

Marginalen Bank

UNAUDITED FINANCIAL REPORT

Q4 2015

February 17th, 2016

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CEO Statement

Dear customers and investors,

The first quarter as CEO for Marginalen Bank has come to an end and as we enter 2016 I feel very positive. I spent the first months on getting to know the organization and the employees within the company and to plan ahead, finalizing the business plan and forecast.

We see continued growth opportunities for Marginalen both in the consumer and corporate side. To balance increasing capital targets with continued growth of our business will be an area of focus for the coming year. Analyzing the earnings for the quarter, we improved our total comprehensive income by 58,3 % to SEK 17,9 million, which we consider to be very strong. We deliver on our strategy to improve profitability and we can show a satisfactory trend relating to expenses on an adjusted basis continuing to decrease. Credit quality remains on a good level and the financial position as a whole remains firm.

During 2015 we took important steps regarding our digital platform. Hard work was put in to further improve our digital presence, including an updated platform for our Internet bank, serving both consumer and corporate customers. A new platform for our mobile bank was in place and in January 2016 we launched our app for Iphone and android . Simplicity and usability are values that we build into our services and our Internet- and mobile bank are clear statements of these values. During the last quarter we also introduced a digital signing service for the private loan and next in line is our savings account. These initiatives are all part of our strategy to simplify the financial day to day business for our customers.

In our vision we state that we want to help both consumers and small- medium size companies to grow. Our product, the Restart loan helps financially vulnerable customers to a financially stable life. With a well developed credit assessment process we are able to provide loans to people who are currently outside the loan market and we can provide a service that makes it possible for these customers to set a new path in their financial journey. Our Restart Loan customers are our most satisfied customers.

Vulnerable or not, Sweden's small business owners often see themselves in a difficult position when it comes to obtaining funding in sufficient quantities, which can slow down growth. For Marginalen, growth financing is an area where we put effort to become even better at helping small to midsize companies to grow. A great asset in this area is our own heritage. We have done the journey ourselves, growing from a small business into the company that we are today. This experience gives us an understanding of the needs of the small business owners that we meet and help everyday.

A total of 27,000 entrepreneurs and private customers chose to become customers in our bank in 2015. Growing our customer base is an important objective but more importantly we want to satisfy our customers, existing and new. So improving our CSI index (Swedish NKI) during 2015 is something that we value, especially since the banking sector as a whole is developing in the opposite direction.

Torbjörn Jacobsson was appointed CRO of Marginalen Bank in January, 2016. Torbjörn was employed by Marginalen in 2003 and was formerly Head of Risk Control.

In January 2016 we moved into new premises at the Adolf Fredriks Kyrkogata 8 in Stockholm, which means that we gather all our activities in Stockholm in one place. The digital landscape is transforming fast and for us this translates into many things, where our office plays an important role. The new office allows us to work more flexible, where collaboration and openness is key and it gives us a common platform in our ambition to develop our company culture into a clear competitive advantage. Sustainability has been a beacon throughout the move, in relation to the environment, people and processes. We seek ambassadors within our company and we put in continued work towards developing our company culture. For us in Marginalen Bank it is simple – we are here for the sake of the customers!

