



INTERIM REPORT

Q1 Q2 Q3 Q4

JANUARY - SEPTEMBER 2018

# Interim Report

January - September 2018

## Third quarter (Compared to third quarter 2017)

- Revenue increased by 30 % to SEK 106.9 million (82.1)
- Net interest income increased by 34 % to SEK 86.8 million (64.9)
- Adjusted Earnings before tax<sup>1</sup> increased by 42 % to SEK 42.6 million (30.0)

## January - September (Compared to January - September 2017)

- Revenue increased by 58 % to SEK 332.1 million (210.6)
- Net interest income increased by 63 % to SEK 271.2 million (166.1)
- Adjusted Earnings before tax<sup>1</sup> increased by 65 % to SEK 131.6 million (79.8)
- Cost/income ratio dropped to 0.27 (0.32)
- The return on equity was 48 %

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REVENUE	SEK 332 MILLION +58 %
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NET INT. INCOME	SEK 271 MILLION +63 %
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ADJUSTED EBT <sup>1</sup>	SEK 132 MILLION +65 %
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COST/INCOME RATIO	0.27
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RET. ON EQUITY	48 %
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CUSTOMERS	~ 400 000
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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 on 30 September 2018.

# Comments from the CEO

I would like to take the opportunity to thank our exceptional employees, partners, investors and all other stakeholders who contribute to our everyday success. Back in 2006 we started from zero and today we have managed to scale our operations to almost 100 employees in three countries, a loan book of more than SEK 1 billion and revenues of more than SEK 400 million. More than anything this is a team effort, and we could not have gotten this far without the hard work that all our employees put in every day.

Third quarter has been characterized by continued stable growth and the company has strengthened its market position. Growth has taken place in both revenues, earnings and team size. Already one third of our team consists of IT-related employees such as engineers, coders, QA's, UI/UX-designers, data scientists and we are continuing to invest heavily in this area. Besides IT and analytics we also invest in compliance and risk management as part of our efforts towards becoming a licensed bank.

We see positive growth in the Swedish market with increasing demand for our products. In Finland we see a somewhat slower development but expect to ramp up growth with new product launches in the coming quarters. Our insurance business is picking up and the development so far has exceeded all expectations with more than 13 000 active users to date.

In order to finance our continued growth journey, we successfully issued SEK 500 million of new senior unsecured bonds under a SEK 1 billion framework during the third quarter. We received a strong demand from investors and are very pleased with the outcome. The bond is strategically important for us as it diversifies our funding.

A new regulatory framework in Sweden concerning interest rate cap came into effect in September 2018. In connection to the new law, Northmill took a strategic decision to effectively leave the market for high-cost credits which is aligned with the company's long-term strategy. New regulations has historically been favorable to us and we welcome this latest regulatory change as an opportunity to gain market share.

Digitalization is accelerating and the landscape is rapidly changing. Northmill's focus on user-friendly solutions and efficient processes will create greater value for customers. In Q4 this year we are soft-launching a pilot for our flagship product Rebilla, which is a product that will offer insurance, savings features and credits linked to a physical Mastercard. The new brand will put us in a new segment in the credit card market and with Rebilla we are targeting a broader target group with lower risk level.

I look forward to continuously develop Northmill and see good opportunities to generate growth and create value for customers, coworkers and shareholders.



*Hikmet Ego, CEO at Northmill*



# The Group's Development

## Revenue and earnings in the third quarter

Strong growth in the portfolio contributed to the 30 percent increase in total revenue compared with the corresponding quarter of the previous year; the total revenue was SEK 106.9 million (82.1). Earnings after tax decreased by 11 percent to SEK 22.2 million (24.9). The Company made its first impairment allowance for expected loan losses on 30 September 2018 creating a one-time effect of SEK 14.5 million. Adjusted for the one-time effect earnings after tax increased by 47 percent to SEK 36.7 million (24.9).

