



northmill

INTERIM REPORT

Q1 Q2 Q3 Q4

JANUARY - SEPTEMBER 2019

Interim Report

All amounts in the report are in SEK million unless stated otherwise.

January - September 2019

Q3 2019 (Compared with Q3 2018)

- Net interest income increased by 2.9% to SEK 76.0 million (73.9)
- Operating income increased by 1.7% to SEK 84.4 million (83.0)
- Profit before tax (EBT) decreased by 4.3% to SEK 26.9 million (28.1)

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

- Net interest income increased by 3.0% to SEK 229.4 million (222.9)
- Operating income increased by 1.8% to SEK 261.2 million (256.7)
- Profit before tax decreased by 15.6% to SEK 98.7 million (117.0)
- Cost/income ratio increased to 0.32 (0.22)
- The return on equity was 28.5%

NET INTEREST INCOME

SEK 229.4 MILLION +3.0%

OPERATING INCOME

SEK 261.2 MILLION 1.8%

PROFIT BEFORE TAX (EBT)

SEK 98.7 MILLION -15.6%

COST/INCOME RATIO

0.32

RET. ON EQUITY

28.5%

MONTHLY ACTIVE USERS

~76 000

Comments from the CEO

You are reading the Group's first quarterly report as a bank and we are truly proud of all Northmillians who made this possible. Receiving a license to conduct banking operations from the Swedish Financial Supervisory Authority is a natural step for us and has been part of our long-term business strategy. We acknowledge that it is a great responsibility and we are committed to innovate services that will help people simplify their financial lives.

With a Swedish banking license, we will accelerate our strategic investments in our organization, in our modern technology infrastructure, and increase our regulatory and product development capacity. This will enable us to add more products to our offerings, such as savings accounts, payment cards, and payments transfer. The Swedish banking license also allows for different funding alternatives that will lower funding costs and enable us to develop even more competitive products for our customers.

The Group's operating income amounted to SEK 84.4 million during the quarter which is an increase of 1.7 percent compared to the same quarter last year. Growth is mainly driven by the Swedish market which made up approximately two-thirds of the operating income. In Finland, new regulations came into effect during the quarter and we have successfully adjusted our product offering to comply with the new environment. The new products have been very well received by the market and we foresee an opportunity of strong growth with these products.

Earnings before tax (EBT) in the third quarter amounted to SEK 26.9 million which is a decrease of 4.3 percent compared to the same quarter last year. We continue to hire at a rapid pace which is affecting profitability in the short term.

The total loan portfolio continues to grow and increased by 26.7 percent compared to the same quarter last year. We are strengthening our presence in the prime segment where we recognize that our offering with Rebilla is highly competitive and very appreciated by the customers. The portfolio is still in its early days but it continues to grow and we are comfortable that it will live up to its full potential.

Under the new prerequisites of operating under the banking and financing business act and adherent regulations, handling the balance between strong innovation and regulatory aspects becomes increasingly important. We are used to operating in a regulated environment and stand well equipped, and we keep making considerable investments in strengthening our capacity across the organization with an emphasis on risk, finance, compliance and IT. We can see the benefits of our long-term focus and commitment to building a tech- and product-oriented organization that enables us to continue the roll-out of Rebilla products at a rapid pace. During the quarter we launched our first insurance product tailored for Rebilla Reduce customers, Reassure. It became the third Rebilla product or feature following Rebilla Reduce and Rebilla Reward that we introduced to the market during 2019.

We have seen that our insurance products are very much appreciated and we are happy to be able to continue to bring stability and safety to our Rebilla customers. The Group's insurance business experienced strong growth during the quarter and the number of monthly paying customers exceeded 22 000, closing in on the ambitious target of having 25 000 monthly insurance customers by the end of the fiscal year.

We will continue to focus full-hearted on building a next-generation technology bank, constantly adding innovative financial products and features. With risk and compliance integrated into all processes, scalable infrastructure and a challenger culture, Rebillia will lead the way in helping everyone save time and money. The banking license will provide us with the tools to take the company to next step and drive true positive change for customers all across Europe.

A handwritten signature in black ink that reads "Hikmet Ego". The script is fluid and cursive, with the first letters of "Hikmet" and "Ego" being capitalized and prominent.

Hikmet Ego, CEO and Co-founder

The Group's Development

January - September 2019 (Compared to January - September 2018)

Operating income

Year to date, the Group's operating income increased by 1.8 percent to SEK 261.2 million (256.7). The Swedish operating income increased by 20.9 percent to SEK 207.9 million (172.0) and the Finnish operating income decreased by 23.2 percent totalling SEK 67.7 million (88.1). The decrease was mainly due to lower lending volumes in Finland.

Interest income

Interest income increased with 0.3 percent to SEK 284.6 million (283.8). The low growth rate is attributed to the ongoing transformation of the Group's product portfolio with multiple new launches, where the income generating portfolio is gradually built up.

Interest expenses

The Group's interest expenses decreased by 9.5 percent to SEK 55.1 million (61.0). The decrease is attributed to better funding terms.

Net fee and commission income

Net fee and commission amounted to SEK 32.8 million (32.8). Fees related to loan products in Finland have decreased and commission associated with the insurance products have increased explaining the low growth rate.

Operating expenses

Total operating expenses for the period increased by 29.3 percent to SEK 74.3 million (57.5). This was in line with expectations and within the long term growth plans of the organization. The cost/income ratio (C/I) increased to 0.32 (0.22).

Credit portfolio

The total credit portfolio amounted SEK 1 285 million, which is an increase of SEK 270 million, or +26.7 percent, since last year. SEK 1 029.0 million are on-balance loans and SEK 276.5 million are off-balance loans (loan receivables, not recognized on the balance-sheet, yielding interest income).

Net credit losses

Net loan losses increased by 5.8 percent to SEK 86.9 million (82.2). The credit loss ratio¹ for the rolling 12 months amounted to 6.6 percent (4.0) at the end of the period.

¹Net credit losses to total lending rolling 12 month

Profit before tax

Profit before tax decreased by 15.6 percent to SEK 98.7 million (117.0). This is mainly explained by increased costs in a higher pace than the growth of operating income.

Q3 2019 (Compared to Q3 2018)

Operating income

During the third quarter, the Group's operating income increased by 1.7 percent to SEK 84.4 million (83.0). The Swedish operating income increased by 20 percent to SEK 68.3 million (56.7) and the Finnish operating income decreased by 18 percent totalling SEK 22.3 million (27.2).

Interest income as along with fee and commission income in total increased by of 5.3 percent to SEK 114.8 million (109.0). Interest expenses increased by 2.3 percent to SEK 20.7 million (20.1) compared to same period last year.

Operating expenses

Total operating expenses for the period increased by 49.7 percent to SEK 26.8 million (17.9). This was in line with expectations and within the long term growth plans of the organization.

Net credit losses

Net credit losses decreased by 20.1 percent to SEK 30.8 million (37.0). As mentioned in the previous section, the comparability is distorted due to the implementation of IFRS 9 at the turn of 2018/2019, having previously provisioned for credit losses according to K3.

Profit before tax

Profit for the period decreased by 4.3 percent to SEK 26.9 million (28.1). This is mainly explained by increased operating expenses.

Cash position

As at 30 September, cash and cash equivalents amounted to SEK 86.0 million (334.1)

Funding

An additional SEK 45 million of unused credit facility was utilized during the third quarter.

Key ratios

Group

	Q3	Q3	Change	Jan-Sep	Jan-Sep	Change	Full year
Amounts in SEK million	2019	2018	(%)	2019	2018	(%)	2018
INCOME STATEMENT							
Total operating income	84.4	83.0	0.5%	261.2	256.7	19.9%	331.9
Profit before credit losses	57.6	65.0	-11.4%	186.9	199.2	-6.2%	246.8
Profit before tax (EBT)	26.9	28.1	-4.3%	98.7	117.0	-15.6%	137.6
Profit for the period	20.9	22.2	-5.9%	76.7	92.3	-16.9%	112.8
BALANCE SHEET							
Lending to the public	978.2	578.7	69.0%	978.2	578.7	69.0%	744.6
Cash and equivalents	86.0	334.1	-74.3%	86.0	334.1	-74.3%	200.7
Total assets	1 158.1	943.1	22.8%	1 158.1	943.1	22.8%	974.4
Total Equity	371.8	310.9	19.6%	371.8	310.9	19.6%	327.0
KEY RATIOS							
Return on equity (ROE) ¹ , %	28.5%	31.5%		28.5%	31.5%		40.7%
Equity ratio ²	32.1%	33.0%		32.1%	33.0%		33.6%
C/I ratio ³	0.32	0.22		0.28	0.22		0.26
Interest coverage ratio ⁴	4.26	4.14		4.26	4.14		4.18

1) Profit for the period in relation to average equity. Rolling 12 months.

2) Ratio of Equity to total assets.

3) Total expenses before credit losses divided by operating income.

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

Income statement

Group

Amounts in SEK million	Note	Q3 2019	Q3 2018	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Operating income	4					
Interest income	5	96.7	94.0	284.6	283.8	369.7
Interest expense	6	-20.7	-20.1	-55.1	-61.0	-78.9
Net interest income		76.0	73.9	229.4	222.9	290.8
Fee and commission income		18.0	15.1	54.6	47.9	65.0
Fee and commission expense		-8.5	-6.0	-21.9	-15.1	-25.1
Net fee and commission income	7	9.5	9.1	32.8	32.8	39.9
Net financial transactions		-1.2	0.0	-1.2	0.0	0.0
Other income		0.1	0.0	0.2	1.1	1.1
Total operating income		84.4	83.0	261.2	256.7	331.9
Operating expenses						
General administrative expenses		-20.9	-13.5	-58.0	-42.8	-62.4
Depreciation and amortization		-1.5	-0.9	-3.2	-2.6	-4.1
Other operating expenses		-4.4	-3.6	-13.2	-12.1	-18.6
Total operating expenses		-26.8	-17.9	-74.3	-57.5	-85.1
Profit before credit losses		57.6	65.0	186.9	199.2	246.8
Net credit losses	8	-30.8	-37.0	-86.9	-82.2	-109.2
Impairment and reversal of fin. assets		0.0	0.0	-1.2	0.0	0.0
Profit before tax (EBT)		26.9	28.1	98.7	117.0	137.6
Income taxes		-6.0	-5.9	-22.0	-24.7	-24.8
Profit for the period		20.9	22.2	76.7	92.3	112.8

Statement of Comprehensive income

Profit for the period	20.9	22.2	76.7	92.2	112.8
Gross exchange differences	0.7	0.8	0.7	3.2	0.5
Total Comprehensive income, net of tax	21.5	23.0	77.4	95.4	113.2

None of the comprehensive income is attributable to the parent company

Balance sheet

Group

Amounts in SEK million	Note	30 Sep 2019	30 Sep 2018	31 Dec 2018	1 Jan 2018
	2,10				
ASSETS					
Non-current assets					
Intangible assets		8.7	0.2	0.2	0.2
Tangible assets		13.0	8.3	13.7	9.2
Financial assets		3.0	1.2	1.2	1.2
Non-current assets in total		24.7	9.7	15.1	10.7
Current assets					
Lending to the public	9	978.2	578.7	744.6	370.5
Other receivables		42.1	12.4	12.8	22.6
Accruals and prepaid expenses		27.1	8.3	1.2	4.7
Cash and equivalents		86.0	334.1	200.7	104.7
Current assets in total		1 133.4	933.4	959.3	502.6
TOTAL ASSETS		1 158.1	943.1	974.4	513.2
EQUITY AND LIABILITIES					
Equity					
Share capital		0.5	0.5	0.5	0.5
Share premium reserve		57.3	57.3	57.3	57.3
Reserves		0.7	3.2	0.7	1.2
Retained profit, incl. profit for the year		313.3	249.9	268.5	167.4
Equity in total		371.8	310.9	327.0	226.5
Non-current liabilities					
Bonds	11	481.3	490.3	491.1	0.0
Liabilities to credit institutions		250.6	92.2	93.0	228.9
Other liabilities		0.0	0.0	10.1	12.4
Deferred tax liabilities		14.8	9.6	13.9	10.2
Current liabilities					
Payables		7.2	2.5	4.2	4.3
Current tax liabilities		11.7	21.0	16.5	15.0
Other current liabilities		12.1	9.3	5.0	3.2
Accrued expenses and deferred income		8.5	7.3	13.5	12.8
EQUITY AND LIABILITIES IN TOTAL		1 158.1	943.1	974.4	513.2