Stockholm, February 2016

Sarah Bucknell
CEO, Marginalen Bank

Financial highlights

- In Q4 2015, total comprehensive income amounted to SEK 17,9 million (11,3), representing a growth by 58,3% or SEK 6,6 million compared to Q4 2014.
 - Operating income amounted to SEK 181,5 million (164,9) and operating expenses amounted to SEK 120,1 million (122,6)
 - Net credit losses amounted to SEK 38,8 million (27,3).
- At the end of Q4 2015, total assets amounted to SEK 17 429,6 million compared to SEK 17 174,2 million as of Q4 2014, representing a growth of 1,5%
 - Lending to the public amounted to SEK 12 991,6 million compared to 11 922,0 as of Q4 2014
 - Total liquidity amounted to SEK 4 032,7 million compared to 5 012,2 as of Q4 2014
- Total equity amounted to SEK 1 220,0 million at the end of Q4 compared to SEK 1 109,5 million Q4 2014, representing a growth of 10% or SEK 110,6 million
- Total capital base amounted to SEK 1 789,3 million at the end of Q4 compared to SEK 1 551,4 million as of Q4 2014, representing a growth of 15,3% or SEK 237,9 million
 - Total capital ratio amounted to 16,3% at the end of Q4 2015 compared to 15,3% as of Q4 2014 and CET1 ratio amounted to 10,5% compared to 10,0% as of Q4 2014

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Financial results

- In Q4 2015, net interest income grew by 8,6% compared to Q4 2014
 - Interest expenses amounted to SEK 58,4 million (82,1)
- Underlying positive trend on C/I-ratio is confirmed in Q4 2015.
 - Reported C/I-ratio amounts to 66,2%. Move to new HQ in January 2016 affecting Q4 with SEK 5,8 million. Rent for Q1 2016 for previous premises recognized as cost in December 2015.
- Credit losses amounted to SEK 38,8 million (27,3). For the full year, the credit losses for 2015 are in line with 2014.
- Total comprehensive income grew by 58,3% or SEK 6,6 million to SEK 17,9 million (11,3).
 - Total comprehensive income grew by 16,2% FY 2015 compared to FY 2014. Adjusted for SEK 20,0 million extraordinary charge in Q3, total comprehensive income amounted to SEK 106,4 million, representing an increase of 43,0%

Profit and loss account SEK million	3 months			12 months	
	2015 Oct-Dec	2015 Jul-Sep	2014 Oct-Dec	2015 Full year	2014 Full year
Interest income	191,6	202,9	201,5	776,8	785,7
Leasing income	13,4	13,7	15,7	57,4	65,4
Interest expense	(58,4)	(60,0)	(82,1)	(261,3)	(343,9)
Net interest income	146,7	156,5	135,0	572,9	507,2
Other income	34,8	58,1	29,8	162,4	117,2
Total operating income	181,5	214,7	164,9	735,3	624,4
Total operating expenses	(120,1)	(118,0)	(122,6)	(465,1)	(444,9)
Profit before credit losses	61,4	96,7	42,3	270,2	179,5
Net credit losses	(38,8)	(32,9)	(27,3)	(119,2)	(119,7)
Operating profit	22,6	63,8	14,9	151,0	59,8
Net profit (net of tax)	18,5	45,3	11,5	113,9	48,3
Other comprehensive income ¹ (net of tax)	(0,6)	(19,4)	(0,2)	(27,5)	26,1
Total comprehensive income (net of tax)	17,9	25,9	11,3	86,4	74,4

Key drivers/statistics

C/I-ratio	66,2%	55,0%	74,3%	63,3%	71,3%
Operating margin	12,5%	29,7%	9,1%	20,5%	9,6%
Net profit margin	10,2%	21,1%	7,0%	15,5%	7,7%
Return on equity ²	6,1%	15,4%	4,3%	9,8%	5,0%
Interest coverage ratio ³	1,4	2,1	1,2	1,6	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 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 0,5% during the fourth quarter
 - Loans to the public decreased by 0,9%
 - Interest bearing securities amounted to SEK 3 360,2 million compared to SEK 3 372,7 million at the end of Q3 and loans to credit institutions increased to SEK 831,3 million compared to SEK 792,6 million at the end of Q3
 - Total liquidity amounted to SEK 4 058,1 million compared to SEK 4 977,2 million at the end of Q3 2015
- Public deposits was in line with Q3
- Subordinated liabilities increased during 2015 driven by SEK 100 million tap-issue of AT1 bonds, executed during Q1 2015
- Marginalen Bank received SEK 20,0 million of capital injection in Q3 2015 and additional 4,2million contribution in Q4, compensating for extraordinary charges⁴

