northmill®

ANNUAL REPORT

2020

2020.01.01 - 2020.12.31

Table of contents

The year in summary	**03**
Words from the CEO	**05**
This is Northmill	**07**
Northmill's history	**09**
Key ratios, Group	**11**
Directors' report	**12**
Proposition for the distribution of the Company's profit or loss	**15**
Financial information	
Group	
– Consolidated income statement	16
– Consolidated statement of comprehensive income	17
– Consolidated statement of financial position	18
– Consolidated statement of changes in equity	19
– Consolidated statement of cash flows	20
Parent company	
– Income statement	21
– Statement of financial position	22
– Statement of changes in equity	23
– Statement of cash flows	24
Notes	**25**
Signatures of the Board of Directors and CEO	**55**
Definitions	**56**
Audit report	**57**
Board of Directors	**61**
Management team	**62**
Corporate culture and work environment	**63**
Sustainability Report 2020	**64**
Auditor's report on the statutory sustainability report	**69**

The year in summary

Financial performance in 2020 (compared with 2019)

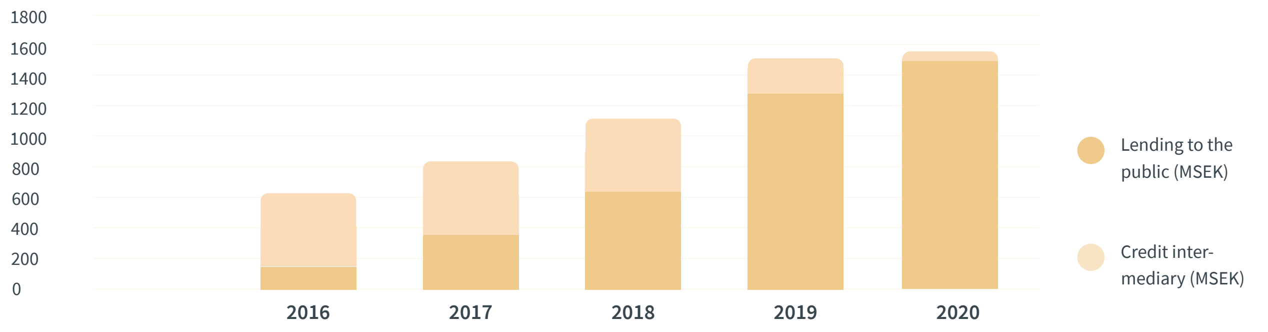
- Net interest income increased with 5.4 % to 328.6 MSEK (311.7)
- Operating income increased with 3.3 % to 360.5 MSEK (349.1)
- Profit before tax decreased with 53 % to 55.9 MSEK (118.6)
- Profit for the year decreased with 60 % to 38.3 MSEK (95.5)
- Cost/income ratio totaled 0.41 (0.30)
- Total credit portfolio* increased with 5.1 % to 1 553 MSEK (1 477)
- Return on equity was 8.3 % (26.8 %)
- Total capital ratio amounted to 30.5 % (26.0 %) in Northmill Bank AB and 28.0 % (22.1 %) in the Group
- Common Equity Tier 1 capital ratio was 30.5 % (26.0 %) in Northmill Bank AB and 28.0 % (22.1 %) in the Group

Significant events in 2020

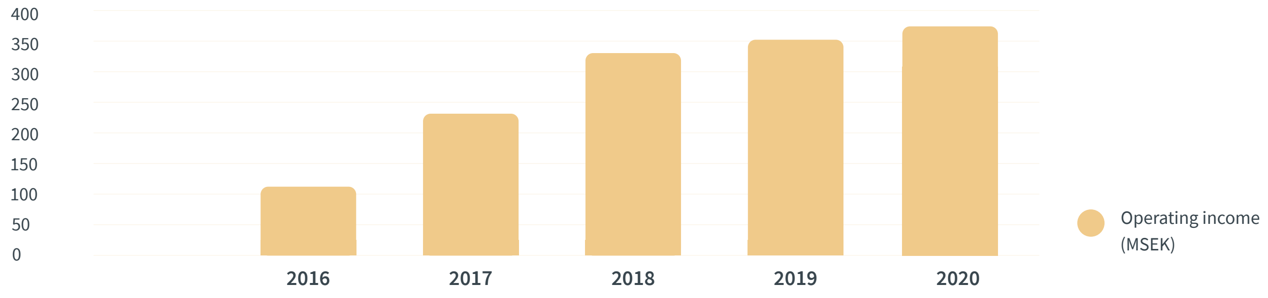
- The Company has during the year continued to transform the total credit portfolio towards lower average interest rates and lower credit risk. This strategic decision will create a larger and more profitable credit business long-term, but in the short-term the Company's revenues and profitability is affected negatively by the transformation. The Company has primarily continued to focus on Reduce™, a product that helps people to lower their interest on existing part-payments, private loans and installments, which accounted for a large part of the growth during the year.
- The Covid-19 pandemic hit the society with full force, resulting in many countries imposing lockdowns and other restrictions. That in turn impacted both the Swedish and the global economy and created an uncertain macroeconomic situation. Given this, Northmill made an extra credit loss provisioning of 15 MSEK and adjusted the credit portfolio targets for the year.
- Given the uncertain macroeconomic situation, Northmill deliberately decreased the size of the credit portfolio by taking a more restrictive position regarding its credit granting decisions during the first half of the year. In return, this affected the operating income. During the second half of the year the Company returned to growth again.
- The Company broadened the product offering by introducing savings accounts and thereby started to accept deposits from the public.
- Northmill took a strategic decision to reevaluate the multi-brand strategy and launch all products under the Northmill Bank brand.
- New member of the Swedish Central Bank's payment system, RIX.
- Northmill opened a new branch in Norway.

* Total credit portfolio consists of lending to the public and credit intermediary.

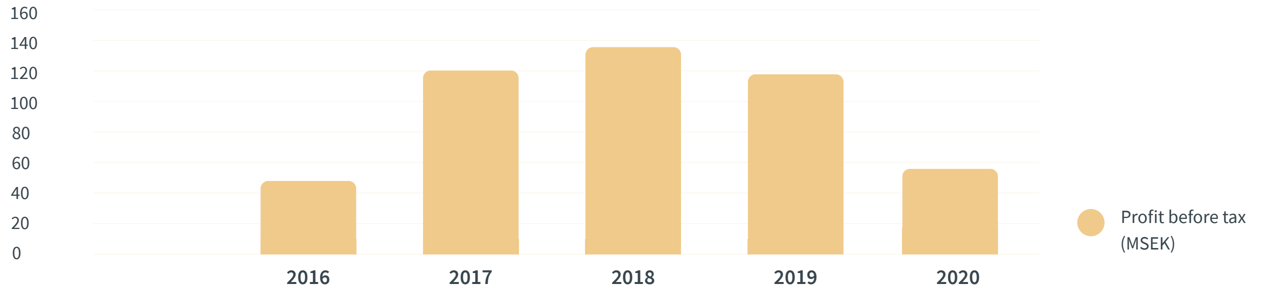
Total credit portfolio



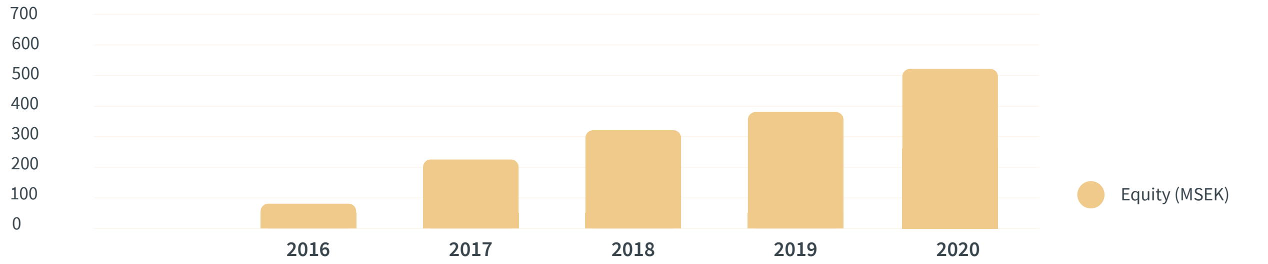
Operating income



Profit before tax



Equity



Words from the CEO

> "We see a shift in banking, driven by customers' changing demands and behavior, moving towards smarter and more customer-centric products."

A dramatic year has come to an end. The ongoing Covid-19 pandemic has left its mark on 2020 in a way that is unprecedented in modern history. Our thoughts go out to everyone who in one way or another, has been personally affected. Despite the hardship the pandemic brought over us, we look back from a business perspective on a year with sustained net income and an increased net revenue. We are very pleased with that and view it as a tangible sign of strength, as it confirms the sustainability of our business model, the capacity of our technical platform and the efficiency in our product development organization. They are all fundamental parts of Northmill that made it possible for us to swiftly change, adapt and continuously improve our business, in close correlation with the rapidly changing conditions of the outside world.

When the pandemic struck with full force, it created macroeconomic uncertainty. We deliberately chose to face this change by lowering the risk in our portfolio and pulling back on our lending. Simultaneously, we made extra reservations for expected future credit losses. Given this cautious position due to the pandemic, our growth and profitability decreased during the year. It is also the result of extensive investments made after we received our Swedish banking license in September 2019. Investments that include functions such as risk management, compliance, legal and our growing technology and product organization. These efforts have strengthened our organization and position as a bank, while creating good prerequisites for continued growth.

We also look back on a year starting with the launch of our first savings account with variable interest rate, which meant we started to take in deposits from the public. We offer our customers a favorable alternative to save money, safe and secure, at a competitive interest rate. During the year we also became members of the Swedish Central Bank's payments system RIX, a central junction in the Swedish financial system. In parallel, we also connected to Dataclearingen and Bankgirot. It is progress that will enable us to broaden our product offering even further. We have also continued to develop our product Reduce™, which has helped thousands of people lower the interest rate on existing credits and part-payments. When we are closing the books for 2020 it is our fastest growing product.

One of the year's largest focus areas has been to leave the multi-brand strategy that included several brands, which has served us very well until now, and make a shift to solely being named Northmill Bank. It has been something our customers asked for and it brings both increased clarity and transparency. This change is also beneficial for us from a scalability perspective, as we continue our geographical expansion, entering the Norwegian market at the beginning of 2021 as a first step. Preparations before launching in Norway kept us busy during the later half of the year and now we are looking forward to, first and foremost, introducing Reduce™ in Norway.

As a consequence of the new and strengthened regulations regarding consumer credits introduced in Finland during the year, our possibilities to further develop our Finnish business have been hampered. We continue to monitor the situation closely and look forward to more normalized regulations, since we see an opportunity to further develop existing products and introduce new ones on the Finnish market.

In the effects following the severe Covid-19 pandemic we can start to discern increased digital maturity in society. We, as a fully digital and cloud-based bank without any physical branches, but with an accessible and personal customer service, see that the increased digital maturity and confidence in using digital services will benefit us. We see a shift in banking, driven by customers' changing demands and behavior, moving towards smarter and more customer-centric products. That was also one of the reasons why we during the year chose to centralize our customer service. The work went very well and resulted in a customer satisfaction ratio of plus 90 percent, short time to answer phone calls and high efficiency. By the end of the year we launched the next phase of the project, with the aim to strengthen the connection between the customer center and our product development even further. We want to listen to what kind of challenges people have when it comes to handling their personal finances, and what their expectations are on a modern bank, so we may bring these insights with us into the development of new products. That is how we stay relevant and focus on the right things – which is solving customer problems. That is also how we want to build our bank – together with the customers.

A confirmation that we continue to do the right things came during the last month of the year when we closed an investment round. It resulted in us having some of the most acknowledged tech-investors in the Nordics joining us on our journey. It will strengthen our ambitious agenda of expansion and means that we can accelerate the development of new customer centric products.

In conclusion, I want to thank each and every single Northmillian who incessantly continues to have the will and courage to challenge, innovate and develop our neobank. It is a characteristic deeply rooted in every employee. It brings me both pride and comfort knowing that we will deal with and overcome the future challenges we may face. But perhaps more than anything else, it gives me the energy and drive to continue working towards the vision of improving financial life.

Hikmet Ego

Hikmet Ego
CEO and Co-founder

This is Northmill

Mission

We provide tools for our customers to make better financial decisions.
Northmill Bank is uniquely positioned as a Swedish neobank with the comparative technological advantage needed to change the retail banking industry.

Vision

Improve financial life
Our vision is to create the world's most intelligent retail bank that will disrupt the way consumers interact with their bank. Using data in an intelligent and relevant way we deliver customized services that provide exceptional insights to improve the financial life of our customers.

Product offering

Northmill offers banking services in Sweden, Finland and Norway.
Today the product offering consists of:

Credits
- Loan refinancing (Reduce™)
- Flexible credit limit
- Credit card
- Annuity loan

Savings
- Savings account (variable interest)
- Savings account (fixed–term)

Insurances
- Credit protection insurance
- Income protection insurance

Digital platform

Northmill is a completely digital and cloud–based bank working with leading technology companies in the world. Since its inception in 2006, Northmill has been data–driven with a focus on effective and automated processes, a strong customer offering and scalable technology.

Markets

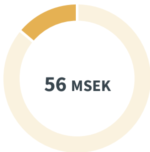
The Group is currently active in four countries: Sweden, Finland, Norway and Poland.
The Company's headquarters, where all central functions are managed except engineering, is located in Sweden.
The Group's Finnish subsidiary and Norwegian branch have a commercial unit headed by a local country manager.
The Group's Tech hub is located in Poland.

01 Sweden
Headquarters
88 FTE's

Operating income

Lending to the public (gross)

02 Finland
Subsidiary
9 FTE's

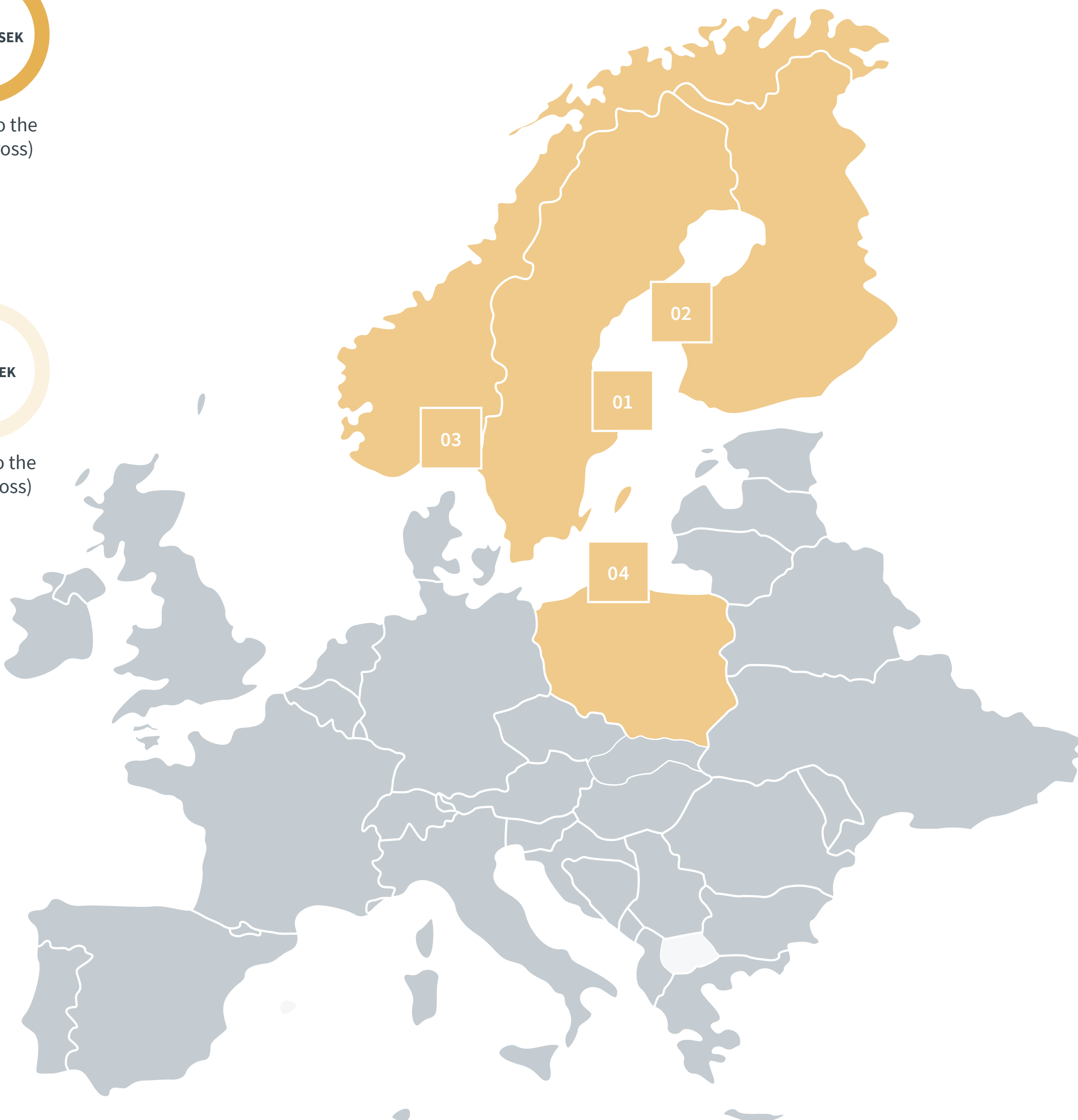


Operating income

Lending to the public (gross)

03 Norway
Branch
1 FTE

04 Poland
Branch
39 FTE's



Northmill's history

2020

- Northmill broadens the product offering by introducing savings accounts.
- Integrates with Swedish payment system RIX.
- Expands to Norway.

