Annual report

2021

northmill

→

Banking

Has lost the personal touch with its users. Leaving people feeling lost and unappreciated.

→

Digital

Yet personal. That is how we believe you win the hearts of the future customers.

→

Technology

Based on the most modern infrastructure unleashes the opportunity for a personal experience in a digital world.

→

Disruption

Driven by customers' demands for a personal, relevant, and intelligent experience is here to stay.

→

Untap

The full potential of every brave business out there is our latest mission. Making it seamless, without borders, everywhere - leaving it up to the customer to decide how to shop and pay.

→

Improve

Financial life made super simple with great user experience.

Saved for users in 2021:

31 million SEK

Using Northmill Flo:

2 500 SMEs

Revenue growth 2021:

16%

Highest ranked bank on Trustpilot:

4,8 / 5

End users:

600 000

Markets:

4


northmill bank
VISA
Vi förbättrar din ekonomi
Logga in med BankID
Ny kund?
northmill bank
VISA

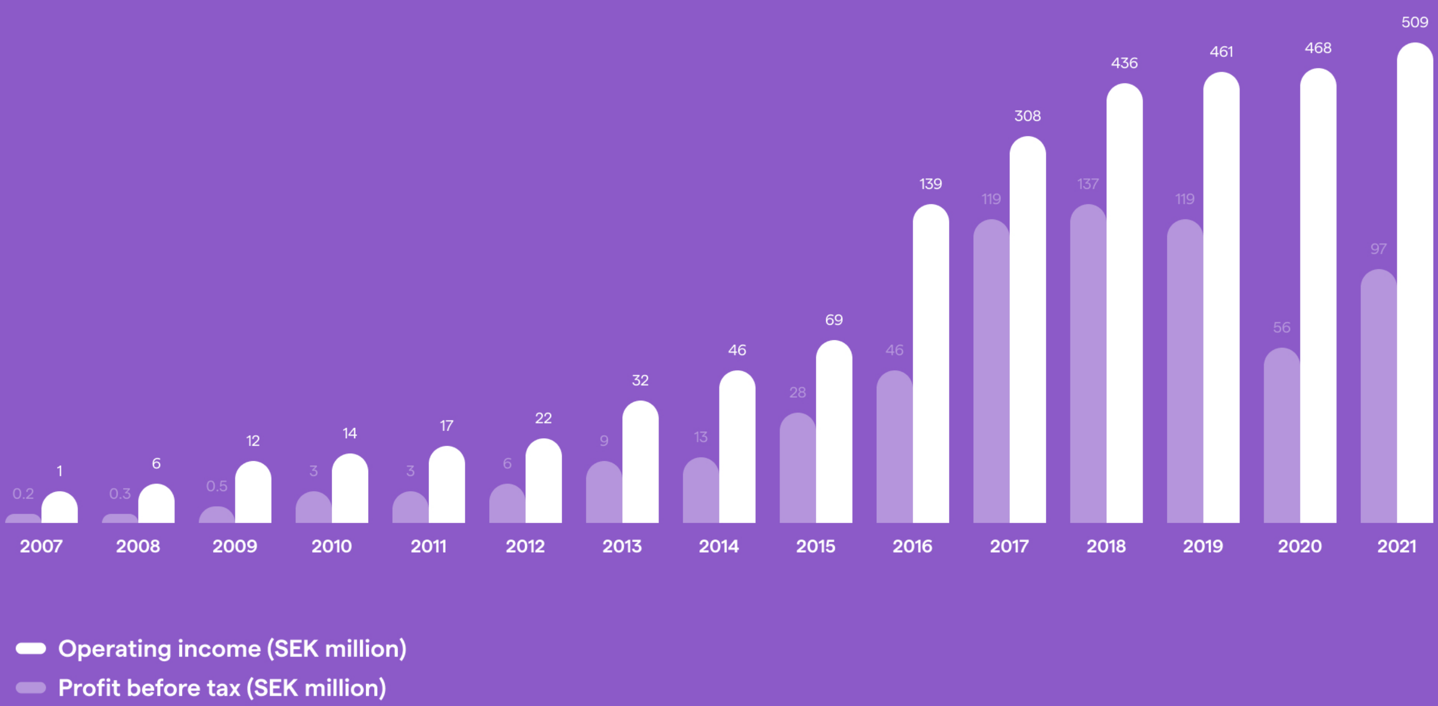

2007 0.2 1
2008 0.3 6
2009 0.5 12
2010 3 14
2011 3 17
2012 6 22
2013 9 32
2014 13 46
2015 28 69
2016 46 139
2017 119 308
2018 137 436
2019 119 461
2020 56 468
2021 97 509
Operating income (SEK million)
Profit before tax (SEK million)

Table of contents

The year in summary	05
Words from the CEO	06
Key ratios, Group	08
Directors' Report	09
Proposal for the appropriation of the Company's profit or loss	12
Financial information	
Group	
– Consolidated income statement	13
– Consolidated statement of comprehensive income	14
– Consolidated statement of financial position	15
– Consolidated statement of changes in equity	16
– Consolidated statement of cash flows	17
Parent Company	
– Income statement	18
– Statement of financial position	19
– Statement of changes in equity	20
– Statement of cash flows	21
Notes	22
Signatures of the Board of Directors and CEO	53
Definitions	54
Audit report	55
Board of Directors	58
Management Team	60
2021 Sustainability Report	61
Auditor's report on the statutory Sustainability Report	66

The year in summary

Financial performance in 2021 (compared with 2020)

- Net interest income increased by 20 % to SEK 393 million (329)
- Operating income increased by 20 % to SEK 434 million (360)
- Profit before tax increased by 74 % to SEK 97 million (56)
- Profit for the year increased by 118 % to SEK 83 million (38)
- The C/I ratio was 0.43 (0.41)
- Lending to the public increased by 99 % to SEK 2,744 million (1,379)
- Return on equity was 14.6 % (8.3 %).
- Total capital ratio was 24.3 % (30.5 %) in Northmill Bank AB and 24.7 % (28.0 %) in the Group
- Common Equity Tier 1 capital ratio was 24.3 % (30.5 %) in Northmill Bank AB and 24.7 % (28 %) in the Group

Significant events in 2021

- In the first six months of the year, the Group was granted a license as a Visa Principal, which creates opportunities to issue and manage, without limitations, its own debit cards via Visa.
- Operations in the Norwegian branch were initiated and the Reduce product was launched in the Norwegian market.
- In the third quarter, Tord Topsholm took up the position as CEO of the Northmill Group. Hikmet Ego, the former CEO, changed roles to Chief Information Officer (CIO).
- Over the year, the merger between Northmill Oy and Northmill Bank AB was completed, and Northmill Oy was liquidated. The operations in Finland are now conducted through the branch Northmill Bank AB, branch in Finland.
- In the third quarter, the temporary act that entered into force in Finland one year before, which imposed an interest rate cap of 10 %, expired, and the previous interest rate cap of 20 % was reintroduced. The Group subsequently increased its presence in Finland and increased its new lending in the Finnish market considerably.
- In the fourth quarter, Northmill Group AB acquired the tech company MoreFlo AB, which changed its name to Northmill Flo AB (“Flo”) in connection with the acquisition. Flo offers point-of-sale systems and payment solutions for businesses, chiefly in the Swedish market. The acquisition broadens Northmill’s existing product offering and extends the customer base to also include corporate customers.

Words from the CEO

"Our momentum is still excellent, and the potential is enormous."

When I joined the Company in the fall of 2021, I saw an incredible atmosphere and a drive that convinced me that I had become part of something very special. It is difficult to describe this in writing, but the culture makes me increasingly convinced that I have joined a company that will truly change banking. That will turn into something completely different and make it relevant and personal to each individual – and sufficiently intelligent to be proactive, helping our users improve their personal finances. It is clear to me that we are in the midst of a shift. Today, many banking customers feel forgotten and abandoned, and I understand them. An increasing number of players are making it more difficult for customers to contact them and actually provide feedback. We are doing the opposite. Feedback is a bank of knowledge that feeds straight into product development. It is time for us to press "unmute" and give people the chance to tell us what their perfect banking experience would look like.

There is also an old truth in the industry that only a select few should have access to the best solutions or the most personal service. We want to change all that. I have never understood the model that excludes people from services that are available. To me, that is an outdated approach that risks creating short-sighted and unprofitable customer relationships. The business of the future lies in democratizing the entire banking experience and making it digital and flexible, yet personal. Therefore, I am particularly proud that we are still the highest ranked bank on Trustpilot in Sweden, with an almost unmatched rating of 4.8 out of 5. This proves the value we attach to It testifies to the value we place in creating long-term and honest relationships with our customers. A job that will never end, since the new generation of customers requires that you constantly earn their loyalty.

We are now leaving an eventful year with good momentum behind us. We managed to keep growth at an even level, despite the fact that large parts of 2021 were marked by the uncertain macroeconomic situation brought about by the Covid-19 pandemic. We also helped tens of thousands of people save thousands of kronor. But it is just the beginning. Many exciting initiatives that will help our customers save money, make smart deals and improve their personal finances are underway. That was one of the reasons why we carried out a capital round at the end of 2020, which allowed us to invest even more in product development and innovation while strengthening our ownership base with some highly experienced and competent investors. This is proof of our long-term perspective, sustainable business model and fantastic employees.

A milestone last year was the first launch of our new debit card, which we took from start to finish in just 12 months. We received our Visa Principal license, which gives our users more control, flexibility and innovative features, at the same time. It also gives us sufficient room for maneuver to develop a range of exciting products without being dependent on other banks. These impressive achievements have given us an important tool for attracting new users in 2022.

Over the year, we made further investments in improving our credit scoring models with new advanced AI tools. I think it is excellent that banks and lenders continue to be thoroughly regulated, as it involves a tremendous responsibility to manage people's money. Nevertheless, a common responsibility is required from all serious players in the market. For customers to be protected, a sustainable credit market requires a national debt register that provides the conditions needed to make credit assessments as good as possible. This measure has been introduced successfully in Norway. I hope that we will also see it in Sweden in the near future.

Naturally, the acquisition of the technology company MoreFlo was one of the absolute highlights of the year. Northmill enters the B2B segment and gets one of the Nordic region's widest unified commerce offers, with over 2,500 merchants and 400,000 end customers connected in Norway, Sweden, Finland and Denmark. Just as in banking, I believe this is a market that is undergoing a transformation. With a Swedish banking license in the group, we have great opportunities to change and modernize shopping. We will make it possible for retailers to offer the same experience in-store as online, allowing customers to shop the way they prefer — regardless of when or where the purchase takes place. We can also use our experience of using data to create an excellent customer experience. There are a handful of major players in the market today, such as Zettle, Square, Adyen and Klarna, but the market is still highly fragmented, which creates opportunities. The acquisition is also perfectly suited for a continued European roll-out, which will mean new revenue streams for Northmill in the long term.

Our expansion into Norway has further broadened our business and made us less dependent on our primary market Sweden. We see great potential in developing our offering further in Norway in the coming years. Gratifying trends in Finland make us hopeful that the launch of new products in the Finnish market will be well received.

Finally, I would like to extend my thanks to all our employees, who have put in another year of commitment, hard work and fantastic teamwork. You are Northmill, and you know as well as I do that the journey has just begun. It will be great fun to see what we manage to achieve together next year!

