



**FORTY  
SEVEN**

## Financial Model

Connecting Financial Worlds

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# Introducción

La intención de este documento es presentar los resultados de nuestros cálculos para alcanzar el hardcap. No es necesario decir que alcanzar una meta mayor proveerá al Banco Forty Seven de mayor capital, y como resultado, el banco será capaz de desarrollar los productos más rápidamente e introducirlos al mercado lo antes posible. Esto significa que en metas mayores la rentabilidad del banco será mucho mayor y alcanzada más rápido.

Durante el modelado financiero del desarrollo futuro del Banco Forty Seven se han tomado en cuenta las siguientes suposiciones:

- El impuesto sobre la renta de el Reino Unido del 19%;
- El Banco Forty Seven comienza a Operar como institución de dinero electrónico desde Agosto 1, de 2018 y proveerá productos y servicios primeramente a los tenedores de tokens, es por eso que en el 2018 no hay ingresos planificados;
- El Banco Forty Seven obtendrá la licencia bancaria en Junio 1, de 2019;
- La provisión de pérdidas de préstamos es 3% de los préstamos a clientes (el promedio de la industria es 2.0 - 2.5%);
- Los gastos de lealtad son del 20% del beneficio neto del año previo (distribuidos entre los tenedores de tokens FSTB proporcionalmente en tokens FSBL);
- Depreciation of tangible and intangible fixed assets is 25% per year;
- Risk-weights for loan portfolio are taken using standardized approach (75% for private loans and 100% for business loans);
- Initial marketing expenses at hardcap in 2019 are going to be 1M EUR;
- Income KPI on trading portfolio assets is 20% per year.

# Hardcap – 10M EUR

When reaching the hardcap in ICO procedure Forty Seven Bank will have enough resources to develop and introduce more products and services from the early beginning. You can discover the timeline of product introduction stages in our documents “White Paper” and “Business Model”, where it is described in more detail. The higher amount of initial capital will also allow to spend bigger resources on marketing and attract more clients during the first years of operations. Taking this into account, operating results of the first year is the net profit of almost 1M EUR. Table 1 below breaks it down in more detail:

|                                 | 2018               | 2019               | 2020               | 2021                | 2022                |
|---------------------------------|--------------------|--------------------|--------------------|---------------------|---------------------|
| <b>Operating Income:</b>        |                    |                    |                    |                     |                     |
| Interest income                 | €0                 | €1,182,750         | €4,976,000         | €12,857,500         | €29,250,000         |
| Fee & commission income         | €0                 | €17,031,738        | €45,959,863        | €126,024,438        | €305,656,813        |
| Trading income                  | €0                 | €650,000           | €3,250,000         | €15,600,000         | €78,000,000         |
| <b>Total Operating Income:</b>  | <b>€0</b>          | <b>€18,864,488</b> | <b>€54,185,863</b> | <b>€154,481,938</b> | <b>€412,906,813</b> |
| <b>Operating Expenses:</b>      |                    |                    |                    |                     |                     |
| Fee & commission expenses       | €0                 | €3,273,454         | €11,002,713        | €32,748,300         | €79,992,792         |
| Interest expenses               | €11,700            | €279,500           | €754,000           | €1,540,500          | €3,094,000          |
| Loyalty program expenses        | €0                 | €0                 | €240,438           | €1,754,498          | €6,362,361          |
| Depreciation                    | €1,658,750         | €2,108,750         | €9,683,750         | €15,758,750         | €18,925,000         |
| Administrative expenses         | €1,861,313         | €8,618,783         | €15,205,298        | €48,042,033         | €161,643,720        |
| Marketing expenses              | €0                 | €1,747,500         | €4,127,500         | €9,750,000          | €17,875,000         |
| Legal & licensing expenses      | €550,000           | €550,000           | €550,000           | €550,000            | €550,000            |
| Other expenses                  | €931               | €4,309             | €7,603             | €24,021             | €80,822             |
| <b>Total Operating Expense:</b> | <b>€4,082,694</b>  | <b>€16,582,296</b> | <b>€41,571,301</b> | <b>€110,168,102</b> | <b>€288,523,694</b> |
| Loan loss provision             | €0                 | €1,080,000         | €2,460,000         | €5,040,000          | €10,920,000         |
| <b>Profit Before Tax:</b>       | <b>-€4,082,694</b> | <b>€1,202,191</b>  | <b>€10,154,561</b> | <b>€39,273,836</b>  | <b>€113,463,118</b> |
| Income tax                      | €0                 | €0                 | €1,382,071         | €7,462,029          | €21,557,992         |
| <b>Profit After Tax:</b>        | <b>-€4,082,694</b> | <b>€1,202,191</b>  | <b>€8,772,490</b>  | <b>€31,811,807</b>  | <b>€91,905,126</b>  |

Table 1: Hardcap – Income Statement for years 2018 – 2022.