## Revenue and earnings January-September 2018

Northmill experienced good growth in the first nine months of 2018. Total revenue rose by 58 percent compared with the corresponding period in 2017 and amounted to SEK 332.1 million (210.6). The revenue growth is driven by a strong underlying credit market in Sweden. Northmill is continuing its strategic focus on working upwards in the credit segment increasing credit amounts with lower risk profile.

Earnings after tax increased by 38 percent, amounting to SEK 92.3 million (66.8), corresponding to a return on equity (ROE) of 48 percent.

## Operating expenses

Total operating expenses in the first nine months were SEK 76.7 million (53.5), of which SEK 25.3 million are attributable to the third quarter (22.6). The increase between years is chiefly due to a growing organization, greater business volume which is increasing external costs. Northmill is recruiting heavily focusing on IT, analytics, risk and compliance.

The cost/income ratio (C/I) improved to 0.27 compared with same period last year (0.32).

## Credit portfolio

The total credit portfolio was SEK 1 002 million, which is an increase of SEK 259 million, or +35 percent, since last year. SEK 565.3 million are on-balance loans and SEK 437 million are loans where Northmill is intermedian and sells loan receivables to a third party (off-balance). 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 4.6 percent (3.1) at the end of the period. The increase is mainly caused by the impairment allowances on loans which were made on 30 September 2018. The impairment is a step towards full IFRS implementation which is expected to be completed during 2019.

## Cash position

As per 30 September, cash and cash equivalents were SEK 334.1 million (135.7).

## Funding

During the third quarter, Northmill successfully issued SEK 500 million of new senior unsecured bonds in order to finance continued growth of the Group. The new senior unsecured bonds have a coupon of 3 months Stibor plus 8.0 per cent p.a. and a tenor of three years. The bonds have been listed on Frankfurt Stock Exchange Open Market with ISIN: SE0011614973. The Group intends to list the bond on the Nasdaq Stockholm exchange during 2019. The bond has a tap option which allows Northmill to increase the volume by an additional SEK 500 million.

Northmill also has an unutilized credit facility of SEK 350 million. The diversified funding structure is strategically important as it decreases the counterparty risk. The long-term goal is to fund the operations by deposits from the public which would decrease the funding cost significantly.

## Changes in management

Hikmet Ego took office as CEO on 5 October 2018 after Lars Blomfeldt left Northmill on 4 October 2018.

