



YEAR-END REPORT

Q1 Q2 Q3 Q4

JANUARY - DECEMBER 2018

# Year-end Report 2018

January - December 2018

## January - December 2018 (Compared to January - December 2017)

- Revenue increased by 42% to SEK 435.8 million (307.5)
- Net interest income increased by 46% to SEK 357.1 million (243.8)
- Adjusted Earnings before tax<sup>1</sup> increased by 27% to SEK 152.2 million (119.5)
- Cost/income ratio decreased to 0.31 (0.32)
- The return on equity was 39%

## Fourth quarter 2018 (Compared to fourth quarter 2017)

- Revenue increased by 6% to SEK 103.0 million (97.0)
- Net interest income increased by 10% to SEK 85.3 million (77.8)
- Earnings before tax decreased by 48% to SEK 20.7 million (39.7)

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REVENUE	SEK 436 MILLION +42%
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NET INT. INCOME	SEK 357 MILLION +46%
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ADJUSTED EBT <sup>1</sup>	SEK 152 MILLION +27%
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COST/INCOME RATIO	0.31
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RET. ON EQUITY	39%
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MONTHLY ACTIVE USERS	~66 000
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<sup>1</sup>Adjusted for the one-time cost of SEK 14.5 million caused by the Company making its first impairment allowances for expected credit losses on the total loan portfolio in Q3 2018.

## Comments from the CEO

2018 has been an eventful year and Northmill has taken giant leaps as a company. We continue to deliver strong results and we are closing the books with revenues of SEK 436 m and adjusted Earnings before tax of SEK 152 m for the full year and we have grown to close to 100 employees.

During the fourth quarter the revenue growth was somewhat slower than previous quarters, mainly because of switch in product mix from short-term credits to larger amounts with longer maturities. Today we are using our own balance sheet to higher degree to fund the loan book which is a more profitable strategy long-term, but in the short-term the revenue recognition is slower than before.

The earnings growth is expected to continue through strong loan growth, stable margins, cost control and good credit quality. We will continue to invest in key strategic areas to prepare for an ambitious expansion plan as well as our goal of becoming a licensed bank. We are carefully picking out a new top team to the company, currently recruiting a CEO, CTO, CRO and CCO to help us take the company to the next level. Also our IT organization has more than doubled in size during 2018 and it will continue to expand in the same pace during 2019. When we recruit we want to find the perfect mix of IT, analytics, marketing and risk competences.

Economic outlook for Sweden and Finland and key factors for Northmill's development remain favorable. GDP growth and employment levels are favorable while interest rates remain at low levels with a slight upward trend.

We are very excited about 2019 when it comes to product development and new launches. Our mobile banking platform Rebillia is where we put most of our development time at the moment. We are increasing our efforts and we are pushing to launch a commercial product during the spring of 2019. In December a pilot went live and we are now testing the infrastructure and functionality.

The dialogue with the Swedish FSA about our banking license application continues. We have not yet received any indications on expected outcome.

We continue to work hard to deliver on the goals that we have set for 2019.



*Hikmet Ego, CEO at Northmill*

# The Group's Development

## Revenue and earnings in the fourth quarter

Transition from short-term credits to longer maturities is temporarily affecting the revenue growth, which is in-line with the communicated strategy. Northmill continues to grow the on-balance portfolio, which is more capital intensive and delays revenue recognition, but long-term a more profitable strategy.

During the fourth quarter Northmill increased total revenues with 6 percent compared to the corresponding quarter of the previous year; the total revenue was SEK 103.0 million (97.0). Earning after tax decreased by 47 percent to SEK 16.2 million (30.8) mainly as a result of increased investments in the organization.

## Revenue and earnings January-December 2018

Total revenue rose by 42 percent compared with the corresponding period in 2017 and amounted to SEK 435.8 million (307.5). The revenue growth is driven by a solid portfolio growth in Sweden with high demand for Northmill's products. Earnings after tax increased by 11 percent, amounting to SEK 108.5 million (97.6), corresponding to a return on equity (ROE) of 39 percent.

## Operating expenses

Total operating expenses for the full year were SEK 110.1 million (78.8), of which SEK 37.5 million are attributable to the fourth quarter (25.3). The increase between years is chiefly due to a growing organization and greater business volume which is increasing external costs.

The cost/income ratio (C/I) improved to 0.31 compared with same period last year (0.32).

## Credit portfolio

The total credit portfolio amounted SEK 1 081 million, which is an increase of SEK 208 million, or +24 percent, since last year. SEK 745 million are on-balance loans and SEK 336 million are off-balance loans (receivables transferred to a third party). Northmill is gradually increasing the on-balance volume mix.