Cash flow Group

Amounts in SEK million	Jan-Sep 2019	Jan-Sep 2018	Full year 2018
Operating activities			
Profit before tax	98.7	117.0	137.6
<i>Adjustments for items not included in the cash flow</i>			
- Impairment allowance on loans	9.4	14.5	21.5
- Depreciation/amortization	0.3	0.1	0.7
- Other	1.2	0.2	0.1
	109.7	131.8	159.9
Paid income taxes	-26.9	-18.7	-23.3
Cash flow from operating activities before changes in working capital	82.8	113.1	136.6
Cash flow from changes in working capital			
Increase (+)/Decrease(-) in operating receivables	-317.2	-215.9	-382.0
Increase (+)/Decrease(-) in operating liabilities	5.1	-6.3	2.6
Cash flow from operating activities	-312.1	-222.1	-379.4
Investing activities			
Acquisition of intangible fixed assets	-8.5	0.0	0.0
Acquisition of tangible fixed assets	-9.3	-1.6	-2.8
Acquisition of financial assets	-1.8	0.0	0.0
Cash flow from investing activities	-19.7	-1.6	-2.8
Financing activities			
Change in liabilities to credit institutions	157.6	-141.8	-140.9
Issued bonds	-9.8	490.3	491.1
Paid dividend	-15.0	-10.0	-10.0
Cash flow from financing activities	132.8	338.5	340.2
Cash flow for the period	-116.2	227.9	94.5
Cash and cash equivalents at the beginning of the period	200.7	104.7	104.7
<i>Exchange differences in cash and cash equivalents</i>	1.5	1.5	1.5
Cash and cash equivalents at the end of the period	86.0	334.1	200.7
<i>Cash flow from operating activities includes interest expenses paid and interest</i>			
Interest expenses paid	-52.5	-57.8	-75.7
Interest payments received	284.6	283.8	358.0

Statement of changes in equity

Group

Amounts in SEK million	Share capital	Share premium	Reserves	Retained profit, incl. Profit for the period	Total
Opening balance as at 1 Jan 2018	0.5	57.3	1.2	167.4	226.5
Profit for the period				92.2	92.2
Exchange differences in foreign operations			-1.2	0.2	-1.0
Other comprehensive income for the period			3.2	0.0	3.2
<i>Transactions with shareholders</i>					
Dividend				-10.0	-10.0
Closing balance as at 30 Sep 2018	0.5	57.3	3.2	249.9	310.9

Amounts in SEK million	Share capital	Share premium	Reserves	Retained profit, incl. Profit for the period	Total
Opening balance as at 31 Dec 2018	0.5	57.3	0.7	268,5	327.0
Transition impact of implementation of IFRS 9				-18.9	-18.9
Opening balance as at 1 Jan 2019	0.5	57.3	0.7	249.7	308.1
Profit for the period				76.7	76.7
Gross exchange differences			-0.7	2.0	1.3
Other comprehensive income for the period			0.7	0.0	0.7
<i>Transactions with shareholders</i>					
Dividend				-15.0	-15.0
Closing balance as at 30 Sep 2019	0.5	57.3	0.7	313.3	371.8

Income statement

Parent

	Q3	Q3	Jan-Sep	Jan-Sep	Full year
Amounts in SEK million	2019	2018	2019	2018	2018
Operating income					
Interest income	9.8	3.5	30.0	4.7	15.0
Interest expense	-10.0	-2.9	-30.0	-2.9	-13.0
Net interest income	-0.2	0.6	0.0	1.8	2.0
Fee and commission income	0.0	0.0	0.0	0.0	0.0
Fee and commission expense	-0.1	-0.1	-0.1	-0.1	-0.1
Net fee and commission income	-0.1	-0.1	-0.1	-0.1	-0.1
Total operating income	-0.3	0.6	-0.1	1.8	1.8
Operating expenses					
General administrative expenses	-0.8	-0.3	-2.6	-0.3	-1.1
Total operating expenses	-0.8	-0.3	-2.6	-0.3	-1.1
Profit before credit losses	-1.1	0.3	-2.8	1.5	0.7
Impairment and reversal of fin. assets	0.0	0.0	-1.2	0.0	0.0
Profit before tax (EBT)	-1.1	0.3	-4.0	1.5	0.7
Income taxes	0.0	0.0	0.0	0.0	0.0
Profit for the period	-1.1	0.3	-4.0	1.5	0.7

Balance sheet

Parent

Amounts in SEK million	30 Sep 2019	30 Sep 2018	31 Dec 2018
ASSETS			
Non-current assets			
Financial assets	50.2	1.4	1.4
Non-current assets in total	50.2	1.4	1.4
Current assets			
Other receivables	449.8	502.9	500.0
Cash and equivalents	17.8	42.7	45.6
Current assets in total	467.7	545.6	545.6
TOTAL ASSETS	517.8	547.0	547.0
EQUITY AND LIABILITIES			
Equity			
Share capital	0.5	0.5	0.5
Share premium reserve	57.3	57.3	57.3
Retained profit, incl. profit for the year	-24.0	-4.3	-5.0
Equity in total	33.8	53.6	52.8
Non-current liabilities			
Bonds	481.3	490.3	491.1
Current liabilities			
Other current liabilities	0.0	0.0	0.0
Accrued expenses and deferred income	2.7	3.1	3.1
EQUITY AND LIABILITIES IN TOTAL	517.8	547.0	547.0

Cash flow

Parent

Amounts in SEK million	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Operating activities			
Profit before tax	-4.0	1.5	0.7
<i>Adjustments for items not included in the cash flow</i>			
- Depreciation/amortization	0.0	0.0	-
	-4.0	1.5	0.7
Paid income taxes	0.0	0.0	0.0
Cash flow from operating activities before changes in working capital	-4.0	1.5	0.7
Cash flow from changes in working capital			
Increase (+)/Decrease(-) in operating receivables	50.2	-445.8	-442.8
Increase (+)/Decrease(-) in operating liabilities	-0.4	3.2	3.1
Cash flow from operating activities	49.8	-442.5	-439.7
Investing activities			
Acquisition of financial assets	-48.8	0.0	0.0
Cash flow from investing activities	-48.8	0.0	0.0
Financing activities			
Issued bonds	-9.8	490.3	491.1
Paid dividend	-15.0	-10.0	-10.0
Cash flow from financing activities	-24.8	480.3	481.1
Cash flow for the period	-27.8	39.2	42.1
Cash and cash equivalents at the beginning of the period	45.6	3.5	3.5
Cash and cash equivalents at the end of the period	17.8	42.7	45.6
<i>Cash flow from operating activities includes interest expenses paid and interest</i>			
Interest expenses paid	-27.4	-2.9	-9.9
Interest payments received	30.0	4.7	15.0

Statement of changes in equity

Parent

Amounts in SEK million	Share capital	Share premium	Retained profit, incl. Profit for the period	Total
Opening balance as at 1 Jan 2018	0.5	57.3	4.2	62.1
Profit for the year			1.5	1.5
<i>Transactions with shareholders</i>				
Dividend			-10.0	-10.0
Closing balance as at 30 Sep 2018	0.5	57.3	-4.3	53.6

Amounts in SEK million	Share capital	Share premium	Retained profit, incl. Profit for the period	Total
Opening balance as at 1 Jan 2019	0.5	57.3	-5.0	52.8
Profit for the year			-4.0	-4.0
<i>Transactions with shareholders</i>				
Dividend			-15.0	-15.0
Closing balance as at 30 Sep 2019	0.5	57.3	-24.0	33.8

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

Stockholm, 30 September 2019

Board of Directors & CEO



MARGARETA LINDAHL

Chairman



PER GRANATH

Board Member



GEORGE KURT

Board Member



ERIK FAGERLAND

Board Member



BJÖRN HAZELIUS

Board Member



KARL KÄLLBERG

Board Member



HIKMET EGO

CEO

Note 1 - Accounting principles

The most significant accounting principles applied in the preparation of these consolidated financial statements are set out below.

Basis for preparation of the reports

Group

This interim report has been prepared in accordance with International Accounting Standards (IAS) 34 Interim Financial Reporting.

This is Northmill Group AB's (publ) first consolidated interim financial statements that have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the Annual Accounts Act (1995:1554). Furthermore, the Swedish Financial Reporting Board's Supplementary Accounting Rules for Groups (RFR 1) have been applied. The group has previously applied the Swedish Accounting Standards Board's accounting principles BFNAR 2012:1 Annual Report and Consolidated Accounts ("K3").

Parent

The Parent Company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and RFR 2 Accounting for Legal Entities issued by the Swedish Financial Reporting Board.

Transition to IFRS

The transition date to IFRS is the 1st of January 2018, which means that the corresponding figures for the fiscal year 2018 are recalculated according to IFRS. However, an exception is made for financial instruments under IFRS 9, where the transition date is set to 1st of January 2019, meaning that calculations are done according to K3 for previous periods. For additional information regarding the transition to IFRS 9 and current accounting principles, see Note 3 (IFRS transition effect). A description and quantification of the transition effects can be found in note 3 (IFRS transition effect). Information according to IAS 34 Interim Financial Reporting can be found in notes as well as in other places in the quarterly report.

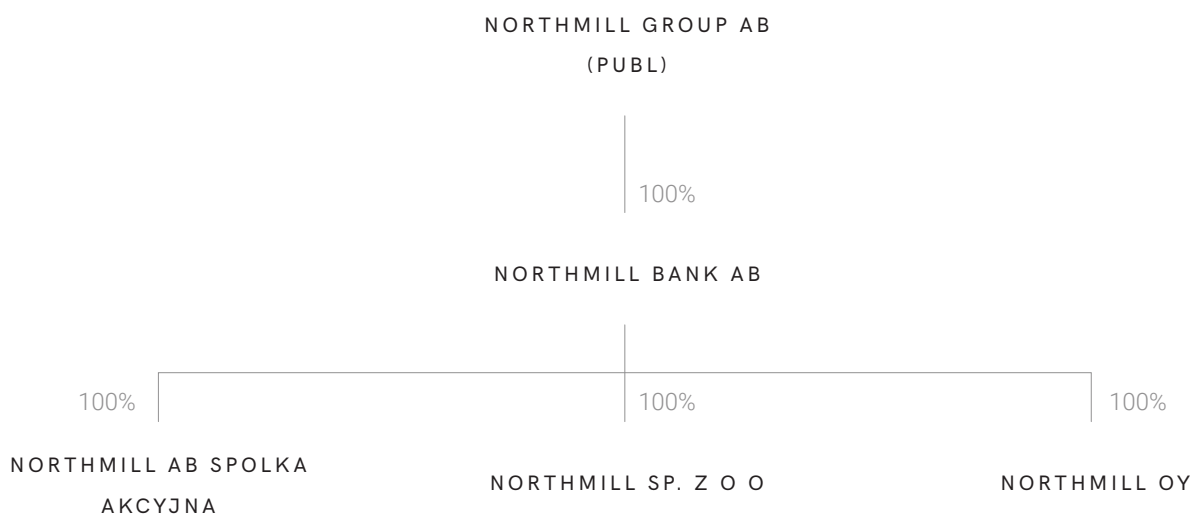
Below accounting principles have been applied consistently to all reporting periods presented in these consolidated financial statements, except for accounting principles for financial instruments, where Northmill has, in accordance with exception in IFRS 1, applied previously applied principles (K3) to fiscal year 2018.

