northmill

ANNUAL REPORT

2019

2019.01.01 - 2019.12.31

northmill

Table of contents

The year in summary	**04**
Words from the CEO	**06**
This is Northmill	**08**
Northmill's history	**10**
Key ratios, Group	**12**
Directors' report	**13**
Proposed appropriation of profits	**16**
Financial information	
Group	
– Consolidated income statement	17
– Consolidated statement of comprehensive income	18
– Consolidated statement of financial position	19
– Consolidated statement of changes in equity	20
– Consolidated statement of cash flows	21
Parent company	
– Income statement	22
– Statement of financial position	23
– Statement of changes in equity	24
– Statement of cash flows	25
Notes	**26**
Signatures of the Board of Directors	**60**
Definitions	**61**
Audit report	**62**
Board of Directors	**64**
Management team	**66**
Corporate culture and work environment	**68**
Sustainability Report 2019	**72**
Auditor's report on the statutory sustainability report	**77**

Unless otherwise stated, all amounts are in SEK thousands. Figures in parentheses refer to the previous year.

The year in summary

Financial performance in 2019 (compared with 2018)

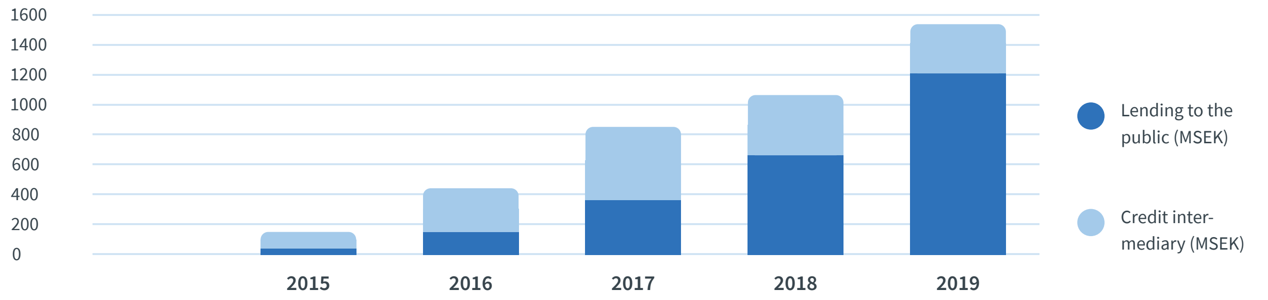
- Net interest income increased by 6.7 percent to SEK 311.7 million (292.0)
- Operating income grew by 7.5 percent to SEK 356.8 million (331.9)
- Profits before tax dropped by 13.7 percent to SEK 118.6 million (137.4)
- Profit for the year decreased by 15.1 percent to SEK 95.5 million (112.5)
- Cost/income ratio totaled 0.32 (0.26)
- Total credit portfolio* grew by 36.6 percent to 1,476 (1,081)
- Return on equity was 26.8 percent (40.6 percent)
- Total capital ratio amounted to 26.0 percent in Northmill Bank AB and 22.1 percent in the Group
- Common Equity Tier 1 capital ratio was 26.0 percent in Northmill Bank AB and 22.1 percent in the Group

Significant events in 2019

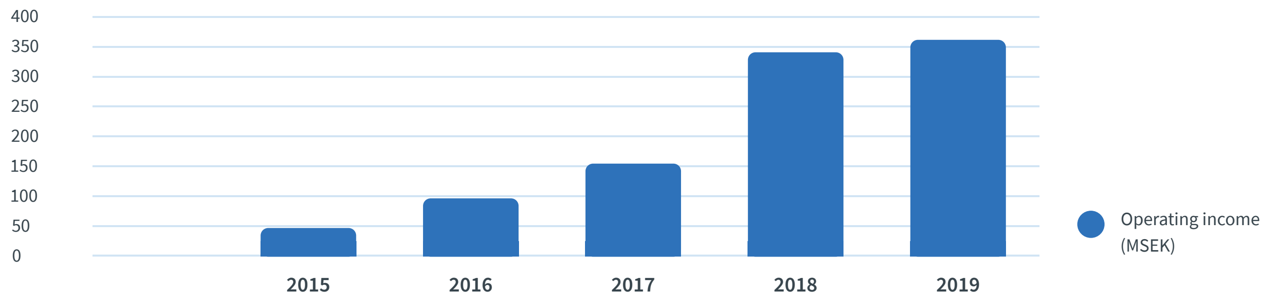
- Northmill AB was granted a license from the Swedish Financial Supervisory Authority to conduct banking operations in accordance with the Banking and Financing Business Act (2004:297). In connection with this, the Company changed names from Northmill AB to Northmill Bank AB.
- During the year, several key people were recruited to the Management Team, including a new Chief Credit Officer (CCO), Chief Marketing Officer (CMO) and Chief Product Officer (CPO).
- The Company launched several new products, including Rebilla Reduce, Rebilla Reward and Rebilla Card.
- In July 2019, the Company's bond loan was listed on Nasdaq Stockholm's Bonds Sweden list.
- During the year, the Company transitioned to IFRS, thus establishing reserves for expected credit losses in accordance with IFRS 9. The transition resulted in an increase in reserves of SEK 18.9 million.
- In Finland, new legislation entered into force to introduce a 20 percent cap on nominal interest rates for loans. In accordance with the new law, the Company's products in the Finnish subsidiary were changed and now feature lower lending rates, lower expected credit risk and longer maturities.

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

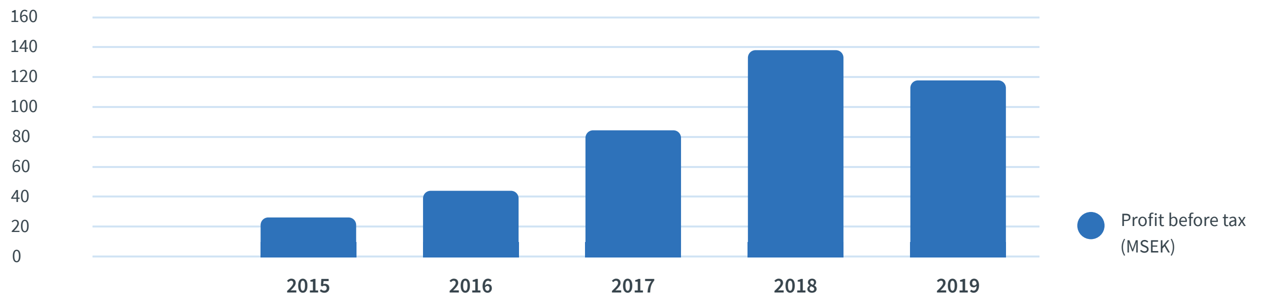
Total credit portfolio



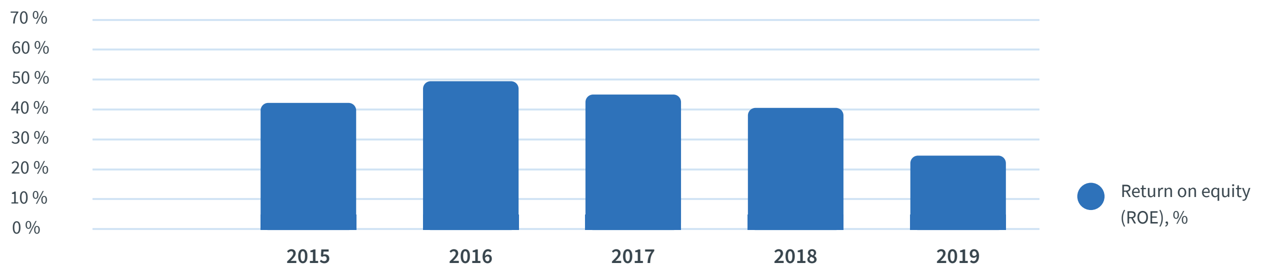
Operating income



Profit before tax



Return on Equity (ROE)



Words from the CEO

"We're well equipped for the future with a strong capital base, a well-developed technical platform and a flexible organization."

"2019 was the most eventful year in Northmill's history." These were my opening words when I thanked all of our fantastic employees for their vital efforts during the year. We set high targets for 2019 and we can now see that our great efforts have yielded results. In September, we were granted a Swedish banking license by the Swedish Financial Supervisory Authority, reaching a milestone in Northmill's history, confirming the hard work of our employees and demonstrating that we have the right long-term priorities. This will promote competition and innovation since as a fully cloud-based and digital consumer bank, we now have new opportunities to develop smart everyday products that help people improve their personal finances.

We continued to make strategic investments in our operations and as a result, during the year, we were able to introduce our new Rebilla brand. We were soon able to gather several products under the Rebilla umbrella, including Reduce, which helps people lower interest rates on existing credits, installments and credit card bills. We also launched our first loyalty program, Reward, which lowers interest rates every time a customer pays their bill on time – an important incentive and a highly appreciated service among our more than 200,000 customers. During the second half of the year, we also introduced one of Sweden's absolute best credit cards, the Rebilla card, which has no fees and offers two percent cash back on everything a customer buys up to SEK 50,000 per year. The Rebilla card is an excellent example of a product that capitalizes on the opportunities we can seize with a banking license. Our new products have taken Northmill into the future and fulfilled the real needs of our customers, so it's no surprise that we're seeing such a positive response from customers.

Our credit portfolio showed good growth during the year, increasing 37 percent to SEK 1.48 billion by year-end, an increase mainly attributable to our Swedish operations. In Finland, a new law was introduced to cap interest rates at 20 percent. This is a positive development, and we've succeeded in adapting our product portfolio consistently and effectively. That said, we will need to continue to be responsive, capitalize on our strong organization and develop our business to remain competitive in the new environment.

Despite the fact that our staff grew by 56 percent during the year, we managed to maintain our fantastic culture, which makes me extremely proud. We have a culture characterized by humility, ambition, strong cohesion and the feeling that we're all pulling in the same direction. We believe that Northmill should be a place where people can stay and grow and that their personal goals shouldn't be at odds with the Company's journey. Today, we employ people from more than 20 countries who speak at least as many languages. This is an important factor that characterizes Northmill's culture thanks to our employees' wide range of perspectives, backgrounds and experiences. This is why at Northmill, it's natural to question and challenge the status quo, an incredible strength in an organization as product-oriented as ours. The many key recruitments we carried out during the year were aimed at strengthening capacity as we continue to scale up our banking operations.

Total credit portfolio

+37 %

2019: 1 476 MSEK (1 081)

Operating income

+7.5 %

2019: 357 MSEK (332)

Hikmet Ego
CEO and Co-founder

After the end of 2019, we introduced our first savings accounts and began accepting deposits from the public. We're proud of how quickly we managed to develop and launch this service. Our savings accounts are an important piece of the puzzle in our continued journey and they will allow us to further expand our customer offering going forward.

We are looking ahead into 2020 humbly but optimistically. We're confident that we are well-equipped for the future with a strong capital base, a well-developed technical platform and a flexible organization accustomed to operating in a rapidly changing world. At the same time, we are being vigilant and preparing for the long-term challenges that may arise in the wake of the coronavirus pandemic. We all need to join together and contribute to handling the aftermath of the crisis and great commitment will be required at all levels of society. We've built up significant momentum in our business and we will continue to maintain high goals and dare to go our own way. This is how we take important steps every day toward realizing our vision to improve everyone's personal finances.

Hikmet Ego

Hikmet Ego, CEO & Co-founder

This is Northmill

Our vision

With technology engraved in our DNA, we're building a bank with a vision to develop products that help people improve their personal finances. We aim to help everyone save time and money in every part of their everyday lives.

FINANCING

General public | Capital markets | Partners | Own funds

northmill

PRODUCTS

Savings | Consumer loans & credits | Insurance

CUSTOMERS

PRIVATE INDIVIDUALS

Product offering and customers

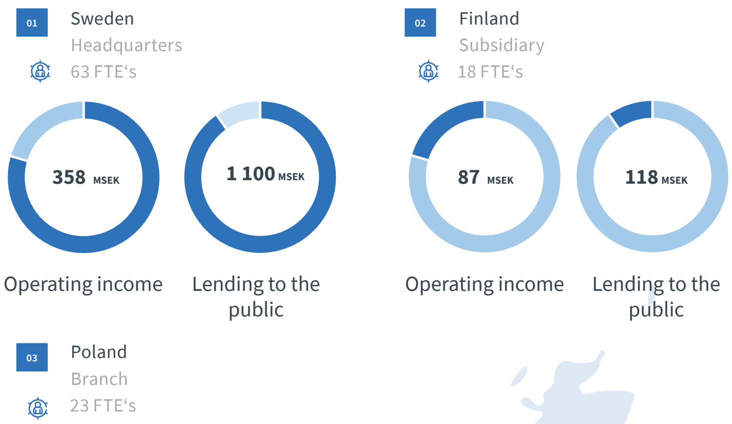
The Group's product offering includes savings accounts, consumer loans, revolving credit facilities, credit cards and insurance. The group's products target private individuals in Sweden and Finland.

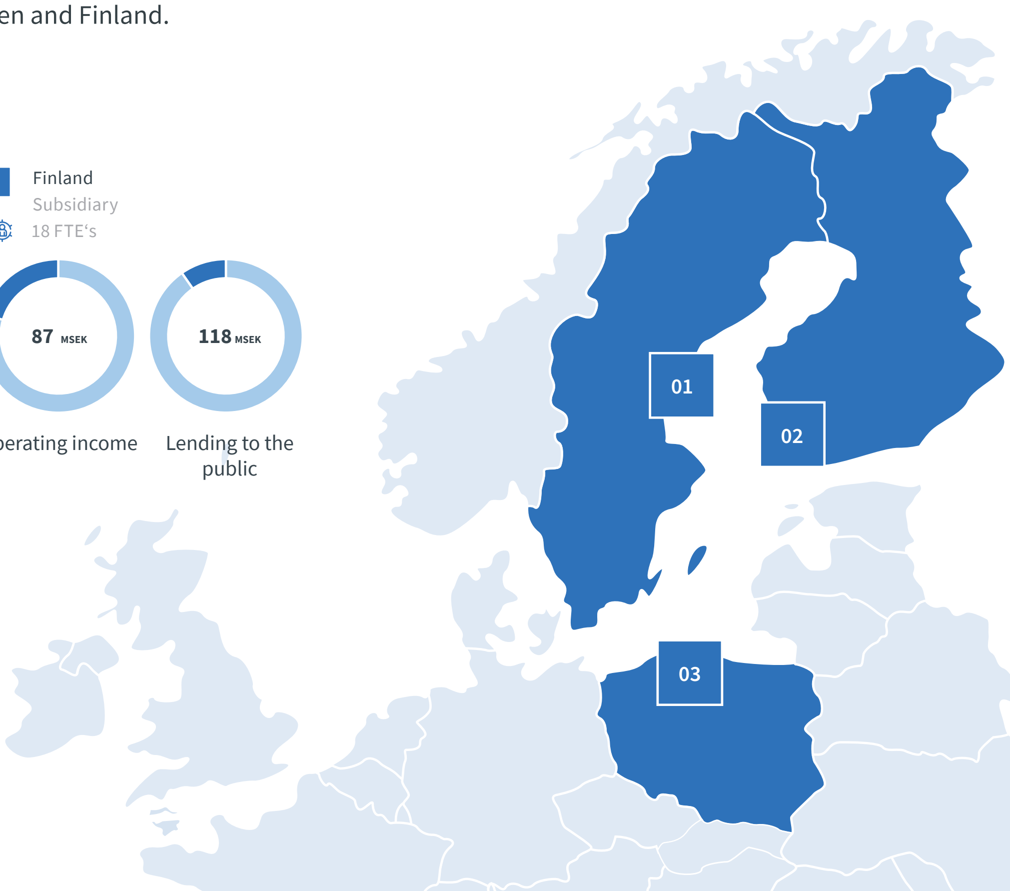
Digital platform

Thanks to its proprietary cloud-based technology, the Company is able to build world-class digital services. Since its inception in 2006, Northmill has been data-driven with a focus on effective and automated processes, a strong customer offering and scalable technology.