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

# Key ratios

## Group

Amounts in SEK million	Q3 2018	Q3 2017	Change (%)	Jan-Sep 2018	Jan-Sep 2017	Change (%)	Full year 2017
<b>INCOME STATEMENT</b>							
Revenue	106.9	82.1	30%	332.1	210.6	58%	307.5
Net interest income	86.8	64.9	34%	271.2	166.1	63%	243.8
Adjusted Earnings before interest and tax (EBIT) <sup>1</sup>	59.2	47.0	26%	187.7	124.1	51%	182.8
Adjusted Earnings before tax (EBT) <sup>1</sup>	42.6	30.0	42%	131.6	79.8	65%	119.5
Adjusted Earnings after tax (EAT) <sup>1</sup>	36.7	24.9	47%	106.9	66.8	60%	97.6
Earnings before interest and tax (EBIT)	44.6	47.0	-5%	173.2	124.1	40%	182.8
Earnings before tax (EBT)	28.1	30.0	-6%	117.0	79.8	47%	119.5
Earnings after tax (EAT)	22.2	24.9	-11%	92.3	66.8	38%	97.6
<b>BALANCE SHEET</b>							
Lending to the public	565.3	277.0	104%	565.3	277.0	104%	360.8
Cash and equivalents	334.1	135.7	146%	334.1	135.7	146%	104.7
Total assets	938.0	438.8	114%	938.0	438.8	114%	502.6
Total Equity	311.0	199.5	56%	311.0	199.5	56%	227.0
Off-balance lending	436.9	466.6	-6%	436.9	466.6	-6%	512.7
<b>KEY RATIOS</b>							
Return on equity (ROE) <sup>2</sup> , %	48%	58%		48%	58%		64%
Equity ratio <sup>3</sup>	33%	45%		33%	45%		45%
Net equity ratio <sup>4</sup> , %	69%	76%		69%	76%		66%
C/I ratio <sup>5</sup>	0.28	0.35		0.27	0.32		0.32
Interest coverage ratio <sup>6</sup>	4.10	3.42		4.10	3.42		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	Q3 2018	Q3 2017	Jan-Sep 2018	Jan-Sep 2017	Full year 2017
Revenue		106.9	82.0	331.0	209.5	305.3
Other operating revenues		0.0	0.0	1.0	1.1	2.1
<b>Total operating revenues</b>	2	<b>106.9</b>	<b>82.1</b>	<b>332.1</b>	<b>210.6</b>	<b>307.5</b>
Other external expenses	2	-16.6	-17.0	-51.2	-37.9	-54.8
Personnel expenses	2	-8.6	-5.5	-25.4	-15.4	-22.7
Depreciation and amortization	2	-0.1	-0.1	-0.1	-0.1	-1.3
Credit losses, net	2,3,4	-37.0	-12.4	-82.2	-32.9	-45.9
<b>Earnings before interest and tax (EBIT)</b>		<b>44.6</b>	<b>47.0</b>	<b>173.2</b>	<b>124.1</b>	<b>182.8</b>
Other financial income and expenses						
Financial income	2	3.5	0.1	4.7	0.1	0.4
Financial expenses	2	-20.1	-17.1	-60.9	-44.5	-63.7
<b>Earnings before tax (EBT)</b>		<b>28.1</b>	<b>30.0</b>	<b>117.0</b>	<b>79.8</b>	<b>119.5</b>
Income taxes		-5.9	-5.0	-24.7	-13.0	-21.9
<b>Earnings for the period</b>		<b>22.2</b>	<b>24.9</b>	<b>92.3</b>	<b>66.8</b>	<b>97.6</b>
<i>Adjustments for non-recurring items</i>	4	14.5	-	14.5	-	-
<b>Adjusted earnings for the period</b>		<b>36.7</b>	<b>24.9</b>	<b>106.9</b>	<b>66.8</b>	<b>97.6</b>
<b>Statement of Comprehensive Income</b>						
<b>Earnings for the period</b>		<b>22.2</b>	<b>24.9</b>	<b>92.3</b>	<b>66.8</b>	<b>97.6</b>
Exchange rate translation gains / losses on consolidation		-0.3	-0.1	-0.5	0.1	0.8
<b>Comprehensive earnings for the period</b>		<b>21.9</b>	<b>24.8</b>	<b>91.8</b>	<b>67.0</b>	<b>98.5</b>

# Balance sheet

# Group

Amounts in SEK million	Note	30 Sep 2018	30 Sep 2017	31 Dec 2017
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets		0.2	1.1	0.2
Tangible assets		3.3	1.4	1.8
Financial assets		1.2	1.2	1.2
<b>Non-current assets in total</b>		<b>4.7</b>	<b>3.7</b>	<b>3.3</b>
<b>Current assets</b>				
Lending and other receivables	5,6	586.8	290.3	378.9
Other receivables		4.2	8.3	14.3
Accruals and prepaid expenses		8.2	0.7	4.7
Cash and equivalents		334.1	135.7	104.7
<b>Current assets in total</b>		<b>933.3</b>	<b>435.1</b>	<b>502.6</b>
<b>TOTAL ASSETS</b>		<b>938.0</b>	<b>438.8</b>	<b>505.8</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital		0.5	0.1	0.5
Share premium reserve		57.9	57.5	57.9
Retained profit, incl. profit for the year		252.5	141.8	168.6
<b>Equity in total</b>		<b>311.0</b>	<b>199.5</b>	<b>227.0</b>
<b>Non-current liabilities</b>				
Bonds		490.3	-	-
Liabilities to credit institutions		92.2	209.9	228.9
Other liabilities		-	5.0	5.0
Deferred tax liabilities		9.6	5.5	9.6
<b>Current liabilities</b>				
Accounts payable		2.5	0.0	4.3
Current tax liabilities		21.1	14.7	15.0
Other current liabilities		1.6	1.6	3.2
Accrued expenses and deferred income		9.8	2.6	12.8
<b>EQUITY AND LIABILITIES IN TOTAL</b>		<b>938.0</b>	<b>438.8</b>	<b>505.8</b>



