

northmill

Q1 Q2 Q3 Q4

JANUARY - MARCH 2020

# Interim report January-March 2020

## First quarter 2020 (compared with the first quarter of 2019)

- Total credit portfolio<sup>1</sup> increased by 47 % to SEK 1 598 million (1 083)
- Net interest income increased by 29 % to SEK 87.5 million (67.9)
- Operating income increased by 27 % to SEK 99.7 million (78.3)
- Profit before tax (EBT) decreased by 76 % to SEK 5.7 million (23.9) and Adjusted EBT<sup>2</sup> decreased by 12 % to SEK 21.0 million
- Cost/income ratio totaled 0.34 (0.30)
- Return on equity was 22.2 % (31.8 %)
- Total capital ratio was 22.0 % in Northmill Bank AB and 19.8 % in the Group
- Common Equity Tier 1 ratio was 22.0 % in Northmill Bank AB and 19.8 % in the Group

## Significant events during the period

- New savings account was launched, deposits to the public amounted to SEK 737 million
- Northmill made an extra credit loss provisioning of SEK 15.4 million given the current uncertain macroeconomic environment linked to Covid-19
- The Swedish Financial Supervisory Authority reduced the countercyclical buffer requirement to 0%

Credit portfolio  
31 March 2020

SEK 1 598 M (+47%)

Operating income  
Jan - March 2020

SEK 87.5 M (+27%)

Adjusted EBT  
Jan - March 2020

SEK 21.0 M (-12%)

Cost/Income ratio  
Jan - March 2020

0.34

Return on equity (ROE)  
Rolling 12 months

22.2%

Total Capital ratio / CET 1 ratio  
31 March 2020

19.8%

<sup>1</sup> Total credit portfolio consists of lending to the public and portfolio of intermediated credits.

<sup>2</sup> Adjusted for the extra credit loss provision of SEK 15.4 million

# Words from the CEO

Looking back at the year's first quarter it has become clear that the covid-19 pandemic, besides being a tragedy for millions of people around the world, has turned into an economic crisis.

At Northmill, our actions are focused on doing all we can to support our customers, keeping our employees safe and ensuring business continuity.

Most of our employees have been working remotely, and our cloud-based infrastructure and preparations have allowed us to be fully operational from day one of this crisis with maintained high activity levels.

I am proud of all the excellent work and extraordinary efforts by our employees to support our customers in these difficult times.

The covid-19 pandemic will have severe economic consequences and could lead to long-term structural changes in our societies. It is currently hard to predict the full scope of future effects, but in a weakened macroeconomic scenario, unemployment will continue to rise, which may affect consumers' payment ability negatively. At the same time, governments and authorities have taken a variety of actions to limit the effects on society which may have a tempering effect. So far we have not seen any signs of an increased risk in the credit portfolio but we continue to monitor the development closely.

Despite these uncertain circumstances we have seen a solid overall performance with a growth of 27%, improved financing costs and maintained operational efficiency (C/I) of 0.34. The quarter was impacted by an additional provision of SEK 15.4 million for expected future credit losses linked to the uncertain macroeconomic situation. Adjusted for the additional provision, profit before tax amounted to SEK 21.0 million which is in line with the previous quarter.

The Finnish operations weighted the Group's result down a bit in the first quarter. Operating income was lower than the previous quarter and the profit before tax came in slightly negative.

The unsatisfying performance, as well as uncertainties regarding the future direction of the Finnish legislation, has led to a reorganization of the Finnish operations where we will centralize a larger part to Sweden with the purpose to reach optimal scale and efficiency.

During the quarter we launched a new savings account and thereby started to accept deposits from the public. By the end of the quarter, public deposits amounted to SEK 737 million and are now our largest funding source. We have successfully refinanced a large part of our funding during this quarter which both brings financial stability and decreases costs. The economic effects of this will be seen from the second quarter and onwards.

I am very excited about the opportunities the savings account provide in terms of additional products we are now able to bring to the market. We will work actively to continue to develop the savings part of our business, which will become an important building block in our growing banking offering. Our savings account marked the start of our third business area and today our bank rests on three pillars; savings, credits and insurances.

At the end of the quarter, we implemented a new CRM-platform which will further strengthen the capabilities in our customer service team to support and keep a close dialogue with our customers. This is a great example of an investment that reflects our strong focus on putting our customers first in everything we do.

In these extraordinary times with no clear end-date in sight we are humble before the challenges we will face, but we remain confident that our solid capital base, strong funding and fantastic employees will enable us to weather the storm and come out of the pandemic well prepared for future growth.