Markets

Today, the group is active in three countries: Sweden, Finland and Poland. The company's headquarters, where all central functions are managed except IT, is located in Sweden. The group's Finnish subsidiary has a commercial unit headed by a local country manager. The froup's IT unit is managed in Poland. The group's products target primarily private individuals in Sweden and Finland.





Sweden

2019

During the year, Northmill AB was granted a license from the Swedish Financial Supervisory Authority to conduct banking operations in accordance with the Banking and Financing Business Act (2004:297). In connection with this, the company changed names from Northmill AB to Northmill Bank AB. The license allows the company to receive deposits from the public and thus develop competitive savings products for customers.

Finland

2019

In Finland, Northmill offers annuity loans under two brands: Easycredit and Credigo. These products are similar but differ slightly in terms of maturities and credit amounts. During the year, new legislation entered into force, capping nominal interest rates for loans at 20 percent. As a result, the company's products in the Finnish subsidiary were changed and now feature lower lending rates, lower expected credit risk and longer maturities.

Northmill's history

2006

Northmill was founded in Stockholm in 2006 with a vision to use new technology to improve people's financial lives and create a more inclusive financial system that promotes development and benefits society as a whole.

2007

Northmill develops a proprietary technology platform and begins granting credit to private individuals in Sweden.

2013

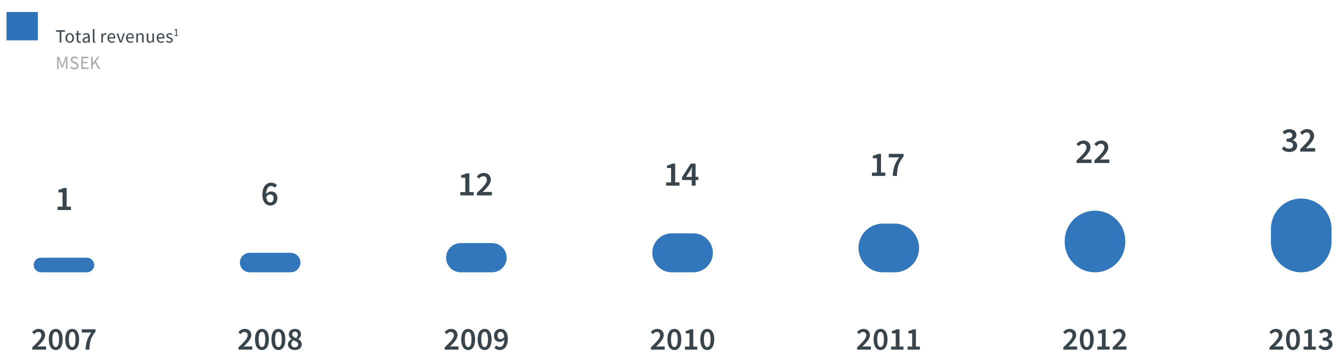
Northmill successfully migrates its IT infrastructure to the cloud, giving the company a competitive edge through increased control, security and flexibility as well as better cost optimization.

2015

Northmill expands to Finland and launches its first overdraft facility that offers customers a free line of credit to use if needed.

2016

With more than 150,000 customers and a license as a Swedish financial institution under the supervision of the Swedish Financial Supervisory Authority, Northmill takes a giant leap in the company's growth journey and expands to Poland.



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

2017

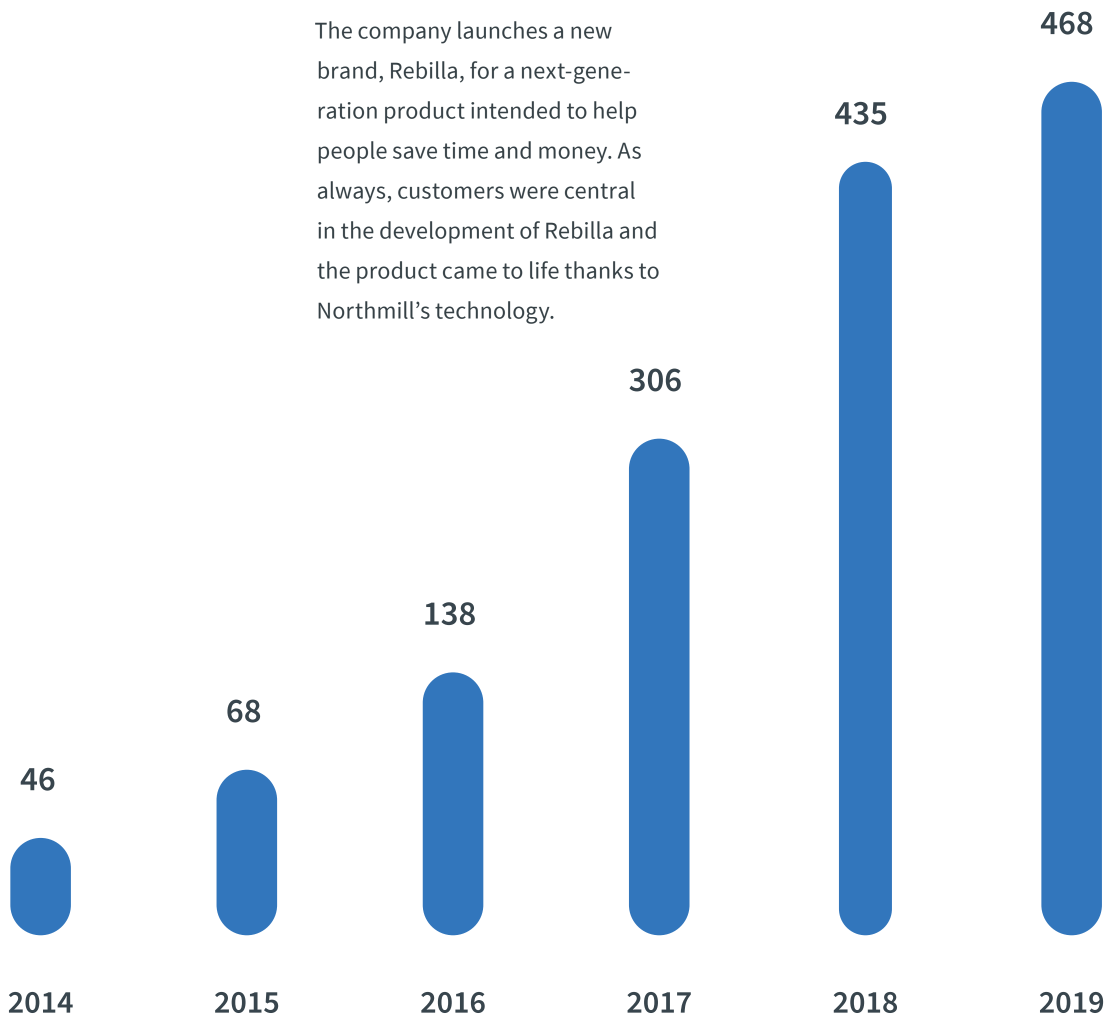
Northmill's journey of success continues. The company launches its first insurance product, grows to employ more than 70 people and applies to the Swedish Financial Supervisory Authority for a license to conduct banking operations.

2018

The company launches a new brand, Rebilla, for a next-generation product intended to help people save time and money. As always, customers were central in the development of Rebilla and the product came to life thanks to Northmill's technology.

2019

Northmill further develops Rebilla and launches a range of products and services to help customers save time and money. At the end of the year, Northmill receives a banking license from the Swedish Financial Supervisory Authority.



Key ratios, Group

Amounts in SEK thousands	2019	2018	2017	2016	2015
INCOME STATEMENT					
Total operating income	356 812	331 903	236 247	106 754	47 756
Profit before credit losses	242 806	246 593	165 216	63 654	27 043
Profit before tax (EBT)	118 555	137 352	119 464	46 206	28 001
Profit for the year	95 452	112 487	97 684	38 496	23 373
BALANCE SHEET					
Lending to the public	1 218 689	744 644	370 539	136 640	32 476
Lending to credit institutions	152 571	200 702	104 665	69 327	48 072
Total assets	1 479 640	972 227	505 827	218 697	90 566
Total equity	386 175	326 755	226 788	78 681	43 507
KEY RATIOS					
Return on equity (ROE), %	26.8%	40.6%	64.0%	63.0%	53.7%
Equity ratio	26.1%	33.6%	44.8%	36.0%	48.0%
C/I ratio	0.32	0.26	0.30	0.40	0.43
Interest coverage ratio	4.25	4.18	3.62	3.08	2.47
Average number of employees	104	73	59	37	20

Definitions

See separate section with definitions on page 61.

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

Directors' report

The Board of Directors and CEO of Northmill Group AB (publ), corporate identity number 556786-5257, hereby present the consolidated annual statements along with the financial statements of the Parent Company for the 2019 financial year.

Unless otherwise stated, all amounts in running text are in SEK million. Unless otherwise stated, figures in charts, tables and notes are in SEK thousands.

Group operations

Northmill Group AB (publ), including wholly owned local branches and subsidiaries, is referred to as the "Group". The Group's business is bank operations, lending and insurance intermediation to individuals. The Group's operations are conducted, and its services provided, exclusively on the internet.

The bank operations are conducted in the wholly owned subsidiary Northmill Bank AB. Northmill Bank in turn owns 100 percent of the subsidiary Northmill Oy, which provides lending in Finland. Northmill AB also includes a Polish branch, where large parts of the Group's IT resources are located.

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

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

Operations are conducted at the headquarters in Stockholm, Sweden and the offices in Helsinki, Finland and Katowice, Poland.

Significant events in the financial year

During the year, several key recruitments were made to the Executive Management Team in the form of a new Chief Credit Officer ("CCO"), Chief Marketing Officer ("CMO") and Chief Product Officer ("CPO").

In the first quarter, the Company launched Rebilla Reduce, a service that helps customers save money by moving their loans to Northmill, thereby reducing the cost of their existing loans.

In the second quarter 2019, the Company transitioned to IFRS. In the same quarter, the Company launched Rebilla Reward, a loyalty program allowing customers to reduce their interest rate each time they make a repayment. In July 2019, the Company's bond loan was listed on Nasdaq Stockholm's Bonds Sweden list.

At the end of the third quarter 2019, Northmill AB was awarded a banking license pursuant to the Banking and Financing Business Act (SFS 2004:297). In connection with this, the Company changed names from Northmill AB to Northmill Bank AB. The banking license means that the Company is now allowed to accept deposits from the public and develop competitive savings products for its customers.

The same month, a new law entered into force in Finland that introduced an interest rate cap of no more than 20 percent in nominal interest rate on loans. In accordance with the new law, the products in the Finnish subsidiary were changed to offer lower lending rates, lower expected credit risk and longer maturities.

In the fourth quarter 2019, Northmill launched a credit card. With the credit card, the Company enables payments on favorable terms. The Company's card is free of charge and gives the customers cash back on each purchase.

Significant events after year-end

In January, lending to the public was launched under the Rebilla brand.

In the beginning of March, the World Health Organization (the "WHO") established that the coronavirus (Covid-19) outbreak is a global pandemic that will have a major effect on human health and the economy at large. The Company does not notice any direct effects of the pandemic on the Company's financial position in the short term, but it expects that the global economy and the economy of Sweden will enter a recession that will affect the GDP growth, unemployment rates and disposable incomes. The Company estimates that this will chiefly affect the customers' ability to repay their loans and therefore result in increased credit losses. The Company also determines that the opportunities for capital market funding will be limited in the medium term.

Results and financial position

The Group had a stable revenue growth in 2019 while the Group's focus was to build up an organization that not only makes use of the opportunities afforded by the banking license but also adds resources and skills to support and control functions, which must be developed further. Operating income increased by 7.5 percent compared with the corresponding period in the previous year and amounted to SEK 357 million (332). Profit before tax fell by 14 percent to SEK 119 million (137). The reduced profit is due to the increased cost base due to strategic investments in the organization and competence, primarily in analyses, IT and product development. Profit for the year increased by 15 percent to SEK 95 million (112), corresponding to a return on equity of 27 percent (41 percent).

Operating expenses

The Group's operating expenses were SEK 114 million (85) in 2019. The C/I ratio grew to 0.32 in 2019 (0.26) due to the increased cost base due to increased strategic investments.

Investments

The year's investments in intangible and tangible assets were SEK 36 million (3) for the Group. The year's investments primarily refer to product development.

Total credit portfolio

The total credit portfolio was 1,476 (1,081), corresponding to growth of 37 percent. The credit portfolio comprised lending to the public of 1,218 (745) and credit mediation of 257 (336). The credit mediation operations were terminated during the year.

Credit losses

Total credit losses were SEK 123 million (109), corresponding to an increase of SEK 14 million. The increase was chiefly due to an increase in new lending over the year and to the fact that the Group has begun to make provisions for expected future credit losses in accordance with IFRS 9.

Dividends

According to the dividend policy adopted by the Board of Directors, the Group shall distribute from 10–15 percent of the profit for the year in dividends. However, considering the current uncertainty in the world due to the corona pandemic, no dividend will be made for the 2019 financial year.