Balance sheet			
SEK million	Dec-15	Sep-15	Dec-14
Loans to credit institutions	831,3	792,6	950,3
Loans to the public	12 991,6	13 112,6	11 922,0
Interest bearing securities	3 360,2	3 372,7	4 108,2
Other assets	139,9	137,0	110,8
Prepaid expenses and a/i ¹	106,6	109,2	83,0
Total assets	17 429,6	17 524,3	17 174,2
Public deposits	15 191,4	15 160,7	15 206,3
Other liabilities	217,0	237,3	164,2
Accrued expenses and p/i ²	139,8	269,5	121,3
Provisions	23,3	21,4	34,9
Subordinated liabilities	638,1	637,4	538,0
Total liabilities	16 209,6	16 326,3	16 064,8
Total equity	1 220,0	1 197,9	1 109,5
Total liabilities & equity	17 429,6	17 524,3	17 174,2
Key ratios			
Return on assets, % ³	0,4%	1,0%	0,3%
Equity ratio, %	7,0%	6,8%	6,5%

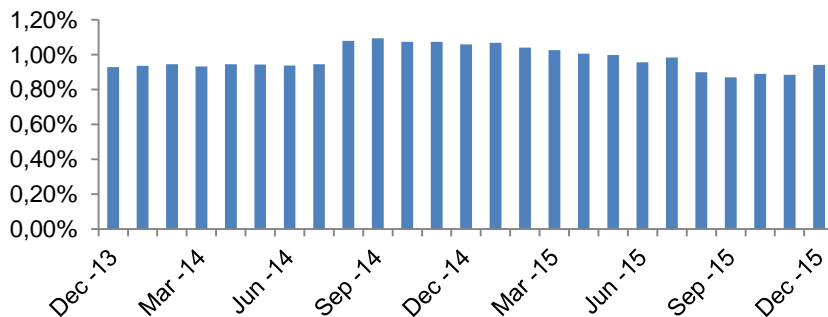
1. Prepaid expenses and accrued income
2. Accrued expenses and prepaid income
3. Annualized net profit for the period, divided by average total assets in the period
4. As described in the Q3 report

Asset composition

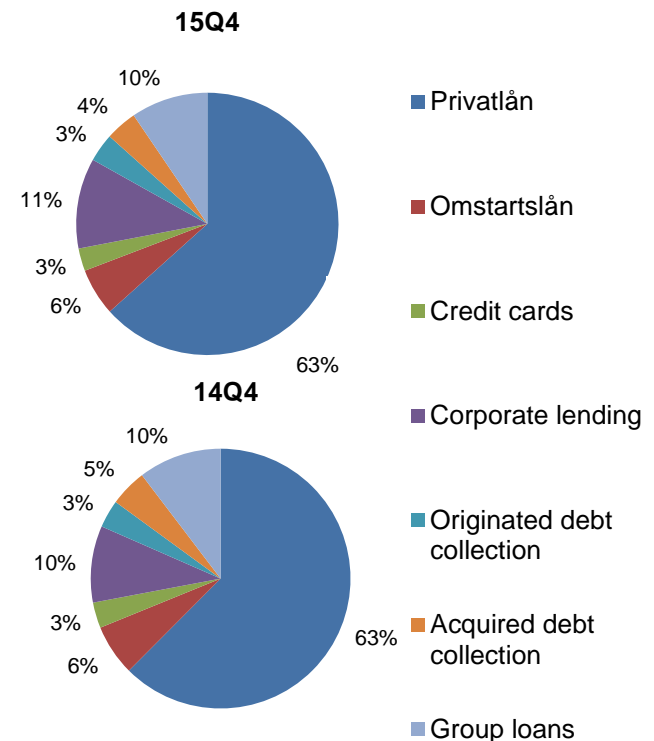
- Lending volume decreased slightly in Q4 2015
 - Total lending portfolio decrease of 0,9% during Q4 2015
 - The Privatlån portfolio has decreased by 1,5% during Q4 2015, as a part of our strategy to during 2016 remain our portfolio on a constant level, to balance new capital demands and to work with our retention model
- No significant changes in asset composition during last twelve months
 - Acquired debt collection decreased to 4% (5%) of lending as acquisition activity of non-performing loan portfolios remains at low level