# Cash flow Group

Amounts in SEK million	Q3 2018	Q3 2017	Jan-Sep 2018	Jan-Sep 2017	Full year 2017
<b>Operating activities</b>					
Earnings before tax	28.1	30.0	117.0	79.8	119.5
<i>Adjustments for items not included in the cash flow</i>					
- Impairment allowance on loans	14.5	-	14.5	-	-
- Depreciation/amortization	0.1	0.1	0.1	0.1	1.3
- Exchange rate differences	0.2	0.0	1.2	0.3	1.1
- Other	-1.0	-0.2	0.4	-0.4	-0.2
	<b>41.9</b>	<b>29.8</b>	<b>133.3</b>	<b>79.9</b>	<b>121.7</b>
Tax	-4.6	-1.4	-18.7	-6.7	-15.4
<b>Cash flow from operating activities before changes in working capital</b>	<b>37.3</b>	<b>28.4</b>	<b>114.6</b>	<b>73.1</b>	<b>106.3</b>
Cash flow from changes in working capital					
Increase (+)/Decrease(-) in operating receivables	-123.0	-107.6	-215.8	-153.3	-251.8
Increase (+)/Decrease(-) in operating liabilities	-0.7	-1.1	-6.3	-4.6	11.4
<b>Cash flow from operating activities</b>	<b>-86.3</b>	<b>-80.3</b>	<b>-107.5</b>	<b>-84.8</b>	<b>-134.1</b>
<b>Investing activities</b>					
Acquisition of intangible fixed assets	0.0	-0.1	-0.1	-0.1	-0.4
Acquisition of tangible fixed assets	-0.7	-0.1	-1.5	-0.4	-0.9
Acquisition of financial assets	0.0	-0.1	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-0.7</b>	<b>-0.3</b>	<b>-1.6</b>	<b>-0.5</b>	<b>-1.2</b>
<b>Financing activities</b>					
New issue	-	57.0	-	57.0	57.0
Change in liabilities to credit institutions	-180.7	35.6	-141.8	98.0	117.0
Issued bonds	490.3	-	490.3	-	-
Paid dividend	-	-	-10.0	-3.3	-3.3
<b>Cash flow from financing activities</b>	<b>309.6</b>	<b>92.6</b>	<b>338.5</b>	<b>151.7</b>	<b>170.7</b>
<b>Cash flow for the period</b>	<b>222.6</b>	<b>12.0</b>	<b>229.4</b>	<b>66.4</b>	<b>35.3</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>111.5</b>	<b>123.7</b>	<b>104.7</b>	<b>69.3</b>	<b>69.3</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>334.1</b>	<b>135.7</b>	<b>334.1</b>	<b>135.7</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, 30 Nov 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**