Significant risks and uncertainty factors

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

Own funds and capital adequacy

The Group's account of own funds and capital adequacy at the end of 2019 are included in the published Pillar 3 report, which is available on www.northmill.com.

Employees

The average number of full-time employees in the period from January–December 2019 was 104 (FTE), an increase of 42 percent. The number of full-time positions also include temporary employees. At the end of the year, the proportion of women was 30 percent and men were 70 percent. Employee turnover was 29 percent during the year.

Ownership structure

Northmill Group AB (publ) owns the subsidiary Northmill Bank AB (100 percent). The Parent Company, which is classified as a large Group, has prepared consolidated accounts in accordance with Chapter 7 of the Annual Accounts Act.
Of the Parent Company's revenue, SEK 40 million comprised intra-Group income from subsidiaries. The Parent Company's expenses included no intra-Group expenses from subsidiaries.

Sustainability Report

The Group's Sustainability Report has been prepared in accordance with Chapter 6, Section 11 of the Annual Accounts Act and the GRI Standards: Core option and GRI's special guidelines for the sector (the Financial Services Sector Supplement). The Sustainability Report can be found on page 72 - 76 in this report.

Proposed appropriation of profits

Parent company

Amounts in SEK	**2019**
The Board proposes the profits be distributed as follows:	
Retained earnings	37 291 296
Profit for the year	-4 204 143
Total	**33 087 153**
Carried forward	33 087 153
Sum	**33 087 153**

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

Consolidated income statement

Group

Amounts in SEK thousands	Note	Full year 2019	Full year 2018
Interest income according to the effective interest method	6	387 597	370 898
Interest expense	7	-75 863	-78 830
Net interest income		**311 734**	**292 068**
Fee and commission income		72 960	63 844
Fee and commission expense		-33 114	-25 135
Net fee and commission income	8	**39 847**	**38 708**
Net result from financial transactions	9	-2 542	-10
Other operating income		7 772	1 137
Total operating income		**356 812**	**331 903**
General administrative expenses	10	-92 929	-62 713
Depreciation, amortisation and impairment of tangible and intangible assets	10	-4 745	-3 909
Other operating expenses	11	-16 331	-18 688
Total operating expenses		**-114 005**	**-85 310**
Profit before credit losses		**242 806**	**246 593**
Credit losses, net	12	-122 972	-109 241
Impairment and reversal of financial assets		-1 279	-
Profit before taxes (EBT)		**118 555**	**137 352**
Income tax	13	-23 103	-24 865
Profit for the year		**95 452**	**112 487**

Consolidated statement of comprehensive income

Group

Amounts in SEK thousands	Full year 2019	Full year 2018
Profit for the year	**95 452**	**112 487**
Statement of comprehensive income		
Gains and losses on consolidation	-2 969	476
Total comprehensive income for the year, net of tax	**92 483**	**112 963**

Consolidated statement of financial position

Group

Amounts in SEK thousands	Note	31 dec 2019	31 dec 2018
	3,10,22,24		
ASSETS			
Lending to credit institutions		152 571	200 702
Lending to the public	14	1 218 689	744 644
Bonds and other interest-bearing securities	15	13 131	-
Other shares and participations		-	1 232
Intangible assets	16	12 684	178
Tangible assets	17	11 314	11 669
Other assets	18	38 308	12 819
Prepaid expenses and accrued income	19	32 942	983
TOTAL ASSETS		**1 479 640**	**972 227**
LIABILITIES			
Liabilities to credit institutions		540 618	93 022
Issued debt securities	23	494 444	491 111
Other liabilities	20	47 075	47 815
Accrued expenses and prepaid income	21	11 328	13 525
Total liabilities		**1 093 465**	**645 473**
EQUITY			
Share capital		500	500
Other contributed capital		57 326	57 326
Reserves		7 347	71
Retained earnings		225 549	156 371
Profit for the period		95 452	112 487
Total equity		**386 175**	**326 755**
TOTAL LIABILITIES AND EQUITY		**1 479 640**	**972 227**

Consolidated statement of changes in equity

Group

Amounts in SEK thousands	Share capital	Other contributed capital	Reserves	Retained earnings	Profit for the period	**Total**
Opening balance as at 1 Jan 2018	**500**	**57 326**	**473**	**70 805**	**97 684**	**226 788**
Transfers of previous years profit	-	-	-	97 684	-97 684	-
Profit for the year	-	-	-	-	112 487	**112 487**
Gross exchange differences	-	-	-878	-2 118	-	**-2 996**
Total other comprehensive income	-	-	476	-	-	**476**
Transactions with shareholders						
Dividend	-	-	-	-10 000	-	**-10 000**
Closing balance as at 31 Dec 2018	**500**	**57 326**	**71**	**156 371**	**112 487**	**326 755**
Opening balance as at 1 Jan 2019	**500**	**57 326**	**71**	**156 371**	**112 487**	**326 755**
Transition impact of the implementa-				-18 878		**-18 878**
Restated opening balance	**500**	**57 326**	**71**	**137 493**	**112 487**	**307 876**
Transfers of previous years profit	-	-	-	112 487	-112 487	-
Profit for the period	-	-	-	-	95 452	**95 452**
Gross exchange differences	-	-	2 560	-1 745	-	**815**
Reserve for development costs		-	7 685	-7 685	-	-
Other comprehensive income	-	-	-2 969	-		**-2 969**
Transactions with shareholders						
Dividend	-	-	-	-15 000	-	**-15 000**
Closing balance as at 31 Dec 2019	**500**	**57 326**	**7 347**	**225 549**	**95 452**	**386 175**

Consolidated statement of cash flows

Group

Amounts in SEK thousands	2019	2018
Operating activities		
Profit before tax	118 555	137 352
Adjustments for items not included in the cash flow		
- Impairment allowance on loans	11 421	21 457
- Depreciation/amortization	4 745	3 905
- Other	1 385	-2 546
	136 106	**160 168**
Paid income tax	-27 357	-29 089
Cash flow from operating activities before changes in working capital	**108 750**	**131 079**
Increase (+)/Decrease(-) in lending to the public	-504 345	-395 562
Increase (+)/Decrease(-) in other short-term receivables receivables	-57 448	13 562
Increase (+)/Decrease(-) in other short-term liabilities liabilities	-1 291	3 087
Cash flow from operating activities	**-563 084**	**-378 913**
Investing activities		
Investments intangible assets	-12 755	-40
Investments in tangible assets	-6 206	-2 822
Investments in financial assets	-11 849	0
Cash flow from investing activities	**-30 809**	**-2 862**
Financing activities		
Change in liabilities to credit institutions	447 596	-135 910
Issued securities	3 333	491 111
Dividend paid to shareholders	-15 000	-10 000
Cash flow from financing activities	**435 930**	**345 201**
Cash flow for the period	**-49 215**	**94 505**
Cash and cash equivalents at the beginning of the period	**200 702**	**104 665**
Exchange difference in cash and cash equivalents	1 084	1 532
Cash and cash equivalents at the end of the period	**152 571**	**200 702**
Cash flow from operating activities includes interest expenses paid and interest income received		
Interest expenses paid	-73 194	-75 719
Interest payments received	350 740	357 881

Income statement, parent company

Parent company

Amounts in SEK thousands	Note	Full year 2019	Full year 2018
Interest income according to the effective interest method		40 036	14 958
Interest expense		-40 027	-12 989
Net interest income		**9**	**1 969**
Fee and commission expense		-171	-136
Net fee and commission income		**-171**	**-136**
Net result from financial transactions		750	-
Total operating income		**588**	**1 832**
General administrative expenses		-3 510	-1 113
Other operating expenses		-44	-
Total operating expenses		**-3 555**	**-1 113**
Impairment and reversal of financial assets		-1 237	-
Profit before taxes (EBT)		**-4 204**	**719**
Income tax	13	-	-
Profit for the year		**-4 204**	**719**

Statement of financial position, parent company

Parent company

Amounts in SEK thousands	Note	31 dec 2019	31 dec 2018
	3, 10		
ASSETS			
Lending to credit institutions		30 461	45 631
Shares and participations in group companies		50 100	150
Other shares and participations		-	1 232
Other assets		450 005	500 000
TOTAL ASSETS		**530 566**	**547 014**
LIABILITIES			
Issued debt securities	23	494 444	491 111
Accrued expenses and prepaid income		2 534	3 111
Total liabilities		**496 978**	**494 222**
EQUITY			
Share capital		500	500
Share premium reserve		57 326	57 326
Retained earnings		-20 035	-5 754
Profit for the period		-4 204	719
Total equity		**33 587**	**52 791**
TOTAL LIABILITIES AND EQUITY		**530 566**	**547 014**

Statement of changes in equity, parent company

Parent company

Amounts in SEK thousands	Restricted equity Share capital	Share premium reserve	Other reserves	Non-restricted equity Retained earnings	Profit for the period	**Total**
Ingående balans den 1 januari 2018	**500**	**57 326**	-	**6 698**	**-2 452**	62 072
Transfers of previous years profit	-	-	-	-2 452	2 452	**0**
Profit for the year	-	-	-	0	719	**719**
Transactions with shareholders						
Dividend	-	-	-	-10 000	-	**-10 000**
Closing balance as at 31 Dec 2018	**500**	**57 326**	**-**	**-5 754**	**719**	52 791
Opening balance as at 1 Jan 2019	**500**	**57 326**	**-**	**-5 754**	**719**	52 791
Transfers of previous years profit	-	-	-	719	-719	**0**
Profit for the period	-	-	-	0	-4 204	**-4 204**
Transactions with shareholders						
Dividend	-	-	-	-15 000	-	**-15 000**
Closing balance as at 31 Dec 2019	**500**	**57 326**	**-**	**-20 035**	**-4 204**	33 587

Statement of cash flows, parent company

Parent company

Amounts in SEK thousands	2019	2018
Operating activities		
Profit before tax	**-4 204**	**719**
Paid income tax	-	-
Cash flow from operating activities before changes in working capital	**-4 204**	**719**
Increase (+)/Decrease(-) in other short-term receivables receivables	49 996	-442 812
Increase (+)/Decrease(-) in other short-term liabilities liabilities	-577	3 078
Cash flow from operating activities	**49 418**	**-439 734**
Investing activities		
Investments in financial assets	-48 718	-
Cash flow from investing activities	**-48 718**	**-**
Financing activities		
Issued securities	3 333	491 111
Dividend paid to shareholders	-15 000	-10 000
Cash flow from financing activities	**-11 667**	**481 111**
Cash flow for the period	**-15 170**	**42 097**
Cash and cash equivalents at the beginning of the period	**45 631**	**3 535**
Cash and cash equivalents at the end of the period	**30 461**	**45 631**
Cash flow from operating activities includes interest expenses paid and interest income received		
Interest expenses paid	-37 493	-9 878
Interest payments received	40 036	14 958

Notes

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

Note 1 – General Information

Northmill Group AB (publ), corporate identity number 556786-5257, conducts operations in Sweden, Finland and Poland through its subsidiaries. Northmill Group AB (publ) is a Swedish limited company domiciled in Stockholm. The address of the head office is Färögatan 33, 164 51 Kista, Sweden.

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

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

Changes in the Group

Changes to the consolidated situation were made on October 25, 2019, when the dormant Group company Privatspar FinTech AB was divested in its entirety in order to be liquidated at a later stage. A liquidation process has also been initiated for the dormant Group subsidiary Northmill Sp. z. o. o, which process is expected to be finalized in the next six months.

Note 2– Accounting and valuation principles

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

Compliance with law and regulations

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

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

Presentation of the Parent Company's notes

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

Consolidation principles

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

Subsidiaries

Subsidiaries are companies that are under the control of the Group Parent Company, Northmill Group AB (publ). Control entails a direct or indirect right to determine a company's financial and operational strategies to derive economic benefits. The assessment of whether there is control considers potential voting shares that can be exercised or converted without delay. Subsidiaries are recognized in accordance with the acquisition method.

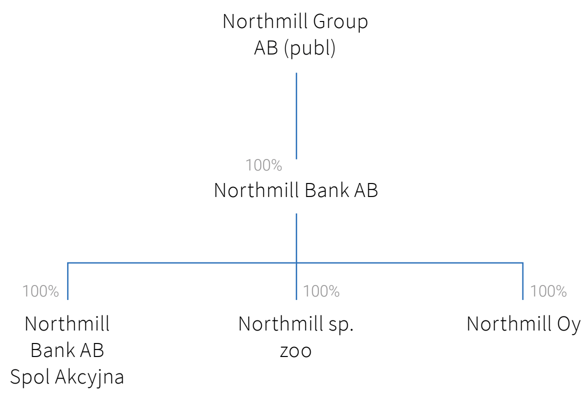
Northmill Group AB (publ) holds 100 percent of the shares in the Swedish limited liability financial institution Northmill Bank AB, which in turn holds 100 percent of the shares in Northmill OY. There is also Northmill Bank AB Spółka Akcyjna Oddział w Polsce, which is a branch of Northmill Bank AB.

Branch

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

Legal structure

The consolidated financial statements comprise the following legal structure:



Transactions eliminated on consolidation

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

Translation of foreign currency

Reporting currency

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

Transactions and balance sheet items

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

Group companies

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

Valuation principles applied in the preparation of the financial statements

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

Assessments and estimates in the financial accounts

Preparation of the financial statements in accordance with IFRS requires the Board of Directors and the Executive Management Team to make assessments, estimates and assumptions that affect the application of the accounting principles and the figures reported for assets, liabilities, income and expenses. Estimates and assumptions are based on historic experiences and a number of other factors that are considered reasonable under the prevailing circumstances. The result of these are estimates and assumptions are used to assess the carrying amounts of assets and liabilities which are not otherwise apparent from other sources. The actual outcome may deviate from these estimates and assessments.
The estimates and assumptions are reviewed regularly. Changes in estimates are reported in the period in which they are made if they only affect that period, or in the period in which they are made and future periods if they affect both the period concerned and future periods. The development of, choice of and disclosures on the Group's significant accounting policies and estimates and the application of these principles and estimates are reviewed by the Group's Audit Committee.

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

Provision for expected credit losses (ECL)

The provision for credit losses from lending to the public is made according to the principles explained further down in this note. An assessment is made based on the available information at each closing of the accounts and therefore entail a measure of uncertainty that may affect the value of the receivable in question. Individual nominal receivables amount to no more than SEK 300 thousand. The margin of error in the individual assessment therefore has a limited impact on the Group's results and financial position.
On January 1, 2019, IFRS 9 became applicable, entailing a new model for credit provisions based on credit provisions being made already at the point in time when a credit is granted. Accordingly, this generally results in larger credit provisions than before. The assumptions in the model are reviewed continuously based on changes in the credit portfolio and the external world. For a more detailed description of the credit provision model, see further down in this note under the heading Impairment according to IFRS 9 (as of January 1, 2019) and Note 14, which includes a sensitivity analysis of the provision model for expected credit losses (ECL). The sensitivity analysis is based on an increase/decrease of the parameters behind a significant increase in credit risk (SICR).