Tord Topsholm

Tord Topsholm
CEO

Key ratios, Group

SEK thousand	2021	2020	2019	2018	2017
INCOME STATEMENT					
Total operating income	434,364	360,482	349,126	331,903	236,247
Profit before credit losses	248,456	213,780	242,806	246,593	165,216
Profit before tax (EBT)	97,009	55,877	118,555	137,352	119,464
Profit for the year	83,294	38,284	95,452	112,487	97,684
BALANCE SHEET					
Lending to the public	2,743,609	1,378,537	1,218,689	744,644	370,539
Lending to credit institutions	335,634	546,792	152,571	200,702	104,665
Total assets	3,496,453	2,224,880	1,479,640	972,227	505,827
Total equity	605,291	532,594	386,175	326,755	226,788
KEY RATIOS					
Return on equity (ROE), %	14.6%	8.3%	26.8%	40.6%	64.0%
Equity ratio	17.3%	23.9%	26.1%	33.6%	44.8%
C/I ratio	0.43	0.41	0.30	0.26	0.30
Interest coverage ratio	10.34	5.23	4.25	4.18	3.62
Average number of employees	152	137	104	73	59

Definitions

See the separate section with definitions on page 54.

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 2021 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 thousand.

Group operations

Northmill Group AB (publ), including wholly owned local branches and subsidiaries, is referred to as the "Group", the "Company" or "Northmill". The Group's primary business is retail banking in the form of lending and savings and insurance intermediation and the sale of point-of-sale systems. The Group's operations are conducted, and its services provided, mainly online. The operations are conducted in the wholly owned subsidiaries Northmill Bank AB (the "Bank") and Northmill Flo AB. Northmill Bank AB has branches in Finland, Norway and Poland. The majority of the Group's engineering resources are located in the Polish branch.

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

Northmill is a technology-driven bank whose operations are characterized by the pursuit of cost efficiency and scalability through the use of effective technology and automated processes. The Company has a strong culture and strong 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 Karlstad, Sweden; Helsinki, Finland; Oslo, Norway; and Katowice, Poland.

Significant events in the financial year

In the first six months of the year, the Group was granted a license as a Visa Principal, which creates opportunities to issue and manage its own debit cards via Visa, independently of other banks.

In the third quarter, Tord Topsholm took up the position as CEO of the Northmill Group. Hikmet Ego, the former CEO, changed roles to Chief Information Officer (CIO).

Over the year, the merger between Northmill Oy and Northmill Bank AB was completed, and Northmill Oy was liquidated. The operations in Finland are now conducted through the branch Northmill Bank AB, branch in Finland.

In the third quarter, a temporary act that imposed an interest rate cap of 10 % in Finland, which had entered into force one year before, expired, and the previous interest rate cap of 20 % was reintroduced. The Group increased its presence in Finland and subsequently increased its new lending in the Finnish market considerably.

In the fourth quarter, Northmill Group AB (publ) acquired the tech company MoreFlo AB, which changed its name to Northmill Flo AB in connection with the acquisition. Northmill Flo offers point-of-sale systems and payment solutions for businesses, chiefly in the Swedish market. The acquisition broadens Northmill's existing product offering and extends the customer base to also include corporate customers.

Significant events after the year-end

After the year-end, the following significant events occurred:

- Northmill Bank launched a debit card in the market in the first quarter of 2022.
- In the second quarter of 2022, Northmill Bank's application to become a monetary policy counterparty to the Riksbank, Sweden's central bank, was approved. This means that Northmill Bank is a participant in RIX and has access to the Riksbank's monetary policy instruments.

Considering the war in Ukraine, Northmill has analyzed the potential impact on the operations. It is currently difficult to assess the direct or indirect effects. Northmill is monitoring developments carefully so that any future changes can be rapidly analyzed and handled.

Results and financial position

The Group had stable revenue growth in 2021 and focused on building an organization that makes use of the opportunities afforded by the banking license and adds resources and skills to any support and control functions that need to be developed further. Operating income increased by 20 % compared with the previous year, reaching SEK 434 million (360). Profit before tax (EBT) increased by 74 % to SEK 96 million (56). The increased profit was chiefly due to the strong net interest income. Profit for the year increased by 118 % to SEK 83 million (38), corresponding to a return on equity of 14.6 % (8.3 %).

Operating expenses

The Group's operating expenses were SEK 186 million (147) in 2021. The C/I ratio grew to 0.43 in 2021 (0.41) due to the increased cost base due to increased strategic investments in the organization.

Investments

The year's investments in intangible and tangible assets were SEK 10 million (32) for the Group. The year's investments primarily refer to product development. Intangible and tangible assets also grew by SEK 23 million as a result of the Northmill Flo acquisition. See Notes 15, 16 and 17 for additional information.

Credit portfolio

Lending to the public was SEK 2,744 million (1,379) at year-end, which corresponded to 99 % growth.

Credit losses

Total credit losses were 151 MSEK (158). The reduction is partly the result of refined scoring models and partly the result of a shift towards products with lower risk. This has improved the quality of the lending, thus reducing risk.

Dividends

According to the dividend policy adopted by the Board of Directors, the Group shall distribute between 10% and 20% of the profit for the year in dividends annually. The Board of Directors proposes that SEK 7.7 million be distributed for the 2021 financial year, which corresponds to 9 % of the Group's net profit for the 2021 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 internal control, has adopted policies and instructions for lending and other 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 statements and balance sheets, statements of changes in equity and statements of cash flows with accompanying notes.

Own funds and capital adequacy

The Group's account of own funds and capital adequacy at the end of 2021 are included in the published Pillar 3 report, available on www.northmill.com.

Employees

The average number of full-time employees (FTE) in the period January–December 2021 was 152, which was an increase of 11 % compared with the previous year. The number of full-time positions also includes temporary employees. At year-end, 29 % of the employees were women and 71 % were men. Employee turnover was 25 % during the year.

Ownership structure

Northmill Group AB (publ) owns the subsidiaries Northmill Bank AB (100%) and Northmill Flo AB (100%). The Parent Company, which is classified as a large Group, has prepared consolidated accounts in accordance with Chapter 7 of the Swedish Annual Accounts Act. Of the Parent Company's revenue, SEK 9 thousand (SEK 19 million) was intra-Group income from subsidiaries. The Parent Company's expenses included SEK 85 thousand (0.2) in intra-Group expenses paid to subsidiaries.

Sustainability Report

The Group's Sustainability Report was prepared in accordance with Chapter 6, Section 11 of the Swedish 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 is provided on pages 61–65 of this report.

PROPOSAL FOR THE APPROPRIATION OF THE COMPANY’S PROFIT OR LOSS

Parent Company

SEK	2021
The Board proposes that the profits be distributed as follows:	
Retained earnings	117,955,169
Profit for the year	22,825,819
Total	140,780,988
Dividend, 118,676 x SEK 65	7,713,940
To be carried forward	133,067,048
Total	140,780,988

The Board of Directors considers that the proposal is consistent with the prudence rule in Chapter 17, Section 3 of the Swedish Companies Act, according to the following statement:

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

Consolidated income statement

Group

SEK thousand	Note	2021	2020
Interest income according to the effective interest method	5	423,016	384,386
Interest expense	6	-29,811	-55,793
Net interest income		393,205	328,592
Fee and commission income		83,488	82,640
Fee and commission expense		-46,526	-47,704
Net fee and commission income	7	36,962	34,936
Net gains/losses on financial transactions	8	1,422	-3,721
Other operating income		2,775	675
Total operating income		434,364	360,482
General administrative expenses	9	-124,882	-115,420
Amortization, depreciation and impairment	9	-29,981	-22,415
Other operating expenses	10	-31,044	-8,867
Total operating expenses before credit losses		-185,907	-146,702
Profit before credit losses		248,456	213,780
Net credit losses	11	-151,346	-157,879
Impairment of financial assets		-102	-24
Profit before tax (EBT)		97,009	55,877
Income tax	12	-13,714	-17,594
Profit for the year		83,294	38,284

Consolidated statement of comprehensive income

Group

SEK thousand	2021	2020
Profit for the year	83,294	38,284
Other comprehensive income		
Translation of foreign operations	-121	494
Total comprehensive income	83,174	38,778

Consolidated statement of financial position

Group

SEK thousand	Note	Dec 31, 2021	Dec 31, 2020
	3, 22, 24		
ASSETS			
Cash and balances with central banks		1,677	933
Lending to credit institutions		335,634	546,792
Lending to the public	13	2,743,609	1,378,537
Bonds and other interest-bearing securities	14	178,878	130,536
Intangible assets	16	43,770	19,204
Tangible assets	17	81,558	101,015
Other assets	18	41,690	20,969
Prepaid expenses and accrued income	19	69,636	26,893
TOTAL ASSETS		3,496,453	2,224,880
LIABILITIES			
Liabilities to credit institutions		400	9,572
Deposits from the public	23	2,740,711	1,539,179
Other liabilities	20	137,373	131,517
Accrued expenses and prepaid income	21	12,677	12,018
Total liabilities		2,891,161	1,692,285
EQUITY			
Share capital		534	500
Other contributed capital		167,880	167,914
Reserves		-279	90
Retained earnings		353,862	325,807
Profit for the year		83,294	38,284
Total equity		605,291	532,594
TOTAL LIABILITIES AND EQUITY		3,496,453	2,224,880

Consolidated statement of changes in equity

Group

SEK thousand	Share capital	Other contributed capital	Reserves	Retained earnings	Profit for the year	Total
Opening balance as at Jan 1, 2021	500	167,914	90	325,807	38,284	532,594
Transfer of previous years' profit				38,284	-38,284	0
Profit for the year					83,294	83,294
Translation differences			-248	-2,633		-2,882
Total other comprehensive income			-121			-121
Total comprehensive income for the year (net of tax)	500	167,914	-279	361,458	83,294	612,886
Transactions with shareholders						
New share issue	34	-34				0
Dividends				-7,595		-7,595
Closing balance as at Dec 31, 2021	534	167,880	-279	353,862	83,294	605,291
Opening balance as at Jan 1, 2020	500	57,326	-338	233,235	95,452	386,175
Transfer of previous years' profit				95,452	-95,452	-
Profit for the year					38,284	38,284
Translation differences			-67	-3,370		-3,437
Total other comprehensive income			494			494
Total comprehensive income for the year (net of tax)	500	57,326	90	325,317	38,284	421,516
Transactions with shareholders						
New share issue		99,996				99,996
Payments on exercise of option program		10,592				10,592
Paid premiums for option program				490		490
Closing balance, Dec 31, 2020	500	167,914	90	325,807	38,284	532,594