2019

- Granted banking license by the Swedish FSA.
- Launches 'Reduce', a product where customers can refinance loans and credits to a single loan with better terms – improving their financial life.

2017

- Launches its first insurance product.
- Grows to employ more than 60 people.
- Applies to the Swedish FSA for a license to conduct banking operations.

2016

- Expands to Poland where the majority of the engineering team is located today.

2015

- Expands to Finland.
- Launches a flexible credit limit to customers in Sweden.

2013

- Successfully migrates all IT-infrastructure to the cloud.

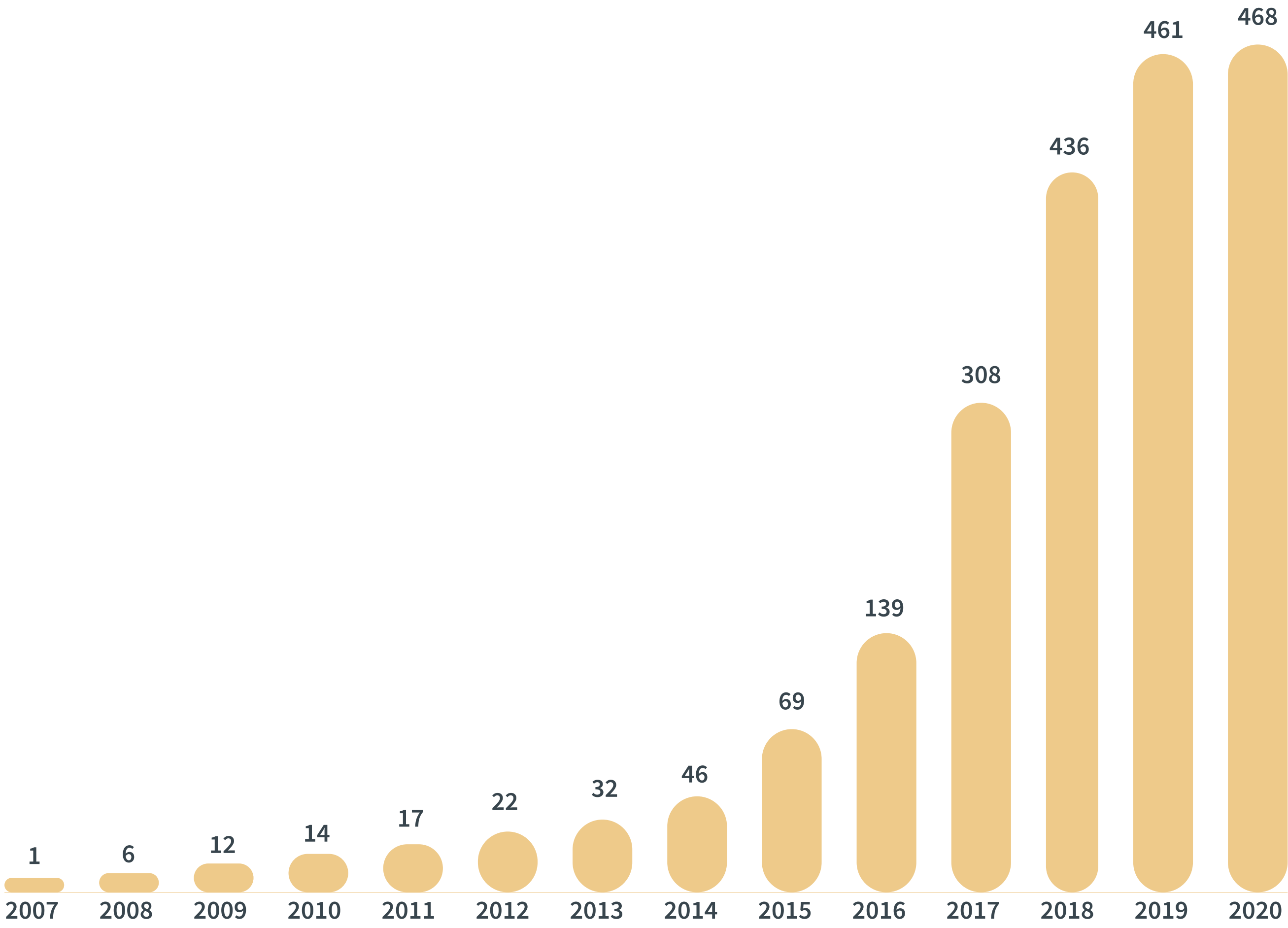
2007

- Launches its proprietary technology platform and begins credit operation in Sweden.

2006

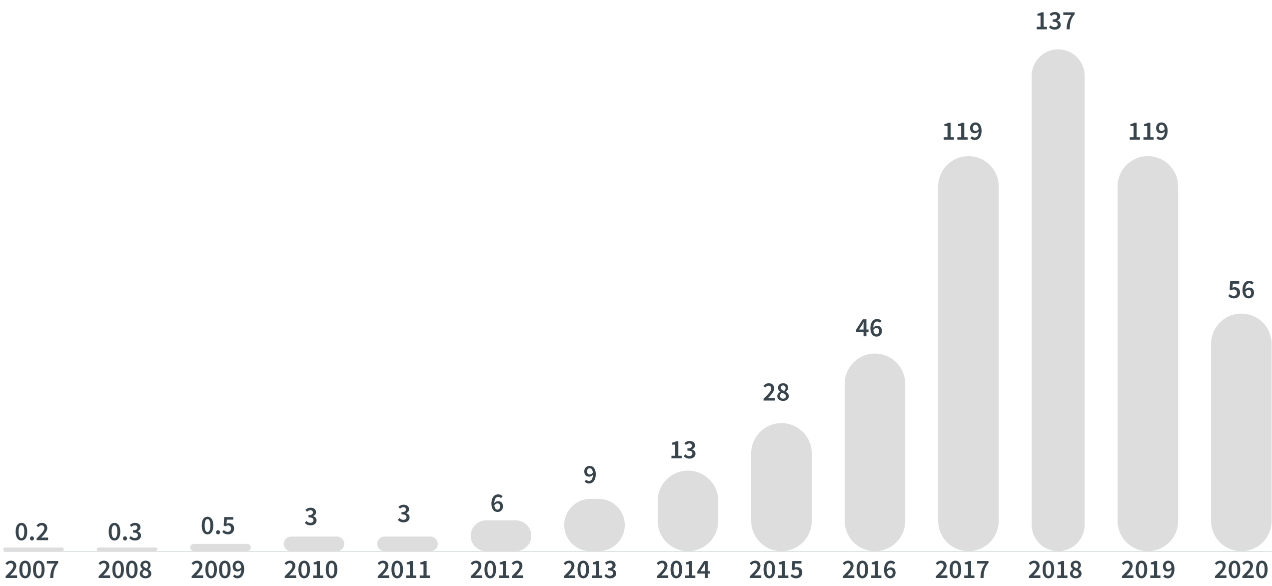
- Founded in Stockholm.

Total revenues[1] (MSEK)



[1] Total revenues comprise interest income, fee and commission income and other operating income.

Profit before tax (EBT) (MSEK)



Key ratios, Group

TSEK	2020	2019	2018	2017	2016
INCOME STATEMENT					
Total operating income	360 482	349 126	331 903	236 247	106 754
Profit before credit losses	213 780	242 806	246 593	165 216	63 654
Profit before tax (EBT)	55 877	118 555	137 352	119 464	46 206
Profit for the year	38 284	95 452	112 487	97 684	38 496
BALANCE SHEET					
Lending to the public	1 378 537	1 218 689	744 644	370 539	136 640
Lending to credit institutions	546 792	152 571	200 702	104 665	69 327
Total assets	2 224 880	1 479 640	972 227	505 827	218 697
Total equity	532 594	386 175	326 755	226 788	78 681
KEY RATIOS					
Return on equity (ROE), %	8,3%	26,8%	40,6%	64,0%	63,0%
Equity ratio	23,9%	26,1%	33,6%	44,8%	36,0%
C/I ratio	0.41	0.30	0.26	0.30	0.40
Interest coverage ratio	5.23	4.25	4.18	3.62	3.08
Average number of employees	137	104	73	59	37

Definitions

See separate section with definitions on page 56.

The results of the Group's operations over the financial year and its position at year–end are stated in the following income statement and balance sheet with accompanying supplementary disclosures, accounting principles and notes.

Directors’ report

The Board of Directors and CEO of Northmill Group AB (publ), corporate identity number 556786–5257, hereby present the consolidated annual statements along with the financial statements of the Parent Company for the 2020 financial year.

Unless otherwise stated, all amounts in running text are in MSEK. Unless otherwise stated, figures in charts, tables and notes are in TSEK.

Group operations
Northmill Group AB (publ), including wholly owned local branches and subsidiaries, is referred to as the “Group”, the “Company” or “Northmill”. The Group’s business is bank operations, lending, savings and insurance intermediation to individuals. The Group’s operations are conducted, and its services provided, exclusively online. The bank operations are conducted in the wholly owned subsidiary Northmill Bank AB. Northmill Bank AB in turn owns 100 % of the subsidiary Northmill Oy, which provides lending operations in Finland. Northmill Bank AB also includes a branch in Norway, a branch in Finland and a branch in Poland, the latter being where a majority of the Group’s engineering resources are located.

Northmill Bank AB operates under the supervision of the Swedish Financial Supervisory Authority as a Swedish bank according to the Banking and Financing Business Act (SFS 2004:297).

Northmill is a technology-driven bank whose operations are characterized by the pursuit of cost efficiency, scalability and customer focus, through the use of effective technology and automated processes. The Company has a strong culture and values comprising innovation and development that have the full support of the employees. The focus on technology and employees has contributed strongly to the Company’s ability to minimize the lead time from idea to implemented service, ready to be launched. It has made it possible to develop customer–centric and competitive products at all times, and quickly adapt new offerings in a constantly changing market.
Operations are conducted at the headquarters in Stockholm, Sweden, and the offices in Helsinki, Finland, Oslo, Norway and Katowice, Poland.

Significant events in the financial year
In the first quarter, the Company broadened the product offering by introducing a savings account with floating interest and flexible withdrawals, and thereby started to accept deposits from the public. The main topic of the quarter was the Covid-19 pandemic that hit the society and people with full force by the end of the quarter, resulting in many countries imposing lockdowns and other restrictions. That in turn impacted both the Swedish and the global economy and created an uncertain macroeconomic situation in the market at the time. Given this, Northmill made an extra credit loss provisioning of 15 MSEK and adjusted the credit portfolio targets for the year.

During the second quarter Northmill deliberately decreased the size of the credit portfolio by taking a more restrictive position regarding its credit granting decisions. In return, this affected the operating income that declined slightly from the previous quarter.
As a step to make the banking offering more transparent and easier to understand, Northmill took a strategic decision during the quarter to reevaluate the multi–brand strategy and launch all products under the Northmill Bank brand.

In the beginning of the third quarter the Group redeemed in full all of its outstanding senior unsecured floating rate bonds maturing on 3 September 2021. Further in the third quarter, a temporary law came into effect in Finland that lowered the interest rate cap from 20 percent to 10 percent. Meanwhile, the Company decided to reorganize the Finnish operations, in order to increase efficiency and obtain better overall performance for the Group.
In the same quarter, the Northmill became a member of the Swedish Central Bank’s payment system, RIX.

In the fourth quarter Northmill gradually returned to growth again. The credit portfolio increased with 261 MSEK, mainly driven by the Swedish market. During the quarter Northmill opened a new branch in Norway and made a new issue of 100 MSEK to external investors.

Significant events after year-end

No significant events after year-end.

Results and financial position

Operating income increased by 3.3 % compared with the corresponding period in the previous year and amounted to 360.5 MSEK (349.1). Profit before tax decreased by 53 % to 55.9 MSEK (118.6). The reduced profit is due to the increased cost base due to strategic investments in the organization and competence, primarily in analysis, IT and product development. Profit for the year decreased by 60 % to 38.3 MSEK (95.5), corresponding to a return on equity of 8.3 % (26.8 %).

Operating expenses

The Group's operating expenses amounted to 146.7 MSEK (106.3). The C/I ratio increased to 0.41 (0.30) due to the increased cost base.

Investments

The year's investments in intangible and tangible assets amounted to 32.1 MSEK (19.0) for the Group. The year's investments primarily refer to product development.

Total credit portfolio

The total credit portfolio amounted to 1 553 MSEK (1 477), corresponding to growth of 5 %.
The credit portfolio comprised lending to the public of 1 479 (1 272) and credit mediation of 74 (205).

Credit losses

Total credit losses amounted to 157.9 MSEK (123.0), corresponding to an increase of 34.9 MSEK. The increase was mainly explained by increased provisioning for expected future credit losses in accordance with IFRS 9.

Dividend

According to the dividend policy established by the Board, the Group shall distribute between 10–20 % of the profit for the year. No dividend was paid for the financial year 2019 due to the uncertainty that prevailed in the world due to the Covid-19 pandemic. The Board of Directors proposes that SEK 7.6 million be distributed for the financial year 2020, which corresponds to 6 % of the net profit for the financial years 2019 and 2020.

Significant risks and uncertainty factors

Various kinds or risks arise in the Company, such as credit risk, market risk, liquidity risk and operational risk. To limit and control risk in the operations, the Board of Directors, which is ultimately responsible for the internal control, has adopted policies and instruction for the granting of credits and the rest of the operations. For a more detailed description of financial risks, the use of financial instruments and capital adequacy, see Note 3. The Group's and the Company's results and position in general at the end of the financial year are otherwise apparent from the following income statement and balance sheet, the changes in equity and the cash flow statement with related notes.

Own funds and capital adequacy

The Group's account of own funds and capital adequacy at the end of 2020 are included in the published Pillar 3 report, which is available on www.northmill.com.

Employees

The average number of full–time employees in the period January–December 2020 was 137 (FTE), an increase of 32 %. The number of full-time positions also include temporary employees. At the end of the year, the proportion of women was 29 % and men was 71 %. Employee turnover was 25 % during the year.

Ownership structure

Northmill Group AB (publ) owns the subsidiary Northmill Bank AB (100 %). The Parent Company, which is classified as a large Group, has prepared consolidated accounts in accordance with Chapter 7 of the Annual Accounts Act. Of the Parent Company's revenue, 19 MSEK comprised intra-Group income from subsidiaries. The Parent Company's expenses included 0.2 MSEK in intra–Group expenses paid to subsidiaries.

Sustainability Report

The Group's Sustainability Report has been prepared in accordance with Chapter 6, Section 11 of the Annual Accounts Act and the GRI Standards: Core option and GRI's special guidelines for the sector (the Financial Services Sector Supplement). The Sustainability Report can be found on pages 64-68 in this report.

Proposition for the distribution of the Company's profit or loss

Parent company

SEK	**2020**
The Board proposes the profit be distributed as follows:	
Retained earnings	144 165 029
Profit for the year	-18 580 866
Total	**125 584 163**
Dividend, 118 676 x 64 SEK	7 595 264
Carried forward	117 988 899
Sum	**125 584 163**

Regarding the profit/loss and financial position in general, we refer to the following income statement and balance sheet and the related notes.

The Board of Directors considers that the proposal is consistent with the prudence rule in Chapter 17, Section 3 of the Swedish Companies Act, according to the following statement: The nature and extent of the operations are as provided in the Articles of Association and the Annual Report. The activities of the Company do not entail risks beyond those that exist or are likely to exist in the industry or the risks that are otherwise associated with that of operating a business. The proposed dividend does not jeopardize the investments that are deemed necessary. The Company's financial position does not give rise to any other assessment than that the Company can continue its operations and that the Company can be expected to fulfil its obligations in the short and long term. Considering the above, the Board of Directors considers that the proposed dividend is justifiable considering the requirements set out in Chapter 17, Section 3, second and third paragraphs of the Swedish Companies Act.