Group consolidation principles

The consolidated accounts are presented according to the acquisition method and comprise of Northmill Group AB (publ) and its subsidiaries. The Group only has fully owned (100%) subsidiaries. The companies are consolidated as from the date when control is transferred to Northmill and excluded from the date on which control is lost. Intragroup transactions and receivables and liabilities between group companies are eliminated.

Subsidiaries

Northmill Group AB (publ) owns the subsidiary Northmill Bank AB (100 percent).



Note 1 cont.

Group accounting principles

Foreign currency translation

Presentation currency and functional currency

The financial statements are prepared in Swedish kronor, which is the presentation currency of the Group. The functional currency is the currency of the primary economic environment in which an entity operates. The functional currency for Northmill Group AB (publ) is therefore determined as the Swedish kronor.

Transactions and balance sheet items

Transactions in a foreign currency are translated into the functional currency at the exchange rate on the day of the transaction. Monetary assets and liabilities in foreign currencies are translated into the functional currency at the exchange rate at the end of the reporting period. All profit and losses as a result of the currency translation of monetary items, are reported as exchange rate fluctuations in other comprehensive income.

Segment report

Operating segments are accounted for in a way that is compatible with the internal reports submitted to the function responsible for the allocation of resources and the evaluation of the results of the operating segments. In the Group, the Chief Operating Decision Maker (CODM) function has been identified as the Executive Management. The Group has identified two geographical segments, Sweden and Finland. These are the two countries where the Group currently has lending operations.

Balance sheet items

Cash and equivalents

Cash and equivalents consists of deposits in accounts in other credit institutions.

Financial assets and liabilities - classification and measurement

Purchases and sales of financial assets and liabilities are reported on the trade date. Financial instruments are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred together with the risks and rights associated with ownership.

Financial assets are classified into categories based on both Northmills business model to manage its financial assets and the characteristics of the cash flows of the financial assets.

Financial assets measured at amortised cost

From 1 January 2019, the Group only classifies and measures its financial assets at amortised cost if both of the following conditions are met:

1. The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The Group classifies and measures all but two (Shares in other companies and bonds held for liquidity purposes are valued at fair value) of its financial assets and liabilities at amortised cost since they fulfill both requirements. All financial liabilities are valued at amortised cost.

The amortised costs are determined on the basis of the effective interest that was calculated at the time of acquisition or origination. Financial assets at amortised cost are reported at the amount at which they are estimated to be received, that is after a deduction for impairments.

Lending to the public is described in more detail in Note 9 Lending to the public.

The classification of financial assets and liabilities follows internal reporting and follow-up within the Group.

Note 1 cont.

Financial assets measured at fair value

For financial assets and liabilities measured at fair value in the balance sheet, the Group uses different methods to determine the fair value. The methods are divided into three different levels:

- 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. A table for this is shown in Note 10.

Impairment of financial assets

As a result of the transition to IFRS 9, the Group introduced a new model for calculating credit loss provisions based on expected credit losses (ECL). Financial assets that are subject to impairment losses are divided into three stages based on the risk of default.

The first stage includes assets where no significant increase in credit risk has occurred at the reporting date since initial recognition.

The move to the stage 2 is defined as being those loans with significantly higher remaining life probability of default (PD) than anticipated at the point they were originated, indicating that a significant increase in credit risk has occurred (SICR). The primary stage 2 trigger is "increase in predicted PD 12-months". When the PD 12-months of a receivable has increased more than a predetermined threshold from one period to another, the receivable is allocated to stage 2. Change in PD 12-months is measured by comparing the receivables latest application score against receivables current perceived PD-12 months. In addition to these internal triggers, the Group uses the 30 days past due (dpd) rule as a backstop meaning that a receivable that is 30 days past due or more, will always be in stage 2.

In the third stage there is objective evidence of impairment, i.e. the loan is more than 90 days past due. 90 days past due is also used as the Group's definition of default.

For assets in the first stage, write-downs are based on expected losses over the next 12 months, while for stage two and three, expected losses are calculated based on the remaining lifetime of the asset. Expected credit losses are calculated based on historical data of default for each period as well as forward-looking information.

The provisions under IFRS 9 are calculated by multiplying the exposure at default with the probability of default and the loss given default.

Northmill's model for calculating provisions according to IFRS 9 is based on historical probability of default in each of its 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 value of the estimated provisions is discounted at the original borrowing rate.

The provision for non-performing loans (stage 3) is made with the difference between the asset's carrying amount and the present value of future cash flows, discounted by the original borrowing rate. The expected future cash flow is based on calculations that take into account historical repayment rates applied to each generation of non-performing loans.

Loans sold are written off against the reserve for losses and the difference between the value of the asset and the present value is recognized as a realised credit loss. Non-performing loans (stage 3) are recognized as realised credit losses when they have been transferred for long-term monitoring by the debt collection agency, the customer is confirmed deceased or another loss event has been identified. Amounts received from previously realised credit losses are recognized in the income statement as recoveries under net credit losses.

Note 1 cont.

Issued debt

Issued financial instruments are classified as a financial liability if the contract terms and conditions mean that the Group has an obligation to pay using either cash or another financial asset. The Group's outstanding bond is classified as a financial liability.

Leasing

The Group recognises nearly all of its leases on the balance sheet based the right-of-use assets as assets and the corresponding future lease payments as financial liabilities on the balance sheet. The voluntary exception exercised as short-term leases and leases where the underlying asset is of low value (lower than 5 000 USD) are expensed as they occur.

Intangible assets

Web domain

Acquired web domains are depreciated over a period of 10 years.

Development cost funds

Development costs which are directly attributable to the development and testing of identifiable and unique software products that are controlled by the Group are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software to make it available for use.
- The company's intention is to complete the software and use or sell it.
- It is possible to use or sell the software.
- It can be demonstrated how the software will generate probable future economic benefits.
- Adequate, technical, financial and other resources to complete the development and to use or sell the software are available.
- The expenditure attributable to the software during its development can be reliably measured.

Intangible assets are recognized at cost less amortisation. Intangible assets are amortised on a straight-line basis over their useful lives, up to a maximum of 60 months, from the date the asset is ready for use.

The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted, if appropriate. The carrying amount of an asset is immediately written down to its recoverable amount if the carrying amount of the asset exceeds its estimated recoverable amount.

Impairment of intangible assets

Intangible assets are tested for impairment at least annually or more frequently if events or changes in circumstances indicate that impairment may have occurred. The impairment charge is calculated as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the asset or cash generating unit, where the value in use is determined as the present value of expected future cash flows.

Intangible assets with definite useful lives are reviewed for indications of impairment. If indications exist an impairment test is performed.

Tangible assets

Tangible assets consist of equipment, fixtures and fittings, and computers. Tangible assets are reported at acquisition cost after a deduction for accumulated depreciation and any accumulated impairment. By acquisition cost is meant expenses that are directly attributable to the acquisition of the asset. Straight line depreciation is carried out over the assessed useful life.

The following useful life periods are applied:

Equipment, tools, and fixtures and fittings	5 years
Computers and other machinery	3 years
Investments in rented facilities	No longer than the contract time
Right to use in leasing agreements	Expected time of use, with respect to contract time and extension conditions

Assessment of an asset's residual value and useful life is done annually. When the residual value is less than the carrying value an impairment is recognized in the income statement.

Note 1 cont.

Income taxes

Income taxes consist of current tax and deferred tax. Income taxes are reported directly in the income statement except when the underlying transaction is reported directly against equity or other comprehensive income, in which case also the accompanying tax is reported in equity or other comprehensive income. Deferred tax is reported according to the balance sheet method for all temporary differences between an asset's or a liability's tax base and its carrying amount in the balance sheet. Deferred tax assets are reported for unutilised tax relief to the extent it is probable that the relief will be able to be set off against future taxable surpluses. Deferred taxes are estimated according to the tax rate that is expected to apply at the time of taxation.

Cash flow statement

The cash flow statement is prepared according to the indirect method. Recognized cash flow comprises only transactions that involve cash receipts or disbursements. Cash and cash equivalents includes loans to credit institutions.

Balance sheet items

Interest income and interest expenses

The effective interest method is used for recognizing interest income and interest expenses on all financial assets and liabilities measured at amortized cost. When measuring a financial asset or financial liability to amortised cost, the interest income or expense is allocated over the relevant period. The effective interest rate is the rate that corresponds to the rate used for discounting estimated future cash flows to the reported value of the financial asset or liability. The estimated future cash flows used in the calculation include all fees that are considered to be an integral part of the effective interest rate.

The interest income calculated according to the effective interest rate method consists mainly of interest from lending to the public in the form of revolving credits and annuity loans. Commission and fees for extending credit as well starting fees at considered to be an integral part of the effective interest rate and are therefore recognized in the interest income calculated according to the effective interest rate method.

Fee and commission income and fee and commission expense

Revenues for different types of services are reported as commission income. Commission and fees for payment services are recognized when the performance obligations have been satisfied which can be at a point in time or over time. The same applies for provision received relating to insurance brokerage. The revenues are measured at fair value of the economic benefits associated with the transaction.

The Group recognises insurance premium fees, income from collection activities, other fees and reminder fees in fee in commission income. Fee and commission income is recognized in the income statement in the period it is earned. Fee and commission expenses are expenses attributable to services and charges that relate to fees earned from insurance premiums.

Net income from financial transactions

The net income from financial transactions comprises realised and unrealised exchange rate effects and impairment of shares.

General administrative expenses

General administrative expenses consist of employee expenses, including salaries, pensions, social charges, and other administrative expenses such as office and computer expenses.

Net credit losses

Impairment losses from financial assets classified into the category "measured at amortised cost" (see section "Financial assets and liabilities - classification and reporting" above), in the items Loans to credit institutions and Lending to the public on the balance sheet, are reported as Net credit losses. Furthermore, net credit losses from off-balance sheet exposures related to financial instruments are also reported on this line.

Net credit losses for the period comprise of realised credit losses, recovered amounts from debt sales and provisions for credit losses for granted credit with a deduction for the reversal of provisions for credit losses made previously. Realised credit losses are losses whose amount is for example determined via bankruptcy, a composition arrangement, a statement by an Enforcement Authority or the sale of receivables. Provision for credit losses is calculated either as 12 month expected credit loss or lifetime expected credit loss based on the IFRS 9 impairment requirements, see section "Impairment of financial assets" above for more details.

Note 1 cont.

Risks and uncertainties

Northmill Group is exposed to various types of risks, such as credit risk, market risk, liquidity risk and operational risk. In order to limit and control risk-taking in the business, the Board, which is ultimately responsible for ensuring effective risk management, has established a well-functioning structure and organization regarding risk management and risk control through the established model of three lines of defence. The Board has established the principles, organization and guidelines to be complied with regarding risk management and risk control and how these functions will support the business strategy in policy for Risk management. The policy manages risk appetite, risk strategy, processes for risk management and the model of three lines of defense that govern the principles of risk management, roles and responsibilities. For a more detailed description of financial risks and the use of financial instruments, see Note 2.

Parent company's accounting principles

The parent company used the above accounting principles as well as the additional principles below.

Shares and participations in subsidiaries

Shares and participations in subsidiaries are recognised at cost plus transaction costs after deduction of any impairment losses. Where there is an indication that shares and participations have become impaired, an estimate is made of the recoverable amount. If this is lower than the carrying amount, an impairment loss is recognised. Impairment losses are recognized under the item Gains/losses on participations in Group companies.