Consolidated statement of cash flows

Group

SEK thousand	2021	2020
Operating activities		
Profit before tax	97,009	55,877
Adjustments for non-cash items		
- Impairment allowance on loans	69,434	47,267
- Amortization, depreciation and impairment	29,981	22,415
- Other	100	520
	196,524	126,079
Paid income tax	-13,714	-17,594
Cash flows from operating activities before changes in working capital	182,809	108,485
Decrease(+)/Increase(-) in lending to the public	-1,434,506	-207,115
Decrease(+)/Increase(-) in other current assets	-55,596	23,388
Decrease(+)/Increase(-) in other current liabilities	12,232	-3,391
Cash flows from operating activities	-1,477,869	-187,118
Investing activities		
Investments in intangible assets	-11,384	-10,348
Investments in tangible assets	-18,983	-21,778
Acquisition of subsidiaries	-20,000	-
Investments in financial assets	-47,687	-117,405
Cash flows from investing activities	-98,053	-149,532
Financing activities		
Change in liabilities to credit institutions	-10,958	-531,047
Deposits from the public	1,201,532	1,539,179
Issued securities	-	-494,444
New share issue	-	110,588
Dividends paid	-7,595	-
Cash flows from financing activities	1,182,979	624,276
Cash flows for the year	-210,134	396,111
Cash and cash equivalents at the beginning of the year	547,725	152,571
Exchange difference in cash and cash equivalents	-279	-957
Cash and cash equivalents at end of year	337,312	547,725
Cash flows from operating activities including interest expenses paid and interest income received		
Interest expenses paid	-25,022	-55,462
Interest income received	381,086	340,467

Income statement, Parent Company

Parent Company

SEK thousand	Note	2021	2020
Interest income according to the effective interest method		9	26,392
Interest expense		-85	-30,402
Net interest income		-76	-4,009
Fee and commission expense		-50	-68
Net fee and commission income		-50	-68
Net income/expense from financial transactions		-	-6,718
Total operating income		-126	-10,795
General administrative expenses		-231	-7,600
Other operating expenses		-817	-185
Total operating expenses before credit losses		-1,048	-7,786
Profit before tax (EBT)		-1,174	-18,581
Appropriations		24,000	-
Profit before tax (EBT)		22,826	-18,581
Income tax	12	-	-
Profit for the year		22,826	-18,581

Statement of financial position, Parent Company

Parent Company

SEK thousand	Note	Dec 31, 2021	Dec 31, 2020
	3, 22		
ASSETS			
Lending to credit institutions		3,522	114,767
Shares and participations in Group companies	15	124,280	50,100
Other assets		27,000	-
Prepaid expenses and accrued income		768	706
TOTAL ASSETS		155,571	165,573
LIABILITIES			
Other liabilities		14,256	39,488
Total liabilities		14,256	39,488
EQUITY			
Share capital		534	500
Share premium reserve		167,880	167,914
Retained earnings		-49,925	-23,749
Profit for the year		22,826	-18,581
Total equity		141,315	126,084
TOTAL LIABILITIES AND EQUITY		155,571	165,573

Statement of changes in equity, Parent Company

Parent Company

SEK thousand	Restricted equity Share capital	Share premium reserve	Reserves	Non-restricted equity Retained earnings	Profit for the year	Total
Opening balance, Jan 1, 2021	500	167,914	0	-23,749	-18,581	126,084
Transfer of previous years' profit				-18,581	18,581	0
Profit for the year					22,826	22,826
Total comprehensive income for the year (net of tax)	500	167,914	0	-42,329	22,826	148,910
Transactions with shareholders						
Dividends				-7,595		-7,595
Closing balance as at Dec 31, 2021	34	-34	0	-49,925	22,826	141,315
Opening balance as at Jan 1, 2020	500	57,326	-	-20,035	-4,204	33,587
Transfer of previous years' profit				-4,204	4,204	-
Profit for the year					-18,581	-18,581
Total comprehensive income for the year (net of tax)	500	57,326	-	-24,239	-18,581	15,006
Transactions with shareholders						
New share issue		99,996				99,996
Payments on exercise of option program		10,592				10,592
Paid premiums for option program				490		490
Closing balance, Dec 31, 2020	500	167,914	-	-23,749	-18,581	126,084

Statement of cash flows, Parent Company

Parent Company

SEK thousand	2021	2020
Operating activities		
Profit before tax	22,826	-18,581
Paid income tax	-	-
Cash flows from operating activities before changes in working capital	22,826	-18,581
Decrease(+)/Increase(-) in other current assets	-27,062	449,299
Decrease(+)/Increase(-) in other current liabilities	-29,463	36,955
Cash flows from operating activities	-56,525	486,253
Investing activities		
Acquisition of subsidiaries	-20,000	-
Investments in financial assets	-49,949	-
Cash flows from investing activities	-69,949	-
Financing activities		
Issued securities	-	-494,444
Dividends paid	-7,595	-
New share issue	-	111,078
Cash flows from financing activities	-7,595	-383,367
Cash flows for the year	-111,244	84,306
Cash and cash equivalents at the beginning of the year	114,767	30,461
Cash and cash equivalents at end of year	3,522	114,767
Cash flows from operating activities, including interest expenses paid and interest income received		
Interest expenses paid	-65,094	-30,175
Interest income received	0	26,255

Notes

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

Note 1 – General Information

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

The Parent Company, Northmill Group AB (publ), is part of a financial group of companies with the subsidiaries Northmill Bank AB and Northmill Flo AB. All companies are fully consolidated. The 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
In the third quarter of 2021, the merger between Northmill Oy and Northmill Bank AB was completed, and the subsidiary Northmill Oy was liquidated. The operations in Finland are now conducted through the branch Northmill Bank AB, branch in Finland.

In the fourth quarter, Northmill Group AB acquired MoreFlo AB, which changed its name to Northmill Flo AB in connection with the acquisition. The acquisition broadens Northmill's existing product offering and extends the customer base to also include corporate customers. See Note 15 for further information on the acquisition.

The liquidation of the dormant subsidiary Northmill Sp. z. o. o was finalized in 2020.

Note 2 – Accounting and valuation principles

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

Compliance with laws and regulations

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL). 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) were 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 ÅRKL.

Presentation of the Parent Company's notes

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

Consolidation principles

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

Subsidiaries

Subsidiaries are companies that are under the control of the Group's 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 of accounting.

Northmill Group AB (publ) holds 100 % of the shares in the Swedish limited liability financial institution Northmill Bank AB and 100 % of the shares in Northmill Flo AB. Northmill Bank AB, branch in Finland, Northmill Bank AB, branch in Norway and Northmill Bank AB, branch in Poland are all branches of Northmill Bank AB.

Branches

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

Legal structure

The consolidated financial statements comprise the following legal structure:

Parent Company	Subsidiary	Branch	Country	Corporate Identity No.	Ownership
Northmill Group AB (publ)			Sweden	556786-5257	
	Northmill Bank AB		Sweden	556709-4866	100%
		Northmill Bank AB, branch in Finland	Finland	3166457-1	100%
		Northmill Bank AB, branch in Norway	Norway	925,154,407	100%
		Northmill Bank AB, branch in Poland	Poland	2050004840	100%
	Northmill Flo AB		Sweden	556665-9339	100%

Transactions eliminated on consolidation

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

Translation of foreign currency

Reporting currency

Items included in the financial statements for the different entities of the Group are valued in the home currency of each branch and subsidiary, 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 as other costs. The Group does not use hedge accounting.

Group companies
The results and financial position of all Group companies using a functional currency other than the reporting currency are translated into the Group's reporting currency as follows:

(a) Assets and liabilities for each of the balance sheets are translated at the rate on the balance sheet date;

(b) Income and expenditure for each of the income statements are translated at the average exchange rate; and

(c) All exchange rate differences that arise are reported in other comprehensive income.

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

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 Bank's Risk and Audit Committee.

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

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

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

IFRS 9 applies a 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 loss 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 of financial assets and Note 13, which includes a sensitivity analysis of the provision model for expected credit losses (ECL). The sensitivity analysis is based on a stress test in the form of an increase/decrease of the thresholds that trigger a significant increase in credit risk (SICR) for the financial instruments. The thresholds are based on both relative and absolute triggers, with probability of default (PD) as the foremost trigger. No macroeconomic parameters have been included.

Capitalized development costs
The item capitalized expenditure for development and similar work includes ongoing projects that are not yet in use and completed intangible assets. Expenses refer to product development expenses only.

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

New standards, amendments and interpretations applied by the Group
Around the world, various reference rates are being reformed (the IBOR reform). Northmill does not have any products of its own or agreements that are directly liked to a reference rate. The bonds in the liquidity portfolio are linked to STIBOR, and Northmill will monitor whether they will eventually be converted and linked to a new interest rate index. The current assessment is that it will not have a material impact on the Group's figures.

No other new standards, amendments, interpretations or annual improvement projects have entered into force that have had a significant impact on the Group's financial reports.

Consolidated financial statements

Subsidiaries
Subsidiaries are companies over which the Group has control. The existence and effect of potential votes that can currently be utilized or converted are considered in the assessment of whether the Group exercises control over another company. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date when 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 the consistent application of the Group's principles.

Operating segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the function responsible for the allocation of resources and the evaluation of the operating segments' performance. The Management Team has been identified as the Chief Operating Decision Maker. The Group has identified three geographical segments: Sweden, Finland and Norway. These are the countries where the Group conducts the majority of its financial operations.

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

Balance sheet items

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

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

Financial instruments that are recognized in the balance sheet and are classified as financial assets include the following: cash and balances with central banks, lending to credit institutions, lending to the public, bonds and other interest-bearing securities, other shares and participations and derivatives.

Financial liabilities include liabilities to credit institutions, deposits from the public, issued securities and other liabilities.

Classification and measurement according to IFRS 9

According to the requirements of IFRS 9, financial assets are classified and measured at amortized cost, fair value through profit or loss 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 fair value on initial recognition. For financial assets measured at fair value through profit or loss, transaction expenses are recognized at the transaction date, while for other financial assets, they are included in the fair value. Financial assets are derecognized when the contractual rights to the cash flows arising from the asset cease or when all risks and rewards associated with the asset are transferred to another party. A financial asset is measured at amortized cost if the financial asset is managed within a business model the purpose of which is to receive contractual cash flows that consist solely of payments of principal and interest. 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 measured at fair value through profit or loss:

- Participations in other companies
- Derivatives

All financial liabilities are measured at amortized cost.

Impairment of financial assets

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

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

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

Definitions

- Performing assets

Stage 1 comprises 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

Stage 2 comprises paid credits where the repayment is 30–90 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

Stage 3 comprises 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

Default 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 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%.

The Group's calculation model is based on the historic probability of default in each of the markets in which the Group operates. 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. Expected future cash flows are 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 Net credit losses.

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

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

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

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

Tangible assets
All tangible assets are recognized at cost less depreciation. Cost includes expenses that can be directly attributed to the acquisition of the asset. Depreciation 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 for any extension options.

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

Leases
The Group leases office premises. Leases are recognized as right-of-use assets and are included in tangible assets with a corresponding lease liability, including other liabilities, as of the date on which the leased asset became available for use by the Group. The lease liability is initially recognized at the present value of the Group's future lease payments. Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group uses its incremental borrowing rate, which is the interest rate that the Group would have to pay to finance a loan for a corresponding period and with corresponding collateral, for the right to use an asset in a similar economic environment. Each lease payment is allocated between repayment of the principal and finance cost. The finance cost is charged over the lease period according to the effective interest method. Several of the Group's office leases include options to extend. The option to extend may only be used by the Group and not by the lessor. When the lease term is determined, the Management Team takes into account all available information that provides a financial incentive to exercise option to extend or not to exercise the option to extend. Options to extend are only included in the lease term if it is reasonably certain that the lease will be extended (or will not be terminated).

Right-of-use assets are initially measured at cost, comprising the amount of the initial measurement of the lease liability. adjusted for any lease payments made at or before the commencement date and any initial direct costs. Right-of-use assets are depreciated on a straight-line basis over the shorter of their useful life or the lease term.