Consolidated income statement

Group

TSEK	Note	2020	2019
Interest income according to the effective interest method	5	384 386	387 597
Interest expense	6	-55 793	-75 863
Net interest income		**328 592**	**311 734**
Fee and commission income		82 640	72 960
Fee and commission expense		-47 704	-33 114
Net fee and commission income	7	**34 936**	**39 847**
Net result from financial transactions	8	-3 721	-2 542
Other operating income		675	87
Total operating income		**360 482**	**349 126**
General administrative expenses	9	-115 420	-85 244
Depreciation, amortisation and impairment of tangible and intangible assets	9	-22 415	-4 745
Other operating expenses	10	-8 867	-16 331
Total operating expenses		**-146 702**	**-106 320**
Profit before credit losses		**213 780**	**242 806**
Credit losses, net	11	-157 879	-122 972
Impairment and reversal of financial assets		-24	-1 279
Profit before taxes (EBT)		**55 877**	**118 555**
Income tax	12	-17 594	-23 103
Profit for the year		**38 284**	**95 452**

Consolidated statement of comprehensive income

Group

TSEK	2020	2019
Profit for the year	**38 284**	**95 452**
Statement of comprehensive income		
Gains and losses on consolidation	494	-2 969
Total comprehensive income for the year, net of tax	**38 778**	**92 483**

Consolidated statement of financial position

Group

TSEK	Note	2020-12-31	2019-12-31
	3, 9, 21, 24		
ASSETS			
Cash and balances with central banks		933	-
Lending to credit institutions		546 792	152 571
Lending to the public	13	1 378 537	1 218 689
Bonds and other interest-bearing securities	14	130 536	13 131
Intangible assets	15	19 204	12 684
Tangible assets	16	101 015	11 314
Other assets	17	20 969	38 308
Prepaid expenses and accrued income	18	26 893	32 942
TOTAL ASSETS		**2 224 880**	**1 479 640**
LIABILITIES			
Liabilities to credit institutions		9 572	540 618
Issued debt securities	22	-	494 444
Deposits from the public	23	1 539 179	-
Other liabilities	19	131 517	47 075
Accrued expenses and prepaid income	20	12 018	11 328
Total liabilities		**1 692 285**	**1 093 465**
EQUITY			
Share capital		500	500
Other contributed capital		167 914	57 326
Reserves		17 668	7 347
Retained earnings		308 229	225 549
Profit for the period		38 284	95 452
Total equity		**532 594**	**386 175**
TOTAL LIABILITIES AND EQUITY		**2 224 880**	**1 479 640**

Consolidated statement of changes in equity

Group

TSEK	Share capital	Other contributed capital	Reserves	Retained earnings	Profit for the period	Total
Opening balance as at 1 Jan 2019	**500**	**57 326**	**71**	**156 371**	**112 487**	**326 755**
Transition impact of the implementation IFRS 9				-18 878		**-18 878**
Restated opening balance	**500**	**57 326**	**71**	**137 493**	**112 487**	**307 876**
Transfers of previous years profit				112 487	-112 487	**-**
Profit for the period					95 452	**95 452**
Gross exchange differences			2 560	-1 745		**815**
Reserve for development costs			7 685	-7 685		**-**
Other comprehensive income for the year			-2 969			**-2 969**
Total comprehensive income for the year (net of tax)	**500**	**57 326**	**7 347**	**240 549**	**95 452**	**401 175**
Transactions with shareholders						
Dividend				-15 000		**-15 000**
Closing balance as at 31 Dec 2019	**500**	**57 326**	**7 347**	**225 549**	**95 452**	**386 175**
Opening balance as at 1 Jan 2020	**500**	**57 326**	**7 347**	**225 549**	**95 452**	**386 175**
Transfers of previous years profit				95 452	-95 452	-
Profit for the period					38 284	**38 284**
Gross exchange differences			-67	-3 370		**-3 437**
Reserve for development costs			9 893	-9 893		**-**
Other comprehensive income for the year			494			**494**
Total comprehensive income for the year (net of tax)	**500**	**57 326**	**17 668**	**307 739**	**38 284**	**421 516**
Transactions with shareholders						
New share issue		99 996				**99 996**
Payments on exercise of options program		10 592				**10 592**
Paid premiums for options program				490		**490**
Closing balance as at 31 Dec 2020	**500**	**167 914**	**17 668**	**308 229**	**38 284**	**532 594**

Consolidated statement of cash flows

Group

TSEK	2020	2019
Operating activities		
Profit before tax	55 877	118 555
Adjustments for items not included in the cash flow		
- Impairment allowance on loans	47 267	11 421
- Depreciation/amortization	22 415	4 745
- Other	520	1 385
	126 079	**136 106**
Paid income tax	-17 594	-27 357
Cash flow from operating activities before changes in working capital	**108 485**	**108 750**
Increase (+)/Decrease(-) in lending to the public	-207 115	-504 345
Increase (+)/Decrease(-) in other short-term receivables receivables	23 388	-57 448
Increase (+)/Decrease(-) in other short-term liabilities liabilities	-3 391	-1 291
Cash flow from operating activities	**-187 118**	**-563 084**
Investing activities		
Investments intangible assets	-10 348	-12 755
Investments in tangible assets	-21 778	-6 206
Investments in financial assets	-117 405	-11 849
Cash flow from investing activities	**-149 532**	**-30 809**
Financing activities		
Change in liabilities to credit institutions	-531 047	447 596
Deposits from the public	1 539 179	-
Issued securities	-494 444	3 333
New share issue	110 588	-
Dividend paid to shareholders	-	-15 000
Cash flow from financing activities	**624 276**	**435 930**
Cash flow for the period	396 111	-49 215
Cash and cash equivalents at the beginning of the period	152 571	200 702
Exchange difference in cash and cash equivalents	-957	1 084
Cash and cash equivalents at the end of the period	**547 725**	**152 571**
Cash flow from operating activities includes interest expenses paid and interest income received		
Interest expenses paid	-55 462	-73 194
Interest payments received	340 467	350 740

Income statement, parent company

Parent company

TSEK	Note	2020	2019
Interest income according to the effective interest method		26 392	40 036
Interest expense		-30 402	-40 027
Net interest income		**-4 009**	**9**
Fee and commission expense		-68	-171
Net fee and commission income		**-68**	**-171**
Net result from financial transactions		-6 718	750
Total operating income		**-10 795**	**588**
General administrative expenses		-7 600	-3 510
Other operating expenses		-185	-44
Total operating expenses		**-7 786**	**-3 555**
Impairment and reversal of financial assets		-	-1 237
Profit before taxes (EBT)		**-18 581**	**-4 204**
Income tax	12	-	-
Profit for the year		**-18 581**	**-4 204**

Statement of financial position, parent company

Parent company

TSEK	Note	2020-12-31	2019-12-31
	3, 9		
ASSETS			
Lending to credit institutions		114 767	30 461
Shares and participations in group companies		50 100	50 100
Other assets		-	450 005
Prepaid expenses and accrued income		706	-
TOTAL ASSETS		**165 573**	**530 566**
LIABILITIES			
Issued debt securities	23	-	494 444
Other liabilities		39 488	-
Accrued expenses and prepaid income		-	2 534
Total liabilities		**39 488**	**496 978**
EQUITY			
Share capital		500	500
Share premium reserve		167 914	57 326
Retained earnings		-23 749	-20 035
Profit for the period		-18 581	-4 204
Total equity		**126 084**	**33 587**
TOTAL LIABILITIES AND EQUITY		**165 573**	**530 566**

Statement of changes in equity, parent company

Parent company

TSEK	Restricted equity Share capital	 Share premium reserve	 Other reserves	Non-restricted equity Retained earnings	 Profit for the period	 **Total**
Opening balance as at 1 Jan 2019	**500**	**57 326**	-	**-5 754**	**719**	52 791
Transfers of previous years profit				719	-719	-
Profit for the year					-4 204	**-4 204**
Total comprehensive income for the year (net of tax)	**500**	**57 326**	-	**-5 035**	**-4 204**	48 587
Transactions with shareholders						
Dividend				-15 000		**-15 000**
Closing balance as at 31 Dec 2019	**500**	**57 326**	-	**-20 035**	**-4 204**	33 587
Opening balance as at 1 Jan 2020	**500**	**57 326**	-	**-20 035**	**-4 204**	33 587
Transfers of previous years profit				-4 204	4 204	-
Profit for the period					-18 581	**-18 581**
Total comprehensive income for the year (net of tax)	**500**	**57 326**	-	**-24 239**	**-18 581**	15 006
Transactions with shareholders						
New share issue		99 996				**99 996**
Payments on exercise of options program		10 592				**10 592**
Paid premiums for options program				490		**490**
Closing balance as at 31 Dec 2020	**500**	**167 914**	-	**-23 749**	**-18 581**	126 084

Statement of cash flows, parent company

Parent company

TSEK	2020	2019
Operating activities		
Profit before tax	**-18 581**	**-4 204**
Paid income tax	-	-
Cash flow from operating activities before changes in working capital	**-18 581**	**-4 204**
Increase (+)/Decrease(-) in other short-term receivables receivables	449 299	49 996
Increase (+)/Decrease(-) in other short-term liabilities liabilities	36 955	-577
Cash flow from operating activities	**486 253**	**49 418**
Investing activities		
Investments in financial assets	-	-48 718
Cash flow from investing activities	**-**	**-48 718**
Financing activities		
Issued securities	-494 444	3 333
Dividend paid to shareholders	-	-15 000
New share issue	111 078	-
Cash flow from financing activities	**-383 367**	**-11 667**
Cash flow for the period	84 306	-15 170
Cash and cash equivalents at the beginning of the period	30 461	45 631
Cash and cash equivalents at the end of the period	**114 767**	**30 461**
Cash flow from operating activities includes interest expenses paid and interest income received		
Interest expenses paid	-30 175	-37 493
Interest payments received	26 255	40 036

Notes

Unless otherwise stated, all amounts in the notes are provided in SEK thousands.

Note 1 – General Information

Northmill Group AB (publ), corporate identity number 556786–5257, conducts operations in Sweden, Finland, Norway and Poland through its subsidiary Northmill Bank AB. Northmill Group AB (publ) is a Swedish limited company domiciled in Stockholm. The address of the head office is Regeringsgatan 20, 111 53 Stockholm, Sweden.

The Parent Company, Northmill Group AB (publ), is part of a financial group of companies with the subsidiaries Northmill Bank AB and Northmill Oy. All companies are fully consolidated. The entire financial group of companies is under the supervision of the Swedish Financial Supervisory Authority and is subject to its regulations on capital adequacy and large exposures.

The Group's operations are described in the Directors' Report.

Changes in the Group

During the fourth quarter 2020, Northmill Bank AB registered a branch in Finland. Current Northmill Oy operations will be transferred to the branch in 2021. The change will not have any operational effects. This will be done through the merger of Northmill Oy and Northmill Bank AB in 2021. The merger is being carried out for organizational reasons to simplify the company structure and due to the fact that Northmill has established a Finnish branch.

Furthermore, Northmill also established a new branch in Norway. At the end of 2020, no operations have yet started.

The liquidation process of the dormant Group subsidiary Northmill Sp. z. o. o was finalized during 2020.

Note 2 – Accounting and valuation principles

Accounting principles and other starting points for the preparation of the financial statements are define below in this note.

Compliance with law and regulations

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. Also, the Swedish Financial Reporting Board's recommendation (RFR 1) Supplementary Accounting Rules for Groups and the Swedish Financial Supervisory Authority's Regulations and General Guidelines on Annual Accounts for Credit Institutions and Securities Companies (FFFS 2008:25) have been applied.

The Parent Company applies the same accounting principles as the Group except for the instances where the ability to apply IFRS to a legal entity are restricted by the Annual Accounts Act for Credit Institutions and Securities Companies.

Presentation of the Parent Company's notes

As the Parent Company's operations only consist of managing and holding the shares in the subsidiary, non-applicable notes are only presented at Group level.

Consolidation principles

The consolidated accounts combine the financial statements of the Parent Company, the subsidiary and branches.

Subsidiaries

Subsidiaries are companies that are under the control of the Group Parent Company, Northmill Group AB (publ). Control entails a direct or indirect right to determine a company's financial and operational strategies to derive economic benefits. The assessment of whether there is control considers potential voting shares that can be exercised or converted without delay. Subsidiaries are recognized in accordance with the acquisition method.
Northmill Group AB (publ) holds 100 % of the shares in the Swedish limited liability financial institution Northmill Bank AB, which in turn holds 100 % of the shares in Northmill OY. There is also Northmill Bank AB Spółka Akcyjna Oddział w Polsce, which is a branch of Northmill Bank AB.

Branches

The Group's operations in Poland, Finland and Norway are conducted as branches of Northmill Bank AB. The operations of the branches are consolidated into the Parent Company's operations and the Parent Company's financial statements in the same way as foreign subsidiaries are consolidated into the Group's financial statements.

Legal structure

The consolidated financial statements comprise the following legal structure:

Parent company	Institute	Subsidiary/branch	Country	Reg.no	Ownership
Northmill Group AB (publ)			Sweden	556786-5257	
	Northmill Bank AB		Sweden	556709-4866	100 %
		Northmill Oy	Finland	2680454-1	100 %
		Northmill Bank AB branch Finland	Finland	3166457-1	100 %
		Northmill Bank AB branch Norway	Norway	925 154 407	100 %
		Northmill Bank AB branch Poland	Poland	2050004840	100 %

Transactions eliminated on consolidation

Intra–Group receivables and liabilities, income or expenses and unrealized gains or losses arising from intra-Group transactions between Group companies are eliminated in full when preparing the consolidated accounts.

Translation of foreign currency

Reporting currency

Items included in the financial statements for the different entities of the Group are valued in each company's home currency, which constitutes the functional currency. In the consolidated accounts, Swedish krona (SEK) is used, which is the Parent Company's functional and reporting currency.

Transactions and balance sheet items

Transactions in foreign currencies are translated into the functional currency at the exchange rates that apply on the transaction date. Exchange gains and losses resulting from the settlement of such transactions and in the translation of monetary assets and liabilities in foreign currency at the daily closing rate are reported in the income statement other costs. The Group does not use hedge accounting.

Group Companies

The results and financial position of all Group companies using a functional currency other than the reporting currency are translated into the Group's reporting currency as follows:
(a) Assets and liabilities for each of the balance sheets are translated at the rate on the balance sheet date;
(b) Income and expenditure for each of the income statements are translated at the average exchange rate; and
(c) All exchange rate differences that arise are reported in other comprehensive income.

Valuation principles applied in the preparation of the financial statements

Assets and liabilities have been recognized at historical cost. Financial assets and liabilities are recognized at amortized cost, with the exception of certain financial assets and liabilities that are measured at fair value. Financial assets and liabilities measured at fair value consist of financial instruments classified as financial assets measured at fair value through profit or loss and financial liabilities measured at fair value through profit or loss.

Assessments and estimates in the financial accounts

Preparation of the financial statements in accordance with IFRS requires the Board of Directors and the Management Team to make assessments, estimates and assumptions that affect the application of the accounting principles and the figures reported for assets, liabilities, income and expenses. Estimates and assumptions are based on historic experiences and a number of other factors that are considered reasonable under the prevailing circumstances. The result of these are estimates and assumptions used to assess the carrying amounts of assets and liabilities which are not otherwise apparent from other sources. The actual outcome may deviate from these estimates and assessments.

The estimates and assumptions are reviewed regularly. Changes in estimates are reported in the period in which they are made if they only affect that period, or in the period in which they are made and future periods if they affect both the period concerned and future periods. The development of, choice of and disclosures on the Group's significant accounting policies and estimates and the application of these principles and estimates are reviewed by the Group's Risk and Audit Committee.

The Group has primarily made the following critical assessments in the application of the significant accounting policies:

Provision for expected credit losses (ECL)

The provision for credit losses from lending to the public is made according to the principles explained further down in this note. An assessment is made based on the available information at each closing of the accounts and therefore entail a measure of uncertainty that may affect the value of the receivable in question. Individual nominal receivables amount to no more than SEK 350 thousand.

The margin of error in the individual assessment therefore has a limited impact on the Group's results and financial position.

On January 1, 2019, IFRS 9 became applicable, entailing a new model for credit provisions based on credit provisions being made already at the point in time when a credit is granted. Accordingly, this generally results in larger credit provisions than before. The assumptions in the model are reviewed continuously based on changes in the credit portfolio and the external world. For a more detailed description of the credit provision model, see further down in this note under the heading Impairment according to IFRS 9 (as of January 1, 2019) and Note 13, which includes a sensitivity analysis of the provision model for expected credit losses (ECL). The sensitivity analysis is based on an increase/decrease of the parameters behind a significant increase in credit risk (SICR).

Capitalized development costs

The item capitalized expenses for development and similar work partly comprises ongoing projects that are not yet in use, but also completed intangible assets. The expenses refer only to product development expenses.

The Group capitalizes project- and development expenses relating to projects deemed to generate probable future economic benefits.

New standards, amendments and interpretations applied by the Group

No new standards, amendments, interpretations and annual improvement projects that have entered into force have caused any significant changes on the Group's financial reports.

Consolidated financial statements

Subsidiaries

Subsidiaries are companies over which the Group has control. The existence and effect of potential votes that can currently be utilized or converted are considered in the assessment of whether the Group exercises control over another company. Subsidiaries are included in the consolidated accounts as of the date on which control is transferred to the Group. They are excluded from the consolidated accounts on the date when the control ceases.
Intra–Group transactions, balances and unrealized gains and losses on transactions between Group companies are eliminated.

Accounting principles for subsidiaries have been changed where necessary to ensure consistent application of the Group's principles.

