



INTERIM REPORT

Q1 Q2 Q3 Q4

JANUARY - MARCH 2019

Interim Report

January - March 2019

January - March 2019 (Compared with January - March 2018)

- Revenue decreased by 5% to SEK 102.3 million (107.8)
- Net interest income decreased by 3% to SEK 85.4 million (88.2)
- Earnings before tax decreased by 44% to SEK 26.2 million (46.8)
- Cost/income ratio increased to 0.37 (0.25)
- The return on equity was 35%

REVENUE	SEK 102.3 MILLION - 5%
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NET INT. INCOME	SEK 85.4 MILLION - 3%
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EARNINGS BEFORE TAX (EBT)	SEK 26.2 MILLION - 44%
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COST/INCOME RATIO	0.37
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RET. ON EQUITY	35%
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MONTHLY ACTIVE USERS	~ 68 000
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Comments from the CEO

We are in a constant state of innovation and Northmill's vision to offer a product that is able to lower anyone's costs on existing credits, partial payments or credit card bills is no longer a vision, but a reality. During the quarter we have witnessed the birth of a rebellious disruptor and we are proud to say that the first product under the brand Rebillia is finally here, and it's here to save you money in the most simple and seamless way possible. Rebillia Reduce is a competitive and timely service that we roll out to our more than 200 000 customers. During our soft-launch, the response has been very encouraging and we expect it to be a cornerstone in our journey moving forward.

By the end of 2018, we made a strategic decision to change the product mix to higher loan amounts, lower annual interest rates for customers, longer maturities and reduced expected credit risk. Building a larger portfolio with longer maturities is capital intensive and a more profitable strategy in the long-term, even though it takes some time for the Group to compensate for the effects in the short-term. That is why we see a slight decrease in revenues during the first quarter compared to the same period last year.

As part of this transformation we have, as expected, seen slower development in the Group's earnings during the first quarter compared to last year. In the first quarter, we have increased our cost base and we keep investing in the organization which is in line with our long-term strategy of building a new challenger neo-bank with international presence. We invest primarily in IT capacity, analytics and risk. The transformation and investments are a natural part of our journey towards being granted a banking license. The dialogue with the Swedish FSA about our banking license application continues. We have not yet received any indications on the expected outcome.

There is new legislation in Finland coming in place on the first of September 2019, in short it means that an interest rate cap of 20 percent will be implemented. This will have a financial impact on our Finish operations, but the new legislation is something we welcome and stand prepared for. We believe this will increase our opportunities to gain further market shares with the launch of Rebillia in Finland.

We continue to attract top talent and during the first quarter, we had the pleasure to welcome 21 new employees to Northmill. We feel very excited about it and several C-level recruitments are also to be expected. Today we have exceeded hundred employees, over 50 percent are working with IT. That reflects our focus on technology and our continuous effort to develop our state-of-the-art platform and automated processes in order to add direct value to our customers.

We aim to change finance as we know it through technology, and we will continue to challenge the traditional players by being curious and data-driven, with a long-term and scalable business model that is very cost-effective.



Hikmet Ego, CEO and Co-founder

The Group's Development

Revenue and earnings in the first quarter

During the first quarter Northmill decreased total revenues with 5 percent compared to the corresponding quarter of the previous year; the total revenue was SEK 102.3 million (107.8). In Sweden Northmill increased total revenues with 10 percent to SEK 77.5 million (70.4) and in Finland revenues decreased with 26 percent totaling SEK 28.1 million (37.8). Earning for the period decreased by 45 percent to SEK 20.3 million (36.7) mainly as a result of increased operating expenses and slight decrease in net interest income compared to same quarter previous year.

Operating expenses

Total operating expenses for the quarter were SEK 31.6 million (21.7). 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) increased to 0.37 compared with same period last year (0.25).