Intangible assets
The Group's intangible assets comprise goodwill and capitalized development costs.

The Group's goodwill is related to the acquisition of the subsidiary Northmill Flo AB, which was completed in 2021. For further information, see Notes 15 and 16.

Capitalized development costs for IT projects comprise both external costs and internal 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 costs for IT projects are measured at cost less accumulated amortization and any impairment.

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

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

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

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

Development expenditure reserve
The Group applies the rules in the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 on provisions for a development expenditure reserve. Pursuant to these rules, companies that capitalize their internally generated intangible development costs shall transfer an amount corresponding to the capitalized development costs from non-restricted equity to a development expenditure reserve in restricted equity. When capitalized development costs are amortized, a corresponding amount is reversed to non-restricted equity. These rules are applied by the Bank. The development expenditure reserve is included in the item Reserves.

Impairment of tangible and intangible 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 9.

If an impairment loss is indicated, the recoverable amount of the asset is calculated. 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 carrying value exceeds the recoverable amount. Impairment losses are expensed in profit/loss for the year. If an impairment loss has been identified for a cash generating unit, it is primarily applied to goodwill. Thereafter, a proportional impairment loss for all other assets included in the unit 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.

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

Other liabilities
The item comprises tax liabilities, trade payables and other current liabilities.

Items in the income statement

Revenue
The Group applies 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 revenue from financial instruments, leases and insurance contracts.

IFRS 15 is based on a five-step model for determining how and when revenue should be recognized that 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 each performance obligation in the contract;
5. Recognize the revenue from each performance obligation when such performance obligation is satisfied.

Revenue from contracts with customers is 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 received and transaction costs that are included in the effective interest rate.

Interest expense includes the direct transaction costs for obtaining loans. Interest expense includes resolution and deposit guarantee fees.

Interest income and interest expense as presented in the income statement comprise interest on financial assets and liabilities measured 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 is recognized as fee and commission income under IFRS 15. 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 expense 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.

Net gains/losses on financial transactions
Net gains/losses on 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 investments 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 gains/losses on financial transactions is recognized as other operating income. Other operating income includes gains and losses from disposals of tangible and intangible assets and other operating income.

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

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

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

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

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

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

Due to the link between reporting and taxation, deferred tax liabilities attributable to untaxed reserves are not reported separately in the Parent Company. These are therefore recognized using gross amounts in the balance sheet. The same goes for appropriations in the income statement. Any amounts allocated to untaxed reserves constitute temporary differences.

Remuneration to employees

The Group has defined contribution pension plans only, which means that the obligation is recognized as an expense in the income statement in the period in which the employees have earned it by providing services to the Group.

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 staff costs, 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 a constructive obligation. Guaranteed variable remuneration is expensed over the term of service, i.e., as earned.

Statement of cash flows

The consolidated statement of cash flows was prepared using the indirect 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, trade receivables, accrued expenses and prepaid income and other current liabilities.

Note 3 – Risk management

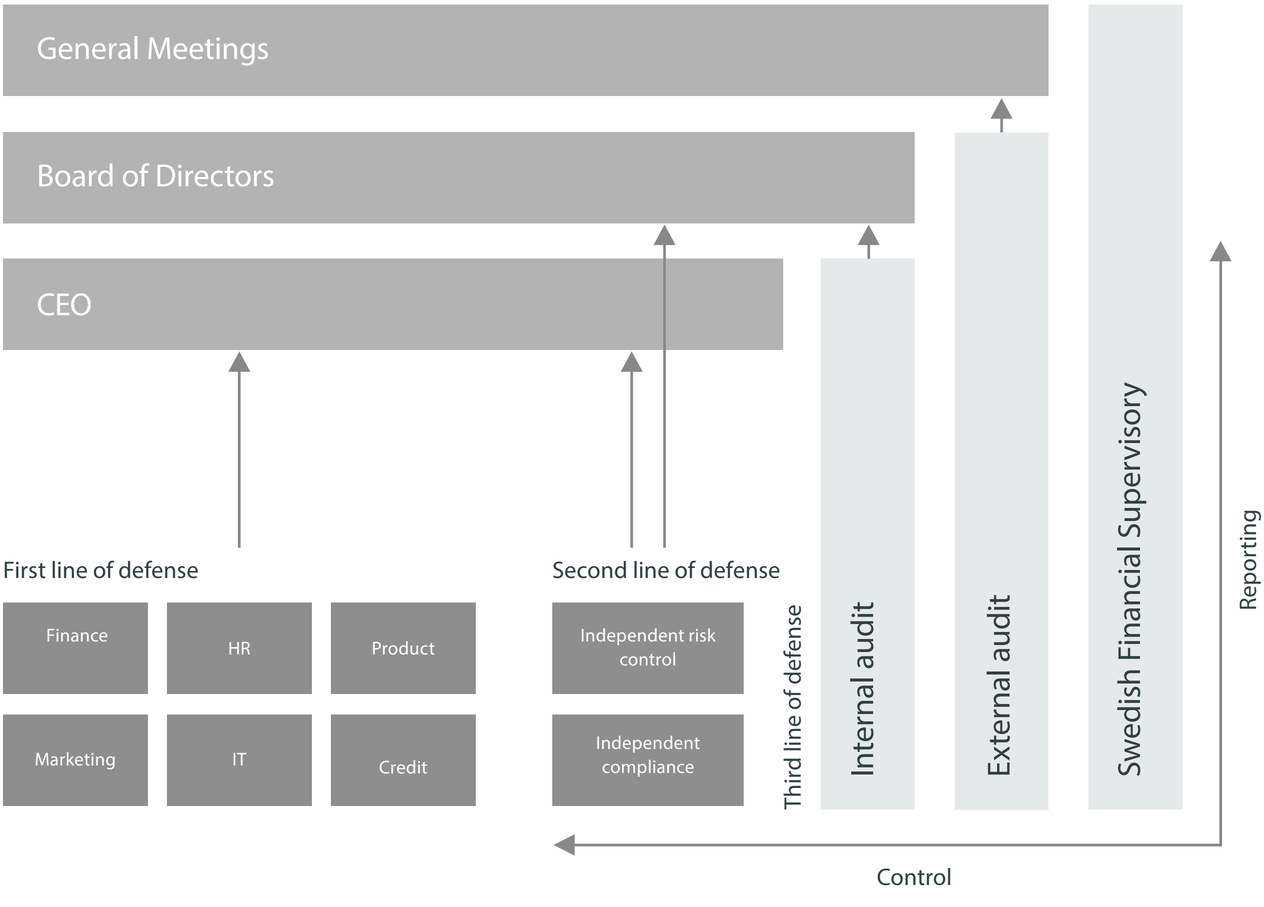
General

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

The risk management aims to ensure the Group's long-term survival, manage volatility in the financial outcome and increase shareholder value by ensuring efficient asset management. The Group's risk management consists of the risk strategy, risk appetite, risk management in the form of organization, division of responsibilities and governing documents and processes that are in place to identify, measure, manage, monitor and report the risks that the Group is or may be exposed to. The basis for a well-functioning risk management is a strong and shared risk culture with clear responsibilities and decision making.

The Board of Directors and the Management Team issue written policies and instructions to manage all identified risks, which are supplemented by detailed descriptions of procedures in the organization. The Board of Directors shall also monitor and regularly evaluate the Group's risk management to ensure its effectiveness and, if necessary, take appropriate measures to deal with any deficiencies.

The risk management and internal control framework are based on the three lines of defense, as illustrated below:



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

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

Third line of defense:
The third line of defense consists of the independent control function for internal audits, which is directly subordinate to and reports to the Board of Directors. The internal audit function shall, upon instruction by the Board of Directors, review the operations and determine whether 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 limits within which the Group shall conduct its business.

Credit risk

Credit risk is defined as the risk of loss if a counterparty fails to meet its contractual obligations. Credit risk in the Group primarily arises primarily through lending to the public (to private individuals) and also to some extent through the liquidity portfolio. Credits are granted based on the counterparty's financial position and ability to pay and there must be good grounds to expect that the counterparty will meet its obligations. 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. The committee decides on and implements changes to the Group's lending within the scope of the adopted credit policy and proposes changes to the policy to the Board of Directors. The outcome of these efforts is reported on each board meeting.

Credit process

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

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

Lending and credit risk

Financial assets that may expose the Group to credit risk arise mainly from lending to the public and from the liquidity portfolio. It is determined that there are generally no material concentrations of credit risks, as the lending is distributed over different counterparties, sectors and industries and geographical regions. The Group's exposure in the liquidity portfolio consists primarily of exposures to credit institutions in the form of bank deposits with established banks and credit institutions that have external credit ratings (Standard & Poor's and Moody's), but also to other counterparties that meet the requirements for counterparties in accordance with the Group's risk framework, as defined by the Board of Directors. The Group cannot enter into credit agreements with legal entities without the approval of the Board of Directors. By setting limits for the maximum exposure to an individual counterparty, the Board Directors also limits 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. Parts of the unsecured loans may also be subject to a voluntary payment protection insurance, which insures the debtor against the inability to pay due to involuntary unemployment, illness/accidents or death.

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

Credit risk exposure

Group

SEK thousand	Dec 31, 2021	Dec 31, 2020
Cash and balances with central banks	1,677	933
Lending to credit institutions	335,634	546,792
Lending to the public	2,743,609	1,378,537
Bonds and other interest-bearing securities	178,878	130,536
Total	3,259,799	2,056,798

The assets above are recognized at their carrying amount in accordance with the balance sheet. The geographical risk concentrations associated with lending to the public are outlined in the table below.

Concentration risk related to credit exposures
The following table shows the Group's credit risk exposure and its significant credit risk concentrations as at December 31, 2021.

SEK thousand	Stage 1	Stage 2	Stage 3	Total
By region				
Sweden	2,238,722	317,623	95,122	2,651,467
Finland	170,852	22,158	22,592	215,603
Norway	34,142	1,926	490	36,557
Total	2,443,716	341,707	118,204	2,903,627
Current and number of days past due				
Current	2,198,668	170,224	-	2,368,892
<30 days	245,049	25,361	-	270,409
31–60 days	-	92,079	-	92,079
61–90 days	-	54,043	-	54,043
>90 days	-	-	118,204	118,204
Total	2,443,716	341,707	118,204	2,903,627

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

	Group		Parent Company	
SEK thousand	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Cash and balances with central banks				
AAA	1,677	933	-	-
Total cash and balances with central banks	1,677	933	-	-
Lending to credit institutions				
A-1+	33,281	26,780	-	-
A-1	302,353	520,012	3,522	114,767
A-2	-	-	-	-
Unrated	-	0	-	-
Total lending to credit institutions	335,634	546,792	3,522	114,767
Other assets				
AAA	151,879	107,268	-	-
AA+	26,324	23,268	-	-
A-1+	7	315		
A-1	676	-	-	-
Total other assets	178,886	130,851	-	-
Total	516,197	678,576	3,522	114,767

Other assets include derivatives with a positive value and level 1 liquid assets consisting of municipal and credit institution 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 transaction risk and translation risk. Transaction risk is the net of operating and financial inflows and outflows in foreign currencies. The Group's exposure to transaction risk arises when the Group grants credits in other currencies than the reporting currency. The Group uses currency forwards in EUR and NOK to hedge against currency risk. Translation risk chiefly comprises the revaluation of balance sheet items in Group companies that use a currency other than the Group's reporting currency. Translation risks are monitored and are not currently hedged.