Hikmet Ego, CEO & Co-founder

# Key ratios

## Group

Amounts in SEK thousands	Q1 2020	Q1 2019	Change (%)	Full year 2019
<b>INCOME STATEMENT</b>				
Total operating income	99 661	78 293	27%	356 812
Profit before credit losses	66 208	54 437	22%	242 806
Profit before tax (EBT)	5 659	23 936	-76%	118 555
Profit for the period	3 172	18 711	-83%	95 452
<b>BALANCE SHEET</b>				
Lending to the public	1 347 981	761 803	77%	1 218 689
Lending to credit institutions	337 361	116 953	188%	152 571
Total assets	1 817 755	948 197	92%	1 479 640
Deposits from the public	737 059	-	-	-
Total equity	391 068	328 205	19%	386 175
<b>KEY RATIOS</b>				
Return on equity (ROE), %	22.2%	31.8%		26.8%
Equity ratio, %	21.5%	34.6%		26.1%
C/I ratio	0.34	0.30		0.32
Interest coverage ratio	4.33	4.26		4.25
CET1 capital ratio, %	19.8%	-		22.1%
TIER1 capital ratio, %	19.8%	-		22.1%
Total capital ratio, %	19.8%	-		22.1%
Average number of employees	130	80		104

### Definitions

See separate section with definitions on page 29.

# The Group's development

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

## Q1 2020 (Compared with Q1 2019)

### Operating income

During the quarter, the Group's operating income increased by 27.3 percent to SEK 99.7 million (78.3). The Swedish operating income increased by 50 percent to SEK 89.2 million (59.2) and the Finnish operating income decreased by 22 percent totalling SEK 17.5 million (22.4).

Interest income as along with fee and commission income in total increased by of 26 percent to SEK 129.2 million (102.3). Interest expenses increased by 21 percent to SEK 20.4 million (16.9) compared to same period last year.

### Operating expenses

Total operating expenses for the period increased by 40 percent to SEK 33.5 million (23.9). This was in line with expectations and within the long term growth plans of the organization. The cost/income ratio (C/I) increased to 0.34 (0.30).

### Credit portfolio

The total credit portfolio amounted SEK 1 598 million, which is an increase of SEK 515 million, or +47 percent, since same period last year. SEK 1 436 million are on-balance loans and SEK 162 million are o-balance loans (loan receivables, not recognized on the balance-sheet, yielding interest income).

### Net credit losses

Net credit losses increased by 98 percent to SEK 60.5 million (30.5). Adjusted for the extra credit provision of SEK 15.4 m the net credit losses increased by 47 percent to SEK 45.1 million. SEK 26.3 m (26.6) was attributed to realised loan losses and SEK 34.3 m (3.9) was attributed

to provisions for expected credit losses.

### Profit before tax

Profit before tax decreased by 76 percent to SEK 5.7 million (23.9). Adjusted for the extra credit provision of SEK 15.4 m the profit before tax decreased by 12 percent to to SEK 21.0 million. Apart from the extra provision, decreased profitability is mainly explained by increased costs at a higher pace than the growth of operating income. The Group is strategically reinvesting large parts of its profits in order to build a scalable technology driven banking platform.

### Lending to credit institutions

As at 31 March, lending to credit institutions amounted to SEK 337.4 million (117.0)

### Funding

In January, deposits from the public was launched and the Group increased deposits from the public with SEK 737 million. The excess liquidity was used to decreased liabilities from credit institutions by SEK 239 million and repurchased bonds for a total nominal value of SEK 160 million.

# Other information

## Group operations

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

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

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

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

## Significant risks and uncertainty factors

Various kinds or risks arise in the Company, such as credit risk, market risk, liquidity risk and operational risk. To limit and control risk in the operations, the Board of Directors, which is ultimately responsible for the internal control, has adopted policies and instruction for the granting of credits and the rest of the operations.

The Group's risk structure and its risk, liquidity and capital management is described in detail in the Group's annual report. No significant changes, which have not been reported in this interim report, has happened thereafter.

COVID-19 may have a negative financial impact for Northmill. Although the company as of today does not experience any significant negative consequences, there is a significant risk of changing behavior in private customers that may affect both demand on the company's products as well as reduced ability to pay. It is not yet possible to predict how large and drawn out the macroeconomic consequences will be followed by COVID-19 and thus its impact on Northmill. Given the risk that Northmill may come to be adversely affected, the board of directors decided on an extra loan loss provision during the first quarter of 2020. We closely monitor and analyze the course of events and has one increased readiness to ensure operational operations.

## Own funds and capital adequacy

The Group's account of own funds and capital adequacy at the end of Q1 2020 are included in the published Pillar 3 report, which is available on [www.northmill.com](http://www.northmill.com).

## Employees

The average number of full-time employees in the period from January–March 2020 was 130 (FTE), an increase of 63 percent compared with the corresponding period last year. The number of full-time positions also include temporary employees.

## Significant events after the end of the period

In April, Finland drafted legislation that would put temporary limits on personal loans from May 2020 to December 2020. The temporary law would cap the maximum interest rate on personal loans at 10% and suspend direct marketing. The proposed law would negatively affect Northmill's sales in Finland.