Untaxed reserves

Sums allocated to untaxed reserves in the Parent Company comprise taxable temporary differences. Because of the relationship between accounting and taxation, the deferred tax liability attributable to the untaxed reserves is not recognized separately. The untaxed reserves are therefore recognized at the gross amount. Appropriations are recognized at the gross amount in the income statement.

Dividend

Dividends to Northmill Group AB (publ) shareholders are recognised as a liability in the Company's financial statements in the period the dividend is approved by Northmill Group AB (publ) shareholders.

Important estimations and assumptions for accounting purposes

Estimates and judgements

Preparation of the consolidated financial statements in compliance with IFRS requires the use of some critical estimates for accounting purposes. Estimates and judgements are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions about the future. The resulting estimates for accounting purposes by definition rarely correspond to the actual results. The areas that involve a high degree of judgement, are complex, or where assumptions and estimates have a material impact on the consolidated financial statements primarily comprise provisions for loan losses and impairment testing of development cost funds. A sensitivity analysis of the parameters used in the ECL-model to judge Significant Increase In Credit Risk (SICR) has been performed, see note 9.

Assessment of and impairment requirements for financial assets

For financial assets that are measured at amortized cost or fair value through other comprehensive income as well as for loan commitments and financial guarantees the impairment requirements of IFRS 9 are applied. See section in Note 1 for impairment of financial assets, financial guarantees and commitments for further details. Any assessments and assumptions used for the impairment calculations are subject to regular checks and follow-up through the internal IFRS 9 governance framework.

Note 2 - Risk management

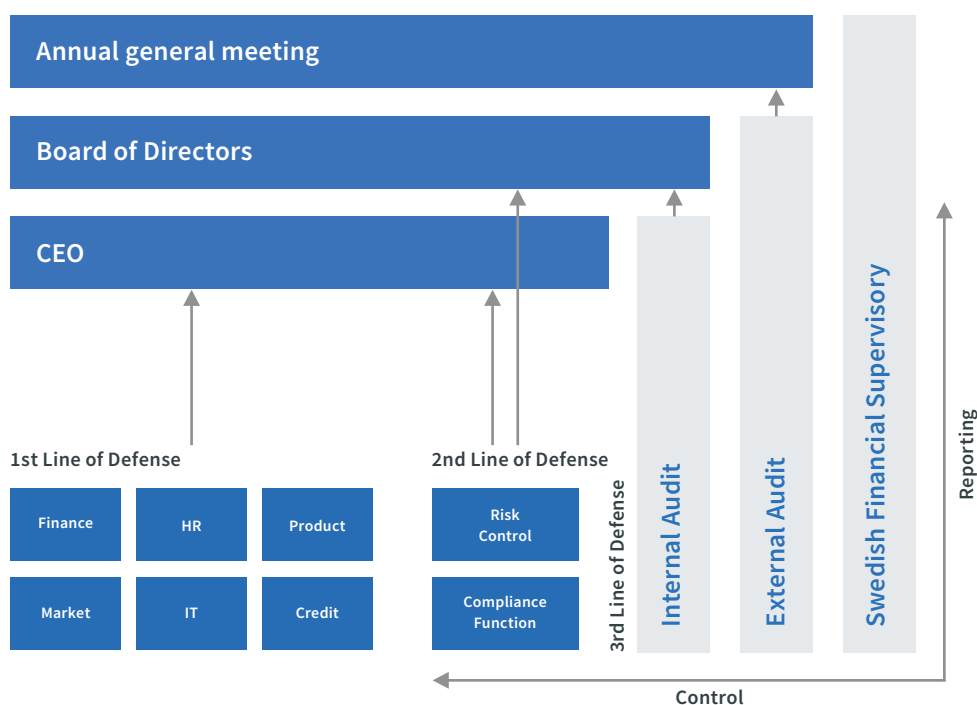
General

Risk is defined as the possibility of a negative deviation from an expected financial outcome. The Group is through its business activities subject to a number of different risks, the main ones being credit risk, market risk, liquidity risk and operational risk. Other risks include concentration risk, business risk, strategic risk, reputational risk and remuneration risk.

The Group has a risk appetite framework in place, set by the Board of Directors, which is supported by limits for specific risk areas. The Board of Directors and Management also issue written policies and instructions for managing all identified risks, which are complemented by detailed routine descriptions within the organisation. The documents are updated as needed and revised at least once a year.

The Group works with the financial consequences of business decisions based on three main aspects: (1) growth and risk; (2) the requirements that the operations imposes on capital, financing and liquidity, and (3) profitability.

The purpose of risk management is to safeguard the Groups long term survival, manage volatility in financial performance, and increase value for the owners by ensuring efficient capital management. The basis for the risk management and internal control framework is the three lines of defense model. The model is illustrated below:



The model differentiates between functions that own and manage risk and compliance, which is the first line of defence and constitutes of all business functions and reports to the CEO. The second line of defence refers to the control functions (risk and compliance) that monitor first line risk management and independently report on the development of the risk profile and the efficiency of the risk management to the Board and the CEO. The third line of defence refers to the internal audit function who independently reports to the board on the efficiency and adequacy of risk management and internal control. Northmill Group implemented its internal audit function during Q3 in order to ensure that all parts according to the Governance model is fully in place and that the independent evaluation of the risk management framework and internal control is operationally supporting the future growth of Northmill Group. The internal audit function is externally sourced through GrantThornton.

The Board receive periodic reporting regarding risk profile, deviations and follow-up of risk management and other issues/information regarding risk management and risk frameworks. Northmill Group shall in all situations strive to maintain a good risk culture, a high level of risk awareness and a cautious approach to risk taking. A good risk culture is achieved by ensuring that all employees are aware of the risks associated with each task, through clearly articulated limits for acceptance of risk exposure and an understanding of how the operations will be conducted within them. High risk awareness is achieved through clear division of responsibilities between and within departments, clear reporting and escalation lines. A cautious approach to risk taking is achieved through well defined risk appetite, which clearly describes the boundaries that the company will conduct its business within.

Note 2 cont.

The Q3 2019 results of the Group's capital adequacy can be found in The Pillar 3 report, available at www.northmill.com.

Credit risk

Credit risk is the risk that a counterparty causes the Group a financial loss by not fulfilling its contractual obligations. Credit risk arises primarily through lending to the public but also through cash and cash equivalents. Credit risk is the most significant risk in the Group and is monitored closely by the relevant operative functions and by the Board of Directors, which has the ultimate responsibility for managing credit risk.

The Board of Directors has issued a credit policy which establishes the framework for the Group's lending activities. A credit committee monitors the development of the level of credit risk in the loan portfolios on a continuous basis. It makes decisions on, and implements, changes to the Group's lending within the framework of the established credit policy and also proposes amendments to the policy to the Board of Directors. A report on performance is provided at every Board meeting.

The Group is exposed to credit risk Sweden and Finland. Before a loan is issued, a risk assessment is done of the customer's creditworthiness, taking into account the customer's financial position, past history and other factors. Individual risk limits are defined based on internal and/or external credit assessments in accordance with the limits set by the Board of Directors. The Group's use of credit limits for loans to the public is limited by Board of Directors' decision and is regularly monitored. The Group cannot enter into credit agreements with legal entities without the approval of the Board of Directors. By only approving counterparties with an external credit rating (Standard and Poors och Moody's) and by setting limits for the maximum exposure to each counterparty, the Board of Directors also limits the credit risk relating to cash and cash equivalents.

The Group's credit approval process maintains high standards regarding ethics, quality and control. Despite credit risk being the largest risk exposure for the Group, the provision for credit losses is small in proportion to the outstanding loan volume (see Note 6). The reason for this is that the Group regularly sells past due loans (between 90-120 days late) to debt collection agencies in markets where the Board of Directors considers the price level to be favourable for the Group's performance and risk profile. This is currently the case for both markets. As a result, the Group continuously realises expected credit losses through the sale of past due loans. The remaining portfolio has a limited number of non-performing loans (stage 3) and consequently a relatively low level of provisions. These are loans where the counterparty is subject to fraud, has deceased, is in debt restructuring or has emigrated.

The objective of the Group's process for monitoring past due payments and unsettled receivables is to minimise credit losses by detecting payment issues early and implementing rapid intervention where needed. The monitoring is supported by a separate "pre-collection" system for past due payments involving automatic monitoring and reminders when payments are past due.

The Group's loans to the public consist primarily of unsecured consumer loans. As a result, the Group does not list credit risk exposures in a separate table, as there are limited assets pledged as security, while at the same time the size of provisions in relation to credit volume is low.

The handling of applications from new customers is based on information provided by the customer, information about customers in similar sociodemographic groups and other variables about the individual customer retrieved from external sources to verify income and such. How the specified information is used and weighted in the model is determined from a risk perspective through in-depth analysis of the individual customer and the Group's existing customer base. In order to make a risk assessment that is as precise, cost-effective and accurate as possible, the Group can use both internal scoring ratings and scoring ratings from external suppliers. Both models are performed independently, but both can be used in the Group's credit policy. The complete model is only used for new customers; existing customers have payment history and similar updated variables that have been proven to be a good source of credit assessment.

Note 2 cont.

Credit exposures

Group

Amounts in SEK million	30 Sep 2019	31 Dec 2018	30 Sep 2018	1 Jan 2018
Lending to the public, gross	1 029.6	766.1	593.2	370.5
Allowance for credit losses	-51.4	-21.5	-14.5	0.0
Lending to the public, net carrying amount	978.2	744.6	578.7	370.5

IFRS 9 was implemented 2019-01-01. For 2018, the provision for expected credit losses is according to K3.

Credit risk concentrations

The following table shows the Group's credit risk exposure and its significant credit risk concentrations as of 30 September 2019.

Amounts in SEK million	Stage 1	Stage 2	Stage 3	Total
Per region				
Sweden	774.7	195.5	26.6	996.7
Finland	32.9	0.0	0.0	32.9
Total	807.5	195.5	26.6	1029.6
Before due and per days past due				
Before due	807.5	84.9	0.0	892.4
< 30 days	0.0	40.5	0.0	40.5
31-60 days	0.0	50.2	0.0	50.2
61-90 days	0.0	19.9	0.0	19.9
> 90 days	0.0	0.0	26.6	26.6
Total	807.5	195.5	26.6	1029.6

Credit quality of financial assets

The credit quality of cash and equivalents within financial assets in accordance with Standard & Poor's local short-term rating is shown below:

	Group				Parent		
	30 Sep 2019	31 Dec 2018	30 Sep 2018	1 Jan 2018	30 Sep 2019	31 Dec 2018	30 Sep 2018
Cash and cash equivalents							
A-1+	36.6	50.1	38.8	38.7	1.8	1.8	1.8
A-1	43.1	147.0	299.8	62.6	16.0	43.8	40.9
A-2	3.0	3.6	3.5	0.0	0.0	0.0	0.0
Unrated	3.3	0.0	0.0	3.3	0.0	0.0	0.0
Total	86.0	200.7	334.1	104.7	17.8	45.6	42.7

Note 2 cont.

Market risk

Market risk refers to the risk that the Group may lose money as a result of movements in the equity market, the fixed-income market or the foreign exchange market. The Group's exposure to market risk consists of currency and interest rate risk.

Currency risk

Currency risk is the risk that arises from the change in the price of one currency against another. The Group is exposed to two different types of currency risks, translation risk and transaction risk.

The Group is exposed to translation risk on group level. Translation risks primarily arise as a result of revaluation of balance sheet items nominated in currencies other than the Group's reporting currency. Translation risks are monitored and currently not hedged.