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

The Group assesses added capital requirements in Pillar 2 for currency risk by stressing the net positions with a currency fluctuation of 7.5 %. Other variables are kept constant. The Group has chosen the 7.5 % level by analyzing the greatest currency fluctuations over a rolling 30-day period between the years 2009 and 2020 for the currencies to which the Group has the greatest exposure. The Group then calculates a worst-case scenario with a confidence level of 99.5 % based on the greatest fluctuation in each currency. The stress test gives the following outcome for the positions as at December 31, 2021 (exclusive of tax effects):

Group SEK thousand	Net position	Currency change (+/-) 7.5%
EUR	1,962	147
NOK	3,159	264
PLN	4,522	339
USD	444	33

As the formal capital requirement under Pillar 1 is 8.0 % and therefore exceeds the outcome of the Pillar 2 stress test, the bank does not reserve any additional capital for currency risk in addition to the Pillar 1 requirement.

Interest rate risk

Interest rate risk is the risk of value changes in interest-bearing 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 lending. To enable this, all agreements with customers have adjustable interest rates, to the extent this is possible according to regulations.

As at December 31, 2021, a reduction of 2 % in market interest rates would reduce the value of interest-bearing assets and liabilities, including derivatives, by SEK 5.7 million (3.0).

Liquidity risk

Liquidity is defined as the risk of increased costs for ensuring that the Group's payment obligations can be met when they fall due. The risk that the Group will 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, deposits from the public 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 tables below show the Group's financial assets and liabilities distributed over the remaining maturity on the balance sheet date until the contractual due date. The amounts specified in the table are the contractual, undiscounted cash flows, including the interest rate component.

Group

Dec 31, 2021 SEK thousand	< 1 year	1–2 years	2–5 years	> 5 years
Assets				
Cash and balances with central banks	1,677	-	-	-
Bonds and other interest-bearing securities	23,536	1,376	131,796	20,044
Lending to the public	944,291	698,662	1,354,684	1,660,530
Lending to credit institutions	335,634	-	-	-
Total	1,305,139	700,037	1,486,480	1,680,574
Liabilities				
Liabilities to credit institutions	400	-	-	-
Deposits from the public	2,416,931	332,953	-	-
Total	2,417,331	332,953	-	-

Group

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

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

Business and strategic risk

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

Strategic risk is a part of the business risk and includes e.g. 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 to reduce the risk of incorrect rumors spreading in the market. In recent years, the Group has worked intensely to strengthen its brand. All communications, both internal and external, must maintain high quality and be characterized by accessibility, clarity and objectivity. Furthermore, it is of the utmost importance that the communication is made 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, to employees, via the intranet.

Compliance risk

The Group is active in a heavily regulated industry with complex legislation that regulates lending, taxes, data protection and anti-money laundering.

Also, legislators and supervisory authorities currently focus on regulations and the application of regulations with the main goal of increasing consumer protection by reducing excessive household indebtedness. The Group's legal department is working proactively to ensure compliance with rules and regulations in current and future processes.

Internal control of financial reporting

Internal control of financial reporting is part of the Group's total internal control. It aims to provide reasonable assurances 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 is governed by the Swedish Companies Act, the Swedish Annual Accounts Act and the Swedish Corporate Governance Code. The Swedish Annual Accounts Act requires the Group to 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 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 reporting their observations to the Group's finance department.

Note 4 – Operating segments by geographical area

The CEO is ultimately responsible for the Group's operational decision-making. The Management Team has defined operating segments based on information provided by the CEO, which has formed the basis for decisions on the allocation of resources and the evaluation of results. Profit/loss for each operating segment of the Group is presented below by country and period. Sweden includes Northmill Bank Ab's Swedish operations and Northmill Flo AB. Until July 2021, Finland represents the subsidiary Northmill Oy. Thereafter, it will represent the Finnish branch. Norway refers to the Norwegian branch. Other includes the Parent Company of the Group, which only acts as a holding company, and the Polish branch, which is providing intra-group IT services. Intra-group transactions are eliminated under Adjustments and eliminations. Some eliminations are made using the balance sheet as the per contra entry.

Norway was identified as a new segment in 2021. As no operations were conducted in Norway in 2020, no comparative figures are presented.

Group

2021

SEK thousand	Sweden	Finland	Norway	Other	Adjustments and eliminations	Total
Interest income according to the effective interest method	388,909	37,746	816	9	-4,464	423,016
Interest expense	-26,445	-7,314	-420	-122	4,489	-29,811
Net interest income	362,465	30,432	396	-113	25	393,205
Dividends received	-	-	-	-	-	-
Fee and commission income	78,415	5,064	9	-	-	83,488
Fee and commission expense	-41,934	-3,622	-902	-67	-	-46,526
Net fee and commission income	36,481	1,442	-894	-67	-	36,962
Net profit/loss from financial transactions	1,264	-	152	6	-	1,422
Other operating income	6,373	586	1,094	21,864	-27,142	2,775
Total operating income	406,582	32,459	748	21,691	-27,116	434,364
General administrative expenses	-115,389	-10,535	-5,229	-20,679	26,949	-124,882
Amortization, depreciation and impairment	-28,085	-468	-	-1,086	-341	-29,981
Other operating expenses	-29,494	-79	-536	-935	-	-31,044
Total operating expenses before credit losses	-172,967	-11,083	-5,765	-22,700	26,608	-185,907
Profit before credit losses	233,615	21,376	-5,017	-1,009	-508	248,456
Net credit losses	-139,607	-10,356	-1,383	-	-	-151,346
Impairment of financial assets	-102	-	-	-	-	-102
Profit before tax (EBT)	93,906	11,020	-6,400	-1,009	-508	97,009
Income tax	-11,654	-2,060	-	-70	70	-13,714
Profit for the year	82,251	8,960	-6,400	-1,079	-438	83,294
Other comprehensive income						
Translation of foreign operations	-	-111	15	-25	-	-121
Total comprehensive income	82,251	8,849	-6,384	-1,104	-438	83,174

Group

2020

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

Note 5 – Interest income according to the effective interest method

Group

SEK thousand	2021	2020
Interest income, lending to the public	423,014	384,385
Other interest income	2	-
Total interest income	423,016	384,386

Note 6 – Interest expense

Group

SEK thousand	2021	2020
Interest expense, liabilities to credit institutions	-1,560	-19,589
Interest expense, deposits from the public	-23,704	-10,114
Interest expense, issued securities	-99	-23,284
Other interest expense	-4,449	-2,806
Total interest expense	-29,811	-55,793

Note 7 – Net fee and commission income

Group

SEK thousand	2021	2020
Fee and commission income		
Fee and commission income received	50,528	37,380
Other fee and commission income	32,960	45,260
Total fee and commission income	83,488	82,640
Fee and commission expense		
Fee and commission expense paid	-14,965	-12,590
Other fee and commission expense	-31,561	-35,115
Total fee and commission expense	-46,526	-47,704
Net fee and commission income	36,962	34,936

Note 8 – Net gains/losses on financial transactions

Group

SEK thousand	2021	2020
Exchange rate fluctuations	1,886	704
Gains/losses on investments in securities	-464	-4,425
Total net gains/losses on financial transactions	1,422	-3,721

NOTE 9 – General administrative expenses

Group

SEK thousand	2021	2020
Staff costs	-81,105	-69,877
Rent and costs for premises	366	324
Postage and telephone	-2,922	-3,932
Audit	-1,798	-1,340
Other external services	-34,197	-37,138
Other external costs	-5,227	-3,457
Total other general administrative expenses	-124,882	-115,420
Salaries and remuneration		
CEO and Board of Directors	-3,156	-2,628
Other staff	-47,749	-45,027
Total salaries and remuneration	-50,904	-47,655

The item Other external services includes IT, licenses and external consultancy expenses.

Remuneration to senior executives
In accordance with the disclosure requirements in the Swedish Financial Supervisory Authority's regulations FFFS 2011:1 and 2014:22, information on the remuneration structure, etc. is presented on the Group's website, www.northmill.com

Preparation and decision-making process
Remuneration to the CEO and senior executives is determined by the Board of Directors.

Salaries and fees
The Chairperson of the Board 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 9 people. Collectively, they constitute the Management Team of the Group.

Group 2021

SEK thousand	Basic salary/ remuneration	Variable remuneration	Other benefits	Pension costs	Total
Salaries and remuneration to Board Members					
Margareta Lindahl Gelin, Chairperson of the Board	330	-	-	-	330
Per Granath	-	-	-	-	-
George Kurt (1)	-	-	-	-	-
Hikmet Ego (2)	-	-	-	-	-
Erik Fagerland	198	-	-	-	198
Björn Hazelius (3)	45	-	-	-	45
Daniel Roxö (4)	35	-	-	-	35
Sofia Wingren (5)	105	-	-	-	105
Karl Källberg	198	-	-	-	198
Total	910	-	-	-	910

1) Board member from January 1, 2021 to November 1, 2021
2) Became a Board Member on November 1, 2021
3) Board member from January 1, 2021 to May 26, 2021
4) Became a Board Member on November 1, 2021
5) Became a Board Member on May 26, 2021

Group 2020

SEK thousand	Basic salary/ remuneration	Variable remu-neration	Other benefits	Pension costs	Total
Salaries and remuneration to Board Members					
Margareta Lindahl Gelin, Chairperson of the Board	267	-	-	-	267
Per Granath	-	-	-	-	-
Erik Fagerland	143	-	-	-	143
Björn Hazelius	143	-	-	-	143
Karl Källberg	155	-	-	-	155
Total	708	-	-	-	708

Group 2021

SEK thousand	Basic salary/ remuneration	Variable remu-neration	Other benefits	Pension costs	Total
Salaries and remuneration to the CEO and other senior executives					
CEO (1)	1,453	-	50	321	1,824
Other senior executives (9 people)	7,347	-	167	1,003	8,516
Total	8,800	-	217	1,324	10,340

1) Hikmet Ego was the CEO between January and August 2021. Tord Topsholm became the CEO in September 2021.

There was no remuneration in the Parent Company, Northmill Group AB (publ).
Other senior executives received salary and benefits from Northmill Group AB (publ) or its subsidiaries. This group includes the following people: Chief Financial Officer, Chief Information Officer, Chief Product and Technology Officer, Chief Commercial Officer, Group Legal Counsel, Chief Strategy Officer, Chief Credit Officer, Head of Risk and Head of Compliance.

Group 2020

SEK thousand	Basic salary/ remuneration	Variable remu-neration	Other benefits	Pension costs	Total
Salaries and remuneration to the Board of Directors and senior executives					
CEO	960	-	41	93	1,094
Other senior executives (11 people)	8,479	-	172	826	9,477
Total	9,439	-	213	919	10,571

There was no remuneration in the Parent Company, Northmill Group AB (publ).
Other senior executives received salary and benefits from Northmill Group AB (publ) or its subsidiaries. This group includes the following people: Chief Financial Officer, Chief Technology Officer, Chief Credit Officer, Chief Marketing Officer, Chief Strategy Officer, Chief Product Officer, Chief Commercial Officer, Group Legal Counsel, Chief Operating Officer and Chief Risk Officer.