# Income statement

## Group

Amounts in SEK thousands	Note	Q1 2020	Q1 2019	Full year 2019
	4			
Interest income according to the effective interest method		107 889	84 750	387 597
Interest expense		-20 387	-16 892	-75 863
<b>Net interest income</b>		<b>87 502</b>	<b>67 858</b>	<b>311 734</b>
Fee and commission income		21 282	17 590	72 960
Fee and commission expense		-13 446	-7 144	-33 114
<b>Net fee and commission income</b>		<b>7 836</b>	<b>10 446</b>	<b>39 847</b>
Net result from financial transactions		1 649	-11	-2 542
Other operating income		2 673	-	7 772
<b>Total operating income</b>		<b>99 661</b>	<b>78 293</b>	<b>356 812</b>
General administrative expenses		-28 982	-18 485	-92 929
Depreciation, amortisation and impairment of tangible and intangible assets		-1 669	-640	-4 745
Other operating expenses		-2 803	-4 731	-16 331
<b>Total operating expenses</b>		<b>-33 453</b>	<b>-23 856</b>	<b>-114 005</b>
<b>Profit before credit losses</b>		<b>66 208</b>	<b>54 437</b>	<b>242 806</b>
Credit losses, net	3	-60 524	-30 501	-122 972
Impairment and reversal of financial assets		-24	-	-1 279
<b>Profit before taxes (EBT)</b>		<b>5 659</b>	<b>23 936</b>	<b>118 555</b>
Income tax		-2 487	-5 225	-23 103
<b>Profit for the period</b>		<b>3 172</b>	<b>18 711</b>	<b>95 452</b>

# Statement of comprehensive income

## Group

Amounts in SEK thousands	Q1 2020	Q1 2019	Full year 2019
<b>Statement of comprehensive income</b>			
Gains and losses on consolidation	-141	0	-2 969
<b>Total comprehensive income for the year, net of tax</b>	<b>3 031</b>	<b>18 712</b>	<b>92 483</b>



# Statement of financial position

## Group

Amounts in SEK thousands	Note	31 Mar 2020	31 dec 2019
	3,6,7		
<b>ASSETS</b>			
Lending to credit institutions		337 361	152 571
Lending to the public	5	1 347 981	1 218 689
Bonds and other interest-bearing securities		47 537	13 131
Intangible assets		14 766	12 684
Tangible assets		10 673	11 314
Other assets		8 652	38 308
Prepaid expenses and accrued income		50 784	32 942
<b>TOTAL ASSETS</b>		<b>1 817 755</b>	<b>1 479 640</b>
<b>LIABILITIES</b>			
Liabilities to credit institutions		301 708	540 618
Deposits from the public		737 059	-
Issued debt securities		335 654	494 444
Other liabilities		41 394	47 075
Accrued expenses and prepaid income		10 873	11 328
<b>Total liabilities</b>		<b>1 426 687</b>	<b>1 093 465</b>
<b>EQUITY</b>			
Share capital		500	500
Other contributed capital		57 326	57 326
Reserves		10 292	7 347
Retained earnings		319 778	225 549
Profit for the period		3 172	95 452
<b>Total equity</b>		<b>391 068</b>	<b>386 175</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1 817 755</b>	<b>1 479 640</b>

# Statement of changes in equity

## Group

Amounts in SEK thousands	Share capital	Other contributed capital	Reserves	Retained earnings	Profit for the period	Total
<b>Opening balance as at 1 Jan 2019</b>	500	57 326	71	156 371	112 487	326 755
Transition impact of the implementation IFRS 9				-18 878		-18 878
<b>Restated opening balance</b>	500	57 326	71	137 493	112 487	307 876
Transfers of previous years profit				112 487	-112 487	-
Profit for the period					95 452	95 452
Gross exchange differences			2 560	-1 745		815
Reserve for development costs			7 685	-7 685		-
Other comprehensive income for the period			-2 969			-2 969
<i>Transactions with shareholders</i>						
Dividend				-15 000		-15 000
<b>Closing balance as at 31 Dec 2019</b>	500	57 326	7 347	225 549	95 452	386 175
<b>Opening balance as at 1 Jan 2020</b>	500	57 326	7 347	225 549	95 452	386 175
Transfers of previous years profit				95 452	-95 452	-
Profit for the period					3 172	3 172
Gross exchange differences			414	-1 224		-810
Reserve for development costs			2 672			2 672
Other comprehensive income for the period			-141			-141
<b>Total comprehensive income for the period, net of tax</b>	500	57 326	10 292	319 778	3 172	391 068
<b>Closing balance as at 31 Mar 2020</b>	500	57 326	10 292	319 778	3 172	391 068

