



Q1 Q2 Q3 Q4

JANUARY - JUNE 2019

Interim Report

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

January - June 2019

Q2 2019 (Compared with Q2 2018)

- Revenue increased by 5.7% to SEK 122.4 million (115.8)
- Net interest income increased by 11% to SEK 85.1 million (76.6)
- Profit before tax increased by 9.2% to SEK 46.0 million (42.1)

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

- Revenue increased by 0.5% to SEK 224.8 million (223.7)
- Net interest income increased by 2.8% to SEK 152.5 million (148.3)
- Profit before tax decreased by 22% to SEK 69.3 million (88.9)
- Cost/income ratio increased to 0.28 (0.23)
- The return on equity was 30%

REVENUE	SEK 224.8 MILLION +0.5%
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NET INT. INCOME	SEK 152.5 MILLION 2.8%
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PROFIT BEFORE TAX (EBT)	SEK 69.3 MILLION -22%
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COST/INCOME RATIO	0.28
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RET. ON EQUITY	30%
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MONTHLY ACTIVE USERS	~71 000
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Comments from the CEO

This is the Group's first quarterly report that is in accordance with the International Financial Reporting Standard (IFRS), and we describe the effect of these changes throughout the report. This transformation to IFRS has mainly resulted in a change in how we calculate Expected Credit Losses (ECL) with the implementation of a new ECL-model created in accordance with IFRS 9. Converting to IFRS together with other strategic investments are important steps towards realizing our vision of becoming a challenger neo-bank with an international presence.

The Group's profit before tax (EBT) in the second quarter are slightly higher compared to the same period in the previous year. It is a positive sign that our change to the product mix with higher credit amounts, lower annual percentage rate (APR) for customers and longer maturities, starts to generate revenue. Both the Group's revenues and expenses are higher this year's second quarter compared to the same period in the previous year. The profit increase is attributable to our partly lower financing structure, as well as the strong and solid growth of other revenues such as growth in the insurance product portfolio. We also had a one-time interest income effect of SEK 15 million in the second quarter which further boosted the profit. The total loan portfolio continues to grow with 6% compared to the first quarter of 2019.

During the quarter we completed the listing process of our Bonds on Nasdaq Stockholm. Our dialogue with the Swedish FSA about our banking license application continues and we have complemented our application further. We are satisfied with the additional information we submitted and we are expecting to receive further information about the status of the application in Q3.

I have previously communicated that we launched Rebilla Reduce, our first product under the Rebilla brand. A competitive and timely service that unlike traditional credits, does not add any new credits to the market, but is solely focusing on lowering the interest rate on existing credits, partial payments and credit card bills. Rebilla Reduce has during the quarter grown steadily and we have worked to position the product in the market, without any major investment in marketing at this point.

During the second quarter, we also introduced the second product under Rebilla, a unique loyalty program we named Rebilla Reward, that lowers the interest rate every time a customer pays their invoice on time. Northmill offers some of the market's lowest interest rates and the purpose of the loyalty program is to encourage healthy credit behavior. We have an aggressive roadmap with several planned product launches during the year. The two Rebilla product launches strengthen us in our belief, and prove, that our product-oriented and agile organization enables the strong innovative focus and makes it possible for us to continue to deliver on our ambitious targets. As I explained in the previous quarterly report, there is new legislation in Finland coming in place on the first of September 2019 which, in short, means that an interest rate cap of 20 percent will be implemented. During the second quarter, we have also dedicated a part of our focus to update and adapt our existing products in Finland to be in line with the new legislation. For us, this is a natural part of our long-term strategy and we welcome the new legislation since we believe it will benefit the customers, and we look forward to taking part in shaping the new consumer credit market in Finland.

Recruiting efforts continue to play an important role in our growth journey and we are happy to say that we continue to attract top talent. The stable income and profit flow create a solid platform for us going into the next quarter. At the same time, we are always closely monitoring the development in Sweden as well as internationally.

Lastly, I would like to welcome almost ten thousand new customers to Northmill during the second quarter and we are proud that we now have over 211 000 customers. Rebillia marks a new era and symbolizes our quest to always develop customer-centric products that, with the help of technology, simplify and improve people's financial life. We have been a technology-driven and highly cost-effective company since the beginning of our journey. We have always put a strong emphasis on being able to quickly scale up and we are now experiencing the benefits of our long-term investments in people, processes and technology.

With that, I look to the future with both optimism and confidence as we continue our growth journey.

A handwritten signature in black ink that reads "Hikmet Ego". The signature is written in a cursive, flowing style.

Hikmet Ego, CEO and Co-founder

The Group's Development

Transition to IFRS

This is Northmill Group AB (publ):s first consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU as well as interpretations from the IFRS Interpretations Committee (IFRIC). The transition to IFRS has been carried out as part of the preparation for the upcoming listing of the parent company's bonds on Nasdaq Stockholm. The transition date has been decided as the 1st of January 2018. Detailed information on the effects of the transition is presented in note 3.

The management's conclusion is that mainly the standards IFRS 9 Financial Instruments and IFRS 16 Leases have impacted the Group's results, financial position or financial statements. The change to IFRS has not had any material effect on previous years results as can be seen in the transition notes. The effect on comparability between the pre- and post-transition periods are mainly seen within the scope of IFRS 9.