Group	2021	2020
Average number of full-time employees	152	137
Of which, men	109	98
Of which, women	43	39
In Sweden	111	88
Of which, men	72	56
Of which, women	39	32
In Poland	37	39
Of which, men	33	35
Of which, women	4	4
In Norway	1	1
Of which, men	1	1
Of which, women	-	-
In Finland	3	9
Of which, men	3	5
Of which, women	-	4

Group	2021			2020		
Gender distribution in the Management Team	Women	Men	Total	Women	Men	Total
Board of Directors	2	5	7	1	5	6
Other senior executives, including the CEO	-	10	10	-	11	11
Total	2	15	17	1	16	17

Auditor's remuneration

Group

PWC

SEK thousand	2021	2020
Audit assignment	-1,603	-921
Audit activities in addition to the audit assignment	-82	-133
Tax advice	-43	-
Other services	-70	-287
Total	-1,798	-1,340

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 Group's auditor, and consultancy or other assistance arising from observations from such examinations or the implementation of such other tasks.

Leases
The Group's leased assets that are classified as right-of-use assets refer to premises. The leases contain no limitations in addition to the security in the leased assets. Additional leases in 2021 refer to leases for office premises assumed in connection with the Northmill Flo acquisition. The indexation of leases for promises was considered in right-of-use assets and lease liabilities as at December 31, 2021.

Group

Right-of-use assets

SEK thousand	2021	2020
Opening balance	92,510	5,666
Additions during the year	1,106	103,814
Depreciation during the year	-20,449	-16,970
Exchange differences	17	-
Total	73,184	92,510

As at December 31, 2021, the Group has not entered into any leases that are not included in the balance sheet.
Lease liabilities are presented in Other liabilities in the balance sheet and amounted to SEK 77,811 thousand (94,606) as at December 31, 2021.

Amounts recognized in profit and loss according to IFRS 16

SEK thousand	2021	2020
Depreciation of right-of-use assets	-19,729	-17,052
Interest expense on lease liabilities	-2,338	-2,113
Costs associated with short-term leases and leases of low value assets	-135	-
Total	-22,202	-19,165

Other leases
The Group also leases machines and IT equipment with lease terms from one to three 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.

The Parent Company, Northmill Group AB, has not entered into any leases.

Note 10 – Other operating expenses

Group

SEK thousand	2021	2020
Marketing expenses	-28,707	-8,602
Cost of goods sold	-1,402	-
Other operating expenses	-934	-265
Total	-31,044	-8,867

Note 11 – Net credit losses

Group

SEK thousand	2021	2020
Net credit losses according to IFRS 9		
Change in provision for ECL, Stage 1	-28,546	-5,913
Change in provision for ECL, Stage 2	-7,625	-20,595
Change in provision for ECL, Stage 3	-23,087	-20,513
Total change in provision for ECL, Stages 1–3	-59,257	-47,020
Realized credit losses	-92,088	-110,858
Net credit losses	-151,346	-157,879

Note 12 – Tax on profit for the year

	Group		Parent Company	
SEK thousand	2021	2020	2021	2020
Current tax on profit for the year	-13,825	-17,594	-	-
Deferred tax	111	-	-	-
Income tax	-13,714	-17,594	-	-
Reconciliation of tax on profit for the year				
Profit before tax (EBT)	97,009	55,877	22,826	-18,581
Tax according to the applicable tax rate	-19,984	-11,958	-	-
Effect of other tax rates for foreign companies	727	41	-	-
Tax effect of non-deductible expenses	-243	-8,493	-	-
Tax effect of non-taxable income	-148	-206	-	-
Other taxes	-148	-115	-	-
Deferred tax	5,933	3,136	-	-
Tax on profit for the year as recognized in the income statement	-13,714	-17,594	-	-
Reported effective tax	-14%	-31%	-	-
Tax loss carryforwards	-	-	-453	-23,279

Note 13 – Lending to the public

Group

SEK thousand	Dec 31, 2021	Dec 31, 2020
Lending to the public, gross		
Stage 1, gross	2,443,716	1,149,132
Stage 2, gross	341,707	258,479
Stage 3, gross	118,204	71,687
Total lending to the public, gross	2,903,627	1,479,298
Provision for expected credit losses		
Stage 1	-65,246	-36,694
Stage 2	-45,765	-38,142
Stage 3	-49,007	-25,924
Total provision for expected credit losses	-160,018	-100,761
Lending to the public		
Stage 1, net	2,378,470	1,112,437
Stage 2, net	295,943	220,337
Stage 3, net	69,197	45,764
Total lending to the public, net	2,743,609	1,378,537

Change in the provision for expected credit losses

Group

SEK thousand	Dec 31, 2021	Dec 31, 2020
Opening balance	-100,761	-53,740
Change in provision for ECL, Stage 1	-28,552	-5,913
Change in provision for ECL, Stage 2	-7,622	-20,595
Change in provision for ECL, Stage 3	-23,083	-20,513
Closing balance	-160,018	-100,761

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

Group

SEK thousand	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Lending to the public, gross, opening balance as at Jan 1, 2021	1,149,132	258,479	71,687	1,479,298
Financial assets that were added during the year	1,866,450	103,063	47,043	2,016,556
Change in existing assets during the period	-36,817	34,060	3,291	534
Transfers from Stage 1 to Stages 2 and 3	-173,017	138,579	34,438	0
Transfers from Stage 2 to Stages 1 and 3	64,865	-82,032	17,167	0
Transfers from Stage 3 to Stages 1 and 2	765	742	-1,507	0
Financial assets that were sold during the year	-92,642	-87,214	-52,880	-232,736
Impaired assets	-338,345	-24,718	-2,310	-365,373
Currency effects	3,301	763	1,284	5,348
Lending to the public, gross, closing balance as at Dec 31, 2021	2,443,692	341,723	118,213	2,903,627
Provision for ECL, opening balance as at Jan 1, 2021	-36,694	-38,142	-25,924	-100,761
Financial assets that were added during the year	-45,034	-13,858	-20,648	-79,540
Change in existing assets during the period	8,922	-18,203	-15,653	-24,934
Transfers from Stage 1 to Stages 2 and 3	5,507	-4,066	-1,441	0
Transfers from Stage 2 to Stages 1 and 3	-9,691	13,682	-3,990	0
Transfers from Stage 3 to Stages 1 and 2	-176	-171	348	0
Financial assets that were sold during the year	3,160	11,332	17,909	32,401
Impaired assets	8,964	3,838	822	13,624
Currency effects	-197	-177	-434	-809
Lending to the public, gross, closing balance as at Dec 31, 2021	-65,240	-45,767	-49,011	-160,018

Sensitivity analysis of the ECL model

Group

Sensitivity analysis	+/-	ECL change (%)
Threshold increase	+100%	-4.53%
Threshold decrease	-50%	4.46%

Note 14 – Bonds and other interest-bearing securities

Group

SEK thousand	Dec 31, 2021	Dec 31, 2020
Issued by Swedish municipalities	43,556	78,581
Issued by Swedish credit institutions	135,322	51,955
Total bonds and other interest-bearing securities	178,878	130,536

Note 15 – Shares and participations in Group companies

Parent Company

SEK thousand	Dec 31, 2021	Dec 31, 2020
Cost at the beginning of the year	50,100	50,100
Acquired companies	24,180	-
Shareholder contributions	50,000	-
Cost at the end of the year	124,280	50,100

Parent Company

SEK thousand	Corporate Identity No.	Registered office	Ownership	Carrying amount
Northmill Bank AB	556709-4866	Stockholm, Sweden	100%	100,100
Northmill Flo AB	556665-9339	Karlstad, Sweden	100%	24,180

Business combinations
On October 20, 2021, Northmill Group AB (publ) acquired 100 % of the share capital in MoreFlo AB, which changed its name to Northmill Flo AB ("Flo") in connection with the acquisition. Flo offers point-of-sale systems and payment solutions for businesses, chiefly in the Swedish market.

All assets and liabilities of the company were acquired in the acquisition. The purchase price was SEK 24,180 thousand, of which SEK 20,000 thousand was paid in cash and the remaining refers to contingent consideration that is linked to the meeting of certain predetermined sales volumes at the end of the 2024 financial year. In the Parent Company, the entire contingent consideration is reported as a liability measured at fair value, based on a discount rate of 5.75 %.

The Group applies the rules in IFRS 3 on the business combination. According to IFRS 3, a portion of the contingent consideration (approximately SEK 2,000 thousand) is linked to the continued employment of certain key people in the acquired company for a fixed period, so this portion is expensed as salary on a straight-line basis over the period. The remaining portion of the contingent consideration is recognized as a liability in the same way as in the Parent Company.

The acquisition analysis below refers to the Group. Acquired net assets as at October 20, 2021, are distributed as follows:

SEK thousand	Northmill Flo
Binding agreements with customers	4,630
Intangible assets	9,540
Other assets	6,228
Liabilities to credit institutions	-1,787
Other liabilities	-5,599
Acquired net assets	13,013
Goodwill	9,077
Purchase price	22,090

Goodwill of SEK 9,077 thousand is due to the expertise of the employees and expected synergies in the Group.

Northmill Flo contributed a revenue of SEK 2,629 thousand and a loss before tax of SEK -1,168 thousand to the Group for the period following the acquisition.

Note 16 – Intangible assets

Group

SEK thousand	Dec 31, 2021 Goodwill	Dec 31, 2021 Software	Dec 31, 2020 Software
Cost at the beginning of the year	-	23,646	13,783
Investments during the year	-	8,330	9,887
Acquired companies	9,077	12,913	
Disposals and retirements	-	-1,073	-
Translation differences	-	-	-24
Cost at the end of the year	9,077	43,817	23,646
Amortization according to plan at the beginning of the year	-	-4,443	-1,099
Amortization for the year	-	-4,491	-4,443
Acquired companies	-	-1,264	-
Disposals and retirements	-	1,073	-
Amortization according to plan at the end of the year	-	-9,125	-4,443
Residual value according to plan at the end of the year	9,077	34,692	19,204

Software refers to proprietary software. The Group's goodwill is related to the acquisition of the subsidiary Northmill Flo AB in 2021.