Capitalized development costs

The item capitalized expenses for development and similar work partly comprises ongoing projects that are not yet in use, but also completed intangible assets. The expenses refer only to product development expenses.
As of 2019, the Group has capitalized project expenses for the projects that are expected to generate future economic benefits. Capitalized project expenses were SEK 12.5 million at the end of 2019. Of the capitalized project expenses, SEK 8.2 million refers to completed projects, where amortization began in 2020 and no impairment testing is required. The value of capitalized project expenses that were not yet completed as at December 31, 2018 was SEK 4.3 million and refers to three projects that were initiated in 2019 and are expected to be completed at the end of the first quarter 2019. For these projects, no impairment testing was performed as at December 31, 2018, as the projects were completed in principle, and amortization will begin soon after the balance sheet date.

New standards, amendments and interpretations applied by the Group

The Group's and the Parent Company's accounting principles, calculations and reporting have been changed for the year according to the below.

Transition to the Annual Accounts Act for Credit Institutions and Securities Companies

As Northmill Bank AB has now received a banking license, the Group's annual report was for the first time prepared according to the provisions in Chapter 1, Section 1 of the Annual Accounts Act for Credit Institutions and Securities Companies. This entails changes to the layout of the financial reports.

Transition to IFRS

The transition date to IFRS was January 1, 2018, which means that the figures for the 2018 financial year have been restated according to IFRS.
The following new and/or amended standards were applied by the Group in the financial year.

Financial instruments (IFRS 9)

As of January 1, 2019, the Group applies the accounting standard IFRS 9 "Financial Instruments". The standard comprises three areas: classification and measurement, impairment and hedge accounting. The Group does not currently apply hedge accounting. In accordance with IFRS 9, the Group has chosen not to restate comparative figures, and the comparative figures for 2018 are therefore presented in accordance with the accounting principles for 2018.
The transition to IFRS 9 increased the provision for bad debt, expected credit losses under IFRS 9, with SEK 18.9 million for lending as at January 1, 2019. At the same time, equity was reduced by the same amount. The Group has not been able to apply the transitional rules for capital adequacy, as the transition occurred in 2019. Provisions for credit losses are brought forward and are therefore increased, as future credit losses shall be considered according to the new principles. This does not affect the cash flow or the underlying credit risk.
The applicable accounting principles for IFRS 9 are described in more detail further down in this note (Financial instruments – Impairment according to IFRS 9).
For further information on the effect of the transition to IFRS 9, please refer to Note 4 – Effects of the transition to IFRS.

Revenue from contracts with customers (IFRS 15)

As of January 1, 2019, the Group applies the accounting standard IFRS 15. IFRS 15 replaces all previously published standards and interpretations regarding revenue with a combined new revenue recognition model (according to a five-step model). According to IFRS 15, revenue shall be recognized when a promised item or service is transferred to a customer, which may occur over time or at a point time. The revenue shall consist of the amount that the Company expects to receive in exchange for goods or services transferred. Further information on how the Group applies IFRS 15 is provided further down in the section Revenue.
The transition to IFRS 15 has not had a material impact on the Group.

Leases (IFRS 16)

The Group applies IFRS 16 Leases with a full retrospective effect as of January 1, 2018. In brief, this means that the comparative year in this report is restated. IFRS 16 introduces a single lessee accounting model. The lessee reports a right-of-use asset that represents the right to use an underlying asset and a lease liability that represents the obligation to make lease payments. There are exceptions for short-term leases and leases of low value assets, which the Group will apply.
For further information on the effect of the transition to IFRS 16, please refer to Note 4 – Effects of the transition to IFRS.

Other changes to IFRS

No other parts of the transition to IFRS and no other changes to IFRS that have been issued for application are expected to have a material impact on the Group and its financial reports.

Consolidated financial statements

Subsidiaries

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

Intra-Group transactions, balances and unrealized gains and losses on transactions between Group companies are eliminated.

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

Operating segment reporting

Operating segments are reported in a manner that is consistent with the internal reports that are submitted to the responsible function for the allocation of resources and the evaluation of the operating segments' performance. The Executive Management Team has been identified as the Chief Operating Decision Maker function.
The Group has identified two geographical segments, Sweden and Finland. These are the two countries where the Group currently has financial operations.
See Note 5 for an additional description of the division into and presentation of operating segments.

Balance sheet items

Financial instruments
Reporting and classification

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

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

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

Financial liabilities include issued securities and other liabilities.

Classification and measurement according to IFRS 9 (as of January 1, 2019)

According to the requirements of IFRS 9, financial assets are classified and measured at amortized cost, fair value via the income statement or fair value through other comprehensive income.
Financial assets are recognized when the Group becomes a party to the contractual terms of the instruments and are measured at the first reporting date at fair value. For financial assets measured at fair value via the income statement, transaction expenses are recognized at the transaction date, while other financial assets are included in fair value. Financial assets are de-recognized when the contractual rights to the cash flows arising from the asset cease or when all risks and rewards associated with the asset are transferred to another.
A financial asset is measured at amortized cost if the financial asset is managed within a business model the purpose of which is to realize the cash flow of the financial asset by receiving contractual cash flows and the contractual cash flows consist solely of repayment of principal and interest on outstanding principal. A financial asset is measured at fair value with the changes in value recognized in other comprehensive income if the financial asset is managed within a business model the purpose of which is to realize the cash flow of the financial asset, both by obtaining contractual cash flows and by selling the asset, and the contractual cash flows consist solely of repayment of principal and interest on outstanding principal.
The Group classifies and measures all financial assets and liabilities at amortized cost as they meet the criteria above, with the exception of the following financial assets, which are reported at fair value in the income statement:

- Participations in other companies
- Derivatives
- Bonds and other fixed income securities

All financial liabilities are measured at amortized cost.

Impairment according to IFRS 9 (as of January 1, 2019)

As a result of the transition to IFRS 9, the Group introduced a new model for the calculation of credit loss provisions based on expected credit losses (ECL).
The credit loss provisions are valued based on whether there has been a significant increase in credit risk compared with the initial recognition of an instrument. The impairment testing model according to IFRS 9 comprises three different stages for credit provisions.

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

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

Definitions

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

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

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

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

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

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

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

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

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

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

Lending to the public
This item includes lending to private individuals. The Group monitors its lending in the way described in Note 3. There is also a breakdown of the lending in Note 14 – Lending to the public.

Bonds and other fixed income securities
This item includes bonds held for liquidity purposes.

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

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

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

Leases

Operating leases
Costs related to operating leases are recognized in profit/loss for the year on a straight-line basis over the lease term. Benefits received in connection with the entry into an agreement are recognized in profit/loss for the year as a reduction of the lease payments on a straight-line basis over the lease term. Variable fees are expensed in the periods when they arise.

Finance leases
In the reporting of finance leases, the asset is recognized as a non-current asset in the consolidated statement of financial position and is initially valued at the lower of the fair value of the leased item and the present value of the minimum lease payments at the commencement of the agreement. Expenses that are directly attributable to the lease are added to the value of the asset. A corresponding liability for future lease payments is recognized as a current or non-current liability. Leased assets are depreciated over each asset's useful life while lease payments are recognized as interest and an amortization of the liabilities.

Minimum lease payments are distributed to interest expenses and an amortization of the outstanding liability. Interest expenses are distributed over the lease term so that each accounting period is assigned an amount corresponding to a fixed interest rate for the liability in the respective period. Variable fees are expensed in the periods when they arise.

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

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

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

Development costs that do not meet the criteria for capitalization above will be expensed as incurred.
The amortization of capitalized development costs begins when each IT project is ready for use. These are amortized over their determined useful life, which does not exceed 5 years.
The Group has no goodwill.

Development expenditure reserve

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

Impairment of tangible assets

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

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

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

Other assets

This category includes tax assets, restricted assets, other current receivables and derivatives. Derivatives are classified as held for trading, as the Group does not apply hedge accounting. Derivative instruments are recognized in the balance sheet on the date of contract and are measured at fair value through the income statement. A disclosure on the fair values of different derivative instruments is provided in Note 22.

Liabilities to credit institutions

The item comprises loans to other credit institutions.

Securities issued

Issued securities are valued at amortized cost.

Other liabilities

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

Items in the income statement

Revenue

As of January 1, 2019, the Group applies a new revenue standard, IFRS 15 Revenue from Contracts with Customers. The standard applies to and covers the recognition of all revenue in the Group from contracts with customers, except from revenue from financial instruments, leases and insurance contracts.

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

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

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

Interest income and interest expense

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

Interest expense includes direct transaction costs for obtaining loans.

Interest income and interest expense presented in the income statement comprise interest on financial assets and liabilities valued at amortized cost according to the effective interest method, including interest on bad debt.

Fee and commission income and fee and commission expense

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

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

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

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

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

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

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

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

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

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

The valuation of deferred tax is based on how carrying amounts for assets and liabilities are expected to be realized or settled. Deferred tax is calculated by applying the tax rates and regulations decided upon or virtually decided upon at the balance sheet date.

Deferred tax assets for tax-deductible temporary differences and loss carryforwards are recognized only to the extent it is likely that they can be utilized. The value of deferred tax assets is derecognized when it is no longer deemed likely that they can be utilized.

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

Any amounts allocated to untaxed reserves constitute temporary differences.

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

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

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

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

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

Note 3 – Risk management

General

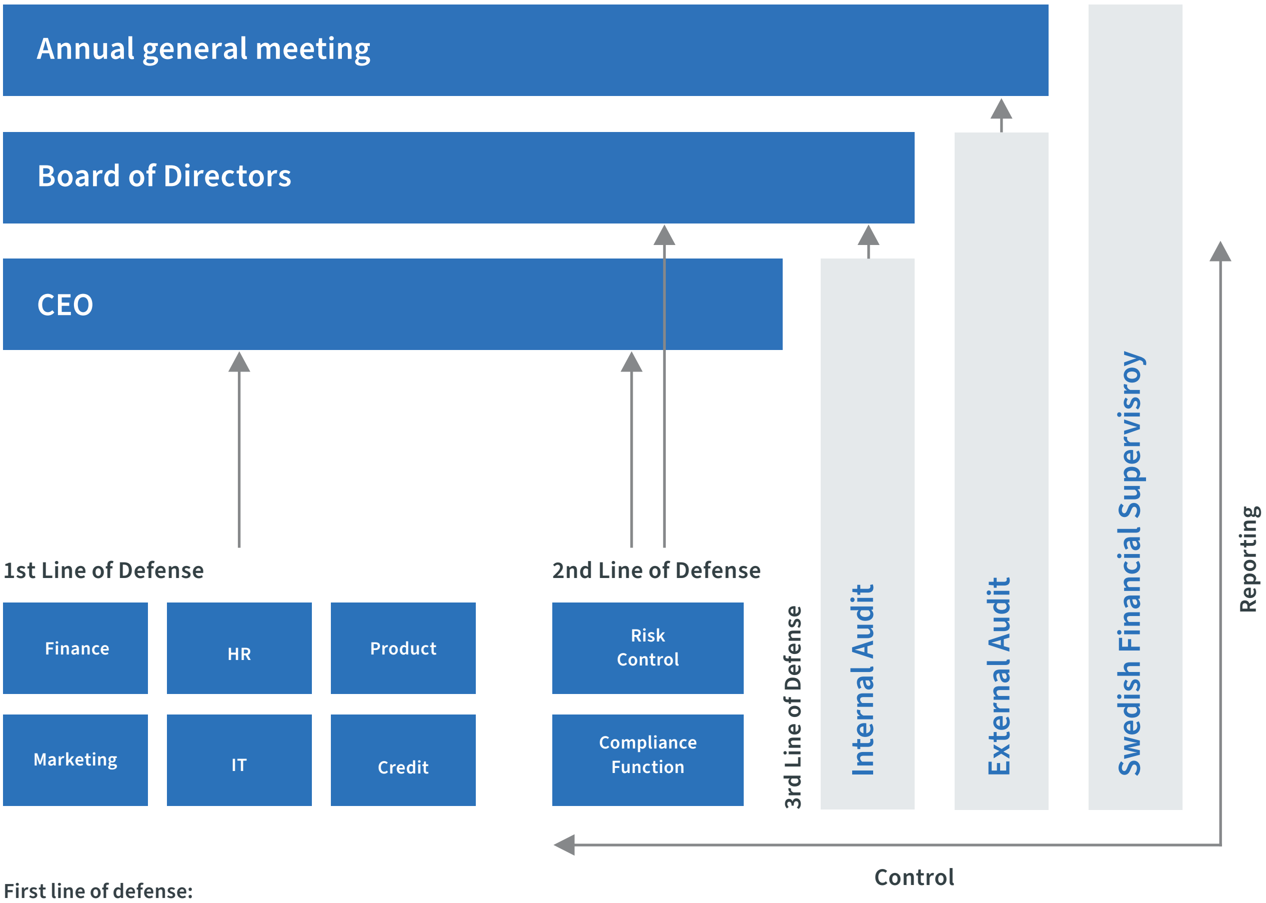
Risk is defined as the possibility of negative deviations from an expected financial outcome. Through its operations, the Group is subject to several risks, the most important of which are credit risk, market risk, liquidity risk and operational risk. Other risks include concentration risk, business risk, strategic risk, reputational risk and remuneration risk.

The Group has a framework for risk appetite, which has been adopted by the Board of Director and sets limits for specific risk areas. The Board of Directors and the management also issues written policies and instructions to manage all identified risks, which are supplemented by detailed descriptions of procedures in the organization. These documents are updated as needed and revised at least one per annum.

The Group's work is based on the financial consequences of business decisions, based on three main aspects: (1) growth and risk; (2) the operations' requirements on capital, financing and liquidity; and (3) profitability.

The risk management aims to ensure the Group's long-term survival, manage volatility in the financial outcome and increase sharehol-der value by ensuring efficient asset management. The risk management and the internal control framework are based on three lines of defense.

Below is an outline of the Company's lines of defense:



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

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

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

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

An account of own funds and capital adequacy at the end of 2019 is provided in the Pillar 3 report, which is available on www.northmill.com.