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

Operating income

Year to date, the Group's operating income increased by 1.9 percent to SEK 176.9 million (173.6) after adjustments and eliminations. The Swedish operating income increased by 21.2 percent to SEK 139.7 million (115.2) and the Finnish operating income decreased by 25.6 percent totalling SEK 45.4 million (60.9). The decrease was mainly due to the short term effects of the recent transformation with shift in focus from short to long term to maturity and revolving credits along with lower interest rate offerings as well as lower lending volumes in Finland.

Interest income

Interest income decreased slightly by 1.2 percent to SEK 187.0 million (189.2). This is due to the recent abovementioned transformation of the Group's product portfolio with multiple new launches, where the income generating portfolio is successfully built up.

Interest expenses

The Group's interest expenses decreased by 15.5 percent to SEK 34.6 million (40.9). The decrease is attributed to better funding terms.

Net fee and commission income

Net fee and commission income increased slightly by 0.2 percent to SEK 24.3 million (24.3). Fees related to loan products in Finland have decreased and commission associated with the insurance products have increased explaining the low growth rate.

Operating expenses

Total operating expenses for the period increased by 26.5 percent to SEK 50.1 million (39.6). This was in line with expectations and within the long term growth plans of the organization. The cost/income ratio (C/I) increased to 0.28 (0.23).

Credit portfolio

The total credit portfolio amounted SEK 1 143 million, which is an increase of SEK 172 million, or +17.7 percent, since last year. SEK 836.2 million are on-balance loans and SEK 307.2 million are off-balance loans (receivables transferred to a third party).

Net credit losses

Net loan losses increased by 24.5 percent to SEK 56.3 million (45.2). However, the comparability is somewhat distorted due to the implementation of provision for credit losses (previous model) as late as Q3 2018 and the more recent implementation of IFRS 9 at the turn of 2018/2019. The credit loss ratio¹ for the rolling 12 months amounted to 6.6 percent (4.0) at the end of the period.

Profit for the period

Profit for the period decreased by 23.9 percent to SEK 53.3 million (70.0). This is mainly explained by increased investments as well as a new approach towards provision of expected credit losses.

Q2 2019 (Compared to Q2 2018)

Operating income

During the second quarter, the Group's operating income increased by 10.3 percent to SEK 98.6 million (89.4). The Swedish operating income increased by 32 percent to SEK 80.4 million (60.8) and the Finnish operating income decreased by 25 percent totalling SEK 22.9 million (30.7).

Interest income as well as fee and commission income increased by a total of 6.5 percent to SEK 122.3 million (114.8). Interest expenses decreased by 17.2% to SEK 17.6 million (21.3) compared to same period last year. In Sweden the Company had a non-recurring interest income effect of SEK 15 million related to change in accounting policies by one of the company's suppliers.

Operating expenses

Total operating expenses for the period increased by 17.5 percent to SEK 25.6 million (21.8). This was in line with expectations and within the long term growth plans of the organization.

Net credit losses

Net credit losses increased by 1.2 percent to SEK 25.8 million (25.5). As mentioned in the previous section, the comparability is distorted due to the implementation of IFRS 9 at the turn of 2018/2019, having previously provisioned for credit losses according to K3.

Profit for the period

Profit for the period increased by 5.9 percent to SEK 35.3 million (33.3). This is mainly explained by increased operating income.

Cash position

As at 30 June, cash and cash equivalents amounted to SEK 175.6 million (111.5)

Funding

An additional SEK 90 million of unused credit facility was utilized during the second quarter.

²Net credit losses to total lending rolling 12 month

Key ratios

Group

Amounts in SEK million	Q2 2019	Q2 2018	Change (%)	Jan-Jun 2019	Jan-Jun 2018	Change (%)	Full year 2018
INCOME STATEMENT							
Revenues ¹	122.4	115.8	5.7%	224.8	223.7	0.5%	435.9
Total operating income	98.6	89.4	10.3%	176.9	173.6	1.9%	331.9
Profit before credit losses	73.0	67.6	8.0%	126.8	134.1	-5.4%	246.8
Profit before tax (EBT)	46.0	42.1	9.2%	69.3	88.9	-22.0%	137.6
Profit for the period	35.3	33.3	5.9%	53.3	70.0	-23.9%	112.8
BALANCE SHEET							
Lending to the public	836.2	460.3	81.6%	836.2	460.3	81.6%	744.6
Cash and equivalents	175.6	111.5	57.4%	175.6	111.5	57.4%	200.7
Total assets	1 066.2	612.2	74.2%	1 066.2	612.2	74.2%	974.4
Total Equity	350.7	289.4	21.2%	350.7	289.4	21.2%	327.0
KEY RATIOS							
Return on equity (ROE) ² , %	30%	62%		30%	62%		41%
Equity ratio ³	33%	47%		33%	47%		34%
Net equity ratio ⁴ , %	49%	65%		49%	65%		54%
C/I ratio ⁵	0.26	0.24		0.28	0.23		0.26
Interest coverage ratio ⁶	4.35	4.00		4.35	4.00		4.18

- 1) Interest income, Fee and commission income and other income.
- 2) Profit for the period in relation to average equity. Rolling 12 months.
- 3) Ratio of Equity to total assets.
- 4) Ratio of Equity plus cash to total assets.
- 5) Total operating expenses divided by total operating income.
- 6) EBITDA less credit losses to interest expenses, Rolling 12 months.