## Credit losses

The credit loss key ratio<sup>2</sup> for the rolling 12 months amounted to 6.1 percent (3.0) at the end of the period. The increase is mainly caused by the impairment allowances for expected credit losses. The impairment is a step towards full IFRS implementation which is expected to be completed during 2019.

## Cash position

As at 31 December, cash and cash equivalents were SEK 200.7 million (104.7)

## Funding

Northmill did not take up any new debt during the quarter.

<sup>2</sup>Net credit losses to total lending rolling 12 month

# Key ratios Group

Amounts in SEK million	Q4 2018	Q4 2017	Change (%)	Full year 2018	Full year 2017	Change (%)
<b>INCOME STATEMENT</b>						
Revenue	103.0	97.0	6%	435.8	307.5	42%
Net interest income	85.3	77.8	10%	357.1	243.8	46%
Adjusted Earnings before interest and tax (EBIT) <sup>1</sup>	38.5	58.8	-35%	230.9	182.8	26%
Adjusted Earnings before tax (EBT) <sup>1</sup>	20.7	39.7	-48%	152.2	119.5	27%
Adjusted Earnings after tax (EAT) <sup>1</sup>	16.2	30.8	-47%	123.0	97.6	26%
Earnings before interest and tax (EBIT)	38.5	58.8	-35%	216.3	182.8	18%
Earnings before tax (EBT)	20.7	39.7	-48%	137.7	119.5	15%
Earnings after tax (EAT)	16.2	30.8	-47%	108.5	97.6	11%
<b>BALANCE SHEET</b>						
Lending to the public	744.6	360.8	106%	744.6	360.8	106%
Cash and equivalents	200.7	104.7	92%	200.7	104.7	92%
Total assets	964.5	505.8	91%	964.5	505.8	91%
Total Equity	327.2	227.0	44%	327.2	227.0	44%
Off-balance lending	336.4	512.7	-34%	336.4	512.7	-34%
<b>KEY RATIOS</b>						
Return on equity (ROE) <sup>2</sup> , %	39%	64%		39%	64%	
Equity ratio <sup>3</sup>	34%	45%		34%	45%	
Net equity ratio <sup>4</sup> , %	55%	66%		55%	66%	
C/I ratio <sup>5</sup>	0.44	0.32		0.31	0.32	
Interest coverage ratio <sup>6</sup>	4.15	3.61		4.15	3.61	

1) Adjusted for non-recurring items. See note 4

2) Earnings after tax in relation to average equity. Rolling 12 months.

3) Ratio of Equity to total assets

4) Ratio of Equity plus cash to total assets

5) Total expenses before credit losses divided by operating income

6) EBITDA less credit losses to interest expenses, Rolling 12 months

# Income statement

## Group

Amounts in SEK million	Note	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Revenue		103.0	96.0	434.6	305.3
Other operating revenues		0.1	1.0	1.1	2.1
<b>Total operating revenues</b>	2	<b>103.0</b>	<b>97.0</b>	<b>435.8</b>	<b>307.5</b>
Other external expenses	2	-26.5	-16.9	-76.0	-54.8
Personnel expenses	2	-10.3	-7.2	-33.4	-22.7
Depreciation and amortization	2	-0.6	-1.2	-0.7	-1.3
Credit losses, net	2,3,4	-27.1	-12.9	-109.3	-45.9
<b>Earnings before interest and tax (EBIT)</b>		<b>38.5</b>	<b>58.8</b>	<b>216.3</b>	<b>182.8</b>
Other financial income and expenses					
Financial income	2	0.0	0.1	0.0	0.4
Financial expenses	2	-17.7	-19.2	-78.7	-63.7
<b>Earnings before tax (EBT)</b>		<b>20.7</b>	<b>39.7</b>	<b>137.7</b>	<b>119.5</b>
Income taxes		-4.5	-8.9	-29.2	-21.9
<b>Earnings for the period</b>		<b>16.2</b>	<b>30.8</b>	<b>108.5</b>	<b>97.6</b>
<i>Adjustments for non-recurring items</i>	4	-	-	14.5	-
<b>Adjusted earnings for the period</b>		<b>16.2</b>	<b>30.8</b>	<b>123.0</b>	<b>97.6</b>
<b>Statement of Comprehensive Income</b>					
<b>Earnings for the period</b>		<b>16.2</b>	<b>30.8</b>	<b>108.5</b>	<b>97.6</b>
Exchange rate translation gains / losses on consolidation		-0.1	-0.1	-0.7	0.8
<b>Comprehensive earnings for the period</b>		<b>16.1</b>	<b>30.6</b>	<b>107.8</b>	<b>98.5</b>