- Favorable development of credit risk reserves across all assets

Development of credit risk reserves¹



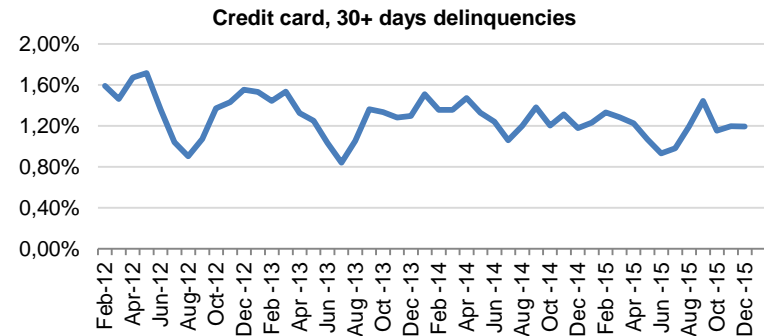
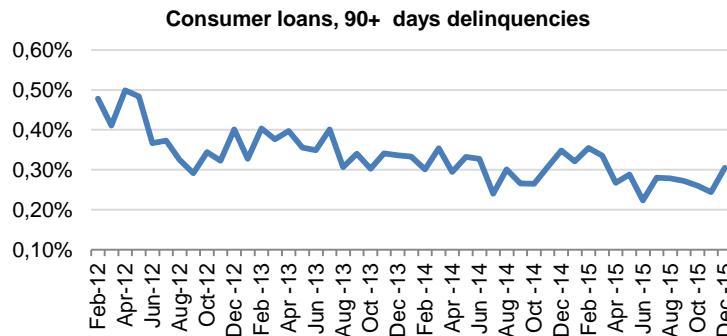
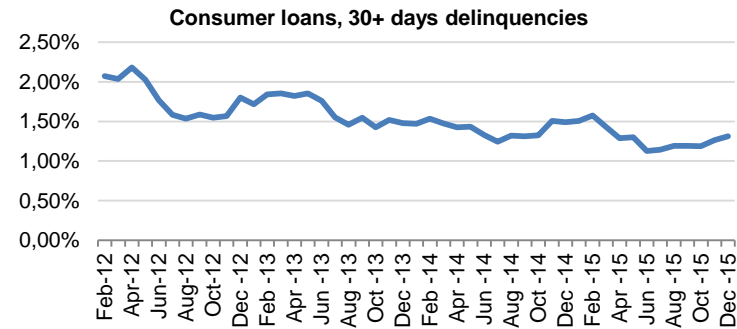
Lending portfolio – product break-down



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

- Continued resilient portfolio credit quality
- The delinquencies continue to increase although only slightly and as expected; seasonality brings higher delinquencies although the long term average is trending positively
- Seasonality effect strong on credit cards although slightly less so than previous years