The Group is exposed to transaction risks which primarily arise when the Group grants credit in currencies other than the reporting currency. The risk is primarily mitigated by matching the lending assets with liabilities in the same currency by matching foreign currency assets with foreign currency loans or funding.

The risk exposure amount for foreign exchange risk covers on and off balance sheet items measured at the current market value and converted to Swedish kronor in accordance with the closing rate. Own funds requirements of eight percent are applied to the total net position in foreign currency subject to capital requirements for foreign exchange risk. The recent outcome can be found in the latest Pillar 3 report, available at www.northmill.com.

Interest rate risk

Interest rate risk is the risk of changes in the value in interest-bearing assets and liabilities or future cash flows, as a result of changes in market interest rates. The Group's assets and liabilities are financed at a variable rate, which reduces interest rate risk for the company.

The Group's overall objective is to ensure that any changes in interest rates on its funding can be matched by changes in interest rates on its lending. To allow this, all agreements with customers have, to the extent possible according to regulations, adjustable interest rates.

Liquidity risk

Liquidity risk is defined as the risk of the Group not being able to meet its payment obligations on the due date without increasing the cost of meeting its obligations considerably.

The Group currently has several primary sources of funding its short term liquidity needs: equity, bond financing and credit facilities with several credit institutions. Cash flow forecasts are prepared on an ongoing basis by the Group's finance department which are reported to the Board of Directors. The finance department closely follows rolling forecasts of the Group's liquidity reserve in order to ensure that the Group has sufficient cash resources to meet the need in the day-to-day operations. The finance department also ensures that the Group maintains enough space on agreed credit facilities to ensure that these are not used in a way that violates the agreed terms and conditions of the loan.

The total sum of the Group's liabilities in each category are detailed in the below contractual maturity analysis. The Group has two main financing sources: liabilities to credit institutions and bonds (senior unsecured).

Unutilised credit at the end of the reporting period amounted to SEK 90 m.

Note 2 cont.

The tables below show the Group's financial assets and liabilities broken down by the time remaining on the balance sheet date until the contractual maturity date. The amounts stated in the tables are the contractual, undiscounted cash flows including the interest rate component.

Group 30 Sep 2019

Amounts in SEK million	< 1 year	1-2 years	2-5 years	> 5 years
Assets				
Lending to the public	767.1	396.4	494.3	78.7
Cash and equivalents	86.0	0.0	0.0	0.0
Total	853.1	396.4	494.3	78.7
Liabilities				
Bonds	40.0	540.0	0.0	0.0
Liabilities to credit institutions	249.1	3.7	0.0	0.0
Total	289.1	543.7	0.0	0.0

Group 31 Dec 2018

Amounts in SEK million	< 1 year	1-2 years	2-5 years	> 5 years
Assets				
Lending to the public	362.5	193.6	491.9	119.3
Cash and equivalents	200.7	0.0	0.0	0.0
Total	563.2	193.6	491.9	119.3
Liabilities				
Bonds	39.0	39.0	523.6	0.0
Liabilities to credit institutions	97.5	0.0	0.0	0.0
Total	136.5	39.0	523.6	0.0

Note 2 cont.

Group 30 Sep 2018

Amounts in SEK million	< 1 year	1-2 years	2-5 years	> 5 years
Assets				
Lending to the public	429.0	258.8	340.7	42.0
Cash and equivalents	334.1	0.0	0.0	0.0
Total	763.1	258.8	340.7	42.0
Liabilities				
Bonds	0.0	0.0	490.3	0.0
Liabilities to credit institutions	4.5	93.3	0.0	0.0
Total	4.5	93.3	490.3	0.0

Group 1 Jan 2018

Amounts in SEK million	< 1 year	1-2 years	2-5 years	> 5 years
Assets				
Lending to the public	118.5	115.0	290.9	66.8
Cash and equivalents	104.7	0.0	0.0	0.0
Total	223.2	115.0	290.9	66.8
Liabilities				
Liabilities to credit institutions	0.0	237.9	0.0	0.0
Other liabilities	0.0	0.0	0.0	5.0
Total	0.0	237.9	0.0	5.0

Note 2 cont.

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 sell profitable 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 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 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 on 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

Financing risks

The Group is externally financed through issued bonds. The bond matures September 3, 2021. In addition, there is other bank financing. The financing risk related to contractual maturities under liquidity risk is found in the section above.

Legal risk

The consumer credit industry in Sweden is regulated in various complex laws that regulate the granting of consumer credit, tax requirements, data protection and regulation regarding bribes and money laundering.

Furthermore, there is currently a focus on regulations with the main objective of increasing consumer protection by reducing household indebtedness. The Group's legal department is working proactively to ensure that there is compliance throughout all of our existing as well as developing processes.

Internal control of the financial reporting

Internal control of the financial reporting is part of the Group's overall internal control. It aims to provide realistic assurances as to the reliability of the external financial reporting and that the financial reporting has been prepared in accordance with the law and applicable accounting standards. The Board of Directors' responsibility for internal governance and control is regulated in the Swedish Companies Act, the Annual Accounts Act and in the Swedish Corporate Governance Code. The Annual Accounts Act requires that the Group describes the systems for internal control and risk management regarding the financial reporting annually. The Board of Directors has overall responsibility for the financial reporting. The quality of the external financial reporting is ensured through a variety of separate measures and procedures.

The CEO is responsible for ensuring that all external financial information is correct and of good quality. The Group's auditors are tasked with examining accounting issues that are critical for financial reporting and with reporting their observations on the Group's finance function

Note 3 - IFRS Transition effect

Transition to IFRS

Northmill Group AB (publ) has previously applied the Annual Accounts Act and BFNAR 2012:1 Annual Report and Consolidated Accounts ("K3"). The second quarter interim report 2019 will be the first financial report that the Group provides in accordance with the EU approved International Financial Reporting Standards (IFRS) and interpretations from IFRS Interpretations Committee (IFRIC).

The transition date to IFRS has been determined as the 1st of January 2018.

The transition to IFRS is presented in accordance with IFRS 1, the first time the International Financial Reporting Standards were applied. The main rule in IFRS 1 is that a company shall apply all recommendations retroactively when establishing the opening balance. Though there are some mandatory and optional exceptions from the retrospective application. The group has decided to apply the following exceptions:

- In accordance with the transition requirements of IFRS 9, comparative information for previous periods will not be restated and transitional adjustments will be accounted through retained profit as at 1 January 2019, the date of initial application.

The first section explains how accounts have been reallocated since previous financial statements as a result of the implementation of new accounting standards leading to changes in the income statement and balance sheet account formats compared to previously published reports.

The following sections, IFRS 9 Financial instruments and IFRS 16 Leases, illustrate the impact of the standards which have had material effect as part of the transition.

This last section presents the IFRS transition impact on the periods included in this interim report. These are based on the management's estimated effects on the group's report of comprehensive income and financial position at the group's IFRS transition date.

The transition is assessed to not have any significant effect on the group's report of cash flow other than the depreciations that are returned.

Change in income statement and balance sheet accounts format

As the account format summaries in the financial statements are presented on an increasing detailed level going forward, this allows the financial impact of the reallocation of accounts described below to advantageously be derived when comparing the new accounts format to the one in previous financial statements.

The change in account format has not had any material impact on the parent company's financial statements. Below is a description of the main effects regarding the financial statements of the Group in the consolidated state.

Income statement

Revenue has been divided into Interest Income, Interest Expense, Fee and commission income, Fee and commission expense, Net financial transactions and Other income.

Financial expenses are now included in Interest expense.

Other external expenses and Personnel expenses have been merged into General administrative expenses and Marketing expenses separated by categorization to Operating expenses.

Depreciation and amortization has remained unchanged.

Credit losses, net has changed name to Net credit losses, no other changes have been made.

Balance sheet

Other receivables previously under lending to the public has been moved down to other receivables.

Note 3 cont.

IFRS 9 Financial instruments

In this report, K3 is applied for periods before 2019-01-01 and IFRS 9 is applied for periods after 2019-01-01.

During 2019, a new ECL model has been implemented. The effect of the model is shown in note 10 Lending to the public. Impairment according to this new model is described in the section Impairment of financial assets. The impairment requirements in IFRS 9 are based on an expected credit loss (ECL) model instead of the incurred loss model in under K3. The scope of IFRS 9 impairment requirements is also broader than under K3.

As a result of applying the IFRS 9 rules, allowances for credit losses increased by SEK 18.9 m for the Group. The impact on equity was SEK 18.9 m. The increase in allowances for credit losses is driven by the IFRS 9 requirement to also hold provisions for assets without a significant increase in credit risk (stage 1 as defined in the IFRS 9 standard) as opposed to K3 that requires provisions for losses incurred.

The table below illustrates the Group's transition effect of IFRS 9 by showing the reclassification of financial assets and liabilities as well as the difference between the closing balance 2018-12-31 and opening balance 2019-01-01.

Group	Classification 2018-12-31 according to K3	Classification 2019-01-01 according to IFRS 9	Booked value 2018-12-31 according to K3	Transition effect IFRS 9	Booked value 2019-01-01 according to IFRS 9
Amounts in SEK million					
Financial assets					
Financial assets	Other financial assets	Amortized cost	1.2	0.0	1.2
Lending to the public	Lending and other receivables	Amortized cost	744.6	-18.9	725.8
Other receivables	Lending and other receivables	Amortized cost	12.8	0.0	12.8
Accruals and prepaid expenses	Other financial assets	Amortized cost	1.2	0.0	1.2
Cash and equivalents	Lending and other receivables	Amortized cost	200.7	0.0	200.7
Financial assets in total			960.6	-18.9	941.7
Equity					
Share capital			0.5	0.0	0.5
Share premium reserve			57.3	0.0	57.3
Reserves			0.7	0.0	0.7
Retained profit			155.8	-18.9	136.9
Profit for the year			112.9	0.0	112.9
Equity in total			327.2	-18.9	308.3
Financial liabilities					
Bonds	Other financial liabilities	Amortized cost	491.1	0.0	491.1
Liabilities to credit institutions	Other financial liabilities	Amortized cost	93.0	0.0	93.0
Other liabilities	Other financial liabilities	Amortized cost	0.0	0.0	0.0
Deferred tax liabilities	Other financial liabilities	Amortized cost	13.9	0.0	13.9
Payables	Other financial liabilities	Amortized cost	4.2	0.0	4.2
Current tax liabilities	Other financial liabilities	Amortized cost	16.5	0.0	16.5
Other current liabilities	Other financial liabilities	Amortized cost	5.0	0.0	5.0
Accruals and deferred income	Other financial liabilities	Amortized cost	13.5	0.0	13.5
Financial liabilities in total			637.2	0.0	637.2

Note 3 cont.

IFRS 16 Leases

As of 1 January 2018, Northmill Group applies the new leasing standard IFRS 16. For Northmill Group, the effect is that the access right for assets and liabilities on the balance sheet will be reported. These are calculated for all of the Group's leases for premises. In the income statement, general administrative expenses are replaced by depreciation of property, plant and equipment and interest expenses for lease liabilities. The table below illustrates the Group's transition impact of implementation of IFRS 16 between the Group's outgoing balance sheet as of 2017-12-31 and the Group's opening balance as of 2018-01-01.