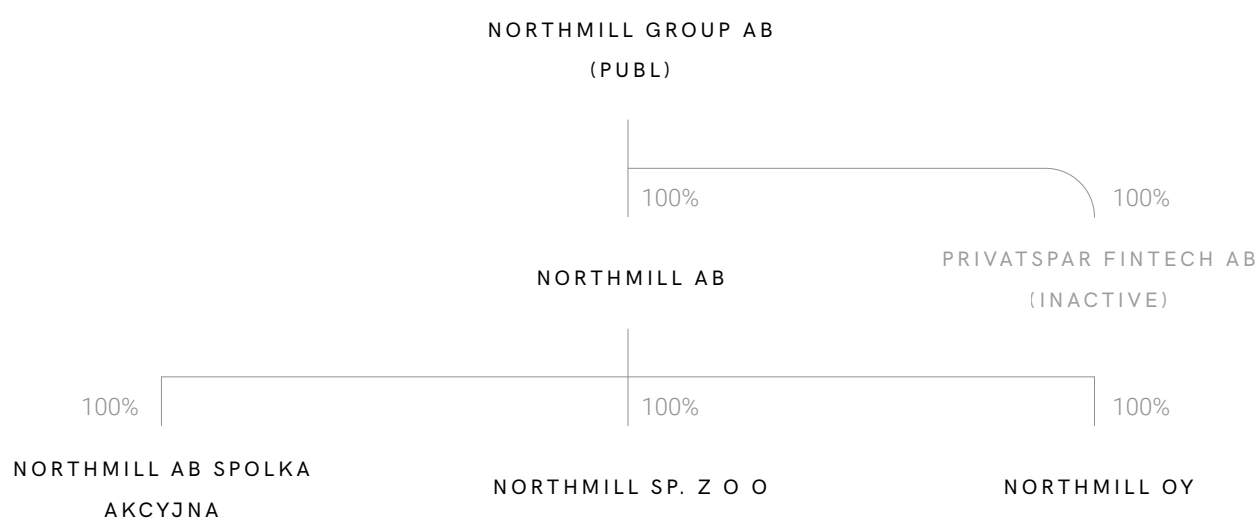
CEO

# 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

### Q3 2018

Amounts in SEK million	Sweden	Finland
Revenue	76.3	34.3
Other external expenses	-12.7	-3.8
Personnel expenses	-7.1	-1.5
Depreciation and amortization	0.0	0.0
Credit losses, net	-26.6	-10.3
<b>Earnings before interest and tax (EBIT)</b>	<b>29.8</b>	<b>18.6</b>
<i>Other financial income and expenses</i>		
Financial income	0.0	0.0
Financial expenses	-14.5	-6.2
<b>Earnings before tax (EBT)</b>	<b>15.3</b>	<b>12.4</b>

### Q3 2017

Amounts in SEK million	Sweden	Finland
Revenue	52.3	30.4
Other external expenses	-7.7	-7.3
Personnel expenses	-4.3	-1.2
Depreciation and amortization	-0.1	0.0
Credit losses, net	-6.1	-6.3
<b>Earnings before interest and tax (EBIT)</b>	<b>34.1</b>	<b>15.6</b>
<i>Other financial income and expenses</i>		
Financial income	0.0	0.0
Financial expenses	-11.9	-5.2
<b>Earnings before tax (EBT)</b>	<b>22.1</b>	<b>10.4</b>

## Jan-Sep 2018

Amounts in SEK million	Sweden	Finland
Revenue	227.5	110.3
Other external expenses	-34.9	-17.0
Personnel expenses	-20.8	-4.6
Depreciation and amortization	0.0	-0.1
Credit losses, net	-49.2	-33.0
<b>Earnings before interest and tax (EBIT)</b>	<b>122.6</b>	<b>55.6</b>
<i>Other financial income and expenses</i>		
Financial income	0.0	0.0
Financial expenses	-43.6	-19.2
<b>Earnings before tax (EBT)</b>	<b>79.1</b>	<b>36.4</b>

## Jan-Sep 2017

Amounts in SEK million	Sweden	Finland
Revenue	138.9	73.1
Other external expenses	-19.8	-16.8
Personnel expenses	-11.8	-3.6
Depreciation and amortization	-0.1	0.0
Credit losses, net	-17.7	-15.3
<b>Earnings before interest and tax (EBIT)</b>	<b>89.6</b>	<b>37.3</b>
<i>Other financial income and expenses</i>		
Financial income	0.1	0.0
Financial expenses	-31.4	-13.1
<b>Earnings before tax (EBT)</b>	<b>58.3</b>	<b>24.2</b>