Note 17 – Tangible assets

Group

SEK thousand	Dec 31, 2021	Dec 31, 2020
Cost at the beginning of the year	119,364	16,207
Investments during the year	2,204	103,156
Acquired companies	2,799	-
Disposals and retirements	-2,264	-
Exchange differences	19	-
Cost at the end of the year	122,122	119,364
Depreciation according to plan at the beginning of the year	-18,349	-4,893
Depreciation according to plan	-22,521	-13,456
Acquired companies	-464	-
Disposals and retirements	770	-
Depreciation according to plan at the end of the year	-40,564	-18,349
Residual value according to plan at the end of the year	81,558	101,015

Note 18 – Other assets

Group

SEK thousand	Dec 31, 2021	Dec 31, 2020
Tax assets	6,165	4,484
Trade receivables	6,713	1,980
Derivatives	7	315
Other assets	28,805	14,191
Total other assets	41,690	20,969

NOTE 19 – Prepaid expenses and accrued income

Group

SEK thousand	Dec 31, 2021	Dec 31, 2020
Marketing expenses	30,859	4,964
Interest expense	426	337
Rental expenses	4,269	3,827
Insurance commission	829	643
Other prepaid expenses and accrued income	33,253	17,122
Total prepaid expenses and accrued income	69,636	26,893

Note 20 – Other liabilities

Group

SEK thousand	Dec 31, 2021	Dec 31, 2020
Lease liabilities	77,811	94,396
Tax liabilities	30,714	23,024
Trade payables	12,813	7,947
Other liabilities	16,035	6,150
Total other liabilities	137,373	131,517

Note 21 – Accrued expenses and prepaid income

Group

SEK thousand	Dec 31, 2021	Dec 31, 2020
Staff costs	7,744	10,878
Other accrued expenses and prepaid income	4,933	1,140
Total accrued expenses and prepaid income	12,677	12,018

Note 22 – Financial assets and liabilities

Classification of financial assets and liabilities into measurement categories

Group Dec 31, 2021		Financial instruments at fair value through profit or loss					
SEK thousand	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							
Cash and balances with central banks	1,677	-	-	-	-	1,677	1,677
Lending to credit institutions	335,634	-	-	-	-	335,634	335,634
Lending to the public	2,743,609	-	-	-	-	2,743,609	2,743,609
Bonds and other interest-bearing securities	178,878	-	-	-	-	178,878	176,978
Intangible assets	-	-	-	-	43,770	43,770	43,770
Tangible assets	-	-	-	-	81,558	81,558	81,558
Other assets	5,318	7	-	-	36,364	41,690	41,690
Prepaid expenses and accrued income	-	-	-	-	69,636	69,636	69,636
Total assets	3,265,117	7	-	-	231,328	3,496,453	3,494,552
Liabilities							
Liabilities to credit institutions	400	-	-	-	-	400	400
Deposits from the public	2,740,711	-	-	-	-	2,740,711	2,740,711
Other liabilities	-	-	-	-	137,373	137,373	137,373
Accrued expenses and prepaid income	-	-	-	-	12,677	12,677	12,677
Total liabilities	2,741,111	-	-	-	150,050	2,891,161	2,891,161

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

Parent Company Dec 31, 2021 SEK thousand	Amortized cost	Financial instruments at fair value through profit or loss: Compulsory	Financial instruments at fair value through profit or loss: 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	3,522	-	-	-	-	3,522	3,522
Shares and participations in Group companies	-	-	-	-	124,280	124,280	124,280
Other assets	-	-	-	-	27,000	27,000	27,000
Prepaid expenses and accrued income	-	-	-	-	768	768	768
Total assets	3,522	-	-	-	152,048	155,571	155,571
Liabilities							
Other liabilities	-	-	-	-	14,256	14,256	14,256
Total liabilities	-	-	-	-	14,256	14,256	14,256

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

Financial assets and liabilities at fair value
For financial instruments measured at fair value in the balance sheet, disclosures are required on the 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 Dec 31, 2021 SEK thousand	Level 1	Level 2	Level 3	Total
Assets				
Bonds and other interest-bearing securities	178,876	-	3	178,878
Other assets	7	-	-	7
Total assets	178,883	-	3	178,886

Group Dec 31, 2020 SEK thousand	Level 1	Level 2	Level 3	Total
Assets				
Bonds and other interest-bearing securities	130,536	-	-	130,536
Other assets	315	-	-	315
Total assets	130,851	-	-	130,851

Note 23 – Deposits from the public

Group

SEK thousand	Dec 31, 2021	Dec 31, 2020
Deposits from the public – household sector	2,740,711	1,539,179
Total deposits from the public	2,740,711	1,539,179

All deposits are in SEK. Deposits from the household sector do not include deposits from sole traders.

Note 24 – Pledged assets, contingent liabilities and commitments

Group

SEK thousand	Dec 31, 2021	Dec 31, 2020
Assets pledged as security	7,005	1,037
Total pledged assets, contingent liabilities and commitments	7,005	1,037

Note 25 – Proposed appropriation of profit or loss

Parent Company

SEK	2021
The Board proposes that the profits be distributed as follows:	
Retained earnings	117,955,169
Profit for the year	22,825,819
Total	140,780,988
Dividend, 118,676 x SEK 65	7,713,940
To be carried forward	133,067,048
Total	140,780,988

Note 26 – Significant events after the end of the financial year

After the year-end, the following significant events occurred:

- Northmill Bank launched a debit card in the market in the first quarter of 2022.
- In the second quarter of 2022, Northmill Bank's application to become a monetary policy counterparty to the Riksbank, Sweden's central bank was approved. This means that Northmill Bank is a participant in RIX and has access to the Riksbank's monetary policy instruments.

Considering the conflict in Ukraine, Northmill has analyzed the potential impact of the conflict on the operations. It is currently difficult to assess the direct or indirect effects. Northmill is monitoring developments carefully so that any future changes can be rapidly analyzed and handled.

Signatures of the Board of Directors

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

Stockholm on _______________

Margareta Lindahl Gelin,
Chairperson of the Board

Per Granath,
Board Member

Hikmet Ego,
Board Member

Erik Fagerland,
Board Member

Daniel Roxö,
Board Member

Karl Källberg,
Board Member

Sofia Wingren,
Board Member

Tord Topsholm,
CEO

Stockholm on the day stated in our signature.

Öhrlings PricewaterhouseCoopers AB

Daniel Algotsson, Authorized Public Accountant
Auditor in charge

Reita Seseri, Authorized Public Accountant

Definitions

Average number of employees
Average number of employees over the year.

Return on equity, %
Profit/loss for the year as a percentage of average equity.

Equity ratio, %
Equity as a percentage of total assets.

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

Interest coverage ratio
Operating profit/loss before interest, taxes, amortization, depreciation and impairment less net credit losses, divided by finance costs.

Auditor’s report

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

Report on the consolidated accounts

Opinion

We have audited the consolidated accounts of Northmill Group AB (publ)s for the year 2021.

In our opinion, the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the consolidated accounts.

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

Basis for Opinion

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor’s responsibility

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

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

Report on other legal and regulatory requirements

Opinion

In addition to our audit of the consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Northmill Group AB (publ)s for the year 2021 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinion

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

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

Responsibilities of the Board of Directors and the Managing Director

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's 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 websitewww.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Stockholm the day stated on our signature.

Öhrlings PricewaterhouseCoopers AB

Daniel Algotsson
Authorized Public Accountant
Auditor in charge

Reita Seseri
Authorized Public Accountant

Board of Directors

Margareta Lindahl Gelin,
Chairperson of the Board

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

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

Per Granath,
Board Member

Per joined Northmill's Board of Directors in 2017. He has extensive business leadership experience, including as CEO of Humana from 2006 to 2016. He also has ten years of experience from the capital market in positions, including Vice President of Handelsbanken Capital Markets. Per has board experience from several listed companies. Education: 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, Economics and Law at the University of Gothenburg and at Stockholm University. He also has an executive education from Harvard Business School.

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

Hikmet Ego,
Board Member

Hikmet is a co-founder of Northmill. He held the position of CEO from 2009 to 2021 and is currently Chief Information Officer. Before starting Northmill in 2006, Hikmet worked as an IT consultant in the telecom industry.

Shareholding: Hikmet holds shares corresponding to 15.9% of the capital and votes in the Group. He is not considered to be independent in relation to the Group and the Management Team or 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 holds shares corresponding to less than 0.2% of the capital and votes in the Group. He is considered to be independent in relation to the Group and the Management Team as well as in relation to the Group's shareholders.

Board of Directors

Daniel Roxö,
Board Member

Daniel was appointed to Northmill's Board of Directors in 2021. Daniel has extensive experience of working with business development and risk in Sweden and in the Nordic and Baltic regions. He has held several leading roles in the banking and finance sector. His prior roles include Chief Risk Officer at Northmill Bank AB. Daniel has an MSc in Business/Economics from the University of Gothenburg.

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

Karl Källberg,
Board Member

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

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

Sofia Wingren,
Board Member

Sofia was appointed to Northmill's Board of Directors in 2021. She has extensive international experience from growth companies in a wide range of industries, among them MTG. She also spent twelve years at the international education company EF Education First, where she served as President for a number of global business areas out of their Swiss headquarters. Sofia has also held the role of Group CEO at Hyper Island, a leading international education company within digital. Sofia has a Master of Science in Business and Administration from Stockholm School of Economics.

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

Management Team

Tord Topsholm,
Chief Executive Officer

- Tord became the CEO in 2021
- Previous assignments include Head of Product and Marketing at the Telecom giant BT, Chief Operating Officer at Entercard, CEO of Catella Bank and CEO of Avida Finans
- He holds an MSc in electrical engineering and computer science from KTH Royal Institute of Technology

Tobias Ritzén,
Chief Financial Officer

- Tobias became the CFO in 2018
- He previously worked in M&A and Corporate Finance at EY Corporate Finance
- He holds an MSc in Finance from Linköping University

Hikmet Ego,
Co-founder & Chief Information Officer

- Co-founder of Northmill in 2006
- CEO from 2009 to 2021
- He previously worked as an IT consultant at IFS and Ascade
- He holds an MSc in industrial economics from KTH Royal Institute of Technology

Sargon Kurt,
Co-founder & Chief Product and Technology Officer

- Co-founder of Northmill in 2006

George Kurt,
Co-founder & Chief Strategy Officer

- Co-founder of Northmill in 2006

Simon Nilsson,
Chief Commercial Officer

- COO at Northmill since 2020
- Previously Chief Customer Officer at Northmill since 2017
- 11 years of experience from various financial institutions and banks in roles such as Head of Sales and Sales Leader

Niclas Carlsson,
Group Legal Counsel

- He became Group Legal Counsel in 2018
- Previously, he was a partner at Time Advokatbyrå
- Master of Laws from Lund University

2021 Sustainability Report

This report constitutes the statutory sustainability report of Northmill Group AB (publ) ("Northmill", the "Group" or the "Company") for the 2021 financial year. 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 was prepared in accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act, the GRI Standards: Core option and GRI's special guidelines for the sector (Financial Services Sector Supplement). Northmill's operations are not deemed to have any material adverse environmental impact or entail any risk of human rights violations, neither directly nor indirectly.

For Northmill, as a bank and as an employer, sustainability includes our financial, social and environmental impact. 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 is a fintech company with the vision to improve people's private finances, offer smart solutions to merchants and erase the borders between in-store and online. Northmill creates a more personal and relevant experience for people and companies, helping more than 2,500 merchants and 600,000 end users.

Northmill Group AB (publ) was founded in 2006 and owns Northmill Bank AB and Northmill Flo AB. The Group has 160 employees and operations in Sweden, Norway, Finland and Denmark. Northmill Bank AB acts under the supervision of Finansinspektionen, the Swedish Financial Supervisory Authority, and is subject to the Banking and Financing Business Act (2004:297).

At present, Northmill has offices in Sweden, Poland, Finland and Norway, but the ambition is to expand to additional markets in Europe.

This year's changes in the Group's corporate structure
In the third quarter, the merger between Northmill Oy and Northmill Bank AB was completed, and the subsidiary Northmill Oy was liquidated. The operations in Finland have since been conducted through the branch Northmill Bank AB, branch in Finland.

In the fourth quarter, the Parent Company, Northmill Group AB (publ), acquired the company Moreflo AB.