Credit portfolio

The total credit portfolio amounted SEK 1 083 million, which is an increase of SEK 153 million, or +16 percent, since last year. SEK 783.5 million are on-balance loans and SEK 299.2 million are off-balance loans (receivables transferred to a third party).

Credit losses

The credit loss key ratio² for the rolling 12 months amounted to 6.5 percent (3.3) at the end of the period. The increase is mainly caused by the impairment allowances for expected credit losses.

Cash position

As at 31 December, cash and cash equivalents were SEK 117.0 million (124.5)

Funding

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

²Net credit losses to total lending rolling 12 month

Key ratios

Group

Amounts in SEK million	Q1 2019	Q1 2018	Change (%)	Full year 2018
INCOME STATEMENT				
Revenue	102.3	107.8	-5%	435.9
Net interest income	85.4	88.2	-3%	357.2
Earnings before interest and tax (EBIT)	43.0	66.3	-35%	216.4
Earnings before tax (EBT)	26.2	46.8	-44%	137.8
Earnings for the period	20.3	36.7	-45%	112.9
BALANCE SHEET				
Lending to the public	783.5	456.0	72%	744.6
Cash and equivalents	117.0	124.5	-6%	200.7
Total assets	971.9	562.1	73%	964.5
Total Equity	349.8	265.5	32%	327.2
Off-balance lending	299.2	537.7	-44%	336.4
KEY RATIOS				
Return on equity (ROE) ¹ , %	35%	63%		39%
Equity ratio ²	36%	47%		34%
Net equity ratio ³ , %	48%	69%		55%
C/I ratio ⁴	0.37	0.25		0.31
Interest coverage ratio ⁵	4.09	3.82		4.15

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

2) Ratio of Equity to total assets

3) Ratio of Equity plus cash to total assets

4) Total expenses before credit losses divided by operating income

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

Income statement

Group

Amounts in SEK million	Note	Q1 2019	Q1 2018	Full year 2018
Revenue	2	102.3	107.8	434.8
Other operating revenues		0.0	0.0	1.1
Total operating revenues		102.3	107.8	435.9
Other external expenses	2	-22.1	-15.0	-76.0
Personnel expenses	2	-9.4	-6.7	-33.4
Depreciation and amortization	2	0.0	0.0	-0.7
Credit losses, net	2,3	-27.7	-19.7	-109.2
Earnings before interest and tax (EBIT)		43.0	66.3	216.4
Other financial income and expenses				
Financial income	2	0.0	0.0	0.0
Financial expenses	2	-16.9	-19.6	-78.7
Earnings before tax (EBT)		26.2	46.8	137.8
Income taxes		-5.8	-10.0	-24.9
Earnings for the period		20.3	36.7	112.9
Statement of Comprehensive Income				
Earnings for the period		20.3	36.7	112.9
Exchange rate translation gains / losses on consolidation		0.1	0.2	0.5
Comprehensive earnings for the period		20.4	37.0	113.4

Balance sheet

Group

Amounts in SEK million	Note	31 Mar 2019	31 Mar 2018	31 Dec 2018
ASSETS				
Non-current assets				
Intangible assets		2.6	0.2	0.2
Tangible assets		4.1	2.4	3.9
Financial assets		9.8	1.2	1.2
Non-current assets in total		16.6	3.8	5.3
Current assets				
Lending and other receivables	4	790.7	431.3	752.7
Other receivables		25.0	1.9	4.8
Accruals and prepaid expenses		22.6	0.7	1.0
Cash and equivalents		117.0	124.5	200.7
Current assets in total		955.3	558.3	959.1
TOTAL ASSETS		971.9	562.1	964.5
EQUITY AND LIABILITIES				
Equity				
Share capital		0.5	0.5	0.5
Share premium reserve		57.9	57.9	58.0
Retained profit, incl. profit for the year		291.4	207.1	268.7
Equity in total		349.8	265.5	327.2
Non-current liabilities				
Bonds		491.9	-	491.1
Liabilities to credit institutions		92.9	252.4	93.0
Other liabilities		-	5.0	-
Deferred tax liabilities		13.9	9.6	13.9
Current liabilities				
Accounts payable		3.8	4.0	4.2
Current tax liabilities		7.8	15.2	16.6
Other current liabilities		1.9	1.6	5.0
Accrued expenses and deferred income		9.9	8.8	13.5
EQUITY AND LIABILITIES IN TOTAL		971.9	562.1	964.5