Operating segment reporting

Operating segments are reported in a manner that is consistent with the internal reports that are submitted to the responsible function for the allocation of resources and the evaluation of the operating segments' performance. The Management Team has been identified as the Chief Operating Decision Maker function. The Group has identified two geographical segments, Sweden and Finland. These are the two countries where the Group currently has financial operations.

See Note 4 for an additional description of the division into and presentation of operating segments.

Balance sheet items

Financial instruments
Reporting and classification

A financial instrument is every form of agreement that gives rise to a financial asset for one party and a financial liability or equity instrument for another party. Cash or agreements to receive cash are examples of financial assets while the performance of an undertaking to pay cash or provide another financial asset is an example of a financial liability.

A derivative is a financial instrument characterized by a value that changes as a result of changes in a specific variable, such as an exchange rate, an interest rate or a share price, while no or a minor net investment is required. The agreement is settled at a future point in time.

Financial instruments that are recognized in the balance sheet and are classified as financial assets include the following on the asset side: lending to credit institutions, lending to the public, bonds and other fixed income securities, other shares and participations and derivatives.

Financial liabilities include issued securities and other liabilities.

Classification and measurement according to IFRS 9

According to the requirements of IFRS 9, financial assets are classified and measured at amortized cost, fair value via the income statement or fair value through other comprehensive income.

Financial assets are recognized when the Group becomes a party to the contractual terms of the instruments and are measured at the first reporting date at fair value. For financial assets measured at fair value via the income statement, transaction expenses are recognized at the transaction date, while other financial assets are included in fair value. Financial assets are de-recognized when the contractual rights to the cash flows arising from the asset cease or when all risks and rewards associated with the asset are transferred to another party.

A financial asset is measured at amortized cost if the financial asset is managed within a business model the purpose of which is to realize the cash flow of the financial asset by receiving contractual cash flows and the contractual cash flows consist solely of repayment of principal and interest on outstanding principal. A financial asset is measured at fair value with the changes in value recognized in other comprehensive income if the financial asset is managed within a business model the purpose of which is to realize the cash flow of the financial asset, both by obtaining contractual cash flows and by selling the asset, and the contractual cash flows consist solely of repayment of principal and interest on outstanding principal.

The Group classifies and measures all financial assets and liabilities at amortized cost as they meet the criteria above, with the exception of the following financial assets, which are reported at fair value in the income statement:

- Participations in other companies
- Derivatives

All financial liabilities are measured at amortized cost.

Impairment of financial assets

The Group has a model for calculating credit loss provisions based on expected credit losses. Financial assets that are subject to impairment losses are divided into three stages based on the risk of default.

- Stage 1 comprises performing assets, where the credit risk has not increased significantly since initial recognition.
- Stage 2 comprises underperforming assets, where the credit risk has increased significantly since initial recognition.
- Stage 3 comprises non-performing assets that are significantly credit–impaired and where an individual assessment of the expected credit losses must be made.

In stage 1, provisions shall be made for expected losses in case of default within 12 months. Expected credit losses that are expected to occur within 12 months represent the part of the expected credit losses for the remaining maturity of the financial instrument that depend on default events within 12 months of the reporting date. In stages 2 and 3, however, provisions shall be made for expected losses in case of default at any time during the asset's remaining maturity. The expected credit losses for the remaining maturity of the financial instrument represent all default events that are possible during the financial instrument's remaining maturity.

Definitions

Performing assets

Stage 1 assets comprise of paid credits where the repayment is 0–29 days past due and that do not have a significantly increased credit risk compared with initial recognition.

Underperforming assets

In stage 2 comprise paid credits where the repayment is 30–89 days past due and paid credits and credit undertakings where the repayment is 0–29 days past due and have an increased credit risk compared with initial recognition.

Non–performing assets

In stage 3 comprise paid credits where the repayment is more than 90 days past due.

The term bad debt corresponds to and is synonymous with non-performing assets in stage 3.

The Group's definitions of default and bad debt under IFRS 9 harmonize with the definitions used in the capital adequacy rules in Article 178 Default of an obligor of the Capital Requirements Regulation (575/2013/EU).

Default or bad debt

Occurs when one of the following events occur: a borrower has unpaid debt that is more than 90 days past due, is declared bankrupt or similar, respite measures have been granted or it has been deemed unlikely that the borrower will repay the loan. When determining whether it is unlikely that a borrower will repay the loan, the Group considers both qualitative and quantitative factors, such as the status of the overdue payment, overdue payments on other loans and expected relief in the terms and conditions of the loan.

An instrument is no longer considered to be in default or constitute bad debt when all overdue amounts have been repaid or when there is sufficient evidence of a reduced risk that future cash flows will not be paid and when there are no other indications of default.

When calculating the credit loss provisions, three main parameters are adopted: Probability of Default ("PD"), Loss Given Default ("LGD") and the expected Exposure at Default ("EAD"), where [ECL = EAD x PD% x LGD%].

Northmill's calculation model is based on the historic probability of default in each of these two markets: Sweden and Finland. The model is supplemented by the Company's assumptions about the future based on the current loan portfolio and adjustments due to the expected macroeconomic scenario. The parameters that are subject to the stress test in the macroeconomic scenario are PD and LGD. The value of the estimated provisions is discounted using the initial effective interest rate. The credit loss provision for non-performing loans (stage 3) is made with the deviation from the asset's book value and the present value of future cash flows, discounted using the initial effective interest rate. The expected future cash flow is based on calculations that consider historical repayment rates applied to every generation of loans that do not meet the requirements. Divested loans are recognized in the credit loss provision and the difference between the asset's value and the present value is recognized as a realized credit loss. Non-performing loans (stage 3) are recognized as realized credit losses when they have been transferred to long-term monitoring in debt collection, the customer has been confirmed as deceased or another loss event has been identified. Amounts received from previously realized credit losses are recognized in the income statement as recoveries under credit losses, net.

Cash and balances with central banks
Cash and balances with central banks include the liquidity portfolio with central banks.

Lending to credit institutions
Lending to credit institutions include cash, bank balances and other investments that are regarded as highly liquid.

Lending to the public
This item includes lending to private individuals. The Group monitors its lending in the way described in Note 3. There is also a breakdown of the lending in Note 13 – Lending to the public.

Bonds and other interest-bearing securities
This item includes bonds held for liquidity purposes.

Tangible assets
All tangible assets are recognized at cost less depreciation. Cost includes expenses that can be directly attributed to the acquisition of the asset. Depreciation on other assets, to distribute their cost or revalued amounts down to the calculated residual value over the expected useful life is made on a straight-line basis according to the following:

- Computers: 3 years
- Other inventories: 5 years
- Investments in rented premises: No longer than the term of contract
- Right–of–use assets: The expected term of contract for the right–of–use asset with consideration to possible terms and conditions of extension

The residual value and useful life of the assets are tested on each balance sheet date and adjusted where necessary. The carrying amount of an asset is immediately written down to its recoverable value if the carrying amount of the asset exceeds its estimated recoverable value. Gains and losses on divestments are determined by a comparison between the proceeds from the sale and the carrying amount and recognized in other operating income/expenses the income statement.

Leases
The Group leases office space. Leasing agreements are recognized as right-of-use assets and are included among tangible assets with a corresponding lease liability including in other liabilities from the date on which the leased asset became available for use by the group. The exception is payments for short contracts and low-value leases, which are expensed on a straight-line basis in the income statement. The lease liability is initially recognised at the present value of the Group's future lease payments. The lease payments are discounted by the lease's implicit interest rate if this interest rate can easily be determined. Otherwise the Group uses its marginal loan rate, which is the interest rate that the Group would have to pay to finance a loan for a corresponding period, and with corresponding collateral, for the right to use an asset in a similar economic environment. Each lease payment is distributed between amortisation of the liability and financial expense. The financial expense is divided over the lease term in accordance with the effective interest method. Options to extend leases are included in a number of the Group's office leases. The opportunity to extend a lease can only be utilised by the Group, not the lessor. When the lease term is determined, management takes into account all available information that provides a financial incentive to exercise the extension option, or not to exercise an option to terminate the contract. Opportunities to extend the contract are only included in the lease term if it is reasonably certain that the contract is being extended (or not terminated). Right-of-use assets are initially measured at cost and include the amount which the lease liability was originally measured at, adjusted for lease fees which have been paid on or before the initial date and any initial direct charges. Right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's right of use and the lease term.

Intangible assets
The Group's intangible assets comprise capitalized development costs for IT projects consisting of both external costs and own time spent on the development of strategic IT projects that are considered important for the Group's future earnings. The cost of internal time spent is calculated based on the relevant payroll expenses for the individuals who participated in each project. Capitalized development cost for IT projects are measured at cost less accumulated amortization and any impairment losses.

For development costs to be recognized as intangible assets, the following criteria must be met:

- It is technically feasible for the Company to complete the intangible asset so that it will be available for use or sale;
- The Company intends to complete the intangible asset and use or sell it;
- The Company has the ability to use or sell the intangible asset;
- The Company is able to demonstrate how the intangible asset will generate probable future economic benefits;
- The Company is able to demonstrate that there is a market for that which is produced by the intangible asset or for the intangible asset as such or, if the asset is intended for internal use, its usability;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured by the Company.

Development costs that do not meet the criteria for capitalization above will be expensed as incurred.

The amortization of capitalized development costs begins when each IT project is ready for use. These are amortized over their determined useful life, which does not exceed 5 years.

Development expenditure reserve
In accordance with the amendments to the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, which entered into force on January 1, 2016, the Group applies the rules on provisions for a development expenditure reserve. The amendment means that companies that capitalize their internally generated intangible development costs after January 1, 2016 shall transfer an amount corresponding to the capitalized development costs from non-restricted equity to a development expenditure reserve in restricted equity. When the capitalized development costs are to be amortized, a corresponding amount shall be reversed to non–restricted equity. The development expenditure reserve is included in the item Reserves.

Impairment of tangible assets
The Group's reported assets are assessed on each balance sheet date to determine whether an impairment loss is indicated. IAS 36 is applied in the impairment testing of assets other than financial assets, which are recognized in accordance with IAS 39.
If an impairment loss is indicated, the recoverable amount of the asset is calculated (see below). For intangible assets that are not yet ready for use, the recoverable amount is also calculated on an annual basis. If, in connection with impairment testing, largely independent cash flows cannot be established for an individual asset and its fair value less selling expenses cannot be used, assets are grouped at the lowest level at which largely independent cash flows can be identified – this is known as a cash generating unit.

An impairment loss is recognized when an asset's or cash generating unit's (group of units') carrying value exceeds the recoverable amount. Impairment losses are expensed in profit/loss for the year. If an impairment loss been identified for a cash generating unit (group of units), is first of all applied to goodwill.

After this, a proportional impairment loss for all other assets included in the unit (group of units) is recognized.

If an impairment loss has been identified for a cash generating unit (group of units), is first of all applied to goodwill. After this, a proportional impairment loss for all other assets included in the unit (group of units) is recognized.

The recoverable amount is the higher of fair value less selling expenses and value in use. Upon calculating the value in use, future cash flows are discounted at a discount rate that takes into account risk-free interest and the risk associated with the specific asset.

Other assets
This category includes tax assets, restricted assets, other current receivables and derivatives. Derivatives are classified as held for trading, as the Group does not apply hedge accounting.

Derivative instruments are recognized in the balance sheet on the date of contract and are measured at fair value through the income statement. A disclosure on the fair values of different derivative instruments is provided in Note 21.

Liabilities to credit institutions
The item comprises loans to other credit institutions.

Securities issued
Issued securities are valued at amortized cost.

Deposits from the public
The item comprises deposits from the public valued at amortized cost.

Other liabilities
The item comprises tax liabilities, accounts payable and other current liabilities.

Items in the income statement

Revenue
As of 2019, the Group applies the revenue standard IFRS 15 Revenue from Contracts with Customers. The standard applies to and covers the recognition of all revenue in the Group from contracts with customers, except from revenue from financial instruments, leases and insurance contracts.

IFRS 15 is based on a five-step model for determining how and when revenue shall be recognized, and which is applied to all IFRS 15 agreements:

1. Identify the contract;
2. Identify the performance obligations in the contract;
3. Determine the transaction price according to the contract;
4. Allocate the transaction price to the performance obligations in the contract;
5. Recognize revenue when each performance obligation is performed.

Revenue from contracts with customers are recognized as income in the line items Fee and commission income and Other operating income.

Interest income and interest expense
Interest income on receivables and interest expenses on liabilities measured at amortized cost are calculated and recognized using the effective interest method. The effective interest rate is the interest rate that makes the present value of all expected future payments during the expected fixed interest period equal to the recognized value of the receivable or liability. Interest income and interest expense include any amounts allocated to a period related to fees and transaction costs received that are included in the effective interest rate.

Interest expense includes direct transaction costs for obtaining loans.
Interest income and interest expense presented in the income statement comprise interest on financial assets and liabilities valued at amortized cost according to the effective interest method, including interest on bad debt.

Fee and commission income and fee and commission expense
Revenue from various kinds of services are recognized as fee and commission income under IFRS 15. A fee and commission income is generally recognized when control of the product or service has passed to the customer, see the previous section Revenue step 5. The income is measured at an amount corresponding what the Group has received or will receive for services provided.

The Group recognizes revenue from insurance mediation, debt collection, reminder fees and other fees as fee and commission income.

Fee and commission expenses include costs of services received to the extent they are not to be regarded as interest, such as costs for debit and credit card fees, insurance mediation fees, remuneration to loan mediators and fees for credit reports.

Cash back transferred to customers on the credit card is recognized as a sales commission cost that is settled against the card holder's debt.

Net income/expense from financial transactions
Net income/expense from financial transactions include unrealized and realized gains and losses on all financial instruments. Gains and losses include gains and losses due to exchange rate fluctuations and the result of planning in bonds and other fixed-interest securities.

Other operating income
Revenue that is not classified as interest income, dividends, fee and commission income or net income/expense from financial transactions is recognized as other operating income. Other operating income includes the result from disposals of property, plant and equipment and intangible assets and other operating income.

General administration expenses
General administration expenses refer to personnel expenses and other administration expenses such as IT costs, external services (audits, other services), costs for premises, telephone and postage fees and other expenses.

Tax
Income taxes consist of current tax and deferred tax. Income taxes are recognized in the income statement except if the underlying transaction is recognized in other comprehensive income or directly in equity, in which case the related tax effects are recognized in other comprehensive income or equity.

Current tax is tax due for payment or receipt in respect of the financial year using tax rates decided upon or virtually decided upon at the balance sheet date. Any adjustment of current tax attributable to previous periods also belongs here.

Deferred tax is calculated in accordance with the balance sheet method based on temporary differences between the carrying amounts and taxable values of assets and liabilities. The following temporary differences are not taken into consideration: Temporary differences arising on the initial recognition of assets and liabilities that are not business combinations and that do not affect either the reported or taxable profit at the time of the transaction. Nor are temporary differences taken into account that are related to participations in subsidiaries that are not expected to be reversed in the foreseeable future.

The valuation of deferred tax is based on how carrying amounts for assets and liabilities are expected to be realized or settled. Deferred tax is calculated by applying the tax rates and regulations decided upon or virtually decided upon at the balance sheet date. Deferred tax assets for tax–deductible temporary differences and loss carryforwards are recognized only to the extent it is likely that they can be utilized. The value of deferred tax assets is derecognized when it is no longer deemed likely that they can be utilized.

Due to the link between reporting and taxation, deferred tax liabilities attributable to untaxed reserves are not reported separately in the Parent Company. These are therefore recognized using gross amounts in the balance sheet, which also applies to appropriations in the income statement.

Any amounts allocated to untaxed reserves constitute temporary differences.

Tax on profit for the year includes current tax, deferred tax and tax for previous years.

Remuneration to employees

The Group only has defined contribution pension plans, which means that the obligation is recognized as a cost in the income statement as they are earned as employees have performed services for the Group during a period.

Remuneration to employees in the form of salaries, paid holidays, paid sick leave, other short–term remuneration, etc. and pensions are recognized as they are earned. Any other post-employment remuneration is classified and recognized in the same way as pension obligations.

Variable remuneration

The Group recognizes any costs for variable remuneration as personnel expenses, which are entered as a liability, as accrued expenses, until payment. The cost is recognized as it is earned, e.g. when it is linked to an agreement or when there is an established practice that has created an informal obligation. Guaranteed variable remuneration is expensed over the term of service, i.e. as earned.