The Group's corporate structure is as follows:

Parent Company	Subsidiary	Branch	Country	Corporate Identity No.	Ownership
Northmill Group AB (publ)			Sweden	556786-5257	
	Northmill Bank AB		Sweden	556709-4866	100%
		Northmill Bank AB, branch in Finland	Finland	3166457-1	100%
		Northmill Bank AB, branch in Norway	Norway	925,154,407	100%
		Northmill Bank AB, branch in Poland	Poland	2050004840	100%
	Northmill Flo AB		Sweden	556665-9339	100%

Northmill Group AB (publ) is the Parent Company of the Group and holds 100% of the shares in Northmill Bank AB and Moreflo AB (which is being renamed Northmill Flo AB). Northmill Bank AB has branches in Poland, Norway and Finland.

Northmill Group AB (publ) manages shares in subsidiaries and does not conduct any business activities of its own. Banking operations are conducted in Northmill Bank AB and its Norwegian and Finnish branches. 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 the associated risks. The most significant risks in each focus 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 meet their obligations. Northmill also invests extensively in Reduce, a program that offers customers better loan terms for their existing loans with other lenders. Northmill is also working proactively on identifying and implementing measures that contributed to reduced over-indebtedness. Northmill is also behind the initiative "Yes to a national debt register," which would mean that the government takes responsibility for collecting an individual's or household's entire credit situation in a single place.
Ethics and integrity	Conflict of interest between employees and the Company's interests	Training staff on the code of conduct and ethical conduct.
Environmental impact	No significant risk identified	Continuous 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 best 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 2021, Northmill handled approximately 1.3 million loan applications. As the Covid-19 pandemic continued over the year and caused increased financial uncertainty, Northmill decided to continue with its more restrictive approach to lending.

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 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 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.

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 its customers' borrowing needs.

Northmill has the ambition 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. One clear example of the way Northmill is addressing these needs is Reduce, a product that lowers interest rates on people's existing credit, instalments and credit card bills. This product was developed to help people improve their personal finances and save money, which also generates opportunities for long-term commitment and helps customers improve their credit rating. Northmill is investing in other clear initiatives that will strengthen the customer's ability develop with Northmill in a way that will be positive for the customer's private finances. We are currently considering ways of reducing people's energy bills and other daily expenses with a direct positive effect on the left-to-live-on calculation.

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

Northmill's direct environmental impact is primarily from paper and energy consumption. We sort our waste and try to keep our paper consumption as low as possible as a matter of course. The Company is constantly striving to operate our offices in an energy efficient manner. Large parts of our premises have lights that are turned off automatically. The temperature in our Swedish headquarters is automatically adjusted to the number of people present on the premises.

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

Employees
Northmill works actively to create a sustainable and safe work environment for our employees. The Company believes that happy, healthy employees are 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 and comfortable 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, quarterly employee surveys (eNPS) and "Office Vibe", which takes place every week and is subject to follow-up. The term eNPS stands for Employee Net Promoter Score (sometimes called NMI in Swedish, which stands for Satisfied Employee Index). The eNPS shows to what extent employees would recommend their employer to friends and acquaintances. This helps Northmill continuously improve its way of working to retain and attract talents.

In 2021, Northmill kept its eNPS score of +20, which is a very pleasing development, considering the tough challenges the Company faced due to the pandemic and the Company's rapid expansion. This development can be explained by the fact that the Company focused on reviewing all areas where the employee surveys found potential for improvement. An example of this is clarification and communication of vision and goals.

Key ratios	2021	2020
Employee well-being		
eNPS score, total	+20	+20
Gender distribution, total (men/women), %	71/29	73/27
Employee turnover (%), total	25	25

A high level of commitment among its employees is one of Northmill's biggest priorities. Northmill would have liked employee turnover to be lower, but it is important to understand that Northmill is a growth company in constant change. Northmill constantly strives to involve its employees in business development and changes to the operations, starting with the Company's quarterly onboarding program. In connection with the program, Northmill holds breakfast seminars where quarterly results and important events are presented. This provides a clearer picture of the Company's goals and how the 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 along with the Company 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 experiences. 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 opportunity 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.

All new employees are given a copy of the internal work environment policy. This document is also available on the intranet. All employees are entitled to pensions and health insurance.

Measures to combat financial crime

Northmill's employees in the areas of Risk, Compliance and Anti-Money Laundering strive actively to combat financial crimes such as fraud, money laundering and terrorist financing. The Company has internal monitoring systems that monitor customer activity on a daily basis as well as internal policies for handling such cases in the best possible way. Customers are regularly examined for changes in financial sanctions and whether they are regarded as Politically Exposed Persons (PEPs). Customer transactions that are considered suspicious or deviant are reported to the Swedish Financial Intelligence Unit.

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 on the sanctions list, and further information about the customer's financial position within the scope of the business relationship is obtained if they are included in the PEP register. Checks against the PEP and sanctions list are aimed at preventing terrorist financing and corruption. The Company has internal policies and instructions outlining measures for handling money laundering and terrorist financing.

To prevent attempted fraud, the Company has implemented strong customer authentication in its products and two factor authentication is used to verify customer identities. An electronic identification method is used when customer relationships are initiated and for signing agreements.

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 that guides employees to act ethically, properly and responsibly so that long-term relationships can be created with customers, partners and other stakeholders. It also serves as a guide for how the Company acts internally to create a good corporate culture and an attractive workplace. To support the Company's day-to-day operations and business, Board of Directors has adopted the following steering documents:

- Ethics Policy
- Policy for Equality and Diversity
- Policy for Work Environment and Health
- Policy for Whistleblowing
- Policy for Management of Conflicts of Interest
- Policy for Management of Complaints
- Policy for Information Security Risk Management
- 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 and Key Function Holders
- Credit Policy

In addition to the policies adopted by the Board of Directors, the Company also has underlying instructions and guidelines that ensure good corporate governance and internal control.

Sponsorships

The Company a highly committed sponsor of soccer and launched the initiative "Power of We" last year. The initiative supports the Swedish grassroots sports community and club activities – more precisely, women's soccer. Over 30 associations from divisions 1–5 are included in the initiative, which includes sponsorship and many activities spread out over the season. Grassroots sports and club activities in Sweden are an incredible and strong force in society that contributes to social communities, physical and mental health, integration and an increased cultural offering in local communities. The Power of We gives Northmill the opportunity to help where it makes a proper difference. It is widely known that women's soccer gets less attention and worse conditions than men's soccer. Many great initiatives on the local level are already working to change this, and Northmill believes that this new initiative will be another contributing factor that may help the sport develop in the right direction. Just as we when we build our bank – by listening to people, with a long-term view and a genuine interest in people's everyday lives – we want to offer our support where it truly makes a difference. The Power of We has been very well received, and we believe it will be a long-term initiative that may also be expanded to other sports and forms of support.

Auditor‘s report on the statutory sustainability report

To the general meeting of the shareholders in Northmill Group AB (publ)s, 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 2021 on pages 61-65 and that it has been prepared in accordance with the Annual Accounts Act..

The scope of the audit

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

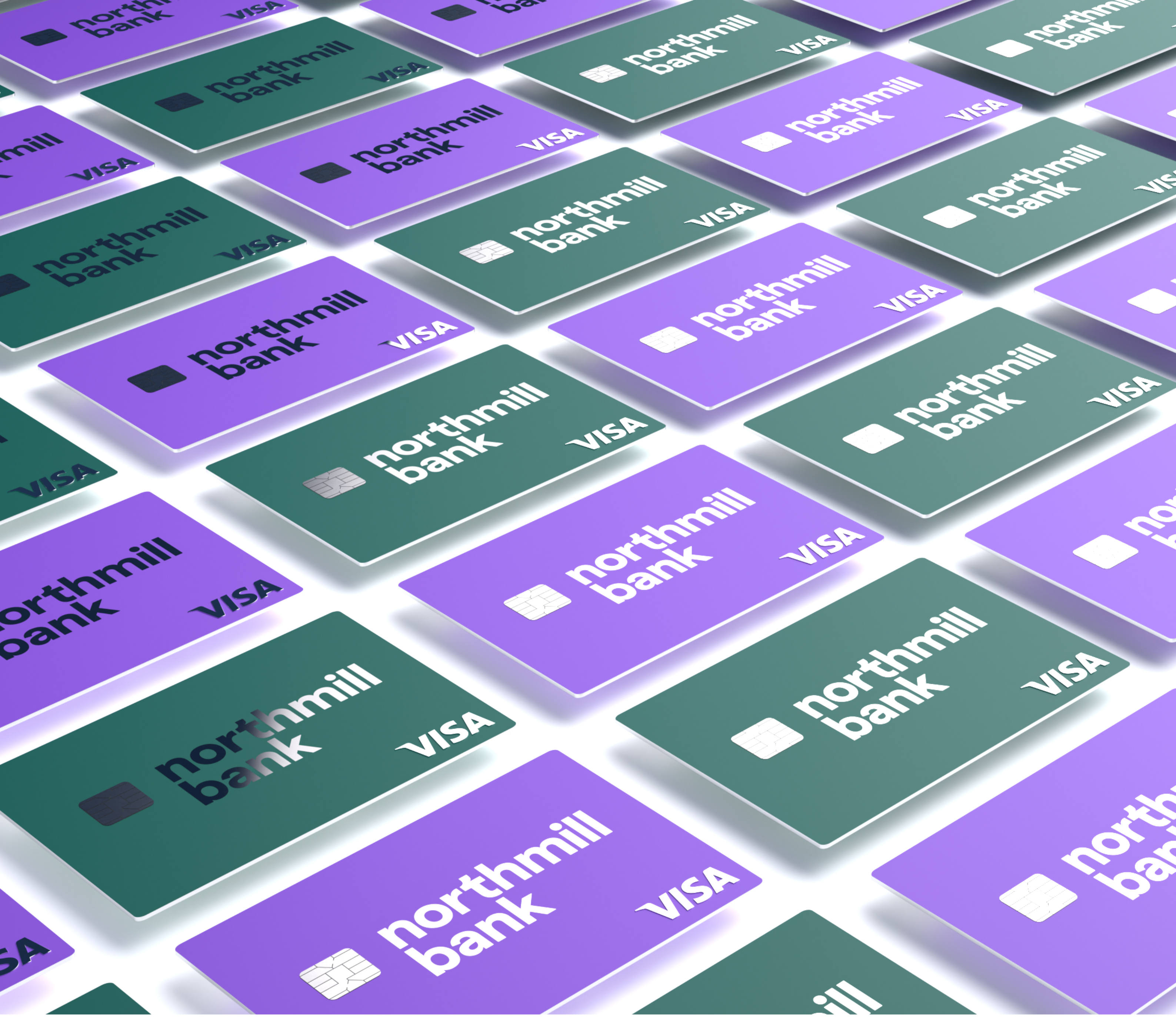
Opinion

A statutory sustainability report has been prepared.

Stockholm the day stated on our electronic signature.

Daniel Algotsson
Authorised Public Accountant
Auditor in charge

Reita Seseri
Authorised Public Accountant



Northmill is a fintech company with the vision to improve financial life, offer merchants smart solutions and erase the borders between in-store and online. Northmill creates a more personal and relevant experience for people and companies, helping more than 2,500 merchants and 600,000 end users.

Northmill Group AB (publ) was founded in 2006 and owns Northmill Bank AB and Northmill Flo AB. The Group has 160 employees and has operations in Sweden, Norway, Finland and Denmark. Northmill Bank AB acts under the supervision of Finansinspektionen, the Swedish Financial Supervisory Authority and is subject to the Banking and Financing Business Act (2004:297)

www.northmill.com

northmill