Cash flow Group

	Q1 2019	Q1 2018	Full year 2018
Amounts in SEK million			
Operating activities			
Earnings before tax	26.2	46.8	137.8
<i>Adjustments for items not included in the cash flow</i>			
- Impairment allowance on loans	1.1	-	21.5
- Depreciation/amortization	-	-	0.7
- Exchange rate differences	1.8	1.7	0.1
- Other	0.6	0.0	1.4
	29.6	48.5	161.4
Tax	-14.6	-9.8	-23.3
Cash flow from operating activities before changes in working capital	15.0	38.7	138.1
Cash flow from changes in working capital			
Increase (+)/Decrease(-) in operating receivables	-81.0	-35.9	-382.0
Increase (+)/Decrease(-) in operating liabilities	-7.2	-5.9	2.6
Cash flow from operating activities	-73.2	-3.1	-241.3
Investing activities			
Acquisition of intangible fixed assets	-2.4	-	-
Acquisition of tangible fixed assets	-0.2	-0.5	-2.8
Acquisition of financial assets	-8.6	0.0	0.0
Cash flow from investing activities	-11.2	-0.6	-2.8
Financing activities			
New issue	-	-	-
Change in liabilities to credit institutions	-0.1	23.5	-140.9
Issued bonds	0.8	-	491.1
Paid dividend	-	-	-10.0
Cash flow from financing activities	0.7	23.5	340.2
Cash flow for the period	-83.7	19.8	96.0
Cash and cash equivalents at the beginning of the period	200.7	104.7	104.7
Cash and cash equivalents at the end of the period	117.0	124.5	200.7