Income statement

Group

Amounts in SEK million	Note	Q2 2019	Q2 2018	Jan-Jun 2019	Jan-Jun 2018	Full year 2018
Operating income	4					
Interest income	5	102.8	97.9	187.0	189.2	369.7
Interest expense	6	-17.6	-21.3	-34.6	-40.9	-78.9
Net interest income		85.1	76.6	152.5	148.3	290.8
Fee and commission income		19.6	16.9	37.6	33.4	65.0
Fee and commission expense		-6.2	-5.1	-13.3	-9.1	-25.1
Net fee and commission income	7	13.4	11.8	24.3	24.3	39.9
Net financial transactions		0.0	0.0	0.0	0.0	0.0
Other income		0.1	1.0	0.1	1.1	1.1
Total operating income		98.6	89.4	176.9	173.6	331.9
Operating expenses						
General administrative expenses		-20.5	-16.6	-39.1	-29.4	-62.4
Depreciation and amortization		-1.1	-0.8	-2.3	-1.7	-4.1
Other operating expenses		-4.0	-4.4	-8.7	-8.5	-18.6
Total operating expenses		-25.6	-21.8	-50.1	-39.6	-85.1
Profit before credit losses		73.0	67.6	126.8	134.1	246.8
Net credit losses	8	-25.8	-25.5	-56.3	-45.2	-109.2
Impairment and reversal of fin. assets	9	-1.2	0.0	-1.2	0.0	0.0
Profit before tax (EBT)		46.0	42.1	69.3	88.9	137.6
Income taxes		-10.7	-8.8	-16.0	-18.8	-24.8
Profit for the period		35.3	33.3	53.3	70.0	112.8

Statement of Comprehensive income

Profit for the period	35.3	33.3	53.3	70.0	112.8
Gross exchange differences	0.1	1.6	0.0	2.4	0.5
Total Comprehensive income, net of tax	35.4	35.0	53.3	72.4	113.2

None of the comprehensive income is attributable to the parent company

Balance sheet

Group

Amounts in SEK million	Note	30 Jun 2019	30 Jun 2018	31 Dec 2018	1 Jan 2018
ASSETS					
Non-current assets					
Intangible assets	1, 2, 11	6.6	0.2	0.2	0.2
Tangible assets		12.3	8.4	13.7	9.2
Financial assets		0.0	1.2	1.2	1.2
Non-current assets in total		18.9	9.8	15.1	10.7
Current assets					
Lending to the public	10	836.2	460.3	744.6	370.5
Other receivables		26.4	21.7	12.8	22.6
Accruals and prepaid expenses		9.2	8.8	1.2	4.7
Cash and equivalents		175.6	111.5	200.7	104.7
Current assets in total		1 047.3	602.3	959.3	502.6
TOTAL ASSETS		1 066.2	612.2	974.4	513.2
EQUITY AND LIABILITIES					
Equity					
Share capital		0.5	0.5	0.5	0.5
Share premium reserve		57.3	57.3	57.3	57.3
Reserves		0.5	1.2	0.7	1.2
Retained profit, incl. profit for the year		292.4	230.4	268.5	167.4
Equity in total		350.7	289.4	327.0	226.5
Non-current liabilities					
Bonds	12	480.5	0.0	491.1	0.0
Liabilities to credit institutions		183.3	267.8	93.0	228.9
Other liabilities		8.2	10.9	10.1	12.4
Deferred tax liabilities		13.9	9.6	13.9	10.2
Current liabilities					
Payables		6.6	4.6	4.2	4.3
Current tax liabilities		11.7	19.8	16.5	15.0
Other current liabilities		2.1	2.9	5.0	3.2
Accrued expenses and deferred income		9.3	7.1	13.5	12.8
EQUITY AND LIABILITIES IN TOTAL		1 066.2	612.2	974.4	513.2

Cash flow Group

Amounts in SEK million	Jan-Jun 2019	Jan-Jun 2018	Full year 2018
Operating activities			
Profit before tax	69.3	88.9	137.6
<i>Adjustments for items not included in the cash flow</i>			
- Impairment allowance on loans	3.2	0.0	21.5
- Depreciation/amortization	0.1	0.1	0.7
- Other	3.0	0.3	0.1
	75.6	89.2	159.9
Paid income taxes	-20.9	-14.1	-23.3
Cash flow from operating activities before changes in working capital	54.7	75.2	136.6
Cash flow from changes in working capital			
Increase (+)/Decrease(-) in operating receivables	-134.9	-92.9	-382.0
Increase (+)/Decrease(-) in operating liabilities	-4.7	-5.6	2.6
Cash flow from operating activities	-139.6	-98.5	-379.4
Investing activities			
Acquisition of intangible fixed assets	-6.4	0.0	0.0
Acquisition of tangible fixed assets	-0.9	-0.9	-2.8
Acquisition of financial assets	1.2	0.0	0.0
Cash flow from investing activities	-6.1	-0.9	-2.8
Financing activities			
Change in liabilities to credit institutions	90.2	38.9	-140.9
Issued bonds	-10.6	0.0	491.1
Paid dividend	-15.0	-10.0	-10.0
Cash flow from financing activities	64.6	28.9	340.2
Cash flow for the period	-26.4	4.7	94.5
Cash and cash equivalents at the beginning of the period	200.7	104.7	104.7
<i>Exchange differences in cash and cash equivalents</i>	1.2	2.2	1.5
Cash and cash equivalents at the end of the period	175.6	111.5	200.7
<i>Cash flow from operating activities includes interest expenses paid and interest</i>			
Interest expenses paid	-14.7	-21.3	-75.7
Interest payments received	81.5	94.1	358.0