# Statement of cash flows

## Group

Amounts in SEK thousands	Q1 2020	Q1 2019	Full year 2019
<b>Operating activities</b>			
Profit before tax	5 659	23 936	118 555
<i>Adjustments for items not included in the cash flow</i>			
- Impairment allowance on loans	34 452	3 932	11 421
- Depreciation/amortization	1 669	640	4 745
- Other	157	637	1 385
	<b>41 936</b>	<b>29 145</b>	<b>136 106</b>
Paid income tax	-2 487	-5 225	-27 357
<b>Cash flow from operating activities before changes in working capital</b>	<b>39 449</b>	<b>23 921</b>	<b>108 750</b>
Increase (+)/Decrease(-) in lending to the public	-163 744	-39 969	-504 345
Increase (+)/Decrease(-) in other short-term receivables receivables	11 815	-41 027	-57 448
Increase (+)/Decrease(-) in other short-term liabilities liabilities	-6 135	-16 526	-1 291
<b>Cash flow from operating activities</b>	<b>-158 064</b>	<b>-97 523</b>	<b>-563 084</b>
<b>Investing activities</b>			
Investments intangible assets	-2 771	-2 457	-12 755
Investments in tangible assets	-338	-790	-6 206
Investments in financial assets	-34 411	0	-11 849
<b>Cash flow from investing activities</b>	<b>-37 521</b>	<b>-3 246</b>	<b>-30 809</b>
<b>Financing activities</b>			
Change in liabilities to credit institutions	-238 910	-138	447 596
Deposits from the public	737 059	-	-
Issued securities	-158 791	-7 767	-
Dividend paid to shareholders	-	-	-15 000
<b>Cash flow from financing activities</b>	<b>339 358</b>	<b>-7 905</b>	<b>435 930</b>
<b>Cash flow for the period</b>	<b>183 221</b>	<b>-84 753</b>	<b>-49 215</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>152 571</b>	<b>200 702</b>	<b>200 702</b>
Exchange difference in cash and cash equivalents	1 570	1 005	1 084
<b>Cash and cash equivalents at the end of the period</b>	<b>337 361</b>	<b>116 953</b>	<b>152 571</b>
<b>Cash flow from operating activities includes interest expenses paid and interest income received</b>			
Interest expenses paid	-18 040	-13 892	-73 194
Interest payments received	69 982	77 735	350 740

# Income statement

## Parent company

Amounts in SEK thousands	Q1 2020	Q1 2019	Full year 2019
Interest income according to the effective interest method	9 100	10 000	40 036
Interest expense	-9 549	-10 026	-40 027
<b>Net interest income</b>	<b>-449</b>	<b>-26</b>	<b>9</b>
Fee and commission expense	-12	-25	-171
<b>Net fee and commission income</b>	<b>-12</b>	<b>-25</b>	<b>-171</b>
Net result from financial transactions	-	-	750
<b>Total operating income</b>	<b>-461</b>	<b>-50</b>	<b>588</b>
General administrative expenses	-43	-904	-3 510
Other operating expenses	0	0	-44
<b>Total operating expenses</b>	<b>-43</b>	<b>-904</b>	<b>-3 555</b>
Impairment and reversal of financial assets	-	-	-1 237
<b>Profit before taxes (EBT)</b>	<b>-504</b>	<b>-954</b>	<b>-4 204</b>
Income tax	-	-	-
<b>Profit for the period</b>	<b>-504</b>	<b>-954</b>	<b>-4 204</b>

# Statement of financial position

## Parent company

Amounts in SEK thousands	Note	31 Mar 2020	31 dec 2019
	3, 10		
<b>ASSETS</b>			
Lending to credit institutions		10 920	30 461
Shares and participations in group companies		50 100	50 100
Other shares and participations		-	-
Other assets		300 000	450 005
Prepaid expenses and accrued income		10 112	-
<b>TOTAL ASSETS</b>		<b>371 133</b>	<b>530 566</b>
<b>LIABILITIES</b>			
Issued debt securities	23	335 654	494 444
Accrued expenses and prepaid income		2 347	2 534
<b>Total liabilities</b>		<b>338 049</b>	<b>496 978</b>
<b>EQUITY</b>			
Share capital		500	500
Share premium reserve		57 326	57 326
Retained earnings		-24 239	-20 035
Profit for the period		-504	-4 204
<b>Total equity</b>		<b>33 084</b>	<b>33 587</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>371 133</b>	<b>530 566</b>

# Statement of changes in equity

## Parent company

Amounts in SEK thousands	Restricted equity			Non-restricted equity		Total
	Share capital	Share premium reserve	Other reserves	Retained earnings	Profit for the period	
<b>Opening balance as at 1 Jan 2019</b>	500	57 326	0	-5 754	719	52 791
Transfers of previous years profit				719	-719	-
Profit for the year					-4 204	-4 204
<i>Transactions with shareholders</i>						
Dividend				-15 000		-15 000
<b>Closing balance as at 31 Dec 2019</b>	500	57 326	-	-20 035	-4 204	33 587
<b>Opening balance as at 1 Jan 2020</b>	500	57 326	-	-20 035	-4 204	33 587
Transfers of previous years profit				-4 204	4 204	-
Profit for the period					-504	-504
<i>Transactions with shareholders</i>						
Dividend				-		-
<b>Closing balance as at 31 Mar 2020</b>	500	57 326	0	-24 239	-504	33 084