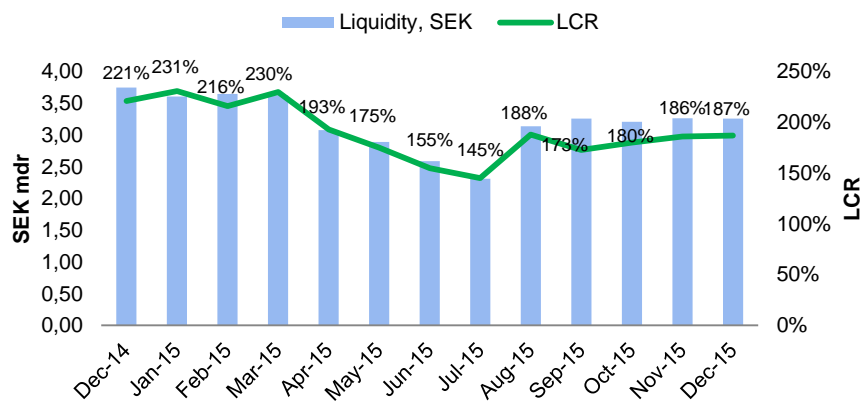
Note: 30 days delinquencies refer to 30 – 60 days delinquencies and 90 days delinquencies refer to 90 – 120 delinquencies

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+ days delinquencies" graph has been re-stated in order to reflect the current portfolio

Treasury and funding

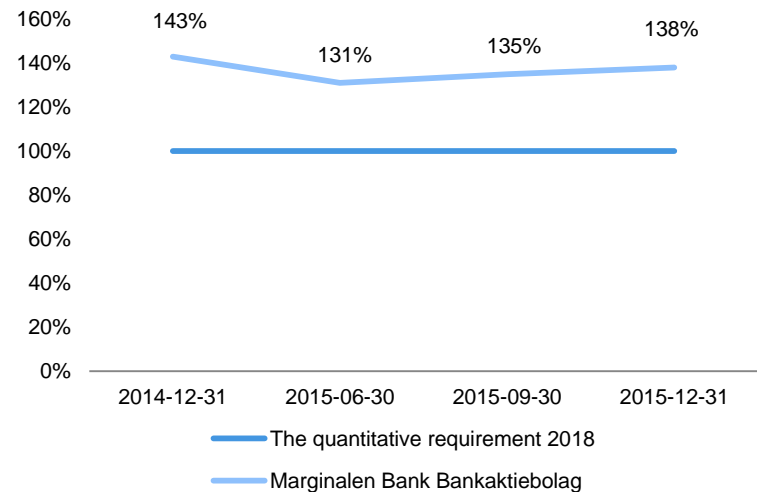
- Maintaining a sizeable liquidity portfolio with SEK 3,26 billion of qualified liquidity
 As of December 2015, the LCR was 187 % according to the European Banking Authority's reporting standard COREP¹
- High reliance on deposit from the public as funding source but no reliance on short term wholesale funding results in NSFR-ratios well above the upcoming requirements.
- Marginalen Bank has applied for membership in RIX

Qualified liquidity and LCR



1. Quantitative requirement of 60% as of October 2015

NSFR-Net Stable funding ratio



Capital adequacy

- By the end of Q4 2015, the capital base amounted to SEK 1 789,3 million, compared to SEK 1 551,4 million at the end of Q4 2014
- Total capital ratio amounted to 16,3% at the end of Q4 2015 compared to 15,3% by Q4 2014
 - CET1 ratio amounted to 10,5% (10,0%) and Tier 1 ratio amounted to 13,2% (11,9%)

Capital adequacy summary

SEK million	Dec-15	Sep-15	Dec-14
Equity¹	1 220,0	1 182,9	1 109,5
Adjustments	(68,8)	(66,9)	(96,1)
CET1	1 151,2	1 116,0	1 013,4
AT1	293,6	293,2	194,9
T2	344,5	344,2	343,1
Capital base	1 789,3	1 753,4	1 551,4
Total assets	17 429,6	17 524,3	17 174,1
REA	10 951,2	10 927,9	10 142,0
Credit risk	9 753,8	9 865,9	9 048,1
Market risk	--	--	32,1
Operational risk	1 197,4	1 061,9	1 061,9
CVA Risk	--	0,1	0,0
Capital ratios			
CET1 ratio	10,5%	10,2%	10,0%
Tier 1 ratio	13,2%	12,9%	11,9%
Total capital ratio	16,3%	16,0%	15,3%