Statement of changes in equity

Group

Amounts in SEK million	Share capital	Share premium	Reserves	Retained profit, incl. Profit for the period	Total
Opening balance as at 1 Jan 2018	0.5	57.3	1.2	167.4	226.5
Profit for the period				70.0	70.0
Exchange differences in foreign operations			-2.5	3.0	0.5
Other comprehensive income for the period			2.4		2.4
<i>Transactions with shareholders</i>					
Dividend				-10.0	-10.0
Closing balance as at 30 Jun 2018	0.5	57.3	1.2	230.4	289.4

Amounts in SEK million	Share capital	Share premium	Reserves	Retained profit, incl. Profit for the period	Total
Opening balance as at 31 Dec 2018	0.5	57.3	0.7	268.5	327.0
Transition impact of implementation of IFRS 9				-18.9	-18.9
Opening balance as at 1 Jan 2019	0.5	57.3	0.7	249.7	308.1
Profit for the period				53.3	53.3
Gross exchange differences			-0.2	4.4	4.3
Other comprehensive income for the period			0.0		0.0
<i>Transactions with shareholders</i>					
Dividend				-15.0	-15.0
Closing balance as at 30 Jun 2019	0.5	57.3	0.5	292.4	350.7

Income statement

Parent

	Q2	Q2	Jan-Jun	Jan-Jun	Full year
Amounts in SEK million	2019	2018	2019	2018	2018
Operating income					
Interest income	10.2	1.2	20.2	1.2	15.0
Interest expense	-10.0	0.0	-20.0	0.0	-13.0
Net interest income	0.2	1.2	0.1	1.2	2.0
Fee and commission income	0.0	0.0	0.0	0.0	0.0
Fee and commission expense	0.0	0.0	0.0	0.0	-0.1
Net fee and commission income	0.0	0.0	0.0	0.0	-0.1
Total operating income	0.2	1.2	0.1	1.2	1.8
Operating expenses					
General administrative expenses	-0.9	0.0	-1.8	0.0	-1.1
Total operating expenses	-0.9	0.0	-1.8	0.0	-1.1
Profit before credit losses	-0.7	1.2	-1.7	1.2	0.7
Impairment and reversal of fin. assets	-1.2	0.0	-1.2	0.0	0.0
Profit before tax (EBT)	-1.9	1.2	-2.9	1.2	0.7
Income taxes	0.0	0.0	0.0	0.0	0.0
Profit for the period	-1.9	1.2	-2.9	1.2	0.7

Balance sheet

Parent

Amounts in SEK million	30 Jun 2019	30 Jun 2018	31 Dec 2018
ASSETS			
Non-current assets			
Financial assets	0.2	1.4	1.4
Non-current assets in total	0.2	1.4	1.4
Current assets			
Other receivables	500.0	50.0	500.0
Cash and equivalents	18.1	1.9	45.6
Current assets in total	955.3	51.9	545.6
TOTAL ASSETS	518.3	53.3	547.0
EQUITY AND LIABILITIES			
Equity			
Share capital	0.5	0.5	0.5
Share premium reserve	57.3	57.3	57.3
Retained profit, incl. profit for the year	-22.9	-4.5	-5.0
Equity in total	34.9	53.3	52.8
Non-current liabilities			
Bonds	480.5	0.0	491.1
Current liabilities			
Other current liabilities	0.0	0.0	0.0
Accrued expenses and deferred income	2.9	0.0	3.1
EQUITY AND LIABILITIES IN TOTAL	518.3	53.3	547.0

Cash flow

Parent

Amounts in SEK million	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018
Operating activities			
Profit before tax	-2.9	1.2	0.7
<i>Adjustments for items not included in the cash flow</i>			
- Depreciation/amortization	-	-	-
	-2.9	1.2	0.7
Paid income taxes	-	0.0	0.0
Cash flow from operating activities before changes in working capital	-2.9	1.2	0.7
Cash flow from changes in working capital			
Increase (+)/Decrease(-) in operating receivables	0.0	7.2	-442.8
Increase (+)/Decrease(-) in operating liabilities	-0.2	0.0	3.1
Cash flow from operating activities	-0.2	7.2	-439.7
Investing activities			
Acquisition of financial assets	1.2	0.0	0.0
Cash flow from investing activities	1.2	0.0	0.0
Financing activities			
Issued bonds	-10.6	0.0	491.1
Paid dividend	-15.0	-10.0	-10.0
Cash flow from financing activities	-25.6	-10.0	481.1
Cash flow for the period	-27.5	-1.6	42.1
Cash and cash equivalents at the beginning of the period	45.6	3.5	3.5
Cash and cash equivalents at the end of the period	18.1	1.9	45.6
<i>Cash flow from operating activities includes interest expenses paid and interest</i>			
Interest expenses paid	-7.1	0.0	-9.9
Interest payments received	10.2	1.2	15.0