Credit risk

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

Credit risk policy and organization

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

Credit process

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

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

Lending and credit risk

Financial assets that may expose the Group for credit risk comprise lending to credit institutions, lending to the public and derivatives. It is determined that there are generally no material concentrations of credit risks, as the lending is distributed over different counterparties, sectors and industries and geographic regions.

The Group's lending to credit institutions chiefly comprise bank deposits with established banks and credit institutions with an external credit rating (Standard & Poor's and Moody's), where the risk of losses is deemed to be very small. The Group cannot enter into credit agreements with legal entities without the approval by the Board of Directors. By setting limits for the maximum exposure to an individual counterparty, the Board Directors also limit the credit risk associated with lending to credit institutions, which is deemed to be very small.

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

Even though the credit risk associated with lending to the public is the single greatest risk exposure, the provision for credit losses is small in proportion to the outstanding loan volume (see Note 14). The reason for this is that the Group regularly sells non-performing loans (between 90–120 days overdue) to debt collection agencies in markets where the Board of Directors considers the price level to be beneficial to the Group's performance and risk profile. This is currently the case for both markets. As a result of this, the Group regularly realizes credit losses by disposing of non-performing loans. The remaining portfolios therefore have a limited number of non-performing loans (stage 3) and therefore account for a relatively small part of the credit loss provisions. These are related to loans where the counterparty has been subjected to fraud, has passed away, is subject to debt restructuring or has emigrated.

The aim of the Group's process for monitoring late payments and bad debt is to minimize credit losses by discovering repayment difficulties early on and implementing measures quickly when needed. This monitoring is supported by a separate "pre debt collections" system for overdue payments with automatic monitoring and reminders once a payment is overdue.

Credit exposures

Group

Amounts in SEK thousands	31 dec 2019	31 dec 2018	1 jan 2018
Lending to the public, gross	1 272 432	766 101	370 539
Allowance for credit losses	-53 742	-21 457	0
Lending to the public, net carrying amount	**1 218 689**	**744 644**	**370 539**

IFRS 9 was implemented 2019-01-01. For 2018, the provision for expected credit losses is according to IAS 39.

Credit risk concentrations
The following table shows the Group's credit risk exposure and its significant credit risk concentrations as of 31 December 2019.

Amounts in SEK thousands	Stage 1	Stage 2	Stage 3	Total
Per region				
Sweden	932 414	171 922	43 418	1 147 753
Finland	111 947	12 228	502	124 677
Total	**1 044 361**	**184 149**	**43 919**	**1 272 430**
Before due and per days past due				
Before due	924 733	-	-	924 733
< 30 days	119 629	113 357	-	232 986
31-60 days	-	55 509	-	55 509
61-90 days	-	15 283	-	15 283
> 90 days	-	-	43 919	43 919
Total	**1 044 361**	**184 149**	**43 919**	**1 272 430**

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

	Group			Parent company	
Amounts in SEK thousands	31-dec 2019	31-dec 2018	01-jan 2018	31-dec 2019	31-dec 2018
Lending to credit institutions					
A-1+	**43 666**	50 136	38 716	1 791	1 805
A-1	101 329	146 963	62 639	28 670	43 827
A-2	1 618	3 603	-	-	-
Unrated	5 956	-	3 310	-	-
Total cash and cash equivalents	**152 571**	**200 702**	**104 665**	**30 461**	**45 631**
Other assets					
A-1+	13 899	-	-	-	-
Total other assets	**13 899**	-	-	-	-
Total	**166 469**	**200 702**	**104 665**	**30 461**	**45 631**

Other assets include derivatives with positive value and level 1 liquid assets consisting of general municipality bonds.

Market risk

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

Currency risk

Currency risk is the risk of negative impact of exchange rate fluctuations on the Group's income statement, balance sheet and/or cash flows. Currency risk can be divided into transactional risk and translation risk. Transactional risk is the net of operating and financial currency inflows and outflows. Translation risk chiefly comprises the revaluation of balance sheet items in Group companies that use a different currency than the Group's reporting currency.
The Group is exposed to translation risk at Group level. Translation risks are monitored and are not currently hedged.
The Group's exposure to transactional risk arise when the Group grants credits in other currencies than the reporting currency. The Group uses currency forwards for EUR to hedge against currency risk.

The risk exposure amount for currency risk covers both on- and off-balance sheet exposures and are measured at the current market value and thereafter converted into SEK using the closing rate on the balance sheet date. The capital requirement of 8 percent is applied to the total net position in foreign currencies that are subject to capital requirements for currency risk.

The Group assesses added capital requirements in Pillar 2 for currency risk by stressing the net positions with a currency fluctuation of 7.5 percent. Other variables are kept constant. The Group has chosen the 7.5 percent level by analyzing the greatest currency fluctuations over a rolling 30-day period between the years 2009–2019 for the currencies to which the bank has the greatest exposure. The Group then calculates a worst-case scenario with a confidence level of 99.5 percent based on the greatest fluctuation in each currency. The stress test gives the following outcome for the positions as at December 31, 2019 (exclusive of tax effects):

Amounts in SEK thousands	**Currency**	**Net position**	**Currency change (+/-) 7.5%**
Entity			
Group	EUR	26 552	1 991
Group	PLN	151	11

As the formal capital requirement under Pillar 1 is 8 percent and therefore exceeds the outcome of the Pillar 2 stress test, the bank does not reserve any additional capital for currency risk in addition to the Pillar 1 requirement.
The latest result can be found in the latest Pillar 3 Report, which is available on www.northmill.com.

Interest rate risk

Interest rate risk is the risk of value changes in fixed income assets and liabilities or future cash flows as a result of market interest rate fluctuations. The Group's assets and liabilities are financed at variable interest, which reduces the interest rate risk. The Group's overarching goal is to ensure that any changes in interest rates on the financing can be matched with interest-rate changes to the interest on the lending. To enable this, all agreements with customers have adjustable interest rates, to the extent possible according to regulations.
As at December 31, 2019, a reduction of 2 percent in market interest rates would reduce the value of fixed income assets and liabilities, including derivatives, by SEK 3.3 million.

Liquidity risk

Liquidity risk refers to the risk of increased costs for ensuring that the Group's payment obligations can be met when they fall due. The risk of that the Group would not be able to meet its payment obligations is deemed to be low.
The Group currently has several primary sources of funding for its short-term liquidity requirements: equity, bond financing and credit facilities with several credit institutions. Cash flow forecasts are prepared regularly by the Group's finance department and reported to the Board of Directors. The finance department carefully monitors rolling forecasts for the Group's liquidity reserve to ensure that the Group has sufficient cash and cash equivalents to meet the requirements in the daily operations. The finance department also ensures that the agreed credit facilities have sufficient scope to ensure that they are not used in a manner that violates the agreed terms and conditions of the loan. The Group's total liabilities in each category is stated in the analysis of contractual maturities.
The Group has two main sources of funding: liabilities to credit institutions and issued (senior unsecured) bonds.
Undrawn credit at the end of the reporting period was SEK 75 million.

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

Group

31 Dec 2019

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

Group

31 Dec 2018

Amounts in SEK thousands	< 1 år	1-2 år	2-5 år	> 5 år
Assets				
Lending to the public	362 481	193 555	491 945	119 254
Lending to credit institutions	200 702	-	-	-
Total	**563 183**	**193 555**	**491 945**	**119 254**
Liabilities				
Liabilities to credit institutions	39 000	39 000	523 611	-
Issued debt securities	97 522	-	-	-
Total	**136 522**	**39 000**	**523 611**	**-**

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

Financing risk

The Group is externally funded through issued bonds. The bond's final maturity date is September 3, 2021. There are also liabilities to credit institutions and other liabilities. The financing risk related to contractual maturities related to liquidity risk is stated in the section above.

Legal risk

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

Internal control of financial reporting

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

Note 4 – Transitional effects of IFRS and the Annual Accounts Act for Credit Institutions and Securities Companies

The Group and the Parent Company have previously applied the Annual Accounts Act (1995:1554) and the Swedish Accounting Standards Board's general advice BFNAR 2012:1 Årsredovisning och koncernredovisning (K3) (Annual Accounts and Consolidated Accounts).
The interim report for the second quarter 2019 was the Group's first financial report prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and interpretations by the Financial Reporting Interpretations Committee (IFRIC).
As Northmill Bank AB has now received a banking license, the Group's annual report was for the first time prepared according to the provisions in Chapter 1, Section 1 of the Annual Accounts Act for Credit Institutions and Securities Companies. This has only entailed changes to the layout of the financial reports.

Transition to the Annual Accounts Act for Credit Institutions and Securities Companies

The Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) was applied as at December 31, 2019, which was the Group's first reporting opportunity for the Annual Report after the Company had received its license to conduct banking operations.
The transition to the Annual Accounts Act for Credit Institutions and Securities Companies was largely covered in connection with the transition to IFRS and has therefore not been described separately.

Transition to IFRS

he date of the transition to IFRS was set to January 1, 2018.
The transition to IFRS was made in accordance with IFRS 1 — First-time Adoption of International Financial Reporting Standards. The general rule in IFRS 1 is that a company shall apply all recommendations retrospectively when determining the opening balance. However, there are both mandatory and optional exemptions from the retrospective application. The Group has decided to apply the following exemptions:

- In accordance with the transitional requirements in IFRS 9, comparative information for previous periods will not be restated and transitional adaptations will be reported in retained earnings as at January 1, 2019.

The first section below describes how items have been redistributed compared with previous financial reports as a result of the implementation of the above accounting standards, which have resulted in changes in the layout of the income statement and the balance sheet compared with previously published reports. The following sections, IFRS 9 Financial Instruments and IFRS 16 Leases, illustrate the effects of the standards that have had material effect on the transition.

The final section presents the transitional effects of IFRS on the periods included in this Annual Report. These are based on the Executive Management Team's estimated effects in the Group's statement of comprehensive income and statement of financial position at the date of the transition to IFRS. The transition is not deemed to have had any significant impact on the Group's cash flow statement other than reversed amortization and depreciation.

Changed income statement and balance sheet layouts

As the items in the financial reports will be presented in increased detail in the future, a general description of the redistributions compared with the previous reporting can be made. The change of layouts has not had any significant impact on the Parent Company's financial statements. A description of the most significant effects on the consolidated financial statements follows below.

Income statement

Income has been divided into interest income, interest expense, fee and commission income, fee and commission expense, net income/expense from financial transactions and other operating income. Financial expenses are now included in interest expenses.Other external expenses and personnel expenses have been combined into general administration costs and marketing expenses have been separated through a classification to other operating expenses. Amortization/depreciation have not changed. Credit losses, net have not changed.

Balance Sheet

Financial assets have been renamed Shares and participations.
Cash and bank balances has been renamed Lending to credit institutions.
There are no other changes other than the order of the items.

IFRS 9 – Financial Instruments

In this report, IAS 39 has been applied to periods prior to January 1, 2019 and IFRS 9 has been applied to periods after January 1, 2019.
In 2019, a new ECL model was implemented. The effects of this implementation are presented in Note 14 Lending to the public. Impairment according to this new model is described in more detail in the section Impairment according to IFRS 9 (as of January 1, 2019) in Note 3.
As a result of the application of IFRS 9, the provision for credit losses increased by SEK 18.9 million for the Group. The effect on equity was negative with SEK 18.9 million.
The table below illustrates the effects of the Group's transition to IFRS 9 by showing the reclassification of financial assets and liabilities as well as the difference between the closing balance on December 31, 2018 and the opening balance on January 1, 2019.

Group

Amounts in SEK thousands	Classification 2018-12-31 according to IAS 39	Classification 2019-01-01 according to IFRS 9	Booked value 2018-12-31 according to IAS 39	Transition effect IFRS 9	Booked value 2019-01-01 according to IFRS 9
ASSETS					
Lending to credit institutions	Loans and receivables	Amortized cost	200 702	-	200 702
Lending to the public	Loans and receivables	Amortized cost	744 644	-18 878	725 766
Other shares and participations	Non-financial assets	Non-financial assets	1 232	-	1 232
Intangible assets	Non-financial assets	Non-financial assets	178	-	178
Tangible assets	Non-financial assets	Non-financial assets	11 669	-	11 669
Other assets	Non-financial assets	Non-financial assets	12 819	-	12 819
Prepaid expenses and accrued income	Non-financial assets	Non-financial assets	983	-	983
TOTAL ASSETS			**972 227**	**-18 878**	**953 349**
LIABILITIES					
Liabilities to credit institutions	Other financial liabilities	Amortized cost	93 022	-	93 022
Issued debt securities	Other financial liabilities	Amortized cost	491 111	-	491 111
Other liabilities	Non-financial liabilities	Non-financial liabilities	47 815	-	47 815
Accrued expenses and prepaid income	Non-financial liabilities	Non-financial liabilities	13 525	-	13 525
Total liabilities			**645 473**	**-**	**645 473**
EQUITY					
Share capital			500	-	500
Other contributed capital			57 326	-	57 326
Reserves			71	-	71
Retained earnings			156 371	-18 878	137 493
Profit for the period			112 487	0	112 487
Total equity			**326 755**	**-18 878**	**307 876**
TOTAL LIABILITIES AND EQUITY			**972 227**	**-18 878**	**953 349**

IFRS 16 Leasing

The table below illustrates the effects of the Group's implementation of IFRS 16 between the closing balance on December 31, 2017 and the opening balance on January 1, 2018.

Group

Amounts in SEK thousands	**Closing balance 2017-12-31**	**Transition impact of implementation of IFRS 16**	**IFRS 16 opening balance 2018-01-01**
ASSETS			
Lending to credit institutions	104 665	-	104 665
Lending to the public	370 539	-	370 539
Other shares and participations	1 232	-	1 232
Intangible assets	200	-	200
Tangible assets	1 828	7 126	8 955
Other assets	22 641	-	22 641
Prepaid expenses and accrued income	4 721	-	4 721
TOTAL ASSETS	**505 827**	**7 126**	**512 953**
LIABILITIES			
Liabilities to credit institutions	228 932	-	228 932
Other liabilities	37 161	7 126	44 288
Accrued expenses and prepaid income	12 945	-	12 945
Total liabilities	**279 039**	**7 126**	**286 165**
EQUITY			
Share capital	500	-	500
Other contributed capital	57 326	-	57 326
Reserves	473	-	473
Retained earnings	70 805	-	70 805
Profit for the period	97 684	-	97 684
Total equity	**226 788**	**-**	**226 788**
TOTAL LIABILITIES AND EQUITY	**505 827**	**7 126**	**512 953**

Reconciliation of obligations

Amounts in SEK thousands	**Total**
Operating lease commitment as at 31 december 2017	**7 387**
Discounted using the marginal borrowing rate	-261
Lease liability recognized as at 1 January 2018	**7 126**

Future rent payments are subject to discounting using a marginal borrowing interest rate (the borrowing interest rate). To obtain the discount rent for leases, the borrowing interest rate for nominal yields on Swedish residential mortgage bonds with similar remaining maturities (+- 3 months) is measured.