Cash flow statement

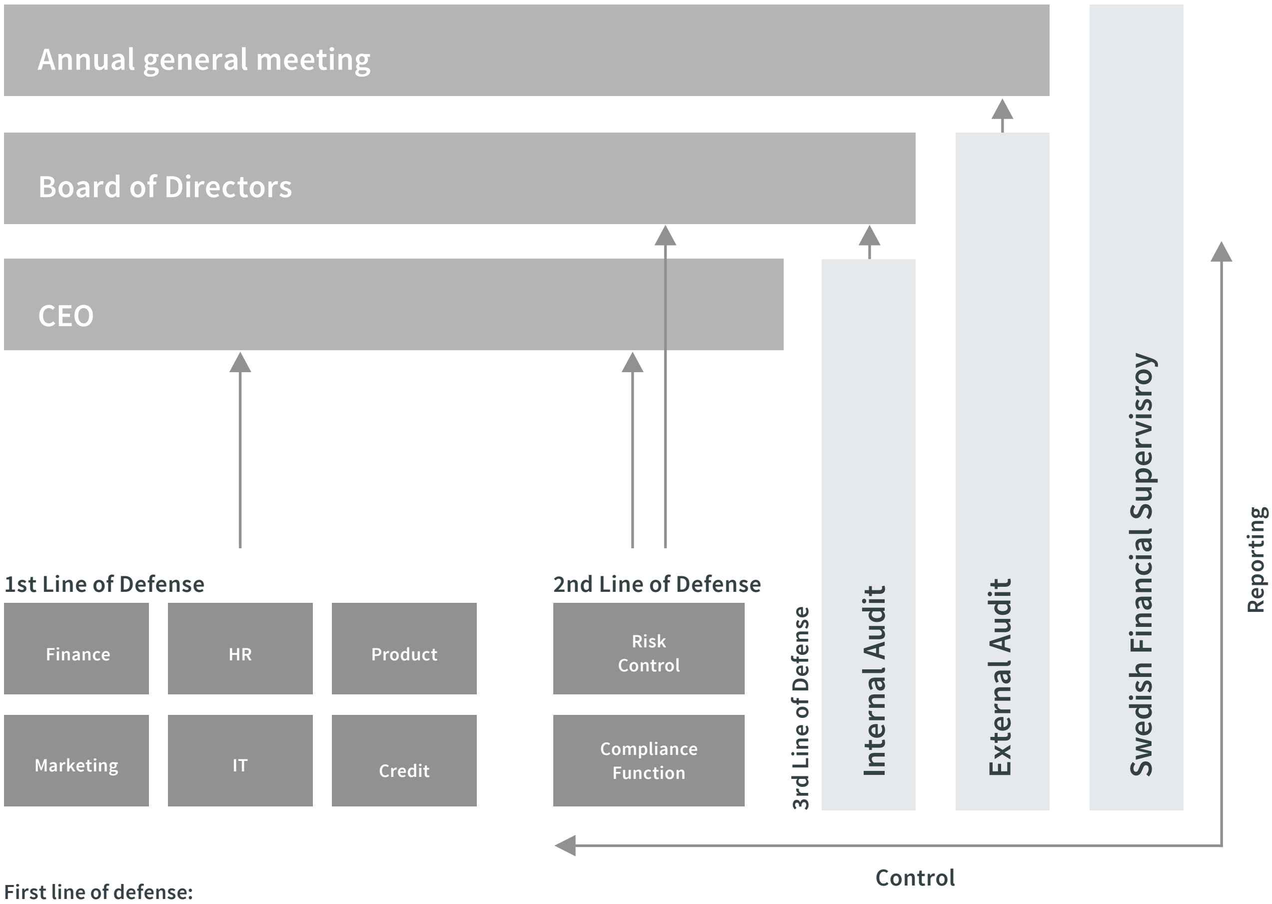
The consolidated statement of cash flows was prepared using the direct method. Cash and cash equivalents relate to the item Lending to credit institutions. Cash flows from operating activities relate to the following balance sheet items: for Operating receivables; Lending and other receivables (non–current and current) and other receivables and for Operating liabilities, accounts receivable, accrued expenses, prepaid income and other non–current liabilities.

Note 3 – Risk management

General

Risk is defined as the possibility of negative deviations from an expected outcome.
The Group's main areas of risk exposures are defined in the risk profile, adopted by the Board of Directors, which includes credit risk, liquidity risk, capital, market risk, business and strategic risk, operational risk and compliance risk. The risk profile includes a risk appetite framework, which defines the risk limits for each risk category.

The risk management aims to ensure the Group's long-term survival, manage volatility in the financial outcome and increase shareholder value by ensuring efficient asset management.
The Group's risk management consists of the risk strategy, risk appetite, risk management in the form of organization, division of responsibilities and governing documents and processes that are in place to identify, measure, manage, monitor and report the risks that the Group is or may be exposed to. The basis for a well-functioning risk management is a strong and shared risk culture, with clear responsibilities and decision making.
The Board of Directors and the Management issue written policies and instructions to manage all identified risks, which are supplemented by detailed descriptions of procedures in the organization.
The Board of Directors shall also monitor and regularly evaluate the Group's risk management in order to ensure its effectiveness and, if necessary, take appropriate measures to deal with any deficiencies. The risk management and the internal control framework are based on the three lines of defense:



First line of defense:
In the first line of defense, the business operations are the risk owner and responsible for ensuring that the operations are conducted in accordance with external and internal rules and regulations. The business operations are responsible for ensuring controlled and conscious risk taking. The responsibility to implement the Group's adopted risk strategy and ensure that the Group stays within the limits and powers determined by the Board of Directors has been delegated to the business operations. All employees shall cooperate fully with the independent control functions.

Second line of defense:
The second line of defense consists of the control functions for risk control and compliance. These functions report to the CEO but also make regular reports directly to the Board of Directors. The functions shall act independently of the other business and monitor, control and report on the Group's risks and compliance with internal and external rules and regulations in their respective area of responsibility.

Third line of defense:
The third line of defense consists of the independent control function for internal audits, which is directly subordinate to and reports to the Board of Directors. The internal audit function shall, upon instruction by the Board of Directors, review the operations and determine that the systems, processes, internal controls and practices are adequate and effective. Special importance shall be attached to risk management, risk control and compliance. By making recommendations, the internal audit function shall contribute to effective and adequate internal governance and control. The Group has chosen to outsource the internal audit function to an external party.

The Group shall in all situations strive to maintain a sound risk culture, high risk awareness and a cautious attitude to risk taking. A sound risk culture is achieved by ensuring that all employees are aware of the risk associated with every task by setting clear and articulate limits for the acceptance of risk exposure and by an understanding of how the operations shall be conducted within these limits. High risk awareness is achieved by a clear division of responsibilities between and within departments and by defining clear lines of reporting and escalation. A cautious attitude to risk taking is achieved through a properly defined risk appetite that clearly describes the limit within which the Group shall conduct its business.

Credit risk

Credit risk is defined as the risk of loss due to a counterparty failing to fulfil their obligations under contractual agreements. Credit risk in the Group arises primarily through lending to the public (private individuals) and also to some extent through the liquidity portfolio. Credits are granted based on the counterparty's financial position and ability to pay and there must be good grounds to expect that the counterparty will meet its commitments. Credit risk is the most significant risk in the Group, and it is carefully monitored by the relevant operating functions and by the Board of Directors, which is ultimately responsible for managing credit risk.

Credit risk policy and organization

The Board of Directors has issued a credit policy that describes the approach, organization and responsibilities and the process required for making credit decisions. The Group's credit committee continuously monitors the development of the credit risk level in the loan portfolios. It decides on and implements changes to the Group's lending within the scope of the adopted credit policy and proposes changes to the policy to the Board of Directors. The outcome of these efforts is reported on each board meeting.

Credit process

The Group is exposed to credit risk in Sweden, Finland and Norway. The Group's credit process maintains high standards for ethics, quality and control. Before a loan is granted, a risk assessment is made of the customer's credit worthiness, considering the customer's financial position, previous history and other factors. Individual risk limits are defined, based on internal and/or external credit ratings in accordance with the limits set by the Board of Directors. The Group's use of credit limits in its lending to the public is limited by decisions by the Board of Directors and is regularly monitored.

The processing of credit applications from new customers is based on information from the customer, information on customers in similar socio-demographic groups and other variables regarding the individual customer that are obtained from external sources to verify income, etc. The way the specified information is used and weighted in the model is determined based on a risk perspective through an in-depth analysis of the individual customer and of the Group's existing customer base. To make a risk assessment that is as precise, cost-efficient and accurate as possible, the Group may use both internal credit models and credit models provided by external suppliers. Both models are used independently of each other, but both can be used according to the Group's credit policy.

Lending and credit risk

Financial assets that may expose the Group for credit risk arises mainly from the lending to the public, but also through the liquidity portfolio.

It is determined that there are generally no material concentrations of credit risks, as the lending is distributed over different counterparties, sectors and industries and geographic regions.

The Group's exposure in the liquidity portfolio consist primarily of exposures to credit institutions which comprise of bank deposits with established banks and credit institutions with external credit ratings (Standard & Poor's and Moody's), but also to other counterparties that meet the requirements for counterparties in accordance with the Group's risk appetite framework, defined by the Board of Directors.

The Group cannot enter into credit agreements with legal entities without the approval by the Board of Directors. By setting limits for the maximum exposure to an individual counterparty, the Board Directors also limit the credit risk associated with lending to credit institutions, which is deemed to be very small.

The Group's lending to the public comprises unsecured loans to private individuals. The credits relate to a great number of debtors with relatively low average credits. Credits are granted after a rigorous credit assessment of each individual customer, thus minimizing the risk of losses. At the same time, parts of the unsecured loans may be subject to a voluntary payment protection insurance, which insures the debtor against the inability to pay due to involuntary unemployment, illness/accidents or death.

The Group regularly sells non-performing loans (between 90–120 days overdue) to debt collection agencies in markets where the Board of Directors considers the price level to be beneficial to the Group's performance and risk profile. This is currently the case for Sweden and Finland. As a result of this, the Group regularly realizes credit losses by disposing of non-performing loans.

Maximum exposure to credit risk

Group

TSEK	2020-12-31	2019-12-31
Cash and balances with central banks	933	-
Lending to credit institutions	546 792	152 571
Lending to the public	1 378 537	1 218 689
Bonds and other interest-bearing securities	130 536	13 131
Total	**2 056 798**	**1 384 391**

The assets above are recognised at carrying amount in accordance with the balance sheet. The geographic risk concentrations regarding Lending to the public are outlined in the below table.

Credit risk concentrations
The following table shows the Group's credit risk exposure and its significant credit risk concentrations as of 31 December 2020.

TSEK	Stage 1	Stage 2	Stage 3	Total
Per region				
Sweden	1 073 418	230 766	39 062	1 343 246
Finland	75 714	27 713	32 625	136 052
Total	**1 149 132**	**258 479**	**71 687**	**1 479 298**
Before due and per days past due				
Before due	1 044 792	97 821		1 142 613
< 30 days	104 340	73 349		177 689
31–60 days		68 088		68 088
61–90 days		19 221		19 221
> 90 days			71 687	71 687
Total	**1 149 132**	**258 479**	**71 687**	**1 479 298**

Credit quality of financial assets
The credit quality of other fully performing financial assets in accordance with Standard & Poor's local short-term rating is shown below:

	Group		Parent company	
TSEK	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Cash and balances with central banks				
AAA	933	-	-	-
Total cash and balances with central banks	**933**	**-**	**-**	**-**
Lending to credit institutions				
A-1+	26 780	43 666	-	1 791
A-1	520 012	101 329	114 767	28 670
A-2	-	1 618	-	-
Unrated	0	5 956	-	-
Total cash and cash equivalents	**546 792**	**152 571**	**114 767**	**30 461**
Other assets				
AAA	107 268	-	-	-
AA+	23 268	-	-	-
A-1+	315	13 899	-	-
Total other assets	130 851	13 899	-	-
Total	**678 576**	**166 469**	**114 767**	**30 461**

Other assets include derivatives with positive value and level 1 liquid assets consisting of general government- and credit insitution bonds.

Market risk

Market risk refers to the risk that the Group may lose money as a result of movements in interest rates, currency exchange rates and share prices. The Group's exposure to market risk consists of currency and interest rate risk. The Group has limited market risks, see below.

Currency risk

Currency risk is the risk of negative impact of exchange rate fluctuations on the Group's income statement, balance sheet and/or cash flows. Currency risk can be divided into transactional risk and translation risk. Transactional risk is the net of operating and financial currency inflows and outflows. Translation risk chiefly comprises the revaluation of balance sheet items in Group companies that use a different currency than the Group's reporting currency.

The Group is exposed to translation risk at Group level. Translation risks are monitored and are not currently hedged.
The Group's exposure to transactional risk arises when the Group grants credits in other currencies than the reporting currency. The Group uses currency forwards for EUR to hedge against currency risk.
The risk exposure amount for currency risk covers on-balance sheet exposures and are measured at the current market value and thereafter converted into SEK using the closing rate on the balance sheet date. The capital requirement of 8.0 % is applied to the total net position in foreign currencies that are subject to capital requirements for currency risk.

The Group assesses added capital requirements in Pillar 2 for currency risk by stressing the net positions with a currency fluctuation of 7.5 %. Other variables are kept constant. The Group has chosen the 7.5 % level by analyzing the greatest currency fluctuations over a rolling 30-day period between the years 2010–2020 for the currencies to which the bank has the greatest exposure. The Group then calculates a worst-case scenario with a confidence level of 99.5 % based on the greatest fluctuation in each currency. The stress test gives the following outcome for the positions as at December 31, 2020 (all numbers in TSEK, exclusive of tax effects):

TSEK	Currency	Net position	Currency change (+/-) 7.5%
Entity			
Group	EUR	5 140	385
Group	NOK	4 495	337
Group	PLN	1 537	115

As the formal capital requirement under Pillar 1 is 8.0 % and therefore exceeds the outcome of the Pillar 2 stress test, the bank does not reserve any additional capital for currency risk in addition to the Pillar 1 requirement.
The latest result can be found in the latest Pillar 3 Report, which is available on www.northmill.com.

Interest rate risk

Interest rate risk is the risk of value changes in fixed income assets and liabilities or future cash flows as a result of market interest rate fluctuations. The Group's assets and liabilities are mostly financed at variable interest, which reduces the interest rate risk. The Group's overarching goal is to ensure that any changes in interest rates on the financing can be matched with interest-rate changes to the interest on the lending. To enable this, all agreements with customers have adjustable interest rates, to the extent possible according to regulations.
As at December 31, 2020, a 2.0 % increase of market interest rates would reduce the value of fixed income assets and liabilities, including derivatives, by SEK 3.0 million.

Liquidity risk

Liquidity risk is defined as the risk that the Group is not able to fulfill its payment obligations, including the funding of the business, due to lack of liquid funds or that it could only be acquired at a price significantly higher than the normal price or by selling assets at a sharply reduced price. Liquidity risk also includes the refinancing risk, which is defined as the risk that the Group will not be able to obtain new financing at the time of maturity. The liquidity risk is primarily managed through sufficient and diversified financing by deposits from the public, equity and available credit facilities from other credit institutions.
Cash flow forecasts are prepared regularly by the Group's finance department and reported to the Board of Directors. The finance department carefully monitors rolling forecasts for the Group's liquidity reserve to ensure that the Group has sufficient cash and cash equivalents to meet the requirements in the daily operations.

The tables below show the Group's financial assets and liabilities distributed over the remaining maturity on the balance sheet date until the contractual due date. The amounts specified in the table are the contractual, undiscounted cash flows, including the interest rate component.

Group

2020-12-31 TSEK	< 1 year	1-2 years	2-5 years	> 5 years
Assets				
Cash and balances with central banks	933	-	-	-
Bonds and other interest-bearing securities	25 043	22 213	83 211	-
Lending to the public	848 937	518 702	757 516	449 604
Lending to credit institutions	546 792	-	-	-
Total	**1 421 705**	**540 916**	**840 727**	**449 604**
Liabilities				
Liabilities to credit institutions	9 572	-	-	-
Deposits from the public	1 540 105	-	-	-
Total	**1 549 677**	**-**	**-**	**-**

Group

2019-12-31 TSEK	< 1 year	1-2 years	2-5 years	> 5 years
Assets				
Lending to the public	889 423	470 704	606 765	149 644
Lending to credit institutions	152 571	-	-	-
Total	**1 041 994**	**470 704**	**606 765**	**149 644**
Liabilities				
Liabilities to credit institutions	461 239	95 457	722	-
Issued debt securities	40 215	521 474	-	-
Total	**501 454**	**616 931**	**722**	**-**

Operational risk

Operational risk refers to the risk that the Group may lose money as a result of inappropriate or unsuccessful processes, human or mechanical errors, faulty systems or external events. Legal risk and compliance risk are also included in operational risk.

The Group has a low appetite for operational risk and strives to limit this risk to the extent possible. The Group's operations depend on its ability to process transactions efficiently and accurately in order to attract new customers. The Group's ability to maintain and develop an efficient IT platform, as required to maintain financial and operational control, monitor and manage risks, provide high quality customer service and develop and provide relevant products and services in the future, depends on a variety of factors. Losses can occur as a result of inadequate or failed internal control processes and protection systems, human error, fraud or external events that interfere with the business. This can result in a loss of data and a failure to provide high-quality services to customers.

Business and strategic risk

Business risk refers to the risk that the Group may lose money due to reduced volumes or lower margins, for example due to increased competition or a weaker customer offering.