Statement of changes in equity

Parent

Amounts in SEK million	Share capital	Share premium	Retained profit, incl. Profit for the period	Total
Opening balance as at 1 Jan 2018	0.5	57.3	4.2	62.1
Profit for the year			1.2	1.2
<i>Transactions with shareholders</i>				
Dividend			-10.0	-10.0
Closing balance as at 30 Jun 2018	0.5	57.3	-4.5	53.3

Amounts in SEK million	Share capital	Share premium	Retained profit, incl. Profit for the period	Total
Opening balance as at 1 Jan 2019	0.5	57.3	-5.0	52.8
Profit for the year			-2.9	-2.9
<i>Transactions with shareholders</i>				
Dividend			-15.0	-15.0
Closing balance as at 30 Jun 2019	0.5	57.3	-22.9	34.9

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

Stockholm, 30 Jun 2019

Board of Directors & CEO



MARGARETA LINDAHL

Chairman



PER GRANATH

Board Member



GEORGE KURT

Board Member



ERIK FAGERLAND

Board Member



BJÖRN HAZELIUS

Board Member



KARL KÄLLBERG

Board Member



HIKMET EGO

CEO

Note 1 - Accounting principles

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

Basis for preparation of the reports

Group

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

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

Parent

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

Transition to IFRS

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

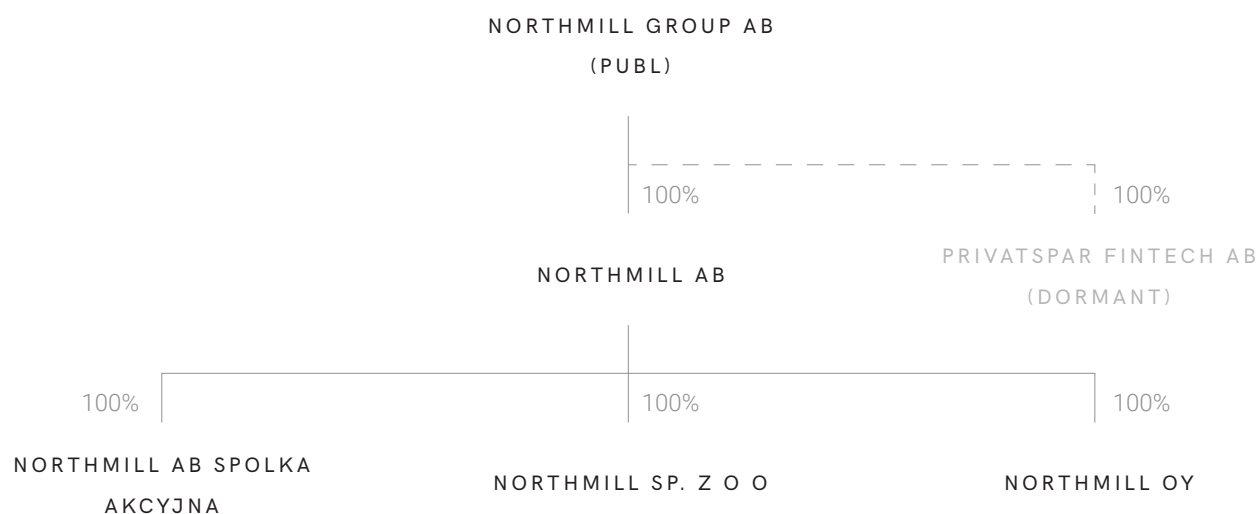
Below accounting principles have been applied consistently to all reporting periods presented in these consolidated financial statements, except for accounting principles for financial instruments, where Northmill has, in accordance with exception in IFRS 1, applied previously applied principles (K3)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

Group consolidation principles

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

Subsidiaries

Northmill Group AB (publ) owns the subsidiaries Northmill AB (100 percent) and Privatspar Fintech AB (100 percent).



Note 1 cont.

Group accounting principles

Foreign currency translation

Presentation currency and functional currency

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

Transactions and balance sheet items

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

Segment report

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

Balance sheet items

Cash and equivalents

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

Financial assets and liabilities - classification and measurement

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

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

Financial assets measured at amortised cost

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

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

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

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

Lending to the public is described in more detail in Note 10 Lending to the public.

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

Note 1 cont.

Financial assets measured at fair value

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

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

The Group also provides information regarding the fair value of certain assets for information purposes. A table for this is shown in Note 11.

Impairment of financial assets

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

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

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

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

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

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

Northmill's model for calculating provisions according to IFRS 9 is based on historical probability of default in each of its two markets, Sweden and Finland. The model is supplemented by the company's assumptions about the future based on the current loan portfolio and adjustments due to the expected macroeconomic scenario. The value of the estimated provisions is discounted at the original borrowing rate.

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

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

Note 1 cont.

Issued debt

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

Leasing

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

Intangible assets

Web domain

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

Development cost funds

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

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

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

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

Impairment of intangible assets

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

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

Tangible assets

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

The following useful life periods are applied:

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

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

Note 1 cont.

Income taxes

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

Cash flow statement

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

Balance sheet items

Interest income and interest expenses

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

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

Fee and commission income and fee and commission expense

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

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

Net income from financial transactions

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

General administrative expenses

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

Net credit losses

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

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

Note 1 cont.