# Balance sheet

# Group

Amounts in SEK million	Note	31 Dec 2018	31 Dec 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets		0.2	0.2
Tangible assets		3.9	1.8
Financial assets		1.2	1.2
<b>Non-current assets in total</b>		<b>5.3</b>	<b>3.3</b>
<b>Current assets</b>			
Lending and other receivables	5	752.7	378.9
Other receivables		4.8	14.3
Accruals and prepaid expenses		1.0	4.7
Cash and equivalents		200.7	104.7
<b>Current assets in total</b>		<b>959.1</b>	<b>502.6</b>
<b>TOTAL ASSETS</b>		<b>964.5</b>	<b>505.8</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		0.5	0.5
Share premium reserve		57.9	57.9
Retained profit, incl. profit for the year		268.7	168.6
<b>Equity in total</b>		<b>327.2</b>	<b>227.0</b>
<b>Non-current liabilities</b>			
Bonds		491.1	-
Liabilities to credit institutions		93.0	228.9
Other liabilities		-	5.0
Deferred tax liabilities		13.9	9.6
<b>Current liabilities</b>			
Accounts payable		4.2	4.3
Current tax liabilities		16.6	15.0
Other current liabilities		5.0	3.2
Accrued expenses and deferred income		13.5	12.8
<b>EQUITY AND LIABILITIES IN TOTAL</b>		<b>964.5</b>	<b>505.8</b>

# Cash flow Group

Amounts in SEK million	Q4 2018	Q4 2017	Full year 2018	Full year 2017
<b>Operating activities</b>				
Earnings before tax	20.7	39.7	137.7	119.5
<i>Adjustments for items not included in the cash flow</i>				
- Impairment allowance on loans	6.9	-	21.5	-
- Depreciation/amortization	0.6	1.2	0.7	1.3
- Exchange rate differences	-0.2	0.7	1.4	1.1
- Other	0.0	0.2	0.1	-0.2
	<b>28.1</b>	<b>41.8</b>	<b>161.4</b>	<b>121.7</b>
Tax	-4.6	-8.6	-23.3	-15.4
<b>Cash flow from operating activities before changes in working capital</b>	<b>23.5</b>	<b>33.2</b>	<b>138.2</b>	<b>106.3</b>
Cash flow from changes in working capital				
Increase (+)/Decrease(-) in operating receivables	-166.1	-98.5	-382.0	-251.8
Increase (+)/Decrease(-) in operating liabilities	8.8	16.0	2.6	11.4
<b>Cash flow from operating activities</b>	<b>-133.8</b>	<b>-49.3</b>	<b>-241.3</b>	<b>-134.1</b>
<b>Investing activities</b>				
Acquisition of intangible fixed assets	0.0	-0.2	0.0	-0.4
Acquisition of tangible fixed assets	-1.3	-0.5	-2.8	-0.9
Acquisition of financial assets	0.0	-	0.0	-
<b>Cash flow from investing activities</b>	<b>-1.3</b>	<b>-0.7</b>	<b>-2.9</b>	<b>-1.2</b>
<b>Financing activities</b>				
New issue	-	-	-	57.0
Change in liabilities to credit institutions	0.9	19.0	-140.9	117.0
Issued bonds	0.8	-	491.1	-
Paid dividend	-	-	-10.0	-3.3
<b>Cash flow from financing activities</b>	<b>1.7</b>	<b>19.0</b>	<b>340.2</b>	<b>170.7</b>
<b>Cash flow for the period</b>	<b>-133.4</b>	<b>-31.0</b>	<b>96.0</b>	<b>35.3</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>334.1</b>	<b>135.7</b>	<b>104.7</b>	<b>69.3</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>200.7</b>	<b>104.7</b>	<b>200.7</b>	<b>104.7</b>



The Board of Directors and the CEO affirm that this interim report provides an accurate overview of the operations, financial position and performance of the Group and the Parent Company, and describes the significant risks and uncertainties faced by the Parent Company and the companies in the Group. This report has not been reviewed by the company's auditors.