The effects of the transition to IFRS on previous financial statements

The tables in the following section illustrate the effects of the transition to IFRS for the comparative periods presented in this Annual Report and previously published reports prepared according to previous accounting principles.

Group

Amounts in SEK thousands	K3 Full year 2018	Transition effect	IFRS Full year 2018
Interest income according to the effective interest method	370 898	-	370 898
Interest expense	-78 666	-164	-78 830
Net interest income	**292 232**	**-164**	**292 068**
Fee and commission income	63 844	-	63 844
Fee and commission expense	-25 135	-	-25 135
Net fee and commission income	**38 708**	**-**	**38 708**
Net result from financial transactions	-10	-	-10
Other operating income	1 137	-	1 137
Total operating income	**332 067**	**-164**	**331 903**
General administrative expenses	-65 595	2 882	-62 713
Depreciation, amortisation and impairment of tangible and intangible assets	-778	-3 132	-3 909
Other operating expenses	-18 688	-	-18 688
Total operating expenses	**-85 060**	**-250**	**-85 310**
Profit before credit losses	**247 007**	**-414**	**246 593**
Credit losses, net	-109 241	-	-109 241
Impairment and reversal of financial assets	-	-	-
Profit before taxes (EBT)	**137 766**	**-414**	**137 352**
Income tax	-24 865	-	-24 865
Profit for the year	**112 901**	**-414**	**112 487**
Other Comprehensive Income			
Gains and losses on consolidation	476	-	476
Total comprehensive income for the year, net of tax	**113 377**	**-414**	**112 963**

The transitional effect seen in interest expense is caused by the implementation of IFRS 16, as a lease liability is now reported. The reclassification of SEK 2.9 million refers to the replacement of general administrative expenses by depreciation on property, plant and equipment due to the implementation of IFRS 16. The implementation of IFRS 16 is described in the previous section.

Group

Amounts in SEK thousands	K3 31 dec 2018	Transition effect	IFRS 31 dec 2018
ASSETS			
Lending to credit institutions	200 702	-	200 702
Lending to the public	744 644	-	744 644
Other shares and participations	1 232	-	1 232
Intangible assets	178	-	178
Tangible assets	3 939	7 730	11 669
Other assets	12 819	-	12 819
Prepaid expenses and accrued income	983	-	983
TOTAL ASSETS	**964 497**	**7 730**	**972 227**
LIABILITIES			
Liabilities to credit institutions	93 022	-	93 022
Issued debt securities	491 111	-	491 111
Other liabilities	39 671	8 144	47 815
Accrued expenses and prepaid income	13 525	-	13 525
Total liabilities	**637 329**	**8 144**	**645 473**
EQUITY			
Share capital	500	-	500
Other contributed capital	57 326	-	57 326
Reserves	71	-	71
Retained earnings	156 371	-	156 371
Profit for the period	112 901	-414	112 487
Total equity	**327 168**	**-414**	**326 755**
TOTAL LIABILITIES AND EQUITY	**964 497**	**7 730**	**972 227**

The transitional effects described above relate to the accumulated effect since the implementation of IFRS 16.

Group

Amounts in SEK thousands	K3 31 dec 2018	Transition effect	IFRS 1 jan 2019
ASSETS			
Lending to credit institutions	200 702	-	200 702
Lending to the public	744 644	-18 878	725 766
Other shares and participations	1 232	-	1 232
Intangible assets	178	-	178
Tangible assets	3 939	7 730	11 669
Other assets	12 819	-	12 819
Prepaid expenses and accrued income	983	-	983
TOTAL ASSETS	**964 497**	**-11 148**	**953 349**
LIABILITIES			
Liabilities to credit institutions	93 022	-	93 022
Issued debt securities	491 111	-	491 111
Other liabilities	39 671	8 144	47 815
Accrued expenses and prepaid income	13 525	-	13 525
Total liabilities	**637 329**	**8 144**	**645 473**
EQUITY			
Share capital	500	-	500
Other contributed capital	57 326	-	57 326
Reserves	71	-	71
Retained earnings	156 371	-18 878	137 493
Profit for the period	112 901	-414	112 487
Total equity	**327 168**	**-19 292**	**307 876**
TOTAL LIABILITIES AND EQUITY	**964 497**	**-11 148**	**953 349**

The transitional effects described above relate to the accumulated effect of IFRS 16 since its implementation and the first-time effect of the implementation of IFRS 9. The transitional effect (SEK 18.9 million) of IFRS 9 were reported in retained earnings as at January 1, 2019. This was recognized in lending to the public and retained earnings.

Note 5 – Operating segments by geographical area

The CEO is ultimately responsible for the Group's operational decision-making. The Executive Management Team has defined operating segments based on the information provided by the CEO, which have formed the basis for decisions on the allocation of resources and the evaluation of the performance of the operations.
Profit/loss for each operating segment of the Group is presented below by country and period. Sweden includes Northmill Bank AB and its Polish IT branch, which only provides intra-Group IT services. Finland represents the subsidiary Northmill Oy. Other includes the Parent Company of the Group, which only acts as a holding company and offers funding through its issued bonds. The Parent Company pays interest to the market, which in turn is invoiced to the subsidiary. The latter is eliminated under Adjustments and eliminations.

Group

Full year 2019

Amounts in SEK thousands	Sweden	Finland	Other	Adjustment and elimination	Total
Interest income according to the effective interest method	290 226	101 294	40 036	-43 949	387 597
Interest expense	-57 582	-22 196	-40 034	43 949	-75 863
Net interest income	**232 644**	**79 098**	**2**	**-**	**311 734**
Dividend received	69 227	-	-	-69 227	-
Fee and commission income	60 482	12 478	-	-	72 960
Fee and commission expense	-28 584	-4 359	-171	-	-33 114
Net fee and commission income	**31 898**	**8 119**	**-171**	**-**	**39 847**
Net result from financial transactions	-3 293	-	751	-	-2 542
Other operating income	27 899	-	32	-20 159	7 772
Total operating income	**358 367**	**87 217**	**614**	**-89 386**	**356 812**
General administrative expenses	-91 182	-18 366	-3 541	20 159	-92 929
Depreciation, amortisation and impairment of tangible and intangible assets	-4 193	-552	-	-	-4 745
Other operating expenses	-13 287	-3 000	-44	-	-16 331
Total operating expenses	**-108 661**	**-21 918**	**-3 585**	**20 159**	**-114 005**
Profit before credit losses	**249 705**	**65 299**	**-2 971**	**-69 227**	**242 806**
Credit losses, net	-88 163	-34 809	-	-	-122 972
Impairment and reversal of financial assets	-42	-	-1 237	-	-1 279
Profit before taxes (EBT)	**161 500**	**30 490**	**-4 208**	**-69 227**	**118 555**
Income tax	-15 598	-7 505	-	-	-23 103
Profit for the year	**145 902**	**22 986**	**-4 208**	**-69 227**	**95 452**
Statement of comprehensive income					
Gains and losses on consolidation	-	-2 970	1	-	-2 969
Total comprehensive income for the year, net of tax	**145 902**	**20 016**	**-4 207**	**-69 227**	**92 483**

Group

Full year 2018

Amounts in SEK thousands	Sweden	Finland	Other	Adjustment and elimination	Total
Interest income according to the effective interest method	245 089	125 809	14 958	-14 958	370 898
Interest expense	-55 989	-24 800	-12 999	14 958	-78 830
Net interest income	**189 101**	**101 008**	**1 959**	**-**	**292 068**
Fee and commission income	46 385	17 459	-	-	63 844
Fee and commission expense	-20 933	-4 064	-138	-	-25 135
Net fee and commission income	**25 451**	**13 394**	**-138**	**-**	**38 708**
Net result from financial transactions	-2	-3	-4	-	-10
Other operating income	8 275	19	37	-7 194	1 137
Total operating income	**222 825**	**114 419**	**1 854**	**-7 194**	**331 903**
General administrative expenses	-53 203	-15 691	-938	7 119	-62 713
Depreciation, amortisation and impairment of tangible and intangible assets	-2 831	-873	-205	-	-3 909
Other operating expenses	-11 489	-7 199	-	-	-18 688
Total operating expenses	**-67 523**	**-23 763**	**-1 143**	**7 119**	**-85 310**
Profit before credit losses	**155 302**	**90 655**	**711**	**-75**	**246 594**
Credit losses, net	-67 530	-41 712	-	-	-109 241
Profit before taxes (EBT)	**87 772**	**48 944**	**711**	**-75**	**137 352**
Income tax	-15 023	-9 842	-	-	-24 865
Profit for the year	**72 748**	**39 102**	**711**	**-75**	**112 487**
Statement of comprehensive income					
Gains and losses on consolidation	-	477	-1	-	476
Total comprehensive income for the year, net of tax	**72 748**	**39 579**	**711**	**-75**	**112 963**

Note 6 – Interest income according to the effective interest method

Group Amounts in SEK thousands	**Full year 2019**	**Full year 2018**
Interest income from lending to the public	387 597	370 886
Other interest income	-	12
Total interest income	**387 597**	**370 898**

Note 7 – Interest expense

Group Amounts in SEK thousands	**Full year 2019**	**Full year 2018**
Interest expense, Liabilities to credit institutions	-36 117	-65 328
Interest expense, Issued debt securities	-39 376	-13 202
Other financial expense	-370	-301
Total interest expense	**-75 863**	**-78 830**

Note 8 – Net fee and commission income

Group Amounts in SEK thousands	**Full year 2019**	**Full year 2018**
Fee and commission income		
Insurance provisions received	24 687	13 729
Other commission and fee income	48 273	50 114
Total fee and commission income	**72 960**	**63 844**
Fee and commission expense		
Insurance provisions paid	-10 795	-6 760
Other commission and fee expense	-22 319	-18 376
Total fee and commission expense	**-33 114**	**-25 135**
Net fee and commission income	**39 847**	**38 708**

Note 9 – Net result from financial transactions

Group Amounts in SEK thousands	**Full year 2019**	**Full year 2018**
Exchange rate fluctuations	-4 068	-10
Gains/losses on investments in funds and other securities	1 527	-
Total net result from financial transactions	**-2 542**	**-10**

Not 10 – General administrative expenses

Group Amounts in SEK thousands	Full year 2019	Full year 2018
Staff costs		
Salaries and fees	-39 844	-26 756
Social security costs	-11 094	-7 630
Pension costs	-1 630	-691
Other staff costs	-3 273	-2 470
Total staff costs	**-55 841**	**-37 548**
Other general administrative expenses		
Rent and property costs	-1 970	-541
Postage and telephone	-4 226	-3 892
Audit	-1 498	-601
Other external services	-25 178	-17 565
Other external costs	-4 216	-2 566
Total other general administrative expenses	**-37 088**	**-25 165**
Salaries and renumeration		
Board of Directors and CEO	2 350	2 068
Other staff	37 494	24 688
Total salaries and renumeration	**39 844**	**26 756**

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

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

Salaries and fees
The Chairman and the Board Members receive a fixed fee as resolved by the Annual General Meeting. No variable remuneration is payable. Board Members who are employed by the Group do not receive any board fees.
Remuneration to the CEO and other senior executives comprises a basic salary, other benefits and pension. No variable remuneration is payable. Other senior executives refer to the CEO and an additional 10 people. Collectively, they constitute the Management Team of the Group.

Group 2019

Amounts in SEK thousands	Basic salary/ Renumeration	Variable renumeration	Other benefits	Pension costs	Total
Salaries and renumeration for board members					
Margareta Lindahl, Chairman of the board	180	-	-	-	**180**
Per Granath	-	-	-	-	**-**
Erik Fagerland	90	-	-	-	**90**
Björn Hazelius	90	-	-	-	**90**
Karl Källberg	120	-	-	-	**120**
Total	**480**	**-**	**-**	**-**	**480**

Group 2018

Amounts in SEK thousands	Basic salary/ Renumeration	Variable renumeration	Other benefits	Pension costs	Total
Salaries and renumeration for board members					
Margareta Lindahl, Chairman of the board	142	-	-	-	**142**
Per Granath	-	-	-	-	**-**
Erik Fagerland	87	-	-	-	**87**
Björn Hazelius	87	-	-	-	**87**
Karl Källberg	18	-	-	-	**18**
Total	**333**	**-**	**-**	**-**	**333**

Group 2019

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

In addition to above, severance pay of 593 TSEK in salary, 35 TSEK in benefits and 113 TSEK in pension and has been paid to previous CEO Lars Blomfeldt for the period between 2019-01-01 and 2019-10-04.
There has been no remuneration in the parent company Northmill Group AB (publ.)
Other senior executives have received salaries and benefits from Northmill Group AB (publ.) or its subsidiaries. The group includes 10 people: Tobias Ritzén, Sargon Kurt, George Kurt, Arim Salci, Simon Nilsson, Joakim Adolfsson, Daniel Roxö, Niclas Carlsson, Babel Poli och Magnus Eriksson.

Group 2018

Amounts in SEK thousands	Basic salary/ Renumeration	Variable renumeration	Other benefits	Pension costs	Total
Salaries and renumeration for CEO and other senior executives					
Hikmet Ego, CEO	360	-	22	7	**389**
Lars Blomfeldt, resigning CEO	536	-	24	50	**610**
Other senior executives (9 people)	5 040	-	188	96	**5 324**
Total	**5 936**	**-**	**235**	**152**	**6 323**

In 2018, Hikmet Ego was initially CEO in until 2018-03-05. Thereafter, Lars Blomfeldt took up his position as CEO, which he held until 2018-10-04. Hikmet Ego took over as CEO again after that date.
In 2018, severance pay of 255 TSEK in salary, 10 TSEK in benefits and 50 TSEK in pension and has been paid to the resigning CEO Lars Blomfeldt for the period between 2018-10-05 and 2018-12-31.
For the period when Hikmet Ego was not CEO, he was part of the other senior executives.
There has been no remuneration in the parent company Northmill Group AB (publ.)
Other senior executives have received salaries and benefits from Northmill Group AB (publ.) or its subsidiaries. The group includes 8 people: Tobias Ritzén, Sargon Kurt, George Kurt, Simon Nilsson, Niclas Carlsson, Arim Salci, Babel Poli och Magnus Eriksson.