Risks and uncertainties

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

Parent company's accounting principles

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

Shares and participations in subsidiaries

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

Untaxed reserves

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

Dividend

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

Important estimations and assumptions for accounting purposes

Estimates and judgements

Preparation of the consolidated financial statements in compliance with IFRS requires the use of some critical estimates for accounting purposes. Estimates and judgements are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions about the future. The resulting estimates for accounting purposes by definition rarely correspond to the actual results. The areas that involve a high degree of judgement, are complex, or where assumptions and estimates have a material impact on the consolidated financial statements primarily comprise provisions for loan losses and impairment testing of development cost funds. A sensitivity analysis of the parameters used in the ECL-model to judge Significant Increase In Credit Risk (SICR) has been performed, see note 10.

Assessment of and impairment requirements for financial assets

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

Note 2 - Risk management

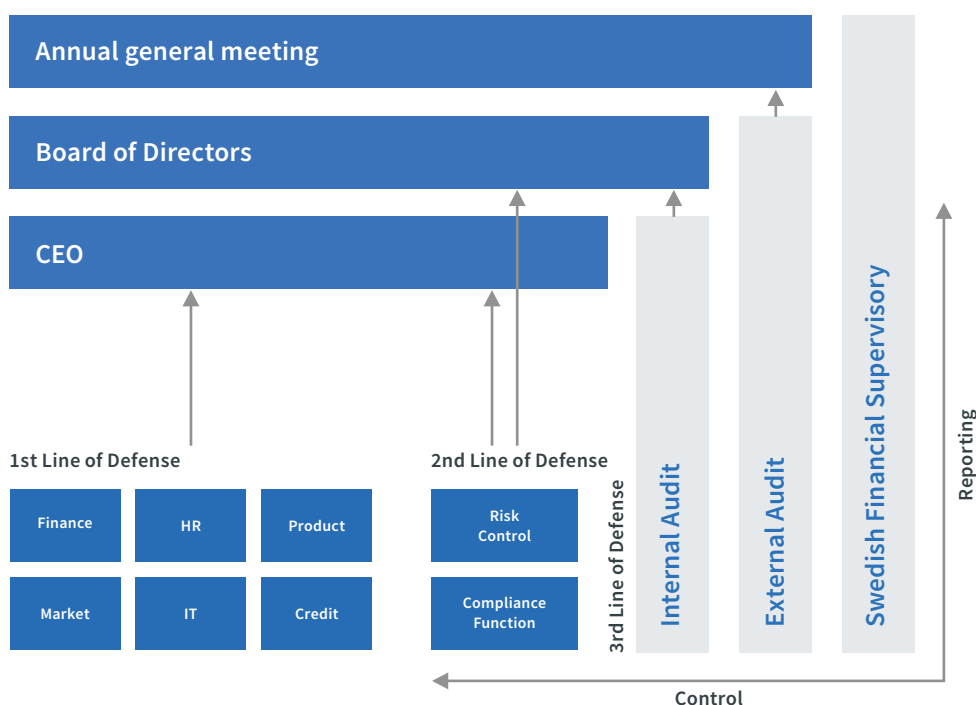
General

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

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

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

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



The model differentiates between functions that own and manage risk and compliance, which is the first line of defence and constitutes of all business functions and reports to the CEO. The second line of defence refers to the control functions (risk and compliance) that monitor first line risk management and independently report on the development of the risk profile and the efficiency of the risk management to the Board and the CEO. The third line of defence refers to the internal audit function who independently reports to the board on the efficiency and adequacy of risk management and internal control.

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

Note 2 cont.

Credit risk

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

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

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

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

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

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

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

Note 2 cont.

Credit exposures

Group

Amounts in SEK million	30 Jun 2019	31 Dec 2018	30 Jun 2018	1 Jan 2018
Lending to the public, gross	879.5	766.1	460.3	370.5
Allowance for credit losses	-43.3	-21.5	0.0	0.0
Lending to the public, net carrying amount	836.2	744.6	460.3	370.5

IFRS 9 was implemented 2019-01-01. For 2018-12-31, the provision for expected credit losses is according to K3.

Credit risk concentrations

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

Amounts in SEK million	Stage 1	Stage 2	Stage 3	Total
Per region				
Sweden	702.7	157.4	19.3	879.5
Total	702.7	157.4	19.3	879.5
Before due and per days past due				
Before due	677.2	61.6	0.0	738.8
< 30 days	25.5	52.8	0.0	78.3
31-60 days	0.0	35.2	0.0	35.2
61-90 days	0.0	7.9	0.0	7.9
> 90 days	0.0	0.0	19.3	19.3
Total	702.7	157.4	19.3	879.5

Credit quality of financial assets

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

	Group				Parent		
	30 Jun 2019	31 Dec 2018	30 Jun 2018	1 Jan 2018	30 Jun 2019	31 Dec 2018	30 Jun 2018
Cash and cash equivalents							
A-1+	28.6	50.1	32.0	38.7	17.8	1.8	1.9
A-1	144.3	147.0	66.2	62.6	0.3	43.8	0.0
Unrated	2.7	3.6	13.3	3.3	0.0	0.0	0.0
Total	175.6	200.7	111.5	104.7	18.1	45.6	1.9

Note 2 cont.

Market risk

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

Currency risk

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

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

The Group is exposed to transaction risks which primarily arise when the Group grants credit in currencies other than the reporting currency. The risk is primarily mitigated by matching the lending assets with liabilities in the same currency by matching foreign currency assets with foreign currency loans or funding. Furthermore there is currently very limited transaction risk in the business as the Finnish lending operation is conducted through loan intermediation where financial assets are divested to another party within 1-2 banking days.