# Statement of cash flows

## Parent company

Amounts in SEK thousands	Q1 2020	Q1 2019	Full year 2019
<b>Operating activities</b>			
Profit before tax	-504	-954	-4 204
Paid income tax	-	-	-
<b>Cash flow from operating activities before changes in working capital</b>	<b>-504</b>	<b>-954</b>	<b>-4 204</b>
Increase (+)/Decrease(-) in other short-term receivables receivables	139 892	-10 000	49 996
Increase (+)/Decrease(-) in other short-term liabilities liabilities	-139	-94	-577
<b>Cash flow from operating activities</b>	<b>139 753</b>	<b>-10 094</b>	<b>49 418</b>
<b>Investing activities</b>			
Investments in financial assets	-	-	-48 718
<b>Cash flow from investing activities</b>	<b>-</b>	<b>-</b>	<b>-48 718</b>
<b>Financing activities</b>			
Issued securities	-158 791	-7 767	3 333
Dividend paid to shareholders	-	-	-15 000
<b>Cash flow from financing activities</b>	<b>-158 791</b>	<b>-7 767</b>	<b>-11 667</b>
<b>Cash flow for the period</b>	<b>-19 541</b>	<b>-18 815</b>	<b>-15 170</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>30 461</b>	<b>45 631</b>	<b>45 631</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>10 920</b>	<b>26 817</b>	<b>30 461</b>
<b>Cash flow from operating activities includes interest expenses paid and interest income received</b>			
Interest expenses paid	-7 202	-7 026	-37 493
Interest payments received	-	-	40 036

# Notes

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

## Note 1 – General Information

Northmill Group AB (publ), corporate identity number 556786-5257, conducts operations in Sweden, Finland and Poland through its subsidiaries. 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 Oy. All companies are fully consolidated. The entire financial group of companies is under the supervision of the Swedish Financial Supervisory Authority and is subject to its regulations on capital adequacy and large exposures.

## Note 2– Accounting and valuation principles

The interim report has been prepared according to IAS 34, Interim Financial Reporting. The consolidated accounts for the Northmill Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, together with the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the Swedish Financial Accounting Standards Council's recommendation RFR 1, Supplementary Accounting Regulations for Groups, and the Swedish Financial Supervisory Authority's regulations and guidelines FFFS 2008:25. In all material aspects, the Group's and the Parent Company's accounting policies, basis for calculations and presentations are unchanged in comparison with the Annual Report 2019. The interim report for the parent company has been prepared in accordance with the provisions of the Swedish Annual Accounts act. Furthermore, the Swedish Financial Reporting Board's recommendation accounting for legal entities (RFR2) has been applied.

## Note 3 – Credit risk

### Credit quality of financial assets

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

Amounts in SEK thousands	Group		Parent company	
	31-Mar 2020	31-Dec 2019	31-Mar 2020	31-Dec 2019
Lending to credit institutions				
A-1+	49 447	38 716	1 790	1 791
A-1	277 110	62 639	9 130	28 670
A-2	2 140	-	-	-
Unrated	8 665	3 310	-	-
<b>Total cash and cash equivalents</b>	<b>337 361</b>	<b>152 571</b>	<b>10 920</b>	<b>30 461</b>
Other assets				
A-1+	47 956	13 899	-	-
<b>Total other assets</b>	<b>47 956</b>	<b>13 899</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>385 317</b>	<b>166 469</b>	<b>10 920</b>	<b>30 461</b>

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



## Impairment of financial assets

The Group has a model for calculating loan loss provisions based on expected loan losses. Financial assets that are subject to impairment losses are divided into three categories based on the risk of default. The first category includes assets where no significant increase in credit risk has occurred at the reporting date, in the other, a significant increase in credit risk has occurred, i.e. the loan is 30 days past due or more, and in the third category there is objective evidence of impairment, i.e. the loan is more than 90 days past due. For assets in the first category, write-downs are based on expected losses over the next 12 months, while for category two and three, expected losses are reported over the entire lifetime of the asset. Expected loan losses are calculated based on historical data of default for each period.

The provisions are calculated by multiplying the exposure at default with the probability of default and the loss given default. Northmill's model for calculating provisions is based on historical probability of default in each market. The model is supplemented by the company's assumptions about the future based on the current loan portfolio and adjustments due to the expected macroeconomic scenario. The value of the estimated provisions is discounted at the original borrowing rate.

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

Loans sold are written off against the reserve for losses and the difference between the current value of the asset and the present value is reported as a recognized loan loss. Non-performing loans (stage 3) are reported as reported loan losses when a loss event has been identified. Amounts received from previously identified loan losses are recognized in the income statement.