Group	Closing balance 2017-12-31	Transition impact of implementation of IFRS 16	IFRS 16 Opening balance 2018-01-01
Amounts in SEK million			
ASSETS			
Non-current assets			
Intangible assets	0.2	0.0	0.2
Tangible assets	1.8	7.4	9.2
Financial assets	1.2	0.0	1.2
Non-current assets in total	3.3	7.4	10.7
Current assets			
Lending to the public	370.5	0.0	370.5
Other receivables	22.6	0.0	22.6
Accruals and prepaid expenses	4.7	0.0	4.7
Cash and equivalents	104.7	0.0	104.7
Current assets in total	502.6	0.0	502.6
TOTAL ASSETS	505.8	7.4	513.2
EQUITY AND LIABILITIES			
Equity			
Share capital	0.5	0.0	0.5
Other contributed capital reserve	57.3	0.0	57.3
Reserves	1.2	0.0	1.2
Retained profit, incl. profit for the year	167.4	0.0	167.4
Equity in total	226.5	0.0	226.5
Non-current liabilities			
Liabilities to credit institutions	228.9	0.0	228.9
Other liabilities	5.0	7.4	12.4
Deferred tax liabilities	10.2	0.0	10.2
Current liabilities			
Payables	4.3	0.0	4.3
Current tax liabilities	15.0	0.0	15.0
Other current liabilities	3.2	0.0	3.2
Accrued expenses and deferred income	12.8	0.0	12.8
EQUITY AND LIABILITIES IN TOTAL	505.8	7.4	513.2

Note 3 cont.

Reconciliation of obligations

Amounts in SEK million	Total
Operating lease commitment as at 31 december 2017	7.6
Discounted using the marginal borrowing rate	-0.3
Lease liability recognized as at 1 January 2018	7.4

Future lease payments are subject to discounting using a marginal borrowing rate (borrowing rate). To obtain the discounting rate for leases, the method used to measure the borrowing rate is based on coupon yields of swedish housing bonds with similar remaining term to maturity (-+ 3 months). It has not been possible to find polish housing bonds. Hence, to outrule any significant misjudgements relating to cross-border differences, an analysis has been made between polish and swedish housing index for the last 10 years. In terms of materiality, the total lease asset value (opening value 1 january 2018) is also small in comparison to the Groups total balance sheet.

Note 3 cont.

IFRS transition impact on previous financial statements

The tables in the following sections illustrate the IFRS transition impact in the periods making up the Group's financial statements in this interim report which have previously been published according to previous accounting principles.

Group	Note	K3 Jul-Sep 2018	Transition effect	IFRS Jul-Sep 2018
Amounts in SEK million				
Operating income				
Interest income		94,0	0.0	94,0
Interest expense		-20.1	0.0	-20.1
Net interest income		73.9	0.0	73.9
Fee and commission income		15.1	0.0	15.1
Fee and commission expense		-6.0	0.0	-6.0
Net fee and commission income		9.1	0.0	9.1
Net financial transactions		0.0	0.0	0.0
Other income		0.0	0.0	0.0
Total operating income		83.0	0.0	83.0
Operating expenses				
General administrative expenses		-14.3	0.8	-13.5
Depreciation and amortization		-0.1	-0.8	-0.9
Other operating expenses		-3.6	0.0	-3.6
Total operating expenses		-17.9	0.0	-17.9
Profit before credit losses		65.0	0.0	65.0
Net credit losses		-37.0	0.0	-37.0
Impairment and reversal of fin. assets		0.0	0.0	0.0
Profit before tax (EBT)		28.1	0.0	28.0
Income taxes		-5.9	0.0	-5.9
Profit for the period		22.2	0.0	22.2
Statement of Comprehensive income				
Profit for the period		22.2	0.0	22.2
Gross exchange differences		0.8	0.0	0.8
Total Comprehensive income, net of tax		23.0	0.0	23.0

None of the comprehensive income is attributable to the parent company

The transition effect seen in the income expense is due to the implementation of IFRS 16 as asset liability that is recognized. The reallocation of SEK 0.8 million relates to the replacement of general administrative expenses by depreciation of property, plant and equipment, relating to IFRS 16 implementation. The implementation effect of IFRS 16 is described in the previous section.

Note 3 cont.

Group	Note	K3 Jan-Sep 2018	Transition effect	IFRS Jan-Sep 2018
Amounts in SEK million				
Operating income				
Interest income		283.8	0.0	283.8
Interest expense		-60.9	-0.1	-61.0
Net interest income		222.9	-0.1	222.7
Fee and commission income		47.9	0.0	47.9
Fee and commission expense		-15.1	0.0	-15.1
Net fee and commission income		32.8	0.0	32.8
Net financial transactions		0.0	0.0	0.0
Other income		1.1	0.0	1.1
Total operating income		256.7	-0.1	256.6
Operating expenses				
General administrative expenses		-45.2	2.4	-42.8
Depreciation and amortization		-0.1	-2.4	-2.6
Other operating expenses		-12.1	0.0	-12.1
Total operating expenses		-57.5	0.0	-57.5
Profit before credit losses		199.2	-0.1	199.1
Net credit losses		-82.2	0.0	-82.2
Impairment and reversal of fin. assets		0.0	0.0	0.0
Profit before tax (EBT)		117.0	-0.1	116.9
Income taxes		-24.7	0.0	-24.7
Profit for the period		92.3	-0.1	92.2

Statement of Comprehensive income

Profit for the period	92.3	-0.1	92.2
Gross exchange differences	3.2	0.0	3.2
Total Comprehensive income, net of tax	95.5	-0.1	95.4

None of the comprehensive income is attributable to the parent company

The transition effect seen in the income expense is due to the implementation of IFRS 16 as asset liability that is recognized. The reallocation of SEK 2.4 million relates to the replacement of general administrative expenses by depreciation of property, plant and equipment, relating to IFRS 16 implementation. The implementation effect of IFRS 16 is described in the previous section.

Note 3 cont.

Group	Note	K3 30 Sep 2018	Transition effect	IFRS 30 Sep 2018
Amounts in SEK million				
ASSETS				
Non-current assets				
Intangible assets		0.2	0.0	0.2
Tangible assets		3.3	5.0	8.3
Financial assets		1.2	0.0	1.2
Non-current assets in total		4.7	5.0	9.7
Current assets				
Lending to the public		578.7	0.0	578.7
Other receivables		12.4	0.0	12.4
Accruals and prepaid expenses		8.2	0.1	8.3
Cash and equivalents		334.1	0.0	334.1
Current assets in total		933.3	0.1	933.4
TOTAL ASSETS		938.0	5.0	943.1
EQUITY AND LIABILITIES				
Equity				
Share capital		0.5	0.0	0.5
Other contributed capital reserve		57.3	0.0	57.3
Reserves		3.2	0.0	3.2
Retained profit, incl. profit for the year		250.0	-0.1	249.9
Equity in total		311.0	-0.1	310.9
Non-current liabilities				
Liabilities to credit institutions		490.3	0.0	490.3
Other liabilities		92.2	0.0	92.2
Deferred tax liabilities		0,0	0.0	0.0
		9.6	0.0	9.6
Current liabilities				
Payables		2.5	0.0	2.5
Current tax liabilities		21.1	0.0	21.0
Other current liabilities		4.2	5.2	9.3
Accrued expenses and deferred income		7.3	0.0	7.3
EQUITY AND LIABILITIES IN TOTAL		938.0	5.0	943.1

SEK 5.0 million is recognized as right of use lease assets as part of the implementation of IFRS 16.

Note 3 cont.

Group	Note	K3 Jan-Dec 2018	Transition effect	IFRS Jan-Dec 2018
Amounts in SEK million				
Operating income				
Interest income		369.7	0.0	369.7
Interest expense		-78.7	-0.2	-78.9
Net interest income		291.0	-0.2	290.8
Fee and commission income		65.0	0.0	65.0
Fee and commission expense		-25.1	0.0	-25.1
Net fee and commission income		39.9	0.0	39.9
Net financial transactions		0.0	0.0	0.0
Other income		1.1	0.0	1.1
Total operating income		332.1	-0.2	331.9
Operating expenses				
General administrative expenses		-65.8	3.3	-62.4
Depreciation and amortization		-0.7	-3.3	-4.1
Other operating expenses		-18.6	0.0	-18.6
Total operating expenses		-85.1	0.0	-85.1
Profit before credit losses		247.0	-0.2	246.8
Net credit losses		-109.2	0.0	-109.2
Impairment and reversal of fin. assets		0.0	0.0	0.0
Profit before tax (EBT)		137.8	-0.2	137.6
Income taxes		-24.9	0.0	-24.8
Profit for the period		112.9	-0.1	112.8
Statement of Comprehensive income				
Profit for the period		112.9	0.0	112.8
Gross exchange differences		0.5	0.0	0.5
Total Comprehensive income, net of tax		113.4	-0.1	113.2

None of the comprehensive income is attributable to the parent company

The transition effect seen in the income expense is due to the implementation of IFRS 16 as asset liability that is recognized. The reallocation of SEK 3.3 million relates to the replacement of general administrative expenses by depreciation of property, plant and equipment, relating to IFRS 16 implementation. The implementation effect of IFRS 16 is described in the previous section.

Note 3 cont.

Group	Note	K3 1 Jan 2018	Transition effect	IFRS 1 Jan 2018
Amounts in SEK million				
ASSETS				
Non-current assets				
Intangible assets		0.2	0.0	0.2
Tangible assets		1.8	7.4	9.2
Financial assets		1.2	0.0	1.2
Non-current assets in total		3.3	7.4	10.7
Current assets				
Lending to the public		370.5	0.0	370.5
Other receivables		22.6	0.0	22.6
Accruals and prepaid expenses		4.7	0.0	4.7
Cash and equivalents		104.7	0.0	104.7
Current assets in total		502.6	0.0	502.6
TOTAL ASSETS		505.8	7.4	513.2
EQUITY AND LIABILITIES				
Equity				
Share capital		0.5	0.0	0.5
Other contributed capital reserve		57.3	0.0	57.3
Reserves		1.2	0.0	1.2
Retained profit, incl. profit for the year		167.4	0.0	167.4
Equity in total		226.5	0.0	226.5
Non-current liabilities				
Liabilities to credit institutions		228.9	0.0	228.9
Other liabilities		5.0	7.4	12.4
Deferred tax liabilities		10.2	0.0	10.2
Current liabilities				
Payables		4.3	0.0	4.3
Current tax liabilities		15.0	0.0	15.0
Other current liabilities		3.2	0.0	3.2
Accrued expenses and deferred income		12.8	0.0	12.8
EQUITY AND LIABILITIES IN TOTAL		505.8	7.4	513.2

SEK 7.4 million is recognized as right of use lease assets as part of the implementation of IFRS 16.

Note 3 cont.

Group	Note	K3 31 Dec 2018	Transition effect	IFRS 31 Dec 2018
Amounts in SEK million				
ASSETS				
Non-current assets				
Intangible assets		0.2	0.0	0.2
Tangible assets		3.9	9.7	13.7
Financial assets		1.2	0.0	1.2
Non-current assets in total		5.3	9.7	15.1
Current assets				
Lending to the public		744.6	0.0	744.6
Other receivables		12.8	0.0	12.8
Accruals and prepaid expenses		1.0	0.2	1.2
Cash and equivalents		200.7	0.0	200.7
Current assets in total		959.1	0.2	959.3
TOTAL ASSETS		964.5	9.9	974.4
EQUITY AND LIABILITIES				
Equity				
Share capital		0.5	0.0	0.5
Other contributed capital reserve		57.3	0.0	57.3
Reserves		0.7	0.0	0.7
Retained profit, incl. profit for the year		268.7	-0.1	268.5
Equity in total		327.2	-0.1	327.0
Non-current liabilities				
Bonds		491.1	0.0	491.1
Liabilities to credit institutions		93.0	0.0	93.0
Other liabilities		0.0	10.1	10.1
Deferred tax liabilities		13.9	0.0	13.9
Current liabilities				
Payables		4.2	0.0	4.2
Current tax liabilities		16.6	0.0	16.6
Other current liabilities		5.0	0.0	5.0
Accrued expenses and deferred income		13.5	0.0	13.5
EQUITY AND LIABILITIES IN TOTAL		964.5	9.9	974.4

The transition effects seen above relate to the accumulated effect since the time of implementation of IFRS 16.