Interest rate risk

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

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

Liquidity risk

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

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

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

Unutilised credit at the end of the reporting period amounted to SEK 225 m.

Note 2 cont.

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

Group 30 Jun 2019

Amounts in SEK million	< 1 year	1-2 years	2-5 years	> 5 years
Assets				
Lending to the public	404.2	227.1	549.9	124.8
Cash and equivalents	175.6	0.0	0.0	0.0
Total	579.8	227.1	549.9	124.8
Liabilities				
Bonds	39.0	39.0	499.3	0.0
Liabilities to credit institutions	185.5	0.0	0.0	0.0
Total	224.5	39.0	499.3	0.0

Group 31 Dec 2018

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

Note 2 cont.

Group 30 Jun 2018

Amounts in SEK million	< 1 year	1-2 years	2-5 years	> 5 years
Assets				
Lending to the public	144.8	141.2	366.2	94.9
Cash and equivalents	111.5	0.0	0.0	0.0
Total	256.3	141.2	366.2	94.9
Liabilities				
Liabilities to credit institutions	0.0	274.6	0.0	0.0
Other liabilities	0.0	0.0	0.0	5.0
Total	0.0	274.6	0.0	5.0

Group 1 Jan 2018

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

Note 2 cont.

Operational risk

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

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

Business risk

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

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

Financing risks

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

Legal risk

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

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

Internal control of the financial reporting

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

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

Note 3 - IFRS Transition effect

Transition to IFRS

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

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

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

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

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

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

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

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

Change in income statement and balance sheet accounts format

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

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

Income statement

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

Financial expenses are now included in Interest expense.

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

Depreciation and amortization has remained unchanged.

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

Balance sheet

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

Note 3 cont.

IFRS 9 Financial instruments

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

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

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

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

Group	Classification 2018-12-31 according to K3	Classification 2019-01-01 according to IFRS 9	Booked value 2018-12-31 according to K3	Transition effect IFRS 9	Booked value 2019-01-01 according to IFRS 9
Amounts in SEK million					
Financial assets					
Financial assets	Other financial assets	Amortized cost	1.2	0.0	1.2
Lending to the public	Lending and other receivables	Amortized cost	744.6	-18.9	725.8
Other receivables	Lending and other receivables	Amortized cost	12.8	0.0	12.8
Accruals and prepaid expenses	Other financial assets	Amortized cost	1.0	0.0	1.0
Cash and equivalents	Lending and other receivables	Amortized cost	200.7	0.0	200.7
Financial assets in total			960.4	-18.9	941.5
Equity					
Share capital			0.5	0.0	0.5
Share premium reserve			57.3	0.0	57.3
Reserves			0.7	0.0	0.7
Retained profit			155.8	-18.9	136.9
Profit for the year			112.9	0.0	112.9
Equity in total			327.2	-18.9	308.3
Financial liabilities					
Bonds	Other financial liabilities	Amortized cost	491.1	0.0	491.1
Liabilities to credit institutions	Other financial liabilities	Amortized cost	93.0	0.0	93.0
Other liabilities	Other financial liabilities	Amortized cost	0.0	0.0	0.0
Deferred tax liabilities	Other financial liabilities	Amortized cost	13.9	0.0	13.9
Payables	Other financial liabilities	Amortized cost	4.2	0.0	4.2
Current tax liabilities	Other financial liabilities	Amortized cost	16.6	0.0	16.6
Other current liabilities	Other financial liabilities	Amortized cost	5.0	0.0	5.0
Accruals and deferred income	Other financial liabilities	Amortized cost	13.5	0.0	13.5
Financial liabilities in total			637.3	0.0	637.3

Note 3 cont.

IFRS 16 Leases

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

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

Note 3 cont.

Reconciliation of obligations

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

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

Note 3 cont.

IFRS transition impact on previous financial statements

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

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

None of the comprehensive income is attributable to the parent company

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

Note 3 cont.

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

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

Note 3 cont.

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

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

Note 3 cont.

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

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

Note 4 - Operating segments by geographical area

IFRS transition impact on previous financial statements

The CEO has the ultimate responsibility for the decisions being taken by the Group. Executive Management has defined the operating segments based on the information determined by the CEO and used as a basis or decisions on the allocation of resources and evaluation of results.

Presented here below is the outcome for each operating segment in the Group, i.e. country by country, for each period and on an income statement level. Sweden includes Northmill AB and its polish IT-branch which only provides internal IT-services. Finland represents the subsidiary Northmill OY. Other includes the Parent company which only acts as a holding company, providing funding through its issued bonds and paying interest which it in turn invoices to its subsidiaries. The latter is eliminated under Adjustments and Elimination.

Note 4 cont.