Group	2019	2018
Average number of employees	**104**	**73**
Of which men	72	46
Of which women	31	27
In Sweden	63	46
Of which men	42	28
Of which women	21	18
In Poland	23	9
Of which men	21	8
Of which women	2	1
In Finland	18	18
Of which men	10	10
Of which women	8	8

Group	2019			2018		
Gender distribution board members and senior executives	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Board members	1	5	**6**	1	5	**6**
CEO and other senior executives	-	10	**10**	-	8	**8**
Total	**1**	**15**	**16**	**1**	**13**	**14**

Auditors‘ renumeration

Group

PWC

Amounts in SEK thousands	2019	2018
Audit assignment	-722	-470
Audit services in addition to the audit assignment	-403	-
Other services	-374	-131
Total auditors' renumeration	**-1 498**	**-601**

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

Leases

The Group's leased assets that are classified as right-of-use assets refer to premises. The effects of the transition to IFRS 16 are described in Note 4. The transition method chosen by the Group for the transition to IFRS 16 means that the comparative information has been restated to reflect the new requirements. The leases contain no limitations in addition to the security in the leased assets. One lease has expired, and a new lease was entered into in 2019. The indexation of agreements for rented promises has been considered in right-of-use assets and lease liabilities as at December 31, 2019. In December 2019, a new lease was negotiated relating to costs for premises. The agreement enters into force on April 1, 2020 and will affect the right-of-use assets and the lease liabilities in the interim report dated June 30, 2020.

Group

Right of use assets

Amounts in SEK thousands	**2019**	**2018**
Opening balance for the year	7 730	7 179
Additions during the year	1 820	3 682
Depreciation during the year	-3 884	-3 131
Total	**5 666**	**7 730**

Lease liabilities

Amounts in SEK thousands	**2019**	**2018**
Current lease liabilities	-3 233	-3 318
Non-current lease liabilities	-3 265	-4 826
Total	**-6 498**	**-8 144**

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

Amounts in SEK thousands	**2019**	**2018**
Depreciation of right of use assets	-3 836	-3 132
Impairment of right of use assets	3 704	2 882
Interest expense on lease liabilities	-210	-164
Total	**-341**	**-414**

The total cash flow regarding leases was 491 TSEK during 2019.

Other leases

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

Note 11 – Other operating expenses

Group

Amounts in SEK thousands	**2019**	**2018**
Marketing expenses	-16 233	-18 640
Other operating expenses	-98	-48
Total	**-16 331**	**-18 688**

Note 12 – Net credit losses

Group		
Amounts in SEK thousands	2019	2018
Net credit losses according to IFRS 9		
Change in provision for ECL, stage 1	-6 291	-
Change in provision for ECL, stage 2	-3 947	-
Change in provision for ECL, stage 3	-3 279	-
Total change in provision for ECL, stage 1-3	**-13 517**	**-**
Realised credit losses	-109 455	-
Net credit losses	**-122 972**	**-**
Net credit losses according to IAS 39		
Provision for expected loan losses		-21 457
Realised credit losses		-87 784
Net credit losses		**-109 241**

Not 13 – Tax on profit for the year

	Group		Parent company	
Amounts in SEK thousands	2019	2018	2019	2018
Current tax on profit for the year	23 103	24 865	-	-
Tax on profit for the year	**23 103**	**24 865**	**-**	**-**
Reconciliation of tax on profit for the year				
Profit before taxes (EBT)	118 555	137 352	-4 204	719
Tax according to applicable tax rate	25 371	30 217	-	-158
Effect of other tax rates for foreign companies	-429	-979	-	-
Tax effect of non-deductible expenses	2 754	134	1 232	-
Tax effect of deductible costs that are not included in the recognised profit or loss	-	-	-	158
Tax effect of non-taxable income	-92	32	5	-
Other taxes	-49	-7	-	-
Deferred tax	-4 451	-4 532	-	-
Tax on profit for the year recognised in the income statement	**23 103**	**24 865**	**-**	**-**
Accounted effective tax	19%	18%	-	-
Tax loss carryforward	-	-	-4 698	-1 731

Note 14 – Lending to the public

Group Amounts in SEK thousands	31 dec 2019	31 dec 2018
Total lending to the public	**1 272 430**	**766 101**
Lending to the public, gross		
Stage 1, gross	1 044 361	-
Stage 2, gross	184 149	-
Stage 3, gross	43 919	-
Total lending to the public, gross	**1 272 430**	**766 101**
Provision for expected credit losses		
Stage 1	-30 781	-
Stage 2	-17 547	-
Stage 3	-5 411	-
Provisions according to IAS 39	**-**	**-21 457**
Total provision for expected credit losses	**-53 740**	**-21 457**
Lending to the public		
Stage 1, net	1 013 580	-
Stage 2, net	166 602	-
Stage 3, net	38 508	-
Total lending to the public, net	**1 218 689**	**744 644**

Change in provision for expected credit losses (ECL)

Group Amounts in SEK thousands	31 dec 2019	31 dec 2018
Opening balance	-40 335	-21 457
Transition impact of implementation of IFRS 9	-	-18 878
Opening balance according to IFRS 9	**-40 335**	**-40 335**
Change in provision for ECL in stage 1	-6 179	-
Change in provision for ECL in stage 2	-3 947	-
Change in provision for ECL in stage 3	-3 279	-
Closing balance	**-53 740**	**-40 335**

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

Group

Amounts in SEK thousands	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Lending to the public, gross, opening balance 1 january 2019	**629 551**	**118 211**	**18 338**	**766 100**
New assets originated during period	606 350	74 122	17 359	697 831
Change in existing assets during period	-27 815	10 892	5 098	-11 825
Transfers from stage 1 to stage 2 and 3	-89 232	72 465	16 767	-
Transfers from stage 2 to stage 1 and 3	21 250	-24 365	3 116	-
Transfers from stage 3 to stage 1 and 2	820	484	-1 303	-
Financial assets sold during the year	-96 563	-67 659	-15 455	-179 677
Lending to the public, gross, closing balance 31 December 2019	**1 044 361**	**184 149**	**43 919**	**1 272 430**
Provision for ECL, opening balance 1 january 2019	**-24 602**	**-13 600**	**-2 132**	**-40 335**
New assets originated during period	-18 977	-6 563	-2 178	-27 718
Change in existing assets during period	8 820	-5 556	-2 055	1 209
Transfers from stage 1 to stage 2 and 3	3 204	-2 525	-680	-
Transfers from stage 2 to stage 1 and 3	-2 781	3 148	-368	-
Transfers from stage 3 to stage 1 and 2	-98	-58	156	-
Financial assets sold during the year	3 652	7 607	1 846	13 105
Provision for ECL, closing balance 31 December 2019	**-30 781**	**-17 547**	**-5 411**	**-53 740**

Sensitivity analysis of ECL-model

Group

Sensitivity analysis	**+ /-**	**ECL change (%)**
Threshold increase	+100%	-4.90%
Threshold decrease	-50%	2.43%

Note 15 – Bonds and other interest-bearing securities

Group

Amounts in SEK thousands	2019	2018
Issued by municipalities	13 131	0
Total	**13 131**	**0**

Note 16 – Intangible assets

Group Amounts in SEK thousands	31 dec 2019	31 dec 2018
Cost at the beginning of the year	**1 273**	**1 273**
Change during the year		
Purchases	12 532	-
Exchange rate translation difference	-21	-
Cost at the end of the year	**13 783**	**1 273**
Amortization according to plan at the beginning of the year		
Change during the year		
Amortization according to plan	-1 099	-1 094
Amortization according to plan at the end of the year	**-1 099**	**-1 094**
Residual value according to plan at the end of the year	**12 684**	**178**

All intangible assets refer to proprietary software.

Note 17 – Tangible assets

Group Amounts in SEK thousands	31 dec 2019	31 dec 2018
Cost at the beginning of the year	**12 441**	**2 262**
Change during the year		
Purchases	3 767	10 179
Cost at the end of the year	**16 207**	**12 441**
Amortization according to plan at the beginning of the year		
Change during the year		
Amortization according to plan	-4 893	-772
Amortization according to plan at the end of the year	**-4 893**	**-772**
Residual value according to plan at the end of the year	**11 314**	**11 669**

Note 18 – Other assets

Group

Amounts in SEK thousands	**31 dec 2019**	**31 dec 2018**
Tax assets	417	33
Trade receivables	36 536	8 059
Derivatives	767	0
Other assets	588	4 728
Total	**38 308**	**12 819**

Note 19 – Prepaid expenses and accrued income

Group

Amounts in SEK thousands	**31 dec 2019**	**31 dec 2018**
Marketing expenses	12 985	0
Interest expenses	500	0
Rental expenses	803	585
Insurance provisions	34	29
Other prepaid expenses and accrued income	18 620	369
Total	**32 942**	**983**

Note 20 – Other liabilities

Group

Amounts in SEK thousands	**31 dec 2019**	**31 dec 2018**
Lease liabilities	4 900	8 144
Tax liabilities	29 541	32 657
Accounts payable	5 419	2 896
Other liabilities	7 214	4 118
Total	**47 075**	**47 815**

Note 21 – Accrued expenses and prepaid income

Group

Amounts in SEK thousands	**31 dec 2019**	**31 dec 2018**
Staff costs	4 774	4 151
Interest expenses	2 669	3 111
Other accrued expenses and prepaid income	3 885	6 263
Total	**11 328**	**13 525**

Note 22 – 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 IAS 39 is applied for preceding periods.

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

Group 2018–12–31		Financial instruments at fair value through profit or loss						
Amounts in SEK thousands	**Loans and receivables**	**Held for trading**	**Designated at initial recognition**	**Available-for-sale financial assets**	**Other financial assets and liabilities**	**Non-financial assets and liabilities**	**Total carrying amount**	**Fair value**
Assets								
Lending to credit institutions	200 702	-	-	-	-	-	200 702	200 702
Lending to the public	744 644	-	-	-	-	-	744 644	744 644
Other shares and participations	-	-	-	-	-	1 232	1 232	1 232
Intangible assets	-	-	-	-	-	178	178	178
Tangible assets	-	-	-	-	-	11 669	11 669	11 669
Other assets	-	-	-	-	-	12 819	12 819	12 819
Prepaid expenses and accrued income	-	-	-	-	-	983	983	983
Total assets	**945 346**	**-**	**-**	**-**	**-**	**26 882**	**972 227**	**972 227**
Liabilities								
Liabilities to credit institutions	-	-	-	-	93 022	-	93 022	93 022
Issued debt securities	-	-	-	-	491 111	-	491 111	491 111
Other liabilities	-	-	-	-	-	47 815	47 815	47 815
Accrued expenses and prepaid income	-	-	-	-	-	13 525	13 525	13 525
Total liabilities	-	-	-	-	**584 133**	**61 340**	**645 473**	**645 473**

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

Parent company 2018–12–31		Financial instruments at fair value through profit or loss						
Amounts in SEK thousands	**Loans and receivables**	**Held for trading**	**Designated at initial recognition**	**Available-for-sale financial assets**	**Other financial assets and liabilities**	**Non-financial assets and liabilities**	**Total carrying amount**	**Fair value**
Assets								
Lending to credit institutions	45 631	-	-	-	-	-	45 631	45 631
Shares and participations in group companies	-	-	-	-	-	150	150	150
Other shares and participations	-	-	-	-	-	1 232	1 232	1 232
Other assets	500 000	-	-	-	-	0	500 000	500 000
Total assets	**545 631**	**-**	**-**	**-**	**-**	**1 382**	**547 014**	**547 014**
Liabilities								
Issued debt securities	-	-	-	-	491 111	-	491 111	491 111
Accrued expenses and prepaid income	-	-	-	-	-	3 111	3 111	3 111
Total liabilities	**-**	**-**	**-**	**-**	**491 111**	**3 111**	**494 222**	**494 222**

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

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

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

Group

2019–12–31

Amounts in SEK thousands	Level 1	Level 2	Level 3	Total
Assets				
Bonds and other interest-bearing securities	13 131	-	-	13 131
Other assets	767	-	-	767
Total assets	**13 899**	**-**	**-**	**13 899**
Liabilities				
Issued debt securities	516 694	-	-	516 694
Total liabilities	**516 694**	**-**	**-**	**516 694**

Group

2018–12–31

Amounts in SEK thousands	Level 1	Level 2	Level 3	Total
Assets				
Other shares and participations	-	-	1 232	1 232
Total assets	**-**	**-**	**1 232**	**1 232**
Liabilities				
Issued debt securities	491 111	-	-	491 111
Total liabilities	**491 111**	**-**	**-**	**491 111**

Parent company

2019–12–31

Amounts in SEK thousands	Level 1	Level 2	Level 3	Total
Liabilities				
Issued debt securities	516 694	-	-	516 694
Total liabilities	**516 694**	**-**	**-**	**516 694**

Parent company

2018–12–31

Amounts in SEK thousands	Level 1	Level 2	Level 3	Total
Liabilities				
Issued debt securities	491 111	-	-	491 111
Total liabilities	**491 111**	**-**	**-**	**491 111**

Note 23 – Issued debt securities

Group and Parent		
Amounts in SEK thousands	**31 dec 2019**	**31 dec 2018**
Liabilities		
Issued bond (ISIN SE0011614973)	494 444	491 111
Total	**494 444**	**491 111**

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. In accordance with the terms and conditions for the bonds, the Group shall always ensure interest coverage ratio of at least 1.75x. During 2019 the interest coverage ratio of the Group was 4.25x.

Note 24 – Pledged assets, contingent liabilities and commitments

Group		
Amounts in SEK thousands	**31 dec 2019**	**31 dec 2018**
Relating to current liabilities to credit institutions		
Chattel mortgage	90 000	90 000
Other pledged assets	35 777	-
Total pledged assets	**125 777**	**90 000**

Note 25 – Significant events after the end of the financial year

After the end of the financial year, the Group began to accept deposits from the public by offering a savings account that is covered by the Swedish state deposit insurance scheme.

In the beginning of March, the World Health Organization (the "WHO") established that the coronavirus (Covid-19) outbreak is a global pandemic that will have a major effect on human health and the economy at large. The Company does not notice any direct effects of the pandemic on the Company's financial position in the short term, but it expects that the global economy and the economy of Sweden will enter into recession that will affect the GDP growth, unemployment rates and disposable incomes. The Company estimates that this will affect the customers' ability to repay their loans and therefore result in increased credit losses. The Company also believes that it may become more difficult to obtain capital market funding in the mid term.