Note 3 cont.

Group	Note	K3 31 Dec 2018	Transition effect	IFRS 1 Jan 2019
Amounts in SEK million				
ASSETS				
Non-current assets				
Intangible assets		0.2	0.0	0.2
Tangible assets		3.9	9.7	13.7
Financial assets		1.2	0.0	1.2
Non-current assets in total		5.3	9.7	15.1
Current assets				
Lending to the public		744.6	-18.9	725.8
Other receivables		12.8	0.0	12.8
Accruals and prepaid expenses		1.0	0.2	1.2
Cash and equivalents		200.7	0.0	200.7
Current assets in total		959.1	-18.7	940.5
TOTAL ASSETS		964.5	-9.0	955.5
EQUITY AND LIABILITIES				
Equity				
Share capital		0.5	0.0	0.5
Share premium reserve		57.3	0.0	57.3
Reserves		0.7	0.0	0.7
Retained profit, incl. profit for the year		268.7	-19.0	249.6
Equity in total		327.2	-19.0	308.1
Non-current liabilities				
Bonds		491.1	0.0	491.1
Liabilities to credit institutions		93.0	0.0	93.0
Other liabilities		0.0	10.1	10.1
Deferred tax liabilities		13.9	0.0	13.9
Current liabilities				
Payables		4.2	0.0	4.2
Current tax liabilities		16.6	0.0	16.6
Other current liabilities		5.0	0.0	5.0
Accrued expenses and deferred income		13.5	0.0	13.5
EQUITY AND LIABILITIES IN TOTAL		964.5	-9.0	955.5

The transition effects seen above relate to both the accumulated effect of IFRS 16 since implementation as well as the first-time effect of the IFRS 9 implementation. Transition effects (SEK 18.9 million) from the first-time adoption of IFRS 9 was accounted through retained profit at 1 January 2019. This was booked between Lending to the public and Retained profit. The implementation of IFRS 9 and IFRS 16 is detailed in the previous section as well as in note 10.

Note 4 - Operating segments by geographical area

IFRS transition impact on previous financial statements

The CEO has the ultimate responsibility for the decisions being taken by the Group. Executive 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 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.

Note 4 cont.

Group Income statement Q3 2019	Sweden	Finland	Other	Adjustments and Elimination	Total
Operating income					
Interest income	71.8	27.5	9.8	-12.4	96.7
Interest expense	-16.4	-6.7	-10.0	12.4	-20.7
Net interest income	55.5	20.7	-0.2	0.0	76.0
Fee and commission income	15.3	2.7	0.0	0.0	18.0
Fee and commission expense	-7.3	-1.1	-0.1	0.0	-8.5
Net fee and commission income	7.9	1.6	-0.1	0.0	9.5
Net financial transactions	-1.2	0.0	0.0	0.0	-1.2
Other income	6.1	0.0	0.0	-6.0	0.1
Total operating income	68.3	22.3	-0.3	-6.0	84.4
Operating expenses					
General administrative expenses	-21.4	-4.7	-0.8	6.0	-20.9
Depreciation and amortization	-1.2	-0.3	0.0	0.0	-1.5
Other operating expenses	-3.8	-0.6	0.0	0.0	-4.4
Total operating expenses	-26.3	-5.6	-0.8	6.0	-26.8
Profit before credit losses	42.0	16.7	-1.1	0.0	57.6
Net credit losses	-24.1	-6.7	0.0	0.0	-30.8
Impairment and reversal of fin. assets	0.0	0.0	0.0	0.0	0.0
Profit before tax (EBT)	17.9	10.1	-1.1	0.0	26.9
Income taxes	-4.0	-2.0	0.0	0.0	-6.0
Profit for the period	13.9	8.1	-1.1	0.0	20.9
Statement of Comprehensive income					
Profit for the period	13.9	8.1	-1.1	0,0	20.9
Gross exchange differences	0.0	0.7	0.0	0,0	0.7
Total Comprehensive income, net of tax	13.9	8.7	-1.1	0,0	21.5

Note 4 cont.

Group Income statement Q3 2018	Sweden	Finland	Other	Adjustments and Elimination	Total
Operating income					
Interest income	62.7	31.2	3.5	-3.5	94.0
Interest expense	-14.5	-6.2	-2.9	3.5	-20.1
Net interest income	48.2	25.0	0.6	0.0	73.9
Fee and commission income	12.0	3.0	0.0	0.0	15.1
Fee and commission expense	-5.0	-0.9	-0.1	0.0	-6.0
Net fee and commission income	7.0	2.1	-0.1	0.0	9.1
Net financial transactions	0.0	0.0	0.0	0.0	0.0
Other income	1.5	0.0	0.0	-1.5	0.0
Total operating income	56.7	27.2	0.5	-1.5	82.9
Operating expenses					
General administrative expenses	-12.1	-3.4	0.5	1.5	-13.5
Depreciation and amortization	0.0	0.0	-0.9	0.0	-0.9
Other operating expenses	-2.6	-1.0	0.0	0.0	-3.6
Total operating expenses	-14.8	-4.4	-0.4	1.5	-17.9
Profit before credit losses	42.0	22.8	0.2	0.0	65.0
Net credit losses	-26.6	-10.3	0.0	0.0	-37.0
Impairment and reversal of fin. assets	0.0	0.0	0.0	0.0	0.0
Profit before tax (EBT)	15.3	12.4	0.2	0.0	28.0
Income taxes	-3.4	-2.5	0.0	0.0	-5.9
Profit for the period	12.0	10.0	0.2	0.0	22.2
Statement of Comprehensive income					
Profit for the period	12.0	10.0	0.2	0.0	22.2
Gross exchange differences	0.0	0.8	0.0	0.0	0.8
Total Comprehensive income, net of tax	12.0	10.7	0.2	0.0	22.9

Note 4 cont.

Group Income statement Jan-Sep 2019

	Sweden	Finland	Other	Adjustments and Elimination	Total
Operating income					
Interest income	210.9	76.2	30.0	-32.6	284.6
Interest expense	-40.7	-17.0	-30.0	32.6	-55.1
Net interest income	170.2	59.2	0.0	0.0	229.4
Fee and commission income	43.9	10.7	0.0	0.0	54.6
Fee and commission expense	-19.4	-2.3	-0.1	0.0	-21.9
Net fee and commission income	24.5	8.5	-0.1	0.0	32.8
Net financial transactions	-1.2	0.0	0.0	0.0	-1.2
Other income	14.4	0.0	0.0	-14.2	0.2
Total operating income	207.9	67.7	-0.1	-14.2	261.2
Operating expenses					
General administrative expenses	-57.1	-12.5	-2.6	14.2	-58.0
Depreciation and amortization	-2.4	-0.8	0.0	0.0	-3.2
Other operating expenses	-10.6	-2.5	0.0	0.0	-13.2
Total operating expenses	-70.1	-15.8	-2.6	14.2	-74.3
Profit before credit losses	137.7	51.9	-2.7	0.0	186.9
Net credit losses	-66.2	-20.7	0.0	0.0	-86.9
Impairment and reversal of fin. assets	0.0	0.0	-1.2	0.0	-1.2
Profit before tax (EBT)	71.5	31.2	-4.0	0.0	98.7
Income taxes	-15.8	-6.2	0.0	0.0	-22.0
Profit for the period	55.7	25.0	-4.0	0.0	76.7

Statement of Comprehensive income

Profit for the period	55.7	25.0	-4.0	0.0	76.7
Gross exchange differences	0.0	0.7	0.0	0.0	0.7
Total Comprehensive income, net of tax	55.7	25.7	-4.0	0.0	77.4

Note 4 cont.

Group Income statement Jan-Sep 2018	Sweden	Finland	Other	Adjustments and Elimination	Total
Operating income					
Interest income	188.3	95.4	4.7	-4.7	283.8
Interest expense	-43.6	-19.2	-3.0	4.7	-61.0
Net interest income	144.8	76.3	1.7	0.0	222.7
Fee and commission income	32.9	14.9	0.0	0.0	47.9
Fee and commission expense	-12.0	-3.1	-0.1	0.0	-15.1
Net fee and commission income	21.0	11.9	-0.1	0.0	32.8
Net financial transactions	0.0	0.0	0.0	0.0	0.0
Other income	6.2	0.0	0.0	-5.2	1.1
Total operating income	172.0	88.1	1.7	-5.2	256.6
Operating expenses					
General administrative expenses	-37.4	-12.7	2.1	5.2	-42.8
Depreciation and amortization	0.0	-0.1	-2.4	0.0	-2.6
Other operating expenses	-6.4	-5.8	0.0	0.0	-12.1
Total operating expenses	-43.8	-18.6	-0.3	5.2	-57.5
Profit before credit losses	128.2	69.5	1.4	0.0	199.1
Net credit losses	-49.2	-33.0	0.0	0.0	-82.2
Impairment and reversal of fin. assets	0.0	0.0	0.0	0.0	0.0
Profit before tax (EBT)	79.1	36.5	1.4	0.0	116.9
Income taxes	-17.4	-7.3	0.0	0.0	-24.7
Profit for the period	61.7	29.2	1.4	0.0	92.2
Statement of Comprehensive income					
Profit for the period	61.7	29.2	1.4	0.0	92.2
Gross exchange differences	0.0	3.2	0.0	0.0	3.2
Total Comprehensive income, net of tax	61.7	32.4	1.4	0.0	95.4

Note 4 cont.

Group Income statement Full year 2018	Sweden	Finland	Other	Adjustments and Elimination	Total
Operating income					
Interest income	245.0	124.7	15.0	-15.0	369.7
Interest expense	-55.9	-24.8	-13.2	15.0	-78.9
Net interest income	189.2	99.9	1.8	0.0	290.8
Fee and commission income	46.4	18.6	0.0	0.0	65.0
Fee and commission expense	-20.9	-4.1	-0.1	0.0	-25.1
Net fee and commission income	25.5	14.5	-0.1	0.0	39.9
Net financial transactions	0.0	0.0	0.0	0.0	0.0
Other income	8.3	0.0	0.0	-7.2	1.1
Total operating income	223.0	114.4	1.7	-7.2	331.9
Operating expenses					
General administrative expenses	-55.2	-16.4	2.2	7.0	-62.4
Depreciation and amortization	-0.6	-0.2	-3.3	0.0	-4.1
Other operating expenses	-11.4	-7.2	0.0	0.1	-18.6
Total operating expenses	-67.3	-23.8	-1.1	7.1	-85.1
Profit before credit losses	155.7	90.7	0.5	-0.1	246.8
Net credit losses	-67.5	-41.7	0.0	0.0	-109.2
Impairment and reversal of fin. assets	0.0	0.0	0.0	0.0	0.0
Profit before tax (EBT)	88.2	49.0	0.5	-0.1	137.6
Income taxes	-15.0	-9.8	0.0	0.0	-24.8
Profit for the period	73.1	39.1	0.6	-0.1	112.8
Statement of Comprehensive income					
Profit for the period	73.1	39.1	0.6	-0.1	112.8
Gross exchange differences	0.0	0.5	0.0	0.0	0.5
Total Comprehensive income, net of tax	73.1	39.6	0.6	-0.1	113.2

Note 5 - Interest income

Group	Q3	Q3	Jan-Sep	Jan-Sep	Jan-Dec
Amounts in SEK million	2019	2018	2019	2018	2018
Interest income from lending to the public	96.7	94.0	284.6	283.8	369.7
Other interest income	0.0	0.0	0.0	0.0	0.0
Total interest income	96.7	94.0	284.6	283.8	369.7