Stockholm, 31 Dec 2018

### Board of Directors & CEO



**MARGARETA LINDAHL**

Chairman



**PER GRANATH**

Board Member



**GEORGE KURT**

Board Member



**ERIK FAGERLAND**

Board Member



**BJÖRN HAZELIUS**

Board Member



**KARL KÄLLBERG**

Board Member



**HIKMET EGO**

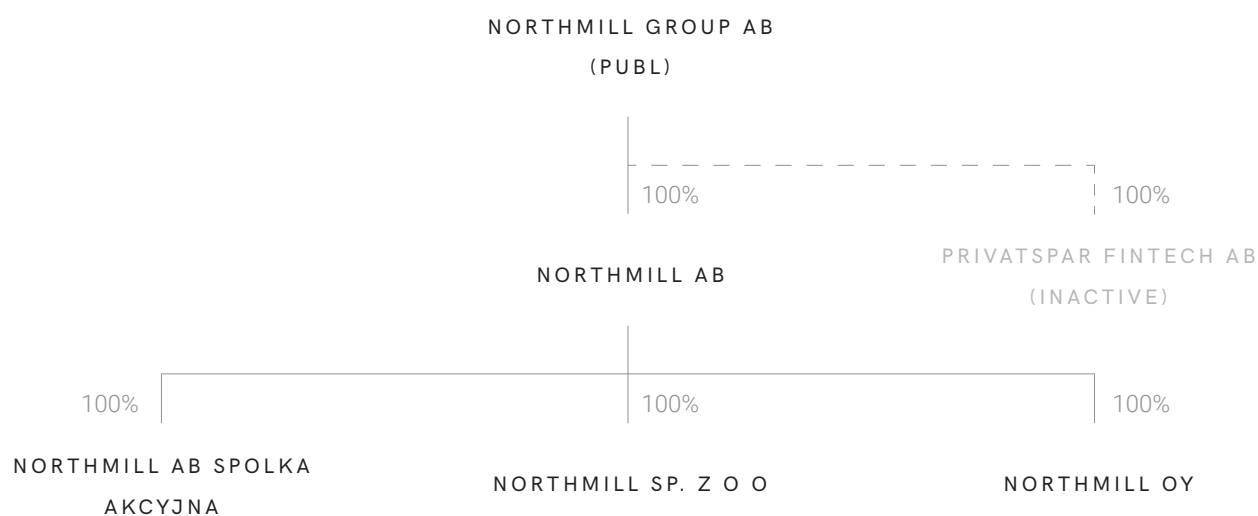
CEO

# Notes on accounting principles and notes to the financial statements

## Note 1 General Information

Accounting principles Northmill Group AB (publ) and the Group applies the Swedish Accounting Standard Board's (BFN's) general guidelines BFNAR 2012:1 Annual report and consolidated accounts (K3). This report has been prepared in accordance with the Swedish Annual Accounts Act (ÅRL). The accounting principles are unchanged in comparison with the previous year.

Group Structure Northmill Group AB (publ) is the Group's Parent Company. Northmill Group AB (publ) owns the subsidiaries Northmill AB (100%) and Privatspar Fintech AB (100%) (inactive). Northmill AB owns the subsidiaries Northmill Oy (100%), Northmill Sp. z o.o (100%) and Northmill AB Spolka Akcyjna (100%).



## Note 2 Operating Segment

### Q4 2018

Amounts in SEK million	Sweden	Finland
Revenue	72.2	32.8
Other external expenses	-21.9	-4.7
Personnel expenses	-10.0	-1.4
Depreciation and amortization	-0.6	0.0
Credit losses, net	-18.4	-8.7
<b>Earnings before interest and tax (EBIT)</b>	<b>21.4</b>	<b>18.0</b>
<i>Other financial income and expenses</i>		
Financial income	0.0	0.0
Financial expenses	-12.3	-5.6
<b>Earnings before tax (EBT)</b>	<b>9.1</b>	<b>12.4</b>

### Q4 2017

Amounts in SEK million	Sweden	Finland
Revenue	64.0	33.7
Other external expenses	-10.8	-6.7
Personnel expenses	-5.9	-1.4
Depreciation and amortization	-1.1	-0.1
Credit losses, net	-6.1	-6.9
<b>Earnings before interest and tax (EBIT)</b>	<b>40.1</b>	<b>18.7</b>
<i>Other financial income and expenses</i>		
Financial income	0.1	0.0
Financial expenses	-13.3	-6.1
<b>Earnings before tax (EBT)</b>	<b>26.9</b>	<b>12.7</b>

