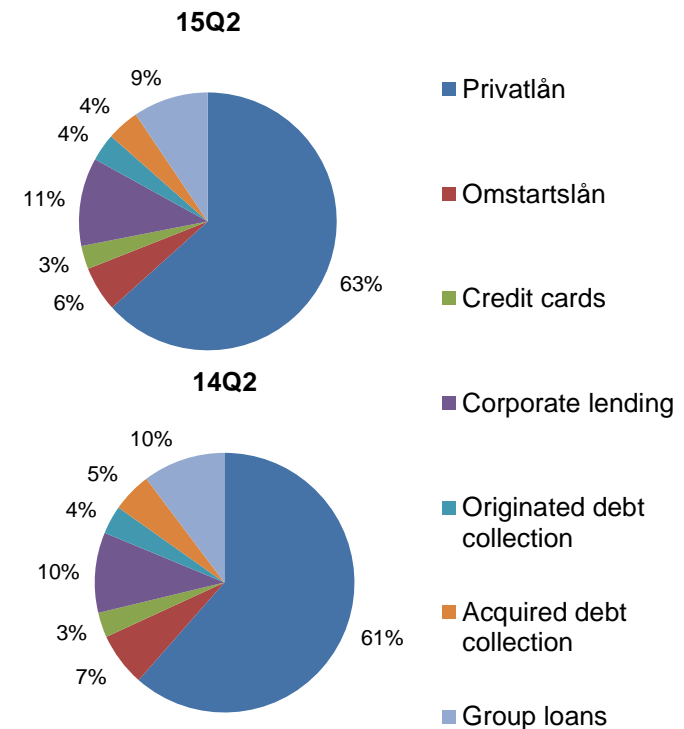
- Continued solid asset growth in Q2 2015. Privatlån increased its share of lending to the public to 63% (61)
 - The Privatlån portfolio has grown by 4% during Q2 2015.
 - No significant changes in asset composition over the year
- Favorable development of credit risk reserves across all assets
- Acquired debt collection decreased to 4% (5) of lending as acquisition activity of non-performing loan portfolios remains at low level

Development of credit risk reserves¹



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

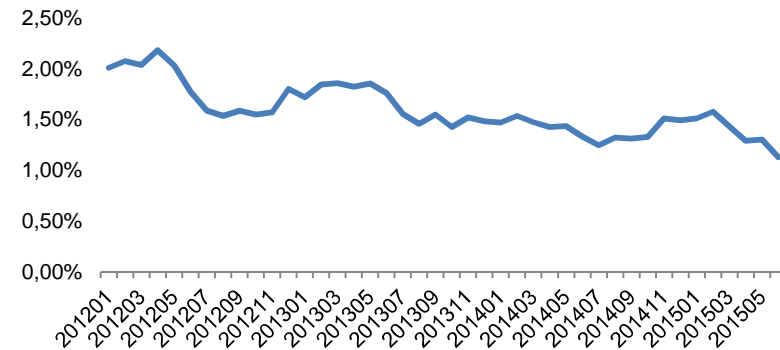
Lending portfolio – product break-down



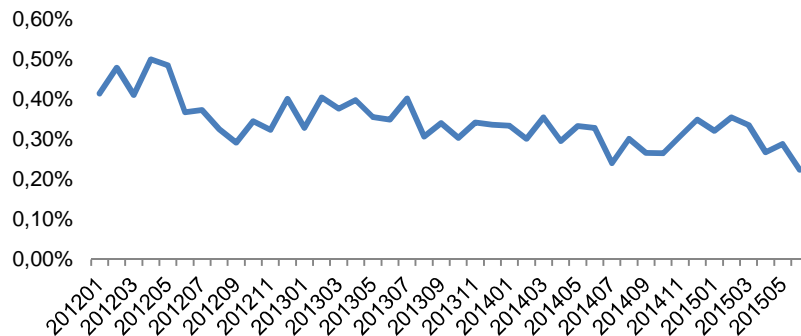
Consumer credit – Delinquency trends

- Constant and continued improvement in portfolios credit quality
- As expected, positive seasonal effect of the tax refund in June contributes to improved delinquency levels in the second quarter
- Our long term strategy to tightly control risk and focus on risk/reward does show positive outcome