10M EUR of initial capital of Forty Seven Bank also will allow to build loan portfolio more quickly. This is taken into account during calculations and that is why by 2022 total loan

portfolio of the customers (both private and business) will be 650M EUR. It is considered that issue of loans to business customers will begin in 2020.

Reaching the hardcap will give Forty Seven Bank opportunity to maintain a healthy balance sheet (Table 2 below) with total assets growing from 127M EUR in 2019 to 2,459M EUR in 2022. The amount of loans issued to customers will reach 26% of total assets in 2022. Liquidity position of the bank looks very strong as well with highly liquid assets (cash, cash equivalents and balances at Central Bank) of 819M EUR (or 35% of total liabilities) in 2022. Additionally, there are trading portfolio assets of 650M EUR which consist of stocks, bonds, derivatives, commodities, etc. These assets can easily be transferred into cash rather quickly, which makes liquidity position of the bank stronger.



|   | 2018              | 2019                | 2020                | 2021                | 2022                  |
|---|-------------------|---------------------|---------------------|---------------------|-----------------------|
| <b>Assets:</b>                          |                   |                     |                     |                     |                       |
| Cash, cash equivalents & balances at CB | €3,541,056        | €72,181,998         | €84,148,238         | €329,583,795        | €819,596,421          |
| Trading portfolio assets                | €0                | €6,500,000          | €26,000,000         | €130,000,000        | €650,000,000          |
| Loans and advances to banks             | €0                | €6,500,000          | €65,000,000         | €130,000,000        | €260,000,000          |
| Loans and advances to customers         | €0                | €36,000,000         | €118,000,000        | €286,000,000        | €650,000,000          |
| Loan loss provision                     | €0                | -€1,080,000         | -€3,540,000         | -€8,580,000         | -€19,500,000          |
| Guarantee deposits with payment systems | €0                | €2,600,000          | €6,500,000          | €26,000,000         | €65,000,000           |
| Tangible & intangible fixed assets      | €4,976,250        | €4,667,500          | €25,283,750         | €33,825,000         | €34,200,000           |
| <b>Total Assets:</b>                    | <b>€8,517,306</b> | <b>€127,369,498</b> | <b>€321,391,988</b> | <b>€926,828,795</b> | <b>€2,459,296,421</b> |
| <b>Equity:</b>                          |                   |                     |                     |                     |                       |
| Share capital and share premium         | €6,400,000        | €6,400,000          | €6,400,000          | €6,400,000          | €6,400,000            |
| Other equity instruments                | €3,600,000        | €3,600,000          | €3,600,000          | €3,600,000          | €3,600,000            |
| Retained earnings                       | -€4,082,694       | -€2,880,502         | €5,891,988          | €37,703,795         | €129,608,921          |
| Total Equity:                           | €5,917,306        | €7,119,498          | €15,891,988         | €47,703,795         | €139,608,921          |
| <b>Liabilities:</b>                     |                   |                     |                     |                     |                       |
| Deposits from banks                     | €0                | €13,000,000         | €26,000,000         | €65,000,000         | €130,000,000          |
| Deposits from customers                 | €0                | €13,000,000         | €26,000,000         | €65,000,000         | €130,000,000          |
| Customer accounts                       | €0                | €68,250,000         | €227,500,000        | €723,125,000        | €2,059,687,500        |
| Debt securities in issue                | €2,600,000        | €26,000,000         | €26,000,000         | €26,000,000         | €0                    |
| Subordinated liabilities                | €0                | €0                  | €0                  | €0                  | €0                    |
| Total Liabilities:                      | €2,600,000        | €120,250,000        | €305,500,000        | €879,125,000        | €2,319,687,500        |
| <b>Total Equity + Liabilities:</b>      | <b>€8,517,306</b> | <b>€127,369,498</b> | <b>€321,391,988</b> | <b>€926,828,795</b> | <b>€2,459,296,421</b> |

Table 2: Hardcap – Balance Sheet for years 2018 – 2022.