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 Mar 2019

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

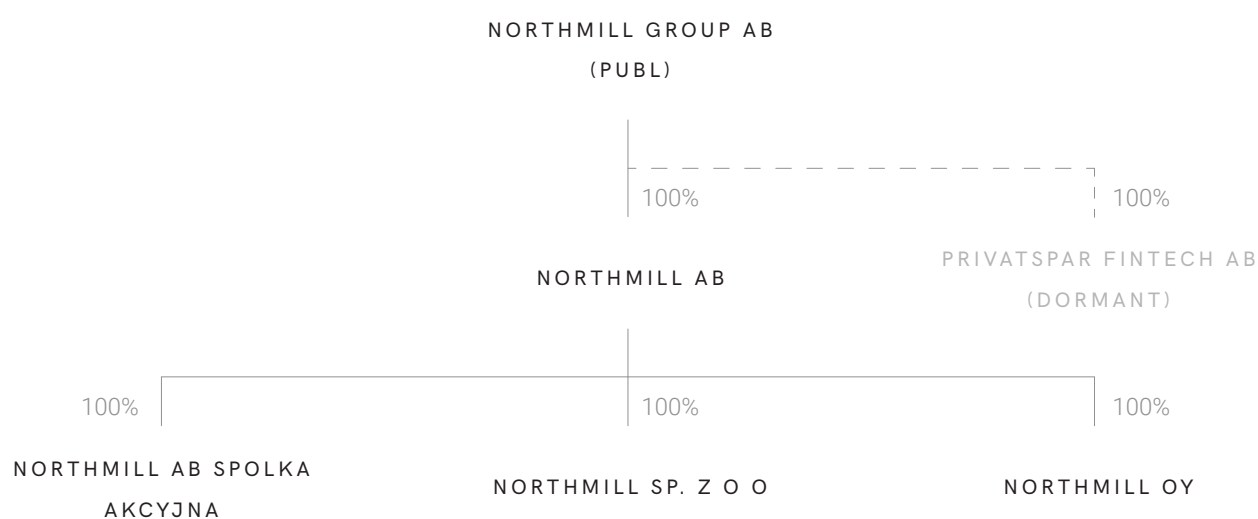
CEO

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

Q1 2019

Amounts in SEK million	Sweden	Finland
Revenue	77.5	28.1
Other external expenses	-18.7	-4.0
Personnel expenses	-9.1	-1.4
Depreciation and amortization	0.0	0.0
Credit losses, net	-19.8	-7.9
Earnings before interest and tax (EBIT)	29.9	14.8

Other financial income and expenses

Financial income	-	-
Financial expenses	-11.8	-5.1
Earnings before tax (EBT)	18.1	9.7

Q1 2018

Amounts in SEK million	Sweden	Finland
Revenue	70.4	37.8
Other external expenses	-8.7	-6.7
Personnel expenses	-5.2	-1.5
Depreciation and amortization	-	-
Credit losses, net	-10.3	-9.4
Earnings before interest and tax (EBIT)	46.2	20.2

Other financial income and expenses

Financial income	-	-
Financial expenses	-13.1	-6.4
Earnings before tax (EBT)	33.0	13.7

Note 3 Net credit losses

Amounts in SEK million	Q1 2019	Q1 2018	Full year 2018
Change in provision for expected loan losses	-1.1	-	-21.5
Realised loan losses	-26.6	-19.7	-87.8
Net credit losses	-27.7	-19.7	-109.3

Note 4 Lending to the public

	31 Mar 2019	31 Mar 2018	31 Dec 2018
Group			
Not yet past due	693.4	367.7	657.0
Past due less than 30 days	50.6	17.9	57.6
Past due less than 30-60 days	34.5	17.1	30.1
Past due less than 61-90 days	26.5	11.4	20.9
Past due more than 90 days	1.0	2.0	0.4
Total	806.1	416.1	766.1
Credit loss provision	-22.6	0.0	-21.5
Total lending to the public	783.5	416.1	744.6

Income statement

Parent Company

Amounts in SEK million	Q1 2019	Q1 2018	Full year 2018
Revenue	-	-	-
Other external expenses	-0.9	-	-1.2
Earnings before interest and tax (EBIT)	-0.9	-	-1.2
Other financial income and expenses			
Financial income	10.0	-	15.0
Financial expenses	-10.0	-	-13.0
Earnings before tax (EBT)	-0.9	-	0.7
Income taxes	-	-	-
Earnings for the period	-0.9	-	0.7

Balance sheet

Parent Company

Amounts in SEK million	31 Mar 2019	31 Mar 2018	31 Dec 2018
ASSETS			
Non-current assets			
Financial assets	10.0	1.4	1.4
Non-current assets in total	10.0	1.4	1.4
Current assets			
Other receivables	510.0	57.2	500.0
Cash and equivalents	26.8	3.5	45.6
Current assets in total	536.8	60.7	545.6
TOTAL ASSETS	546.8	62.1	547.0
EQUITY AND LIABILITIES			
Equity			
Share capital	0.5	0.5	0.5
Share premium	57.3	57.3	57.3
Retained profit, incl. profit for the year	-6.0	4.2	-5.0
Equity in total	51.8	62.1	52.8
Untaxed reserves	-	-	-
Non-current liabilities			
Bonds	491.9	-	491.1
Current liabilities			
Accrued expenses and deferred income	3.0	-	3.1
EQUITY AND LIABILITIES IN TOTAL	546.8	62.1	547.0



We're going to make a change



Technology is a part of our DNA, and Northmill was founded on the simple vision to create products that help people simplify and optimize their financial life. We want everyone to save both time and money in every part of their everyday life. And this is just the beginning of our journey