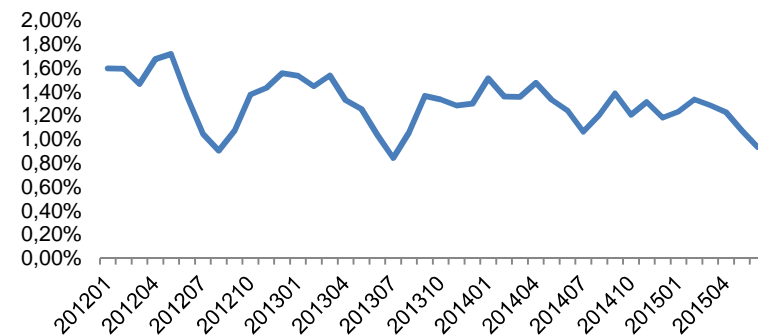
Consumer loans, 30+ days delinquencies



Consumer loans, 90+ days delinquencies



Credit cards, 30+ days delinquencies¹



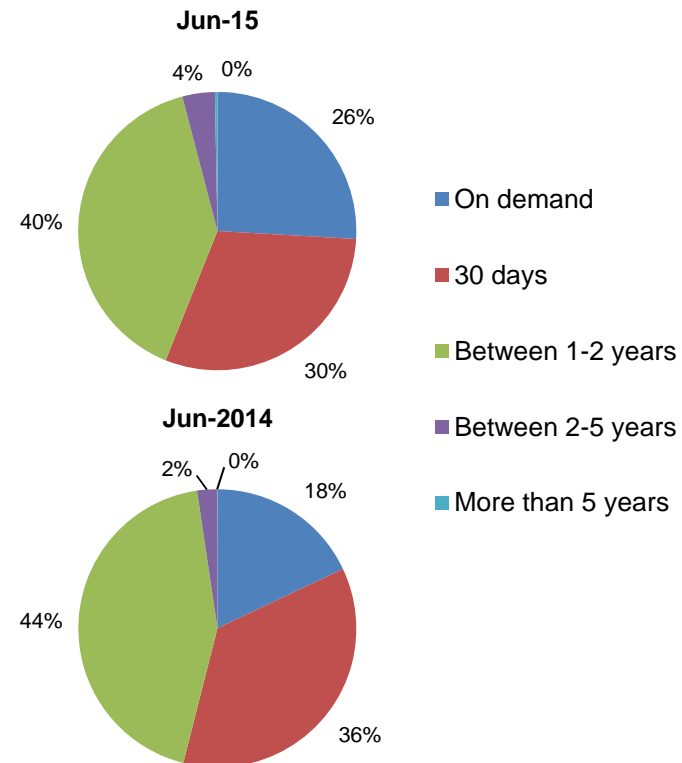
Note: 30 days delinquencies refer to 30 – 60 days delinquencies and 90 days delinquencies refer to 90 – 120 delinquencies

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

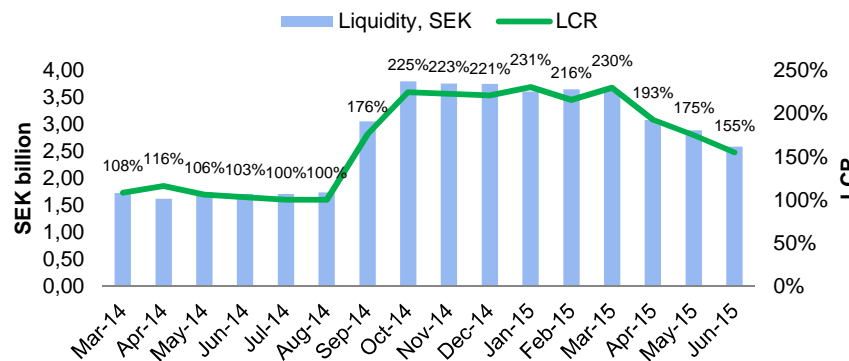
Treasury and funding

- Maintaining a sizeable liquidity portfolio with SEK 2,6 billion of qualified liquidity
 - As of June 2015, the LCR was 155% according to the European Banking Authority's reporting standard COREP¹
 - The LCR ratio has decreased due to reduction in size of liquidity portfolio in line with balance sheet efficiency initiatives as well as a result of a larger share of cash within the liquidity portfolio
- Slight change deposit product composition with changes in shorter maturity products
 - Increase in on demand deposits to 26% (18) and decrease of 30 day deposits to 30% (36)

Retail deposit portfolio – maturity break-down²



Qualified liquidity and LCR



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

Capital adequacy

- By the end of Q2 2015, the capital base amounted to SEK 1 670,5 million
- Total capital ratio amounted to 15,2% at the end of Q2 2015 compared to 16,2% by Q1 2015
 - CET1 ratio amounted to 9,4% and Tier 1 ratio amounted to 12,1%
 - Should unaudited profits be included in the capital base as of Q2 2015, the CET1 ratio would amount to 9,9%

Capital adequacy summary

SEK million	June-15	March-15	Dec-14
Equity¹	1 101,9	1 112,2	1 109,5
Adjustments	(68,1)	(67,4)	(96,1)
CET1	1 033,8	1 044,8	1 013,4
AT1	292,9	292,5	194,9
T2	343,8	343,4	343,1
Capital base	1 670,5	1 680,8	1 551,4
Total assets	17 240,6	17 478,6	17 174,1
RWEA	10 997,5	10 367,5	10 142,0
Credit risk	9 935,6	9 305,5	9 048,1
Market risk	--	--	32,1
Operational risk	1 061,9	1 061,9	1 061,9
Capital ratios			
CET1 ratio	9,4%	10,1%	10,0%
Tier 1 ratio	12,1%	12,9%	11,9%
Total capital ratio	15,2%	16,2%	15,3%

1. Unaudited quarterly profits during 2015 are excluded from the equity in the calculation of the capital base. Marginalen Bank plans to perform financial audit as of August 2015 and December 2015. Post such audits, annual accumulated profits are to be included in the equity in the capital base calculation, thereby strengthening the capital base