In 2019 total cash inflow from operating activities is estimated at 66M EUR. The year after Forty Seven Bank is planning to invest substantial resources into development of Smart ATMs and Biometric POS terminals. Estimated costs for development of these two products are 13M EUR over two years. Apart from that considerable amount of money will be invested into production of Smart ATMs and Biometric terminals in order to increase the coverage of territory presence of Forty Seven Bank and boost the growth of business clients using Biometric POS terminals. In total it is planned to invest 57M EUR into tangible fixed assets of this category. Cash Flow for the upcoming five years is summarized in the Table 3.

|  | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|------|------|------|------|------|
|--|------|------|------|------|------|

| <b>Cash Flow from Operating Activities:</b>   |                    |                    |                     |                     |                     |
|---|--------------------|--------------------|---------------------|---------------------|---------------------|
| Profit before tax   | -€4,082,694        | €1,202,191         | €10,154,561         | €39,273,836         | €113,463,118        |
| Depreciation  | €1,658,750         | €2,108,750         | €9,683,750          | €15,758,750         | €18,925,000         |
| Loan loss provision   | €0                 | €1,080,000         | €2,460,000          | €5,040,000          | €10,920,000         |
| Corporate income tax paid   | €0                 | €0                 | -€1,382,071         | -€7,462,029         | -€21,557,992        |
| <b>Changes in operating assets and liabilities</b>                                  |                    |                    |                     |                     |                     |
| Net (increase)/decrease in loans and advances to banks and customers                | €0                 | -€42,500,000       | -€140,500,000       | -€233,000,000       | -€494,000,000       |
| Net (increase)/decrease in balances at Central Bank                                 | €0                 | -€6,500,000        | -€6,500,000         | -€13,000,000        | -€26,000,000        |
| Net (increase)/decrease in guarantee deposits with payment systems                  | €0                 | -€2,600,000        | -€3,900,000         | -€19,500,000        | -€39,000,000        |
| Net increase/(decrease) in deposits, customer accounts and debt securities in issue | €2,600,000         | €117,650,000       | €185,250,000        | €573,625,000        | €1,440,562,500      |
| Net (increase)/decrease in trading assets   | €0                 | -€6,500,000        | -€19,500,000        | -€104,000,000       | -€520,000,000       |
| <b>Total Cash Flow from Operating Activities:</b>                                   | <b>€176,056</b>    | <b>€63,940,941</b> | <b>€35,766,240</b>  | <b>€256,735,557</b> | <b>€483,312,626</b> |
| <b>Cash Flow from Investing Activities:</b>   |                    |                    |                     |                     |                     |
| Purchase of tangible and intangible assets  | -€6,635,000        | -€1,800,000        | -€30,300,000        | -€24,300,000        | -€19,300,000        |
| <b>Total Cash Flow from Investing Activities:</b>                                   | <b>-€6,635,000</b> | <b>-€1,800,000</b> | <b>-€30,300,000</b> | <b>-€24,300,000</b> | <b>-€19,300,000</b> |
| <b>Cash Flow from Financing Activities:</b>   |                    |                    |                     |                     |                     |
| Dividends paid  | €0                 | €0                 | €0                  | €0                  | €0                  |
| Capital contribution from existing shareholders                                     | €0                 | €0                 | €0                  | €0                  | €0                  |
| <b>Total Cash Flow from Financing Activities:</b>                                   | <b>€0</b>          | <b>€0</b>          | <b>€0</b>           | <b>€0</b>           | <b>€0</b>           |
| <b>Total Cash Flow:</b>   | <b>-€6,458,944</b> | <b>€62,140,941</b> | <b>€5,466,240</b>   | <b>€232,435,557</b> | <b>€464,012,626</b> |

Table 3: Hardcap – Cash Flow for years 2018 – 2022.



# Conclusion

At any point of time and at every milestone Forty Seven Bank is financially stable and safe institution. Based on financial forecasting described above liquidity ratios are higher than industry averages. Thanks to branchless structure, innovative products and services, wise financial management and creative marketing approach, profitability ratios are also high and promising. Tier 1, Tier 2 and CAR (Capital Adequacy Ratio) are also at the levels that are higher than needed and at every milestone Forty Seven Bank will keep as much capital as it is needed in order to be protected from any types of risks that come from loan defaults, currency and interest rate fluctuations, liquidity shortage or changes in the world economy that might affect the bank.

Every customer of the bank — individual, company, developer, trader, other financial institution or a government will be sure that their funds are kept safely and that they are getting the highest level of banking service. We believe that Forty Seven Bank will surpass expectations of our customers related to customer satisfaction.

Growing interest to financial technology companies around the world will also help Forty Seven Bank to insure success during all stages of financial development. We feel that our products have the capability to succeed on a phenomenal level, with the opportunity to achieve sales far above and beyond our competitors and even our own expectations. Having the team of experienced professionals, we are sure we will reach the estimates described above in this document.