Strategic risk is a part of the business risk and includes, for example, the inability to adapt the business to changing market conditions or unfavorable strategic investments or a high concentration to a few customers or business areas. Business risk also includes reputational risk, which entails losses due to customers', suppliers' and authorities' negative perception of the Group. The Group works actively to inform its customers and other stakeholders about the business in order to reduce the risk of incorrect rumors spreading in the market. In recent years, the Group has worked intensely to strengthen the Group's brand. All communications, both internal and external, must maintain high quality and are characterized by accessibility, clarity and objectivity. Furthermore, it is of the utmost importance that the communication is delivered at the right time, to the right recipient, via the right channel, and is designed in a professional and appealing manner. Correct and adequate information about the Group is communicated via the following channels: the website northmill.com, the annual report, active contact with newspapers and other media and, with regard to employees, via the intranet.

Compliance risk

The Group is active in a heavily regulated industry with complex legislation that regulates lending, taxes, data protection and anti–money laundering. Also, there is currently a focus on regulations aiming to increase consumer protection by reducing excessive household indebtedness. The Group's legal department is working proactively to ensure compliance with rules and regulations in current and future processes.

Internal control of financial reporting

Internal control of financial reporting is part of the Group's total internal control. It aims to provide reasonable security regarding the reliability of the external financial reporting and that the financial reporting is prepared in accordance with laws and applicable accounting standards. The Board of Directors' responsibility for internal governance and control as provided in the Swedish Companies Act, the Annual Accounts Act and the Swedish Corporate Governance Code. The Annual Accounts Act requires that the Group shall describe the systems for internal control and risk management related to financial reporting on an annual basis. The Board of Directors has overall responsibility for the financial reporting. The quality of the external financial reporting is ensured through several separate measures and procedures.
The CEO is responsible for ensuring the accuracy and high quality of all external information. The Group's auditors are tasked with reviewing accounting issues that are critical to the financial reporting and report their observations to the Group's finance department.

Note 4 – Operating segments by geographical area

The CEO has the ultimate responsibility for the decisions being taken by the Group. Management has defined the operating segments based on the information determined by the CEO and used as a basis or decisions on the allocation of resources and evaluation of results. Presented here below is the outcome for each operating segment in the Group, i.e. country by country, for each period and on an income statement level. Sweden includes Northmill Bank AB and its polish IT–branch which only provides internal IT-services. Finland represents the subsidiary Northmill OY. Other includes the Parent company which only acts as a holding company, providing funding through its issued bonds and paying interest which it in turn invoices to its subsidiaries. The latter is eliminated under Adjustments and Elimination.

Group

2020

TSEK	Sweden	Finland	Other	Adjustment and elimination	Total
Interest income according to the effective interest method	321 146	69 708	26 392	-32 861	384 386
Interest expense	-42 911	-15 341	-30 402	32 861	-55 793
Net interest income	**278 235**	**54 367**	**-4 009**	**-**	**328 592**
Dividend received	20 901	-	-	-20 901	-
Fee and commission income	73 646	8 994	-	-	82 640
Fee and commission expense	-40 453	-7 183	-68	-	-47 704
Net fee and commission income	**33 193**	**1 812**	**-68**	**-**	**34 936**
Net result from financial transactions	2 997	-	-6 718	-	-3 721
Other operating income	23 828	-	-	-23 153	675
Total operating income	**359 152**	**56 178**	**-10 795**	**-44 054**	**360 482**
General administrative expenses	-119 328	-11 645	-7 600	23 153	-115 420
Depreciation, amortisation and impairment of tangible and intangible assets	-21 457	-958	-	-	-22 415
Other operating expenses	-8 291	-391	-185	-	-8 867
Total operating expenses	**-149 076**	**-12 993**	**-7 786**	**23 153**	**-146 702**
Profit before credit losses	**210 077**	**43 185**	**-18 581**	**-20 901**	**213 780**
Credit losses, net	-117 639	-40 240	-	-	-157 879
Impairment and reversal of financial assets	-24	-	-	-	-24
Profit before taxes (EBT)	**92 413**	**2 945**	**-18 581**	**-20 901**	**55 877**
Income tax	-12 553	-5 041	-	-	-17 594
Profit for the year	**79 860**	**-2 095**	**-18 581**	**-20 901**	**38 284**
Statement of comprehensive income					
Gains and losses on consolidation	-	494	-	-	494
Total comprehensive income for the year, net of tax	**79 860**	**-1 601**	**-18 581**	**-20 901**	**38 778**

Group

2019

TSEK	Sweden	Finland	Other	Adjustment and elimination	Total
Interest income according to the effective interest method	290 217	101 294	40 036	-43 949	387 597
Interest expense	-57 582	-22 196	-40 034	43 949	-75 863
Net interest income	**232 635**	**79 098**	**2**	**-**	**311 734**
Dividend received	69 227	-	-	-69 227	-
Fee and commission income	60 482	12 478	-	-	72 960
Fee and commission expense	-28 584	-4 359	-171	-	-33 114
Net fee and commission income	**31 898**	**8 119**	**-171**	**-**	**39 847**
Net result from financial transactions	-3 293	-	751	-	-2 542
Other operating income	20 214	-	32	-20 159	87
Total operating income	**350 681**	**87 217**	**614**	**-89 386**	**349 126**
General administrative expenses	-83 496	-18 366	-3 541	20 159	-85 244
Depreciation, amortisation and impairment of tangible and intangible assets	-4 193	-552	-	-	-4 745
Other operating expenses	-13 287	-3 000	-44	-	-16 331
Total operating expenses	**-100 976**	**-21 918**	**-3 585**	**20 159**	**-106 320**
Profit before credit losses	**249 705**	**65 299**	**-2 971**	**-69 227**	**242 806**
Credit losses, net	-88 163	-34 809	-	-	-122 972
Impairment and reversal of financial assets	-42	-	-1 237	-	-1 279
Profit before taxes (EBT)	**161 500**	**30 490**	**-4 208**	**-69 227**	**118 555**
Income tax	-15 598	-7 505	-	-	-23 103
Profit for the year	**145 902**	**22 986**	**-4 208**	**-69 227**	**95 452**
Statement of comprehensive income					
Gains and losses on consolidation	-	-2 970	1	-	-2 969
Total comprehensive income for the year, net of tax	**145 902**	**20 016**	**-4 207**	**-69 227**	**92 483**

Note 5 – Interest income according to the effective interest method

Group

TSEK	2020	2019
Interest income from lending to the public	384 385	387 597
Other interest income	-	-
Total interest income	**384 386**	**387 597**

Note 6 – Interest expense

Group

TSEK	2020	2019
Interest expense, Liabilities to credit institutions	-19 589	-36 117
Interest expense, Deposits from the public	-10 114	-
Interest expense, Issued debt securities	-23 284	-39 376
Other financial expense	-2 806	-370
Total interest expense	**-55 793**	**-75 863**

Note 7 – Net fee and commission income

Group

TSEK	2020	2019
Fee and commission income		
Insurance provisions received	37 380	24 687
Other commission and fee income	45 260	48 273
Total fee and commission income	**82 640**	**72 960**
Fee and commission expense		
Insurance provisions paid	-12 590	-10 795
Other commission and fee expense	-35 115	-22 319
Total fee and commission expense	**-47 704**	**-33 114**
Net fee and commission income	**34 936**	**39 847**

Note 8 – Net result from financial transactions

Group

TSEK	2020	2019
Exchange rate fluctuations	704	-4 068
Gains/losses on investments in funds and other securities	-4 425	1 527
Total net result from financial transactions	**-3 721**	**-2 542**

Note 9 – General administrative expenses

Group

TSEK	2020	2019
Staff costs	-69 877	-48 156
Rent and property costs	324	-1 970
Postage and telephone	-3 932	-4 226
Audit	-1 340	-1 498
Other external services	-37 138	-25 178
Other external costs	-3 457	-4 216
Total other general administrative expenses	**-115 420**	**-85 244**
Salaries and renumeration		
Board of Directors and CEO	2 628	2 350
Other staff	45 027	29 809
Total salaries and renumeration	**47 655**	**32 159**

For 2019, 7 685 TSEK relating to reversal of staff costs in relation to capitalized development expenses have been reclassified from other operating income to staff costs. The reclassification has impacted items other income and general administrative expenses, but has not had any effect on the net profit.

The item Other external services include IT-, information collection-, license- and external consultancy expenses.

Remuneration to senior executives
In accordance with the disclosure requirements in FFFS 2011: 1, information regarding remuneration structure is presented on the Group's website www.northmill.com

Preparation and decision–making process
Remuneration to the CEO is determined by the Board of Directors. Remuneration to other senior executives is determined by the CEO, in some cases after consultation with the Chairperson.

Salaries and fees
The Chairperson and the Board Members receive a fixed fee as resolved by the Annual General Meeting. No variable remuneration is payable. Board Members who are employed by the Group do not receive any board fees.
Remuneration to the CEO and other senior executives comprises a basic salary, other benefits and pension. No variable remuneration is payable. Other senior executives refer to the CEO and an additional 11 people. Collectively, they constitute the Management Team of the Group.

Group 2020

TSEK	Basic salary/ Remuneration	Variable remuneration	Other benefits	Pension costs	Total
Salaries and remuneration for board members					
Margareta Lindahl Gelin, Chairperson of the board	267	-	-	-	**267**
Per Granath	-	-	-	-	**-**
Erik Fagerland	143	-	-	-	**143**
Björn Hazelius	143	-	-	-	**143**
Karl Källberg	155	-	-	-	**155**
Total	**708**	**-**	**-**	**-**	**708**

Group 2019

TSEK	Basic salary/ Remuneration	Variable remuneration	Other benefits	Pension costs	Total
Salaries and remuneration for board members					
Margareta Lindahl Gelin, Chairperson of the board	180	-	-	-	**180**
Per Granath	-	-	-	-	**-**
Erik Fagerland	90	-	-	-	**90**
Björn Hazelius	90	-	-	-	**90**
Karl Källberg	120	-	-	-	**120**
Total	**480**	**-**	**-**	**-**	**480**

Group 2020

TSEK	Basic salary/ Remuneration	Variable remuneration	Other benefits	Pension costs	Total
Salaries and remuneration for CEO and other senior executives					
CEO	960	-	41	93	**1 094**
Other senior executives (11 people)	8 479	-	172	826	**9 477**
Total	**9 439**	**-**	**213**	**919**	**10 571**

There have been no remuneration in the parent company Northmill Group AB (publ)
Other senior executives have received salaries and benefits from Northmill Group AB (publ) or its subsidiaries. The group includes 11 people: Niclas Carlsson, Sargon Kurt, Tobias Ritzén, Simon Nilsson, George Kurt, Daniel Roxö, Tobias Palmborg, Georges Mansourati, Joakim Adolfson, Mattias Hallgrim and Arash Eftekhari.

Group 2019

TSEK	Basic salary/ Remuneration	Variable remuneration	Other benefits	Pension costs	Total
Salaries and remuneration for CEO and other senior executives					
CEO	935	-	46	133	**1 114**
Other senior executives (10 people)	7 190	-	266	588	**8 044**
Total	**8 125**	**-**	**313**	**721**	**9 158**

There have been no remuneration in the parent company Northmill Group AB (publ)
Other senior executives have received salaries and benefits from Northmill Group AB (publ) or its subsidiaries. The group includes 10 people: Tobias Ritzén, Sargon Kurt, George Kurt, Arim Salci, Simon Nilsson, Joakim Adolfsson, Daniel Roxö, Niclas Carlsson, Babel Poli och Magnus Eriksson.

Group	2020	2019
Average number of employees	**137**	**104**
Of which men	98	72
Of which women	39	31
In Sweden	88	63
Of which men	56	42
Of which women	32	21
In Poland	39	23
Of which men	35	21
Of which women	4	2
In Norway	1	-
Of which men	1	-
Of which women	-	-
In Finland	9	18
Of which men	5	10
Of which women	4	8

Group	2020			2019		
Gender distribution board members and senior executives	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Board members	1	5	**6**	1	5	**6**
CEO and other senior executives	-	11	**11**	0	10	**10**
Total	**1**	**16**	**17**	**1**	**15**	**16**

Auditors‘ remuneration

Group

PWC

TSEK	2020	2019
Audit assignment	-921	-722
Audit services in addition to the audit assignment	-133	-403
Other services	-287	-374
Total auditors' remuneration	**-1 340**	**-1 498**

The audit assignment includes the examination of the annual financial statements and accounts, as well as the management by the Board of Directors and the CEO, other tasks to be performed by the Company's auditor, and consultancy or other assistance arising from observations from such examinations or the implementation of such other tasks.

Leases
The Group's leased assets that are classified as right-of-use assets refer to premises. The leases contain no limitations in addition to the security in the leased assets. A new lease agreements has been entered in 2020. The indexation of agreements for rented promises has been considered in right-of-use assets and lease liabilities as at December 31, 2020.

Group

Right of use assets

TSEK	2020	2019
Opening balance for the year	5 666	7 730
Additions during the year	103 814	1 820
Depreciation during the year	-16 970	-3 884
Total	**92 510**	**5 666**

Lease liabilities

TSEK	2020	2019
Current lease liabilities	-17 629	-3 233
Non-current lease liabilities	-77 276	-3 265
Total	**-94 906**	**-6 498**

Amount accounted for in the profit and loss according to IFRS 16

TSEK	2020	2019
Depreciation of right of use assets	-17 052	-3 836
Impairment of right of use assets	16 885	3 704
Interest expense on lease liabilities	-2 113	-210
Total	**-2 280**	**-341**

Other leases
The Group also leases machines and IT equipment with lease terms of 1–3 years. These leases are short-term leases and/or leases of low value assets. The Group has chosen not to report right–of–use assets and lease liabilities for these leases.

Note 10 – Other operating expenses

Group

TSEK	2020	2019
Marketing expenses	-8 602	-16 233
Other operating expenses	-265	-98
Total	**-8 867**	**-16 331**

Note 11 – Net credit losses

Group

TSEK	2020	2019
Net credit losses accordring to IFRS 9		
Change in provision for ECL, stage 1	-5 913	-6 291
Change in provision for ECL, stage 2	-20 595	-3 947
Change in provision for ECL, stage 3	-20 513	-3 279
Total change in provision for ECL, stage 1–3	**-47 020**	**-13 517**
Realised credit losses	-110 858	-109 455
Net credit losses	**-157 879**	**-122 972**

Not 12 – Tax on profit for the year

	Group		Parent company	
TSEK	2020	2019	2020	2019
Current tax on profit for the year	-17 594	-23 103	-	-
Tax on profit for the year	**-17 594**	**-23 103**	**-**	**-**
Reconciliation of tax on profit for the year				
Profit before taxes (EBT)	55 877	118 555	-18 581	-4 204
Tax according to applicable tax rate	-11 958	-25 371	-	-
Effect of other tax rates for foreign companies	41	429	-	-
Tax effect of non–deductible expenses	-8 493	-2 754	-	1 232
Tax effect of non–taxable income	-206	92	-	5
Other taxes	-115	49	-	-
Deferred tax	3 136	4 451	-	-
Tax on profit for the year recognised in the income statement	**-17 594**	**-23 103**	**-**	**-**
Accounted effective tax	-31%	-19%	-	-
Tax loss carryforward	-	-	-22 785	-4 204

Note 13 – Lending to the public

Group

TSEK	2020-12-31	2019-12-31
Total lending to the public	**1 479 298**	**1 272 430**
Lending to the public, gross		
Stage 1, gross	1 149 132	1 044 361
Stage 2, gross	258 479	184 149
Stage 3, gross	71 687	43 919
Total lending to the public, gross	**1 479 298**	**1 272 430**
Provision for expected credit losses		
Stage 1	-36 694	-30 781
Stage 2	-38 142	-17 547
Stage 3	-25 924	-5 411
Total provision for expected credit losses	**-100 761**	**-53 740**
Lending to the public		
Stage 1, net	1 112 437	1 013 580
Stage 2, net	220 337	166 602
Stage 3, net	45 764	38 508
Total lending to the public, net	**1 378 537**	**1 218 689**

Change in provision for expected credit losses (ECL)

Group

TSEK	2020-12-31	2019-12-31
Opening balance	**-53 740**	**-40 335**
Change in provision for ECL in stage 1	-5 913	-6 179
Change in provision for ECL in stage 2	-20 595	-3 947
Change in provision for ECL in stage 3	-20 513	-3 279
Closing balance	**-100 761**	**-53 740**

Change in carrying amount of lending and net credit losses, by category

Group

TSEK	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Lending to the public, gross, opening balance 1 January 2020	**1 044 361**	**184 149**	**43 919**	**1 272 430**
New assets originated during period	547 248	47 576	20 872	615 696
Change in existing assets during period	-162 370	17 617	-4 124	-148 877
Transfers from stage 1 to stage 2 and 3	-194 100	157 854	36 250	4
Transfers from stage 2 to stage 1 and 3	50 248	-59 248	9 000	-
Transfers from stage 3 to stage 1 and 2	2 040	923	-2 963	-
Financial assets sold during the year	-134 046	-79 851	-31 247	-245 144
Currency effects	-4 250	-10 542	-19	-14 811
Lending to the public, gross, closing balance 31 December 2020	**1 149 132**	**258 479**	**71 687**	**1 479 298**
Provision for ECL, opening balance 1 January 2020	**-30 781**	**-17 547**	**-5 411**	**-53 740**
New assets originated during period	-16 399	-6 964	-8 415	-31 778
Change in existing assets during period	6 719	-22 528	-13 686	-29 495
Transfers from stage 1 to stage 2 and 3	5 501	-4 117	-1 383	-
Transfers from stage 2 to stage 1 and 3	-5 844	7 009	-1 164	-
Transfers from stage 3 to stage 1 and 2	-248	-112	359	-
Financial assets sold during the year	4 180	6 055	3 771	14 005
Currency effects	179	62	6	247
Provision for ECL, closing balance 31 December 2020	**-36 694**	**-38 142**	**-25 924**	**-100 761**

Sensitivity analysis of ECL-model

Group

Sensitivity analysis	**+ /-**	**ECL change (%)**
Threshold increase	+100%	-5.36%
Threshold decrease	-50%	1.64%

Note 14 – Bonds and other interest–bearing securities

Group

TSEK	**2020-12-31**	**2019-12-31**
Issued by municipalities	78 581	13 131
Issued by Swedish credit institutions	51 955	-
Total	**130 536**	**13 131**

Note 15 – Intangible assets

Group

TSEK	2020-12-31	2019-12-31
Cost at the beginning of the year	**13 783**	**1 273**
Change during the year		
Purchases	9 887	12 532
Exchange rate translation difference	-24	-21
Cost at the end of the year	**23 646**	**13 783**
Amortization according to plan at the beginning of the year		
Change during the year		
Amortization according to plan	-4 443	-1 099
Amortization according to plan at the end of the year	**-4 443**	**-1 099**
Residual value according to plan at the end of the year	**19 204**	**12 684**

All intangible assets refer to proprietary software.