## Net credit losses

### Group

Amounts in SEK thousands	Q1 2020	Q1 2019	Full year 2019
<b>Net credit losses according to IFRS 9</b>			
Change in provision for ECL, stage 1	-15 556	479	-6 291
Change in provision for ECL, stage 2	-4 998	-3 951	-3 947
Change in provision for ECL, stage 3	-13 695	-460	-3 279
<b>Total change in provision for ECL, stage 1-3</b>	<b>-34 248</b>	<b>-3 932</b>	<b>-13 517</b>
Realised credit losses	-26 276	-26 569	-109 455
<b>Net credit losses</b>	<b>-60 524</b>	<b>-30 501</b>	<b>-122 972</b>

## Note 4 – Operating segments by geographical area

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

### Group Income statement

Q1 2020

Amounts in SEK thousands	Sweden	Finland	Other	Adjustment and elimination	Total
Interest income according to the effective interest method	86 805	22 780	9 100	-10 796	107 889
Interest expense	-16 764	-4 870	-9 549	10 796	-20 387
<b>Net interest income</b>	<b>70 040</b>	<b>17 911</b>	<b>-449</b>	<b>-</b>	<b>87 502</b>
Fee and commission income	18 891	2 391	-	-	21 282
Fee and commission expense	-10 680	-2 754	-12	-	-13 446
<b>Net fee and commission income</b>	<b>8 211</b>	<b>-363</b>	<b>-12</b>	<b>-</b>	<b>7 836</b>
Net result from financial transactions	1 649	-	-	-	1 649
Other operating income	9 237	-	-	-6 564	2 673
<b>Total operating income</b>	<b>89 138</b>	<b>17 548</b>	<b>-461</b>	<b>-6 564</b>	<b>99 661</b>
General administrative expenses	-31 184	-4 319	-43	6 564	-28 982
Depreciation, amortisation and impairment of tangible and intangible assets	-1 425	-243	-	-	-1 669
Other operating expenses	-2 435	-367	-	-	-2 803
<b>Total operating expenses</b>	<b>-35 045</b>	<b>-4 929</b>	<b>-43</b>	<b>6 564</b>	<b>-33 453</b>
<b>Profit before credit losses</b>	<b>54 093</b>	<b>12 618</b>	<b>-504</b>	<b>-</b>	<b>66 208</b>
Credit losses, net	-47 033	-13 491	-	-	-60 524
<b>Profit before taxes (EBT)</b>	<b>7 035</b>	<b>-872</b>	<b>-504</b>	<b>-</b>	<b>5 659</b>
Income tax	-1 546	-941	-	-	-2 487
<b>Profit for the period</b>	<b>5 489</b>	<b>-1 814</b>	<b>-504</b>	<b>-</b>	<b>3 172</b>
<b>Statement of comprehensive income</b>					
Gains and losses on consolidation	-	-141	-	-	-141
<b>Total comprehensive income for the period, net of tax</b>	<b>5 489</b>	<b>-1 955</b>	<b>-504</b>	<b>0</b>	<b>3 031</b>

**Group  
Income statement**

Q1 2019

Amounts in SEK thousands	Sweden	Finland	Other	Adjustment and elimination	Total
Interest income according to the effective interest method	60 126	24 624	10 000	-10 000	84 750
Interest expense	-11 794	-5 071	-10 027	10 000	-16 892
<b>Net interest income</b>	<b>48 332</b>	<b>19 553</b>	<b>-27</b>	<b>-</b>	<b>67 858</b>
Fee and commission income	14 056	3 534	-	-	17 590
Fee and commission expense	-6 478	-641	-25	-	-7 144
<b>Net fee and commission income</b>	<b>7 578</b>	<b>2 893</b>	<b>-25</b>	<b>-</b>	<b>10 446</b>
Net result from financial transactions	-11	-	-	-	-11
Other operating income	3 341	-	-	-3 341	-
<b>Total operating income</b>	<b>59 241</b>	<b>22 446</b>	<b>-52</b>	<b>-3 341</b>	<b>78 293</b>
General administrative expenses	-17 119	-3 795	-911	3 341	-18 485
Depreciation, amortisation and impairment of tangible and intangible assets	-601	-39	-	-	-640
Other operating expenses	-3 769	-963	-	-	-4 731
<b>Total operating expenses</b>	<b>-21 489</b>	<b>-4 796</b>	<b>-911</b>	<b>3 341</b>	<b>-23 856</b>
<b>Profit before credit losses</b>	<b>37 751</b>	<b>17 650</b>	<b>-963</b>	<b>-</b>	<b>54 437</b>
Credit losses, net	-22 578	-7 923	-	-	-30 501
<b>Profit before taxes (EBT)</b>	<b>15 173</b>	<b>9 726</b>	<b>-963</b>	<b>-</b>	<b>23 936</b>
Income tax	-3 247	-1 978	-	-	-5 225
<b>Profit for the period</b>	<b>11 926</b>	<b>7 749</b>	<b>-963</b>	<b>-</b>	<b>18 711</b>
<b>Statement of comprehensive income</b>					
Gains and losses on consolidation	-	2	-1	-	-
<b>Total comprehensive income for the period, net of tax</b>	<b>11 926</b>	<b>7 750</b>	<b>-965</b>	<b>-</b>	<b>18 712</b>