## Full year 2018

Amounts in SEK million	Sweden	Finland
Revenue	300.5	143.2
Other external expenses	-56.5	-21.6
Personnel expenses	-30.8	-6.0
Depreciation and amortization	-0.6	-0.2
Credit losses, net	-68.3	-41.7
<b>Earnings before interest and tax (EBIT)</b>	<b>144.0</b>	<b>73.7</b>
<i>Other financial income and expenses</i>		
Financial income	0.0	0.0
Financial expenses	-55.9	-24.8
<b>Earnings before tax (EBT)</b>	<b>88.1</b>	<b>48.9</b>

## Full year 2017

Amounts in SEK million	Sweden	Finland
Revenue	204.2	106.8
Other external expenses	-30.6	-23.5
Personnel expenses	-17.7	-5.0
Depreciation and amortization	-1.2	-0.1
Credit losses, net	-25.0	-22.2
<b>Earnings before interest and tax (EBIT)</b>	<b>129.7</b>	<b>56.0</b>
<i>Other financial income and expenses</i>		
Financial income	0.1	0.0
Financial expenses	-44.7	-19.2
<b>Earnings before tax (EBT)</b>	<b>85.2</b>	<b>36.9</b>

### Note 3 Net credit losses

Amounts in SEK million	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Change in provision for expected loan losses	-6.9	-	-21.5	-
Realised loan losses	-20.2	-12.9	-87.8	-45.9
<b>Net credit losses</b>	<b>-27.1</b>	<b>-12.9</b>	<b>-109.3</b>	<b>-45.9</b>

### Note 4 Non-recurring items

The Company made its first impairment allowances on expected credit losses on loans on 30 September 2018 creating a one-time effect of SEK 14.5 million for the third quarter 2018. The impairment was made due to change in business model in which the company is financing a larger part of the lending with its own balance sheet.

### Note 5 Lending to the public

<b>Group</b>	31 Dec 2018	31 Dec 2017
Not yet past due	657.0	300.9
Past due less than 30 days	57.6	26.6
Past due less than 30-60 days	30.1	18.4
Past due less than 61-90 days	20.9	9.1
Past due more than 90 days	0.4	5.7
<b>Total</b>	<b>766.1</b>	<b>360.8</b>
Credit loss provision	-21.5	-
<b>Total lending to the public</b>	<b>744.6</b>	<b>360.8</b>

## Income statement

# Parent Company

Amounts in SEK million	Q4 2018	Q4 2017	Full year 2018	Full year 2017
<b>Revenue</b>	-	-	-	-
Other external expenses	-0.9	-	-1.2	-2.7
<b>Earnings before interest and tax (EBIT)</b>	<b>-0.9</b>	<b>-</b>	<b>-1.2</b>	<b>-2.7</b>
Other financial income and expenses				
Financial income	10.2	0.2	15.0	0.2
Financial expenses	-10.1	0.0	-13.0	0.0
<b>Earnings before tax (EBT)</b>	<b>-0.8</b>	<b>0.2</b>	<b>0.7</b>	<b>-2.5</b>
Income taxes	-	-	-	-
<b>Earnings for the period</b>	<b>-0.8</b>	<b>0.2</b>	<b>0.7</b>	<b>-2.5</b>

## Balance sheet

# Parent Company

Amounts in SEK million	31 Dec 2018	31 Dec 2017
<b>ASSETS</b>		
<b>Non-current assets</b>		
Financial assets	1.4	1.4
<b>Non-current assets in total</b>	<b>1.4</b>	<b>1.4</b>
<b>Current assets</b>		
Other receivables	500.0	57.2
Cash and equivalents	45.6	3.5
<b>Current assets in total</b>	<b>545.6</b>	<b>60.7</b>
<b>TOTAL ASSETS</b>	<b>547.0</b>	<b>62.1</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	0.5	0.5
Share premium	57.3	57.3
Retained profit, incl. profit for the year	-5.0	4.2
<b>Equity in total</b>	<b>52.8</b>	<b>62.1</b>
Untaxed reserves	-	-
<b>Non-current liabilities</b>		
Bonds	491.1	-
<b>Current liabilities</b>		
Accrued expenses and deferred income	3.1	0.0
<b>EQUITY AND LIABILITIES IN TOTAL</b>	<b>547.0</b>	<b>62.1</b>







We're going to make a change



## About Northmill

Northmill is a Swedish fintech innovation company, founded in 2006 with the vision of simplifying everyone's financial life. Northmill develops straightforward and secure financial services using technology and innovation, with offices in Sweden, Finland, and Poland. As of 2018, the company has over 66 000 active users and 100 employees.

For more information visit [www.northmill.com](http://www.northmill.com).