Note 16 – Tangible assets

Group

TSEK	2020-12-31	2019-12-31
Cost at the beginning of the year	**16 207**	**12 441**
Change during the year		
Purchases	103 156	3 767
Cost at the end of the year	**119 364**	**16 207**
Amortization according to plan at the beginning of the year	-4 893	-772
Change during the year		
Amortization according to plan	-13 456	-4 041
Amortization according to plan at the end of the year	**- 18 349**	**-4 893**
Residual value according to plan at the end of the year	**101 015**	**11 314**

Note 17 – Other assets

Group

TSEK	2020-12-31	2019-12-31
Tax assets	4 484	417
Trade receivables	1 980	36 536
Derivatives	315	767
Other assets	14 191	588
Total	**20 969**	**38 308**

Note 18 – Prepaid expenses and accrued income

Group

TSEK	2020-12-31	2019-12-31
Marketing expenses	4 964	12 985
Interest expenses	337	500
Rental expenses	3 827	803
Insurance provisions	643	34
Other prepaid expenses and accrued income	17 122	18 620
Total	**26 893**	**32 942**

Note 19 – Other liabilities

Group

TSEK	2020-12-31	2019-12-31
Lease liabilities	94 396	4 900
Tax liabilities	23 024	29 541
Accounts payable	7 947	5 419
Other liabilities	6 150	7 214
Total	**131 517**	**47 075**

Note 20 – Accrued expenses and prepaid income

Group

TSEK	2020-12-31	2019-12-31
Staff costs	10 878	5 035
Interest expenses	-	2 669
Other accrued expenses and prepaid income	1 140	3 624
Total	**12 018**	**11 328**

Note 21 – Financial assets and liabilities

Classification of financial assets and liabilities into valuation categories

Group 2020–12–31 TSEK	Amortized cost	Financial instruments at fair value through profit or loss Compulsory	 Upon initial recognition measured at fair value through profit or loss	Fair value through other comprehensive income	Non-financial assets and liabilities	Total carrying amount	Fair value
Assets							
Cash and balances with central banks	933	-	-	-	-	**933**	**933**
Lending to credit institutions	546 792	-	-	-	-	**546 792**	**546 792**
Lending to the public	1 378 537	-	-	-	-	**1 378 537**	**1 378 537**
Bonds and other interest-bearing securities	130 536	-	-	-	-	**130 536**	**130 216**
Intangible assets	-	-	-	-	19 204	**19 204**	**19 204**
Tangible assets	-	-	-	-	101 015	**101 015**	**101 015**
Other assets	-	315	-	-	20 655	**20 969**	**20 969**
Prepaid expenses and accrued income	-	-	-	-	26 893	**26 893**	**26 893**
Total assets	**2 056 798**	**315**	**-**	**-**	**167 767**	**2 224 880**	**2 224 560**
Liabilities							
Liabilities to credit institutions	9 572	-	-	-	-	9 572	9 572
Deposits from the public	1 539 179	-	-	-	-	1 539 179	1 539 179
Other liabilities	-	-	-	-	131 517	131 517	131 517
Accrued expenses and prepaid income	-	-	-	-	12 018	12 018	12 018
Total liabilities	**1 548 751**	**-**	**-**	**-**	**143 535**	**1 692 285**	**1 692 285**

Group 2019–12–31 TSEK	Amortized cost	Financial instruments at fair value through profit or loss Compulsory	 Upon initial recognition measured at fair value through profit or loss	Fair value through other comprehensive income	Non-financial assets and liabilities	Total carrying amount	Fair value
Assets							
Lending to credit institutions	152 571	-	-	-	-	**152 571**	**152 571**
Lending to the public	1 218 689	-	-	-	-	**1 218 689**	**1 218 689**
Bonds and other interest-bearing securities	-	-	13 131	-	-	**13 131**	**13 131**
Intangible assets	-	-	-	-	12 684	**12 684**	**12 684**
Tangible assets	-	-	-	-	11 314	**11 314**	**11 314**
Other assets	-	767	-	-	37 541	**38 308**	**38 308**
Prepaid expenses and accrued income	-	-	-	-	32 942	**32 942**	**32 942**
Total assets	**1 371 260**	**767**	**13 131**	**-**	**94 481**	**1 479 640**	**1 479 640**
Liabilities							
Liabilities to credit institutions	540 618	-	-	-	-	540 618	540 618
Issued debt securities	494 444	-	-	-	-	494 444	516 694
Other liabilities	-	-	-	-	47 075	47 075	47 075
Accrued expenses and prepaid income	-	-	-	-	11 328	11 328	11 328
Total liabilities	**1 035 063**	**-**	**-**	**-**	**58 402**	**1 093 465**	**1 115 715**

Parent company 2020–12–31 TSEK	Amortized cost	Financial instruments at fair value through profit or loss Compulsory	Upon initial recognition measured at fair value through profit or loss	Fair value through other comprehensive income	Non-financial assets and liabilities	Total carrying amount	Fair value
Assets							
Lending to credit institutions	114 767	-	-	-	-	114 767	114 767
Shares and participations in group companies	-	-	-	-	50 100	50 100	50 100
Other assets	-	-	-	-	-	-	-
Total assets	**114 767**	**-**	**-**	**-**	**50 806**	**165 573**	**165 573**
Liabilities							
Other liabilities	-	-	-	-	39 488	39 488	39 488
Total liabilities	**-**	**-**	**-**	**-**	**39 488**	**39 488**	**39 488**

Parent company 2019–12–31 TSEK	Amortized cost	Financial instruments at fair value through profit or loss Compulsory	Upon initial recognition measured at fair value through profit or loss	Fair value through other comprehensive income	Non-financial assets and liabilities	Total carrying amount	Fair value
Assets							
Lending to credit institutions	30 461	-	-	-	-	30 461	30 461
Shares and participations in group companies	-	-	-	-	50 100	50 100	50 100
Other assets	450 000	-	-	-	5	450 005	450 005
Total assets	**480 461**	**-**	**-**	**-**	**50 105**	**530 566**	**530 566**
Liabilities							
Issued debt securities	494 444	-	-	-	-	494 444	516 694
Accrued expenses and prepaid income	-	-	-	-	2 534	2 534	2 534
Total liabilities	**494 444**	**-**	**-**	**-**	**2 534**	**496 978**	**519 228**

Financial assets and liabilities at fair value

For financial instruments measured at fair value in the balance sheet, disclosures are required on fair value measurement by level according to the fair value hierarchy below:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Other observable inputs for assets or liabilities are quoted market prices included in Level 1, either directly, i.e. in the form of quoted prices, or indirectly, i.e. derived from quoted prices (Level 2).
- Data for assets or liabilities which are not based on observable market data (non–observable inputs) (Level 3).

The Group also provides information regarding the fair value of certain assets for information purposes.

Group 2020–12–31 TSEK	Level 1	Level 2	Level 3	Total
Assets				
Bonds and other interest-bearing securities	130 536	-	-	130 536
Other assets	315	-	-	315
Total assets	**130 851**	**-**	**-**	**130 851**

Group 2019–12–31 TSEK	Level 1	Level 2	Level 3	Total
Assets				
Bonds and other interest-bearing securities	13 131	-	-	13 131
Other assets	767	-	-	767
Total assets	**13 899**	**-**	**-**	**13 899**
Liabilities				
Issued debt securities	516 694	-	-	516 694
Total liabilities	**516 694**	**-**	**-**	**516 694**

Parent 2020–12–31 TSEK	Level 1	Level 2	Level 3	Total
Liabilities				
Issued debt securities	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**

Parent company 2019–12–31 TSEK	Level 1	Level 2	Level 3	Total
Liabilities				
Issued debt securities	516 694	-	-	516 694
Total liabilities	**516 694**	**-**	**-**	**516 694**

Note 22 – Issued debt securities

Group and Parent

TSEK	2020-12-31	2019-12-31
Issued bond (ISIN SE0011614973)	-	494 444
Total	**-**	**494 444**

On 11th September 2020, The Group redeemed in full all of its outstanding senior unsecured floating rate bonds maturing on 3 September 2021.

Note 23 – Deposits from the public

Group

TSEK	2020-12-31	2019-12-31
Deposits from the public - household sector	1 539 179	-
Total	**1 539 179**	**-**

All deposits are in Swedish currency. Of the deposits from the household sector, no amounts refer to deposits from individual companies.

Note 24 – Pledged assets, contingent liabilities and commitments

Group

TSEK	2020-12-31	2019-12-31
Relating to current liabilities to credit institutions		
Chattel mortgage	-	90 000
Other pledged assets	1 037	35 777
Total pledged assets	**1 037**	**125 777**

Note 25 – Proposed appropriation of profit or loss

Parent company

SEK	2020
The Board proposes the profits be distributed as follows:	
Retained earnings	144 165 029
Profit for the year	-18 580 866
Total	**125 584 163**
Dividend, 118 676 x 64 SEK	7 595 264
Carried forward	117 988 899
Sum	**125 584 163**

Note 26 – COVID-19 disclosure

On 12 March 2020, the World Health Organization declared the outbreak of Covid-19 a global pandemic. In response to the pandemic, the Swedish authorities implemented numerous measures attempting to contain the spreading and impact of Covid-19, such as economic support to businesses, recommendation for restrictions relating to travel, quarantines, shelter-in-place recommendations and limitations on business activity, including closures. The above measures were gradually changed during 2020 and 2021. These measures and pandemic situation have, among other things, restricted economic activity in Sweden and have negatively impacted, and could continue to negatively impact businesses, market participants, clients of the Group, as well as for Sweden and the global economy for an unknown period of time.

Management is taking necessary measures to ensure sustainability of the Group's operations and support its customers and employees by ensuring uninterrupted operations by ensuring that critical functions remain present in the HQ. Furthermore, a plan for increased rate of remote work has successfully been implemented. Since the start of the pandemic, management has had a close dialogue with the respective country managers to be informed of the situation locally in the countries where the Group conducts operations. Also, contact tracing in case of confirmed or suspected infection has been a high priority.

No significant disruptions occurred in the Group's operations during the year. Regarding approved government support measures, nothing of the sort has been requested nor obtained during the year.

In March 2020, the International Accounting Standards Board (the IASB) emphasised in its educational materials that an appropriate judgment has to be applied when determining the effects of Covid-19 on expected credit losses under IFRS 9, given the significant uncertainty that exists, in particular when assessing future macroeconomic conditions. Deteriorating economic forecasts have caused and are likely to continue to cause an increase in expected credit losses and hence greater volatility of profit or loss.

During the second quarter of 2020, management chose to be more restrictive with new lending within the lending. When repayment ability is generally deemed to be worse, it is natural to be more selective in new lending. In conjunction with this, the Group made an extra credit loss provisioning of 15 MSEK and adjusted the credit portfolio targets for the year. The extra credit loss provision was intact for the duration of 2020. As the credit quality of the loan portfolio has remained stable, new lending has gradually increased from the third quarter.

Uncertainty about the humanitarian and economic consequences of the pandemic remains high. It can therefore not be ruled out that the Group's operations, new lending and credit losses may be further negatively affected by Covid-19 in the future.

Note 27 – Significant events after the end of the financial year

There have not been any significant events after the balance sheet date.

Signatures of the Board of Directors

The income statement and balance sheet will be submitted to the Annual General Meeting for adoption.

Stockholm on ______________

Margareta Lindahl Gelin,
Chairperson of the Board

Per Granath,
Board Member

George Kurt,
Board Member

Erik Fagerland,
Board Member

Björn Hazelius,
Board Member

Karl Källberg,
Board Member

Hikmet Ego,
Chief Executive Officer

Stockholm on the day stated in my electronic signature.
Öhrlings PricewaterhouseCoopers AB

Daniel Algotsson, Authorized Public Accountant
Auditor in charge

Reita Seseri, Authorized Public Accountant

Definitions

Return on equity %
Profit for the period divided by average equity for the period.

Equity ratio %
Equity at the end of the period divided by total assets at the end of the period.

C/I ratio before net credit losses
Operating expenses, before net credit losses, divided by total operating income.

Interest coverage ratio
EBITDA less net credit losses divided by interest expenses.

Average number of employees (FTE)
Average number of employees during the period.

Auditor's report

Unofficial translation

To the general meeting of the shareholders of Northmill Group AB, company number 556786-5257

Report on the consolidated accounts

Opinions

We have audited the consolidated accounts of Northmill Group AB for the year 2020. The annual consolidated accounts of the company are included on pages 12-57 in this document.

In our opinion, the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other Information than the consolidated accounts

This document also contains other information than the consolidated accounts. The Board of Directors and the Managing Director are responsible for the other information.

Our opinion on the consolidated accounts does not cover the other information, pages 3 to 14 and 64 to 68, and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of the consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibility

Our objectives are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated accounts.

A further description of our responsibility for the audit of the consolidated accounts is available on Revisorsinspektionen’s website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Northmill Group AB (publ) for the year 2020 and the proposed appropriations of the company’s profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor’s Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company’s profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company’s profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen’s websitewww.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor’s report.

Stockholm the day stated on my electronic signature.

Öhrlings PricewaterhouseCoopers AB

Daniel Algotsson
Authorized Public Accountant
Auditor in charge

Reita Seseri
Authorized Public Accountant

Board of Directors

Margareta Lindahl Gelin,
Chairperson of the Board

Margareta has been the Chairperson of the Board since 2018. She has extensive experience in finance with an emphasis on risk management. Prior positions include Head of Corporate Banking at Landshypotek Bank, Head of Risk Management at Transcendent Group and Risk Analyst at the Swedish Financial Supervisory Authority. Margareta has a diploma in Agricultural Economics from the Swedish University of Agricultural Sciences.

Shareholding: Margareta holds shares corresponding to less than 0.2 % of the capital and votes in the Group. She is considered to be independent in relation to the Group and the Management Team as well as in relation to the Group's shareholders.

Per Granath,
Board member

Per joined Northmill's Board of Directors in 2017. He has extensive business leader¬ship experience, including as CEO at Humana from 2006 to 2016. He also has ten years of experience from the capital market in positions including Vice President for Handelsbanken's Corporate Finance Department. Per has board experience from several listed companies. He holds an MSc in Chemical Engineering from the Royal Institute of Technology and has studied both economics and law at the School of Business, Economy and Law at the University of Gothenburg and at Stockholm University. In addition, he has an executive education from Harvard Business School.

Shareholding: Per holds shares corresponding to less than 3.9 % of the capital and votes in the Group. He is not considered to be dependent in relation to the Group and the Management Team or in relation to the Group's shareholders.

George Kurt,
Board member

George co-founded Northmill in 2006 and was appointed Chief Strategy Officer in 2018. Before this, George was a serial entrepreneur in a wide range of industries.

Shareholding: George holds shares corresponding to less than 15.9 % of the capital and votes in the Group. He is not considered to be independent in relation to the Group and the Management Team as well as in relation to the Group's shareholders.

Erik Fagerland,
Board member

Erik joined Northmill's Board of Directors in 2017. He has over 30 years of experience in the financial industry with a specialization in compliance and control at companies including Bluestep Finans and Hoist Kredit. Erik holds an MSc in Civil Engineering from Chalmers University of Technology and an MSc in Accounting and Finance from Gothenburg University.

Shareholding: Erik owns shares corresponding to less than 0.2 % of the capital and votes in the Group. He is considered independent in relation to the Group and the Management Team as well as in relation to the Group's shareholders.