**Group  
Income statement**

Full year 2019

Amounts in SEK thousands	Sweden	Finland	Other	Adjustment and elimination	Total
Interest income according to the effective interest method	290 217	101 294	40 036	-43 949	387 597
Interest expense	-57 582	-22 196	-40 034	43 949	-75 863
<b>Net interest income</b>	<b>232 635</b>	<b>79 098</b>	<b>2</b>	<b>-</b>	<b>311 734</b>
Dividend received	69 227	-	-	-69 227	-
Fee and commission income	60 482	12 478	-	-	72 960
Fee and commission expense	-28 584	-4 359	-171	-	-33 114
<b>Net fee and commission income</b>	<b>31 898</b>	<b>8 119</b>	<b>-171</b>	<b>-</b>	<b>39 847</b>
Net result from financial transactions	-3 293	-	751	-	-2 542
Other operating income	27 899	-	32	-20 159	7 772
<b>Total operating income</b>	<b>358 367</b>	<b>87 217</b>	<b>614</b>	<b>-89 386</b>	<b>356 812</b>
General administrative expenses	-91 182	-18 366	-3 541	20 159	-92 929
Depreciation, amortisation and impairment of tangible and intangible assets	-4 193	-552	-	-	-4 745
Other operating expenses	-13 287	-3 000	-44	-	-16 331
<b>Total operating expenses</b>	<b>-108 661</b>	<b>-21 918</b>	<b>-3 585</b>	<b>20 159</b>	<b>-114 005</b>
<b>Profit before credit losses</b>	<b>249 705</b>	<b>65 299</b>	<b>-2 971</b>	<b>-69 227</b>	<b>242 806</b>
Credit losses, net	-88 163	-34 809	-	-	-122 972
Impairment and reversal of financial assets	-42	-	-1 237	-	-1 279
<b>Profit before taxes (EBT)</b>	<b>15 173</b>	<b>9 726</b>	<b>-963</b>	<b>-</b>	<b>23 936</b>
Income tax	-15 598	-7 505	-	-	-23 103
<b>Profit for the period</b>	<b>145 902</b>	<b>22 986</b>	<b>-4 208</b>	<b>-69 227</b>	<b>95 452</b>
<b>Statement of comprehensive income</b>					
Gains and losses on consolidation	-	-2 970	1	-	-2 969
<b>Total comprehensive income for the period, net of tax</b>	<b>145 902</b>	<b>20 016</b>	<b>-4 207</b>	<b>-69 227</b>	<b>92 483</b>

## Note 5 – Lending to the public

<b>Group</b>		
Amounts in SEK thousands	31 Mar 2020	31 Dec 2019
<b>Total lending to the public</b>	<b>1 436 577</b>	<b>1 272 430</b>
<b>Lending to the public, gross</b>		
Stage 1, gross	1 176 303	1 044 361
Stage 2, gross	189 135	184 149
Stage 3, gross	71 139	43 919
<b>Total lending to the public, gross</b>	<b>1 436 577</b>	<b>1 272 430</b>
<b>Provision for expected credit losses</b>		
Stage 1	-46 944	-30 781
Stage 2	-22 545	-17 547
Stage 3	-19 107	-5 411
<b>Total provision for expected credit losses</b>	<b>-88 596</b>	<b>-53 740</b>
<b>Lending to the public</b>		
Stage 1, net	1 129 359	1 013 580
Stage 2, net	166 590	166 602
Stage 3, net	52 033	38 508
<b>Total lending to the public, net</b>	<b>1 347 981</b>	<b>1 218 689</b>

### Change in provision for expected credit losses (ECL)

<b>Group</b>		
Amounts in SEK thousands	31 Mar 2020	31 Dec 2019
<b>Opening balance</b>	<b>-53 740</b>	<b>-40 335</b>
Change in provision for ECL in stage 1	-16 163	-6 179
Change in provision for ECL in stage 2	-4 998	-3 947
Change in provision for ECL in stage 3	-13 695	-3 279
<b>Closing balance</b>	<b>-88 596</b>	<b>-53 740</b>

## Note 6 – Classification of financial assets and liabilities

Group 2020-03-31		Financial instruments at fair value through profit or loss			Fair value through other com- prehensive income	Non- financial assets and liabilities	Total carrying amount	Fair value
Amounts in SEK thousands	Amortized cost	Compulsory	Upon initial recognition measured at fair value through profit or loss					
<b>Assets</b>								
Lending to credit institutions	337 361	-	-	-	-	337 361	337 361	
Lending to the public	1 347 981	-	-	-	-	1 347 981	1 347 981	
Bonds and other interest-be- aring securities	47 537	-	-	-	-	47 537	47 462	
Intangible assets	-	-	-	-	14 766	14 766	14 766	
Tangible assets	-	-	-	-	10 673	10 673	10 673	
Other assets	-	419	-	-	8 233	8 652	8 652	
Prepaid expenses and accrued income	-	-	-	-	50 784	50 784	50 784	
<b>Total assets</b>	<b>1 732 880</b>	<b>419</b>	<b>-</b>	<b>-</b>	<b>84 456</b>	<b>1 817 755</b>	<b>1 817 679</b>	
<b>Liabilities</b>								
Liabilities to credit institutions	301 708	-	-	-	-	301 708	301 708	
Deposits from the public	737 059	-	-	-	-	737 059	737 059	
Issued debt securities	335 654	-	-	-	-	335 654	327 262	
Other liabilities	-	-	-	-	41 394	41 394	41 394	
Accrued expenses and prepaid income	-	-	-	-	10 873	10 873	10 873	
<b>Total liabilities</b>	<b>1 374 420</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52 267</b>	<b>1 426 687</b>	<b>1 418 296</b>	