### Note 3 Net credit losses

Q3 2018	Q3	Q3	Jan-Sep	Jan-Sep	Full year
Amounts in SEK million	2018	2017	2018	2017	2017
Change in provision for expected loan losses	-14.5	-	-14.5	-	-
Realised loan losses	-22.4	-12.4	-67.6	-32.9	-45.9
<b>Net credit losses</b>	<b>-37.0</b>	<b>-12.4</b>	<b>-82.2</b>	<b>-32.9</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 Change in credit loss provision

	30 Sep	30 Sep	31 Dec
Change in credit loss provision January - September 2018	2018	2017	2017
Opening balance	-	-	-
Change in provision for expected loan losses	-14.5	-	-
<b>Closing balance</b>	<b>-14.5</b>	<b>-</b>	<b>-</b>

### Note 6 Lending to the public

	30 Sep	30 Sep	31 Dec
Group	2018	2017	2017
Not yet past due	481.4	237.1	300.9
Past due less than 30 days	49.7	21.4	26.6
Past due less than 30-60 days	22.6	6.6	18.4
Past due less than 61-90 days	16.4	7.8	9.1
Past due more than 90 days	9.7	4.2	5.7
<b>Total</b>	<b>579.9</b>	<b>277.0</b>	<b>360.8</b>
Credit loss provision	-14.5	-	-
<b>Total lending to the public</b>	<b>565.3</b>	<b>277.0</b>	<b>360.8</b>

## Income statement

# Parent Company

	Q3	Q3	Jan-Sep	Jan-Sep	Full year
Amounts in SEK million	2018	2017	2018	2017	2017
<b>Revenue</b>	-	-	-	-	-
Other external expenses	-0.3	-2.7	-0.4	-2.7	-2.7
<b>Earnings before interest and tax (EBIT)</b>	<b>-0.3</b>	<b>-2.7</b>	<b>-0.4</b>	<b>-2.7</b>	<b>-2.7</b>
Other financial income and expenses					
Financial income	3.5	0.1	4.7	0.0	0.2
Financial expenses	-2.9	0.0	-2.9	0.0	0.0
<b>Earnings before tax (EBT)</b>	<b>0.3</b>	<b>-2.6</b>	<b>1.5</b>	<b>-2.6</b>	<b>-2.5</b>
Income taxes	-0.1	-	-0.3	-	-
<b>Earnings for the period</b>	<b>0.2</b>	<b>-2.6</b>	<b>1.2</b>	<b>-2.6</b>	<b>-2.5</b>

## Balance sheet

# Parent Company

Amounts in SEK million	30 Sep 2018	30 Sep 2017	31 Dec 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Financial assets	1.4	1.4	1.4
<b>Non-current assets in total</b>	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>
<b>Current assets</b>			
Tax receivables	0.0	0.0	0.0
Other receivables	493.2	-	57.2
Accruals and prepaid expenses	9.7	-	-
Cash and equivalents	42.7	60.4	3.5
<b>Current assets in total</b>	<b>555.4</b>	<b>60.4</b>	<b>60.7</b>
<b>TOTAL ASSETS</b>	<b>556.7</b>	<b>61.8</b>	<b>62.1</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	0.5	0.1	0.5
Share premium	57.3	57.0	57.3
Retained profit, incl. profit for the year	-4.3	4.4	4.2
<b>Equity in total</b>	<b>53.6</b>	<b>61.5</b>	<b>62.1</b>
Untaxed reserves	-	-	-
<b>Non-current liabilities</b>			
Bonds	490.3	-	-
<b>Current liabilities</b>			
Accounts payable	0.1	0.2	-
Current tax liabilities	-	0.0	0.0
Other current liabilities	-	-	-
Accrued expenses and deferred income	3.1	0.0	0.0
<b>EQUITY AND LIABILITIES IN TOTAL</b>	<b>556.7</b>	<b>61.8</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 400 000 users and 85 employees.

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