Signatures of the Board of Directors

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

Stockholm on _____–_____–2020

Margareta Lindahl,
Chairman of the Board

Per Granath,
Board Member

George Kurt,
Board Member

Erik Fagerland,
Board Member

Björn Hazelius,
Board Member

Karl Källberg,
Board Member

Our Audit Report was submitted on _____–_____–2020

Öhlrings PricewaterhouseCoopers AB

Daniel Algotsson, Authorized Public Accountant
Auditor in charge

Peter Krassas, Authorized Public Accountant

Definitions

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

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

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

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

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

Auditor’s report

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

Unofficial translation

Report on the annual accounts and consolidated accounts

Opinions
We have audited the annual accounts and consolidated accounts of Northmill Group AB (publ) for the year 2019.
The company’s annual accounts and consolidated accounts are included on pages 13-67 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act.
The consolidated accounts have been prepared in accordance with the Annual Accounts Act for credit institutions and securities companies and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the report over the financial position for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company’s audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor’s Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope
We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters
Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Lending to the public and credit provisions As of December 31, 2019, lending to the public amounts to SEK 1,219m in the Group. Lending to the public consists of outstanding loan receivables gross at an amount of SEK 1,272m, after deduction for expected loan losses of SEK 54m, see Annual Report note 2, note 3, 12 and 14. Northmill reserves for expected loan losses in accordance with IFRS 9, which categorizes loan receivables into three different stages depending on the level of credit risk or changes in credit risk for each individual loan. stage 1 represents an expected credit loss within 12 months and is used for all loans except where a significant increase in credit risk has occurred since the first accounting date. For loan receivables with a significantly increased credit risk, stage 2, or loan receivables in default, stage 3, the expected loan loss is calculated over the entire lifetime of the loan. Expected credit loss is calculated as a function of probability of default, exposure at default, loss at default and time of default. IFRS 9 allows expected credit losses to be adjusted taking into account professional judgement. Lending to the public and related credit risk amounts to significant amounts and the calculation of expected credit losses requires Northmill to make assessments and assumptions. All together this means that the accounting and provisions for expected loan losses have a significant impact on Northmill's earnings and financial position. Therefore, we have considered that accounting for provisions for expected credit losses is a particularly important area in the audit.	Our audit was conducted through a combination of internal control review of the credit process and substantive review of the bank's assessments of provisions for expected credit losses. We have evaluated and assessed Northmill's model for calculating expected credit losses in relation to the requirements of IFRS 9. In the audit, we have established an understanding of the credit process and reviewed key controls in the lending process. In our review of the models for credit loss reserves, we have used our internal specialists in modulation and accounting. Our substantive review has consisted of evaluating and validating models and assumptions regarding the calculation of credit provisions and the reasonableness of the outcome of these calculations. We have also examined sampling and input data in the models. We have reviewed that the information provided in the financial reports regarding lending to the public and the provision for expected credit provisions are appropriate. By definition, the assessment and reporting of expected loan losses is subject to inherent uncertainty. As a result of our review, we have not reported any material observations to the Audit Committee.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-12 and 66-78. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

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

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

Responsibilities of the Board of Director's and the Managing Director

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

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

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

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

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Northmill Group AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company´s organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

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

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

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

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

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

Öhrlings PricewaterhouseCoopers AB was appointed auditor of Northmill Group AB (publ) by the general meeting of the shareholders on the 21th of May 2019 and has been the company's auditor since the 5th of April 2012.

Stockholm ___April 2020

Öhrlings PricewaterhouseCoopers AB

Daniel Algotsson
Authorized Public Accountant
Auditor in charge

Peter Krassas
Authorized Public Accountant

Board of Directors

Margareta Lindahl, Chairman of the Board

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

Shareholding: Margareta holds stock options corresponding to less than 0.1 percent of the capital and votes in the Group. She is considered to be independent in relation to the Group and the Management Team as well as in relation to the Group's shareholders

Per Granath, Board member

Per joined Northmill's Board of Directors in 2018. He has extensive business leader¬ship experience, including as CEO at Humana from 2006 to 2016. He also has ten years of experience from the capital market in positions including Vice President for Handelsbanken's Corporate Finance Department. Per has board experience from several listed companies. He holds an MSc in Chemical Engineering from the Royal Institute of Technology and has studied both economics and law at the School of Business, Economy and Law at the University of Gothenburg and at Stockholm University. In addition, he has an executive education from Harvard Business School.

Shareholding: Per holds shares corresponding to less than 4.6 percent of the capital and votes in the Group. He is not considered to be independent in relation to the Group and the Management Team or in relation to the Group's shareholders.

George Kurt, Board member

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

Shareholding: George holds shares corresponding to less than 19.0 percent of the capital and votes in the Group. He is considered independent in relation to the Group and the Management Team as well as in relation to the Group's shareholders.

Erik Fagerland, Board member

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

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

Björn Hazelius, Board member

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

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

Karl Källberg, Board member

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

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

Margareta Lindahl

We want to create a more inclusive financial system that promotes development and builds society in general. We dare to think differently and challenge the status quo to improve people's personal finances through technology. To this end, we are constantly evolving as a company and can deliver relevant products that create direct value for customers.

Chairman of the Board
Northmill

Management team

The Management Team stays close to the daily operations of the Company and leverages its operational knowledge to implement the strategy adopted by the Board of Directors. Thanks to the Company's management structure and agile working methods, the Executive Management Team can quickly make decisions and implement changes throughout the organization.

Hikmet Ego,
Co-founder & Chief Executive Officer

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

Tobias Ritzén,
Chief Financial Officer

- Became CFO in 2018
- Previously worked as a Manager within corporate finance at EY
- MSc in Business/Economics at Linköping University

Sargon Kurt,
Co-founder & Chief Operating Officer

- Co-founder and COO at Northmill. Has held a number of different positions within the Company since its inception.
- Became COO in 2017
- Entrepreneurial background in sectors including advertising.

George Kurt,
Co-founder & Chief Strategy Officer

- Co-founder of Northmill. Has held position of Chief Strategy Officer since 2018. Before founding Northmill in 2006, George was a serial entrepreneur in a wide range of industries.

Daniel Roxö,
Chief Risk Officer

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

Niclas Carlsson,
Group Legal Counsel

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

Arash Eftekhari,
Chief Product Officer

- Became CPO in 2020
- Previously worked in product development at Klarna, Schibsted and Qliro
- Bachelor in Data Science Data from Lund University

Simon Nilsson,
Chief Customer Officer

- Became CCO in 2017
- Previous experience as Sales Leader at Bluestep Bank

Mattias Hallgrim,
Chief Marketing Officer

- Became CMO in 2019
- Previously CMO at Zmarta Group
- MSc in Business from Stockholm University

Georges Mansourati,
Chief Analytics and Credit Officer

- Became CACO in 2019
- Has more than 11 years of experience from various positions within Swedbank, most recently as Business Owner Advanced Analytics
- MSc from the Royal Institute of Technology
- MSc in Business/Economics from the Stockholm School of Economics

Corporate culture and work environment

We are our employees. With this as our starting point, we've developed CRAFT. Each letter of the word CRAFT stands for value that is part of Northmill's soul. These values characterize Northmill and define the way we strive to behave internally and externally. We aim to achieve perfection in our craft and always let our values shine in everything we do.

C R A F T

Curious.

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

Relentless.

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

Active.

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

Focused.

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

Thorough.

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

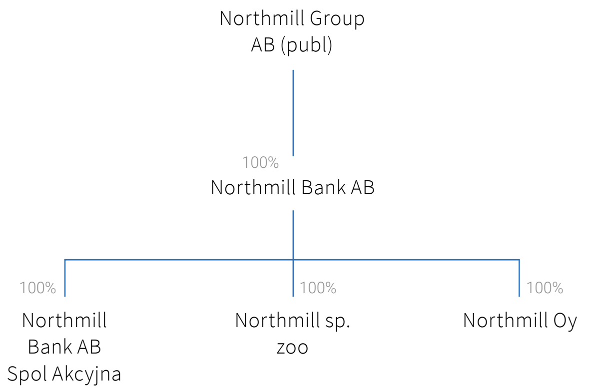
Sustainability report

This report constitutes Northmill Bank AB's (publ) (Northmill) statutory sustainability report for the financial year 2019. The Sustainability Report includes the entire Group and its scope is described below. The report presents how Northmill addresses sustainability, including financial, environmental and social dimensions. The Sustainability Report has been prepared in accordance with Chapter 6 of Section 11 of the Annual Accounts Act and GRI Standards: Core option, as well as GRI's special guidelines for the industry (Financial Services Sector Supplement). Northmill's operations are not deemed to have any material adverse environmental impact or risk of human rights violations, either directly or indirectly.

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

About Northmill
Northmill Bank AB was founded in 2006 and is a Swedish tech bank with the vision to improve personal finance management for everyone. Northmill develops customer-centric and accessible products that help people save time and money. Northmill has 200,000 customers and 145 employees, of which more than 50 percent work in IT, in three countries.
Northmill's product range includes the Credway, Credigo, Easycredit and Rebilla brands. The Company currently has offices in Sweden, Poland and Finland but aims to expand in more markets in Europe.
Northmill Bank AB received a Swedish banking license in September 2019 and since then has conducted banking operations under the Banking and Financing Business Act (2004:297).

The Group's corporate structure is as follows:



Northmill Group AB (publ) is the Parent Company in the Group and holds 100 percent of the shares in Northmill Bank AB. Northmill Bank AB in turn owns 100 percent of the shares in the subsidiary Northmill OY and has a Polish branch.
Northmill Group AB (publ) manages shares in subsidiaries and does not conduct any business activities of its own. Northmill Group AB (publ) has issued a bond to finance the operations of its subsidiaries. Banking operations are conducted in Northmill Bank AB and lending is carried out in Northmill OY. In the Polish branch, only in-house IT services are provided.

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

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

Responsible lending

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

In 2019, Northmill handled approximately 1,240,000 loan applications. This means that a large number of applications are rejected due to the Company's robust and stringent credit assessments that are based on a proven credit granting process. Credit checks are carried out in accordance with robust credit granting practices in accordance with Northmill's credit policy and are always based on the customer's financial situation.

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

On average, Northmill has had organic growth of 73 percent over the past five years. Northmill was named one of the year's Gazelle companies by the Swedish business daily Dagens Industri for the third year running and was also ranked number 302 on the Financial Times' FT 1000 List of Europe's fastest-growing companies. To maintain steady profitability and mitigate risks that may arise, Northmill adheres to the Capital Requirements Regulation (CRR). This regulation sets requirements on the minimum amount of capital a bank must have to conduct operations. It is essential that Northmill has sufficient capital for continued growth and to meet customers' borrowing needs.

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

Responsible taxpayer

Since the Company was founded, Northmill has paid income tax on profits from its operations, which is a natural part of taking responsibility as a corporate citizen. In the past to years, Northmill has paid a SEK 40.5 million (24.9) in income tax and social security contributions in Sweden. The Company also pays income tax and social security contributions in all other of the countries where it operates.

Ethics and integrity

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

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

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

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

Environmental impact
Northmill's direct environmental impact is small, but the Company acknowledges that it has an indirect environmental impact linked to the way customers use its products. It is important that Northmill's products be used in an environmentally smart way, which is why the Company has put great focus on developing smart digital solutions such as customer service via chat. Northmill is also constantly exploring new ways that its banking products and services can be a positive driver in reducing customers' environmental impact.
Northmill's direct environmental impact is primarily from paper and energy consumption. To reduce this, employees are encouraged to print documents on double-sided pages and only when needed. Customers can also opt to receive e-bills.
Northmill's head office is located in the Kista Science Tower and is covered by a green lease. This means that in cooperation with the landlord, the Company can reduce its environmental impact by using ecolabeled electricity from renewable sources. Carbon dioxide emissions from Northmill's office space are zero.
Northmill also strives to lower its direct environmental impact by reducing business trips. Employees are encouraged to communicate with colleagues and business partners in other countries by phone or video conferencing. For local travel, public transport is recommended.

Employees
Northmill works to create a sustainable and safe work environment. The Company believes that happy, healthy employees are the key to a well-functioning and successful business. Employees are encouraged to be physically active and are offered annual wellness grants. Northmill works constantly to promote a safe, secure corporate culture where employees dare to share their opinions and feel they are listened to. The Company tries to assess the work environment regularly through monthly employee interviews and surveys (eNPS) that are sent out each quarter. The term eNPS stands for Employee Net Promoter Score, which is sometimes called NMI in Swedish (translation: Satisfied Employee Index). The eNPS shows to what extent employees would recommend their employer to friends and acquaintances. This helps Northmill constantly improve so as to both retain and attract talents.

During 2019, eNPS dropped from 40 to -10, which is not a trend we are happy with. The development can be explained by the fact that the Company increased the number of employees rapidly in a short time, which has an impact on the eNPS value. In addition, the Company is currently in a major process of change where we have invested a great deal of resources in implementing new policies and guidelines associated with the new banking license which can also be an explanation.

Key figures	**2019**	**2018**
Employee well-being		
eNPS value, total	-10	40
Gender distribution, total (men/women), %	75/25	63/37
Employee turnover (%), total	29	18

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

When recruiting, Northmill focuses on an individual's work experience, skills and personality. Gender and ethnicity are not considered. The Company prides itself on having a multicultural workplace with both women and men from different age brackets. This promotes an open work environment that embraces diversity and contributes to greater innovation capacity.
Northmill considers its corporate culture to be one of its greatest strengths and this culture is supported by values expressed by the word CRAFT, which stands for Curious, Relentless, Active, Focused and Thorough. Northmill believes in and constantly strives to combine unpretentiousness and friendliness with a very computer-driven, ambitious and results-oriented culture. Thanks to this, Northmill has succeeded in attracting highly skilled employees. Northmill believes that the Company should be a place where people can stay and grow and where people's personal goals are not at odds with the Company's journey. Today, Northmill employs people from more than 20 countries who speak at least as many languages. This is an important factor that characterizes Northmill's culture thanks to the employee's wide range of perspectives, backgrounds and experience. The ability to question and challenge the status quo is an incredible strength in a Company that is as product-oriented as Northmill.

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

Measures to combat financial crimes

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

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

Governance and policy framework for sustainability initiatives

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

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

Auditor’s report on the statutory sustainability report

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

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2019 on pages 72-76 and that it has been prepared in accordance with the Annual Accounts Act.

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

Opinion
A statutory sustainability report has been prepared.

Daniel Algotsson
Authorized Public Accountant
Auditor in charge

Peter Krassas
Authorized Public Accountant

With technology engraved in our DNA, we’re building a bank with a vision to develop products that help people improve their financial lives. We aim to help everyone save time and money in every part of their everyday lives.