Note 6 - Interest expense

Group	Q3	Q3	Jan-Sep	Jan-Sep	Jan-Dec
Amounts in SEK million	2019	2018	2019	2018	2018
Interest expense, Credit institutions	-10.6	-17.1	-25.0	-57.7	-65.5
Interest expense, Bonds	-10.0	-3.0	-29.9	-3.1	-13.0
Other financial expense	-0.1	0.0	-0.3	-0.2	-0.3
Total interest expense	-20.7	-20.1	-55.1	-61.0	-78.9

Note 7 - Net fee and commission income

Group	Q3	Q3	Jan-Sep	Jan-Sep	Jan-Dec
Amounts in SEK million	2019	2018	2019	2018	2018
<i>Fee and commission income</i>					
Insurance provisions	7.2	3.7	17.4	8.7	13.2
Other commission and fees	10.8	11.3	37.3	39.2	51.9
Total commission income	18.0	15.1	54.6	47.9	65.0
<i>Fee and commission expense</i>					
Insurance expense	-2.8	-2.1	-7.8	-4.7	-6.8
Other expenses	-5.8	-4.0	-14.0	-10.4	-18.4
Total commission expense	-8.5	-6.0	-21.9	-15.1	-25.1
Net fee and commission income	9.5	9.1	32.8	32.8	39.9

Note 8 - Net credit losses

Group	Q3	Q3	Jan-Sep	Jan-Sep	Full year
Amounts in SEK million	2019	2018	2019	2018	2018
<i>Net credit losses according to IFRS 9</i>					
Change in provision for ECL, stage 1	0.4	0.0	-1.5	0.0	0.0
Change in provision for ECL, stage 2	-6.7	0.0	-8.3	0.0	0.0
Change in provision for ECL, stage 3	-1.8	0.0	-1.2	0.0	0.0
Total change in provision for ECL, stage 1-3	-8.1	0.0	-11.1	0.0	0.0
Realised credit losses	-22.6	0.0	-75.8	0.0	0.0
Net credit losses	-30.8	0.0	-86.9	0.0	0.0
<i>Net credit losses according to K3</i>					
Provision for expected loan losses		-14.5		-14.5	-21.5
Realised credit losses		-22.4		-67.6	-87.8
Net credit losses		-37.0		-82.2	-109.2

Note 9 - Lending to the public

Group	30 Sep 2019	31 Dec 2018	30 Sep 2018	1 Jan 2018
Amounts in SEK million				
Total lending to the public	1029.6	766.1	593.2	370.5
<i>Lending to the public</i>				
Stage 1, gross	807.5	0.0	0.0	0.0
Stage 2, gross	195.5	0.0	0.0	0.0
Stage 3, gross	26.6	0.0	0.0	0.0
Total lending to the public, gross	1029.6	766.1	593.2	370.5
<i>Provision for expected credit losses</i>				
Stage 1	-26.1	0.0	0.0	0.0
Stage 2	-21.9	0.0	0.0	0.0
Stage 3	-3.4	0.0	0.0	0.0
Provisions according to K3	0	-21.5	-14.5	0.0
Total provision for expected credit losses	-51.4	-21.5	-14.5	0.0
<i>Lending to the public</i>				
Stage 1, net	781.4	0.0	0.0	0.0
Stage 2, net	173.6	0.0	0.0	0.0
Stage 3, net	23.2	0.0	0.0	0.0
Total lending to the public, net	978.2	744.6	578.7	370.5

Change in provision for expected credit losses (ECL)

Group	30 Sep 2019	1 Jan 2019
Amounts in SEK million		
Opening balance	-40.3	-21.5
Transition impact of implementation of IFRS 9	0.0	-18.9
Opening balance according to IFRS 9	-40.3	-40.3
Change in provision for ECL in stage 1	-1.5	0.0
Change in provision for ECL in stage 2	-8.3	0.0
Change in provision for ECL in stage 3	-1.2	0.0
Closing balance	-51.4	-40.3

Note 9 cont.

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

Group	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Amounts in SEK million				
Lending to the public, gross, opening balance 1 January 2019	629.6	118.2	18.3	766.1
New assets originated during period	364.1	48.9	6.4	419.4
Change in existing assets during period	-26.9	7.7	3.4	-15.9
Transfers from stage 1	-114.6	101.7	13.0	0.0
Transfers from stage 2	20.0	-22.5	2.5	0.0
Transfers from stage 3	0.8	0.8	-1.7	0.0
Financial assets sold during the year	-65.4	-59.3	-15.3	-140.0
Lending to the public, gross, closing balance 30 September 2019	807.5	195.5	26.6	1029.6
Provision for ECL, opening balance 1 January 2019	-24.6	-13.6	-2.1	-40.3
New assets originated during period	-13.0	-5.1	-0.8	-19.0
Change in existing assets during period	7.6	-9.1	-1.6	-3.1
Transfers from stage 1	4.1	-3.6	-0.5	0.0
Transfers from stage 2	-2.6	2.9	-0.3	0.0
Transfers from stage 3	-0.1	-0.1	0.2	0.0
Financial assets sold during the year	2.5	6.7	1.8	11.0
Provision for ECL, closing balance 30 September 2019	-26.1	-21.9	-3.4	-51.4

Sensitivity analysis of ECL-model

The most significant factors contributing to uncertainty in the model are the assumptions that underlie the significant increase in credit risk and thus the transfer from step 1 to step 2 in the provision model. The table below shows the amount provision sensitivity relating to increase and decrease of the threshold level for step 2.

Sensitivity analysis	+ / -	ECL change (%)
Threshold increase	+100%	-4.04%
Threshold decrease	- 50%	6.69%

Note 10 - Financial assets and liabilities

Classification of financial assets and liabilities into valuation categories

The terminology according to IFRS 9 is applied for periods after 2019-01-01 and the terminology for K3 is applied for preceding periods.

Group 30 Sep 2019

Amounts in SEK million	Amortized cost	Non-financial assets and liabilities	Total	Fair value
Assets				
Financial assets	3.0	0.0	3.0	3.0
Lending to the public	978.2	0.0	978.2	978.2
Other receivables	4.6	37.4	42.1	42.1
Accruals and prepaid expenses	0.0	27.1	27.1	27.1
Cash and equivalents	86.0	0.0	86.0	86.0
Total financial assets	1071.8	64.5	1136.4	1136.4
Liabilities				
Bonds	481.3	0.0	481.3	481.3
Liabilities to credit institutions	250.6	0.0	250.6	250.6
Other liabilities	0.0	0.0	0.0	0.0
Payables	7.2	0.0	7.2	7.2
Total financial liabilities	739.1	0.0	739.1	763.2

Group 31 Dec 2018

Amounts in SEK million	Available for-sale financial assets	Non-financial assets and liabilities	Other financial assets and liabilities	Total
Assets				
Financial assets	1.2	0.0	0.0	1.2
Lending to the public	0.0	744.6	0.0	744.6
Other receivables	7.2	5.6	0.0	12.8
Accruals and prepaid expenses	0.0	1.2	0.0	1.2
Cash and equivalents	0.0	200.7	0.0	200.7
Total financial assets	8.4	952.1	0.0	960.6
Liabilities				
Bonds	0.0	0.0	491.1	491.1
Liabilities to credit institutions	0.0	0.0	93.0	93.0
Other liabilities	0.0	0.0	10.1	10.1
Payables	0.0	0.0	4.2	4.2
Total financial liabilities	0.0	0.0	598.4	598.4

Note 10 cont.

Group 30 Sep 2018

Amounts in SEK million	Available for-sale financial assets	Non-financial assets and liabilities	Other financial assets and liabilities	Total
Assets				
Financial assets	1.2	0.0	0.0	1.2
Lending to the public	0.0	578.7	0.0	578.7
Other receivables	8.2	4.2	0.0	12.47
Accruals and prepaid expenses	0.0	8.3	0.0	8.3
Cash and equivalents	0.0	334.1	0.0	334.1
Total financial assets	9.4	925.3	0.0	934.6
Liabilities				
Liabilities to credit institutions	0.0	0.0	490.3	490.3
Other liabilities	0.0	0.0	92.2	92.2
Payables	0.0	0.0	2.5	2.5
Total financial liabilities	0.0	0.0	584.9	584.9

Group 1 Jan 2018

Amounts in SEK million	Available for-sale financial assets	Non-financial assets and liabilities	Other financial assets and liabilities	Total
Assets				
Financial assets	1.2	0.0	0.0	1.2
Lending to the public	0.0	370.5	0.0	370.5
Other receivables	8.4	14.3	0.0	22.6
Accruals and prepaid expenses	0.0	4.7	0.0	4.7
Cash and equivalents	0.0	104.7	0.0	104.7
Total financial assets	9.6	494.2	0.0	503.8
Liabilities				
Liabilities to credit institutions	0.0	0.0	228.9	228.9
Other liabilities	0.0	0.0	12.4	12.4
Payables	0.0	0.0	4.3	4.3
Total financial liabilities	0.0	0.0	245.6	245.6

Note 10 cont.

Parent 30 Sep 2019	Financial instruments at fair value through P/L - Initially measured at fair value through P/L	Amortized cost	Non-financial assets and liabilities	Total
Amounts in SEK million				
Assets				
Financial assets	50.2	0.0	0.0	50.2
Other receivables	0.0	0.0	449.8	449.8
Cash and equivalents	0.0	17.8	0.0	17.8
Total financial assets	50.2	17.8	449.8	517.8
Liabilities				
Bonds	0.0	481.3	0.0	481.3
Accruals and deferred income	0.0	2.7	0.0	2.7
Total financial liabilities	0.0	484.0	0.0	484.0

Parent 31 Dec 2018	Financial instruments at fair value through P/L - Designated at initial recognition	Available for-sale financial assets	Loans and receivables	Other financial assets and liabilities	Total
Amounts in SEK million					
Assets					
Financial assets	0.2	1.2	0.0	0.0	1.4
Other receivables	0.0	0.0	500.0	0.0	500.0
Cash and equivalents	0.0	0.0	45.6	0.0	45.6
Total financial assets	0.2	1.2	545.6	0.0	547.0
Liabilities					
Bonds	0.0	0.0	0.0	491.1	491.1
Accruals and deferred income	0.0	0.0	0.0	3.1	3.1
Total financial liabilities	0.0	0.0	0.0	494.2	494.2

Note 10 cont.

Parent 30 Sep 2018	Financial instruments at fair value through P/L -				Total
Amounts in SEK million	Designated at initial recognition	Available for-sale financial assets	Loans and receivables	Other financial assets and liabilities	
Assets					
Financial assets	0.2	1.2	0.0	0.0	1.4
Other receivables	0.0	0.0	502.9	0.0	502.9
Cash and equivalents	0.0	0.0	42.7	0.0	42.7
Total financial assets	0.2	1.2	545.6	0.0	547.0
Liabilities					
Bonds	0.0	0.0	0.0	490.3	490.3
Accruals and deferred income	0.0	0.0	0.0	3.1	3.1
Total financial liabilities	0.0	0.0	0.0	493.4	493.4

Note 11 - Bonds

Group and Parent

Amounts in SEK million	30 Sep 2019	31 Dec 2018	30 Sep 2018	1 Jan 2018
Issued bond (ISIN SE0011614973)	481.3	491.1	490.3	0.0
Total	481.3	491.1	490.3	0.0

The Group issued unsecured bonds that mature on 3 September 2021. The interest rate is floating STIBOR 3 months (with floor 0:00 percent) plus 8 percent). Interest payments are due quarterly.

As per 2019-09-30, Northmill Group AB (publ) owns SEK 12.3 m of its issued bonds. The holding is netted towards the liability.

Note 12 - Significant events after the end of the financial period

Northmill Group's work is progressing according to plan, and there are no significant events to report that have occurred after the end of the financial period.

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We're going to make a change



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