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

Parent company 2020-03-31		Financial instruments at fair value through profit or loss					Total carrying amount	Fair value
Amounts in SEK thousands	Amortized cost	Compulsory	Upon initial recognition measured at fair value through profit or loss	Fair value through other com- prehensive income	Non- financial assets and liabilities			
<b>Assets</b>								
Lending to credit institutions	10 920	-	-	-	-	10 920	10 920	
Shares and participations in group companies	-	-	-	-	50 100	50 100	50 100	
Other assets	300 000	-	-	-	-	300 000	300 000	
Prepaid expenses and accrued income	-	-	-	-	10 112	10 112	10 112	
<b>Total assets</b>	<b>310 920</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60 213</b>	<b>371 133</b>	<b>371 133</b>	
<b>Liabilities</b>								
Issued debt securities	335 654	-	-	-	-	335 654	327 262	
Other liabilities	-	-	-	-	48	48	48	
Accrued expenses and prepaid income	-	-	-	-	2 347	2 347	2 347	
<b>Total liabilities</b>	<b>335 654</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 395</b>	<b>338 049</b>	<b>329 658</b>	



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

#### Financial assets and liabilities at fair value

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

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

**Group**

2020-03-31

Amounts in SEK thousands	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Other assets	419	-	-	419
<b>Total assets</b>	<b>419</b>	<b>-</b>	<b>-</b>	<b>419</b>
<b>Liabilities</b>				
Issued debt securities	327 262	-	-	327 262
<b>Total liabilities</b>	<b>327 262</b>	<b>-</b>	<b>-</b>	<b>327 262</b>

**Group**

2019-12-31

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

**Parent company**

2020-03-31

Amounts in SEK thousands	Level 1	Level 2	Level 3	Total
<b>Liabilities</b>				
Issued debt securities	327 262	-	-	327 262
<b>Total liabilities</b>	<b>327 262</b>	<b>-</b>	<b>-</b>	<b>327 262</b>

**Parent company**

2019-12-31

Amounts in SEK thousands	Level 1	Level 2	Level 3	Total
<b>Liabilities</b>				
Issued debt securities	516 694	-	-	516 694
<b>Total liabilities</b>	<b>516 694</b>	<b>-</b>	<b>-</b>	<b>516 694</b>

## Note 7 – Pledged assets, contingent liabilities and commitments

### Group

Amounts in SEK thousands	31 Mar 2019	31 Dec 2019
<b>Relating to current liabilities to credit institutions</b>		
Chattel mortgage	90 000	90 000
Other pledged assets	20 252	35 777
<b>Total pledged assets</b>	<b>110 252</b>	<b>125 777</b>

## Note 8 – Transactions with related parties

The Group did not have any transactions with related parties during the period.

## Note 9 – Significant events after the balance sheet date

In April, Finland drafted legislation that would put temporary limits on personal loans from May 2020 to December 2020. The temporary law would cap the maximum interest rate on personal loans at 10% and suspend direct marketing. The proposed law would negatively affect Northmill's sales in Finland.

# Assurance by the Board of Directors and CEO

The Board of Directors and the CEO hereby certify that the interim report for January-March 2020 provides a fair and accurate overview of the operations, position and results of the parent company and the Group and describes the significant risks and uncertainties faced by the parent company and the companies in the Group. This interim report has not been reviewed by the company's auditors.

Stockholm, 29 May 2020

**Margareta Lindahl,**  
Chairman of the Board

**Per Granath,**  
Board Member

**George Kurt,**  
Board Member

**Erik Fagerland,**  
Board Member

**Björn Hazelius,**  
Board Member

**Karl Källberg,**  
Board Member

**Hikmet Ego,**  
CEO

# Definitions

*Northmill uses Alternative Performance Measures that are not defined in the applicable financial reporting framework (IFRS). The Alternative Performance Measures are used to increase understanding of the Group's financial performance among users of the financial statements. Alternative Performance Measures may be calculated in different ways and do not need to be comparable with similar key ratios used by other companies. Northmill definitions of the Alternative Performance Measures are shown below.*

**Return on equity %**

Profit for the period divided by average equity for the period.

**Equity ratio %**

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

**C/I ratio before net credit losses**

Operating expenses, before net credit losses, divided by total operating income.

**Interest coverage ratio**

EBITDA less net credit losses divided by interest expenses.

**Average number of employees (FTE)**

Average number of employees during the period.

**CET1 capital ratio**

CET1 capital as a percentage of total risk exposure amount.

**TIER1 capital ratio**

Tier 1 capital, i.e., CET1 capital and Additional Tier 1 capital, as a percentage of total risk exposure amount.

**Total capital ratio**

Own funds as a percentage of the total risk exposure amount.

# northmill®



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