Björn Hazelius,
Board member

Björn joined Northmill's Board of Directors in 2017. He has held several managerial positions within the banking industry, including CEO of Nordic Finance and GE Capital's financing company in the Benelux countries. Björn has a BA from Uppsala University.

Shareholding: Björn holds shares corresponding to less than 0.2 % of the capital and votes in the Group. He is considered independent in relation to the Group and the Management as well as in relation to the Group's shareholders.

Karl Källberg,
Board member

Karl joined Northmill's Board of Directors in 2018. He has over 20 years of experience from the financial industry from roles including Head of Model and Product Development at UC and Risk Manager at SEB. Karl holds a BSc in Statistics & Economics from Stockholm University.

Shareholding: Karl holds no shares in the Group. He is considered independent in relation to the Group and the Management Team as well as in relation to the Group's shareholders.

Management team

Hikmet Ego,
Co-founder & Chief Executive Officer

- Co-founder & CEO
- Became CEO in 2009
- Previously worked as an IT consultant at IFS and Ascade
- MSc from the Royal Institute of Technology

Tobias Ritzén,
Chief Financial Officer

- Joined Northmill as CFO in 2018
- Experience within M&A and Corporate Finance at EY Corporate Finance
- MSc in Finance from Linköping University

Sargon Kurt,
Co-founder & Chief Operating Officer

- Co-founder of Northmill in 2006

George Kurt,
Co-founder & Chief Strategy Officer

- Co-founder of Northmill in 2006

Daniel Roxö,
Chief Risk Officer

- CRO at Northmill since 2019
- Previously CRO at Qliro AB
- MSc in Business/Economics at the University of Gothenburg

Simon Nilsson,
Chief Commercial Officer

- CCO at Northmill since 2020
- Previously Chief Customer Officer at Northmill since 2017
- 11 years working in various financial
- institutions and banks in roles like Head of Sales and Sales Leader

Niclas Carlsson,
Group Legal Counsel

- Became Group Legal Counsel in 2018
- Previously partner at Time Advokatbyrå
- Master of Laws from Lund University

Tobias Palmborg,
Chief Technical Officer

- CTO at Northmill since 2020
- Previously CTO at NetEnt
- Previously Engineering Manager at Klarna

Corporate culture and work environment

Our vivid culture relies on solid core values that are summarized in the word CRAFT. We always keep our values in mind as we collectively aim to perfect our craft.

C R A F T

Curious.

We're curious about everything around us and the endless possibilities of new technology. We always question the status quo and established truths in our pursuit for knowledge to help make it easier and safer for customers to manage their personal finances.

Relentless.

We are truly tireless. We're driven by our curiosity, inspired by new technology and constantly hunting for the next big idea to continue to create top-of-the-line products for customers. Every day, we do our best to create safe and personalized products for everyone. And we won't stop until we reach our goals.

Active.

By active, we mean that we never stop moving. We get energy from the ever-changing digital landscape. Northmill was built on innovation and a strong belief in lifelong learning. We will always maintain the heart of Northmill, no matter what challenges we face or how big and successful we become.

Focused.

By always being focused, we remind ourselves of why we exist and where we come from. And our focus will always be simplifying people's personal finances. We're not a trading platform for the initiated and we don't offer services for companies. We are Northmill and we are fully dedicated to creating the absolute best products based on customer needs.

Thorough.

Our thoroughness is manifest in everything we do. We never compromise on compliance, quality or security. Thoroughness always comes first and permeates all aspects of Northmill.

Sustainability report

This report constitutes Northmill Group AB's (publ) (Northmill) statutory sustainability report for the financial year 2020. The Sustainability Report includes the entire Group and its scope is described below. The report presents how Northmill addresses sustainability, including financial, environmental and social dimensions. The Sustainability Report has been prepared in accordance with Chapter 6 of Section 11 of the Annual Accounts Act and GRI Standards: Core option, as well as GRI's special guidelines for the industry (Financial Services Sector Supplement). Northmill's operations are not deemed to have any material adverse environmental impact or risk of human rights violations, either directly or indirectly.

As a bank and employer, for Northmill, sustainability means conducting responsible borrowing and lending operations. Good risk management is central to the Company's operations and value creation. Northmill's stakeholders – customers, employees, owners, investors, suppliers and business partners, decision-makers, regulators and stakeholder organizations – influence and are influenced by the way the Company does business. This means being a responsible lender and an attractive employer, acting responsibly towards investors, owners and authorities, and complying with laws, requirements and regulations.

About Northmill

Northmill Bank AB was founded in 2006 and is a Swedish tech bank with the vision to improve personal finance management for everyone. Northmill develops customer-centric and accessible products that help people save time and money.
Northmill has helped 200,000 customers and has today 145 employees, of which more than 50 % work in IT, across four countries.
The Company currently has offices in Sweden, Poland, Finland and Norway but aims to expand in more markets in Europe.
Since September 2019, Northmill Bank AB conducts its banking operations under the Banking and Financing Business Act (2004:297) operations.

This year's changes in the Group's corporate structure

During the fourth quarter, Northmill registered a branch in Finland; Northmill Bank AB, branch in Finland. Today's operations in Northmill Oy will thus be transferred to the branch in 2021. The change will not affect the employment of workers in Finland. As a result, Northmill Oy will be merged with Northmill Bank AB in 2021. The merger is being carried out for organizational reasons to simplify the company structure and due to the fact that Northmill has established a Finnish branch.
Furthermore, during the fourth quarter, Northmill also expanded its market to Norway, through the establishment of another bank branch; Northmill Bank AB, branch in Norway. At the end of 2020, no operations have yet started.
This Group's corporate structure is as follows:

Parent company	Institute	Subsidiary/branch	Country	Org.no	Ownership
Northmill Group AB (publ)			Sweden	556786-5257	
	Northmill Bank AB		Sweden	556709-4866	100 %
		Northmill Oy	Finland	2680454-1	100 %
		Northmill Bank AB branch Finland	Finland	3166457-1	100 %
		Northmill Bank AB branch Norway	Norway	925 154 407	100 %
		Northmill Bank AB branch Poland	Poland	2050004840	100 %

Northmill Group AB (publ) is the Parent Company in the Group and holds 100 % of the shares in Northmill Bank AB. Northmill Bank AB in turn owns 100 % of the shares in the subsidiary Northmill OY and has a Polish, Norwegian and Finnish branch.

Northmill Group AB (publ) manages shares in subsidiaries and does not conduct any business activities of its own. Banking operations are conducted in Northmill Bank AB and lending is carried out in Northmill OY. Lending in the Norwegian branch is expected to start in 2021. In the Polish branch, only in-house IT services are provided.

More information about Northmill's strategy together with a statement from the CEO can be found in Northmill's annual report 2020, which was published on the website in connection with this report.

Focus areas
In the area of sustainability, Northmill works in a structured manner in five focus areas. These areas have been selected by the Board of Directors based on what is most relevant to the Company's business operations and risks entailed. The most significant risks in each area are presented below.

Focus area	**Identified risk**	**Risk management**
Responsible lending	Northmill contributes to over-indebtedness in society	Analysis of the customer's future repayment capacity and current loan situation. Credit is granted only if a customer can be expected on good grounds to fulfill their obligations. Northmill also invests extensively in Reduce, a program that offers customers better loan terms on their existing loans with other lenders.
Ethics & integrity	Conflict of interest between employees and the Company's interests	Training of staff regarding the Ethics policy
Environmental impact	No significant risk identified	Constant improvements to reduce the Company's environmental impact.
Employee well-being	Shortcomings in diversity and gender equality	Guidelines for diversity and gender equality.
Financial crime	Northmill's business can be used for criminal purposes	Internal systems to monitor customer activity on a daily basis as well as internal policies on how to handle such cases. Customers are regularly examined for changes in financial penalties and whether they are regarded as politically exposed persons.

Responsible lending
Responsible lending is at the heart of Northmill's business and a cornerstone of the Company's sustainability efforts. Loans are only offered to creditworthy individuals to ensure that customers are only granted loans they can afford.

In 2020, Northmill handled approximately 1.3 million loan applications. This means that a large number of applications are rejected due to the Company's robust and stringent credit assessments that are based on a proven credit granting process. Credit checks are carried out in accordance with robust credit granting practices in accordance with Northmill's credit policy and are always based on the customer's financial situation.

In order to get a loan, private individuals must have a margin in their personal finances, which Northmill ensures by relying on its left-to-live-on calculation. In addition, customer indebtedness is considered. Northmill's extensive experience in the industry and practice of only operating in strictly regulated markets in a variety of types of economic cycles has provided valuable knowledge and data that is used to develop models and credit assessment processes. This protects customers from financially difficult situations due to over-indebtedness while protecting Northmill from credit losses. Despite these measures, some customers may find it difficult to repay their loans, which is not desirable for either the customer, society or Northmill. This is why Northmill has specially-trained back-office staff who work with the customer try to find solutions that benefit both parties.

On average, Northmill has had organic growth of 27 % over the past five years. Northmill was found in place 666 among the fastest growing companies in Europe and placed three among fintech companies in Sweden, on the Financial Times list FT 1000. To maintain steady profitability and mitigate risks that may arise, Northmill adheres to the Capital Requirements Regulation (CRR). This regulation sets requirements on the minimum amount of capital a bank must have to conduct operations. It is essential that Northmill has sufficient capital for continued growth and to meet customers' borrowing needs.

Northmill's ambition is to help increase employment and finance growth in the business community by extending credit to private individuals. The Company uses technology to create banking products that help people improve their personal finances and save money – a concept that permeates all of Northmill's operations. There is a definite need for these types of products and services and one clear example of the way Northmill is addressing these needs is Reduce, a product that lowers interest rates on people's existing credit, installments and credit card bills. This clear focus on helping people improve their personal finances and save money when they use Northmill's products and services also generates opportunities to create long-term commitment and helps customers improve their credit rating. Northmill's experienced back-office staff help customers by providing sound lending based on robust and proven credit models. This is carried out by considering a number of different factors, including each customer's individual life situation and financial position.

Ethics and integrity
Northmill's success and ability to achieve its set goals is based on the outside world and Northmill's customers having the highest level of confidence in Northmill's operations. To achieve this, everyone working at Northmill must act in a way that is honorable and honest. Northmill shall conduct its business in such a way that public confidence in the Company and the financial market is maintained and so that its business can be considered sound. Northmill's operations shall be conducted in an honest and fair manner, with the requisite skill, care and urgency. Northmill shall avoid conflicts of interest and, if such occur, ensure that customers are treated fairly and objectively. Northmill strives for great openness and transparency in terms of information about its operations in the market. This refers to Northmill's actions in the market and the openness of its relationships with customers. As part of its corporate culture, Northmill shall:

- be neutral in matters of politics and religion;
- not support political parties in the form of donations, etc.;
- have a high degree of transparency in its actions;
- have a high degree of openness to different opinions, and
- encourage staff to report incidents and ambiguities in the Company's actions.

Northmill's daily operations shall be characterized by the following basic values and principles:

- Northmill shall comply with laws and regulations, general advice and guidelines of the authorities as well as internal guidelines and instructions.
- Northmill shall treat all people correctly and fairly, regardless of age, gender, sexual orientation, religion or ethnic background and shall not favor one customer over another. Northmill works to promote gender equality and combat discrimination in all forms.
- Northmill and its employees shall always be aware of and try to avoid conflicts of interest in its operations so that the interests of counterparties are treated fairly and with due care.
- Northmill shall have a high level of integrity and an honest approach.

Environmental impact
Northmill's direct environmental impact is small, but the Company acknowledges that it has an indirect environmental impact linked to the way customers use its products. It is important that Northmill's products are used in an environmentally smart way, which is why the Company has put great focus on developing smart digital solutions such as customer service via chat. Northmill is also constantly exploring new ways that its banking products and services can be a positive driver in reducing customers' environmental impact.

Northmill's direct environmental impact is primarily from paper and energy consumption. To reduce this, employees are encouraged to print documents on double-sided pages and only when needed. Customers can also opt to receive e-bills.

Northmill also strives to lower its direct environmental impact by reducing business trips. Employees are encouraged to communicate with colleagues and business partners in other countries by phone or video conferencing. For local travel, public transport is recommended.

Employees
Northmill works to create a sustainable and safe work environment. The Company believes that happy, healthy employees are the key to a well-functioning and successful business. Employees are encouraged to be physically active and are offered annual wellness grants.

Northmill works constantly to promote a safe, secure corporate culture where employees dare to share their opinions and feel they are listened to. The Company tries to assess the work environment regularly through monthly employee interviews and surveys (eNPS) that are sent out each quarter. The term eNPS stands for Employee Net Promoter Score, which is sometimes called NMI in Swedish (translation: Satisfied Employee Index). The eNPS shows to what extent employees would recommend their employer to friends and acquaintances. This helps Northmill constantly improve so as to both retain and attract talents.

During 2020, the eNPS value increased from -10 to +20, which is a development that is very pleasing, especially with the tough challenges the company is facing in adjusting with regard to the current pandemic. The development can be explained by the fact that the Company worked to review the parts that the employee surveys showed have potential for improvement. An example of this is clarification and communication of vision and goals.

Key figures	2020	2019
Employee well-being		
eNPS value, total	+20	-10
Gender distribution, total (men/women), %	73/27	75/25
Employee turnover (%), total	25	29

Having a high level of commitment among employees is one of Northmill's biggest priorities. Northmill constantly tries to involve employees in the Company's business development and changes, starting with the Company's quarterly onboarding program. Alongside this, Northmill holds breakfast seminars where quarterly results and important events are presented. This provides a clearer picture of the Company's goals and how employees can help achieve them.

When recruiting, Northmill focuses on an individual's work experience, skills and personality. Gender and ethnicity are not considered. The Company prides itself on having a multicultural workplace with both women and men from different age brackets. This promotes an open work environment that embraces diversity and contributes to greater innovation capacity.

Northmill considers its corporate culture to be one of its greatest strengths and this culture is supported by values expressed by the word CRAFT, which stands for Curious, Relentless, Active, Focused and Thorough. Northmill believes in and constantly strives to combine unpretentiousness and friendliness with a very computer-driven, ambitious and results-oriented culture. Thanks to this, Northmill has succeeded in attracting highly skilled employees. Northmill believes that the Company should be a place where people can stay and grow and where people's personal goals are not at odds with the Company's journey. Today, Northmill employs people from more than 20 countries who speak at least as many languages. This is an important factor that characterizes Northmill's culture thanks to the employee's wide range of perspectives, backgrounds and experience. The ability to question and challenge the status quo is an incredible strength in a Company that is as product-oriented as Northmill.

For Northmill, it is essential that employees have the possibility to explore their abilities and skills and increase their knowledge. Northmill works actively to create a stimulating work environment with a strong focus on skills development through external/internal courses, workshops and internal rotations. Internal mobility is encouraged at Northmill. The Company believes that work rotations boost knowledge and experience from different parts of the organization and contribute to personal development. They also help employees gain a deeper understanding of the Company, its customers and their needs.

Measures to combat financial crimes
Northmill's employees working within Risk, Compliance and Anti-Money Laundering strive to combat financial crimes such as money laundering and financing of terrorist activities. The Company has systems that monitor customer activity on a daily basis as well as internal policies for handling such cases. Customers are regularly examined for changes in financial penalties and whether they are regarded as politically exposed persons. Customer transactions that are considered suspicious or deviant are reported to the Financial Intelligence Unit of Sweden.

All new customer relationships start with a due diligence check to ensure that all information provided by the customer is correct. Checks are also carried out against EU sanctions lists and PEP registers. A customer will be denied a business relationship with Northmill if they are included in the sanctions list and further information about the customer's financial position within the framework of the business relationship is obtained if they are included in the Politically Exposed Persons List (PEP). Checks against the PEP and sanctions lists are aimed at preventing corruption and financing of terrorist activities. In addition, the Company has policies and instructions outlining measures for handling money laundering and financing of terrorist activities.

Governance and policy framework for sustainability initiatives
Northmill has governing documents that support and guide employees in their daily operations. Northmill's Ethics Policy provides a framework to guide employees to act ethically, properly and responsibly in establishing long-term relationships with customers, partners and other stakeholders. It also serves as a guide for how to act internally to create a good corporate culture and an attractive workplace. To support the Company's day-to-day operations and business, the following steering documents, which have been adopted by the Board, are also important pillars:

- Policy for Management of Conflicts of Interest
- Policy for Management of Complaints
- Policy for Measures Against Money Laundering and Terrorist Financing
- Policy for Remuneration
- Policy for Remuneration for Insurance Distribution
- Policy for Assessment of Suitability of Board Members & Key Function holders
- Policy for Equality and Diversity
- Policy for Work Environment & Health
- Policy for Whistleblowing
- Credit Policy
- Ethics Policy
- Information Security Policy
- Data Privacy Policy

This is an unofficial translation of the Swedish original report.

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Northmill Group AB (publ), corporate identity number 556786-5257.

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2020 on pages 63–67 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm the day stated on my electronic signature.

Daniel Algotsson
Authorized Public Accountant
Auditor in charge

Reita Seseri
Authorized Public Accountant

northmill®