Group Income statement Q2 2019	Sweden	Finland	Other	Adjustments and Elimination	Total
Operating income					
Interest income	78.7	23.9	10.2	-10.0	102.8
Interest expense	-12.4	-5.2	-10.1	10.0	-17.6
Net interest income	66.3	18.7	0.1	0.0	85.1
Fee and commission income	14.8	4.7	0.0	0.0	19.6
Fee and commission expense	-5.6	-0.5	0.0	0.0	-6.2
Net fee and commission income	9.2	4.2	0.0	0.0	13.4
Net financial transactions	0.0	0.0	0.0	0.0	0.0
Other income	5.0	0.0	0.0	-4.9	0.1
Total operating income	80.4	22.9	0.1	-4.9	98.6
Operating expenses					
General administrative expenses	-19.3	-4.4	0.2	3.0	-20.5
Depreciation and amortization	-0.1	0.0	-1.1	0.0	-1.1
Other operating expenses	-3.1	-1.0	0.0	0.0	-4.0
Total operating expenses	-22.4	-5.4	-0.9	3.1	-25.6
Profit before credit losses	58.0	17.5	-0.7	-1.8	73.0
Net credit losses	-19.7	-6.1	0.0	0.0	-25.8
Impairment and reversal of fin. assets	0.0	0.0	-1.2	0.0	-1.2
Profit before tax (EBT)	38.4	11.4	-2.0	-1.8	46.0
Income taxes	-7.8	-2.3	-0.6	0.0	-10.7
Profit for the period	30.6	9.1	-2.6	-1.8	35.3
Statement of Comprehensive income					
Profit for the period	30.6	9.1	-2.6	-1.8	35.3
Gross exchange differences	0.0	0.1	0.0	0.0	0.1
Total Comprehensive income, net of tax	30.6	9.2	-2.6	-1.8	35.4

Note 4 cont.

Group Income statement Q2 2018

	Sweden	Finland	Other	Adjustments and Elimination	Total
Operating income					
Interest income	65.0	32.9	1.2	-1.2	97.9
Interest expense	-15.9	-6.6	0.0	1.2	-21.3
Net interest income	49.1	26.3	1.2	0.0	76.6
Fee and commission income	11.5	5.4	0.0	0.0	16.9
Fee and commission expense	-4.1	-1.0	0.0	0.0	-5.1
Net fee and commission income	7.4	4.4	0.0	0.0	11.8
Net financial transactions	0.0	0.0	0.0	0.0	0.0
Other income	4.3	0.0	0.0	-3.3	1.0
Total operating income	60.8	30.7	1.2	-3.3	89.4
Operating expenses					
General administrative expenses	-16.1	-4.5	0.8	3.2	-16.6
Depreciation and amortization	0.0	0.0	-0.8	0.0	-0.8
Other operating expenses	-1.8	-2.6	0.0	0.1	-4.4
Total operating expenses	-17.9	-7.1	0.0	3.2	-21.8
Profit before credit losses	42.9	23.6	1.2	0.0	67.6
Net credit losses	-12.2	-13.3	0.0	0.0	-25.5
Impairment and reversal of fin. assets	0.0	0.0	0.0	0.0	0.0
Profit before tax (EBT)	30.7	10.3	1.2	0.0	42.1
Income taxes	-6.8	-2.1	0.0	0.0	-8.8
Profit for the period	23.9	8.2	1.2	0.0	33.3
Statement of Comprehensive income					
Profit for the period	23.9	8.2	1.2	0.0	33.3
Gross exchange differences	0.0	1.6	0.0	0.0	1.6
Total Comprehensive income, net of tax	23.9	9.9	1.2	0.0	35.0

Note 4 cont.

Group Income statement Jan-Jun 2019

	Sweden	Finland	Other	Adjustments and Elimination	Total
Operating income					
Interest income	138.6	48.2	20.2	-20.0	187.0
Interest expense	-24.2	-10.2	-20.2	20.0	-34.6
Net interest income	114.5	38.0	0.0	0.0	152.5
Fee and commission income	29.1	8.5	0.0	0.0	37.6
Fee and commission expense	-12.1	-1.2	0.0	0.0	-13.3
Net fee and commission income	17.0	7.4	0.0	0.0	24.3
Net financial transactions	0.0	0.0	0.0	0.0	0.0
Other income	8.3	0.0	0.0	-8.2	0.1
Total operating income	139.7	45.4	0.0	-8.2	176.9
Operating expenses					
General administrative expenses	-36.9	-8.2	0.4	5.6	-39.1
Depreciation and amortization	-0.1	-0.1	-2.2	0.1	-2.3
Other operating expenses	-6.8	-2.0	0.0	0.1	-8.7
Total operating expenses	-43.8	-10.2	-1.8	5.8	-50.1
Profit before credit losses	95.9	35.1	-1.8	-2.4	126.8
Net credit losses	-42.3	-14.0	0.0	0.0	-56.3
Impairment and reversal of fin. assets	0.0	0.0	-1.2	0.0	-1.2
Profit before tax (EBT)	53.6	21.2	-3.0	-2.5	69.3
Income taxes	-11.8	-4.2	0.0	0.0	-16.0
Profit for the period	41.9	16.9	-3.0	-2.5	53.3
Statement of Comprehensive income					
Profit for the period	41.9	16.9	-3.0	-2.5	53.3
Gross exchange differences	0.0	0.0	0.0	0.0	0.0
Total Comprehensive income, net of tax	41.9	16.9	-3.0	-2.5	53.3

Note 4 cont.

Group Income statement Jan-Jun 2018	Sweden	Finland	Other	Adjustments and Elimination	Total
Operating income					
Interest income	125.6	63.7	1.2	-1.2	189.2
Interest expense	-29.1	-13.0	-0.1	1.2	-40.9
Net interest income	96.5	50.7	1.1	0.0	148.3
Fee and commission income	20.9	12.4	0.0	0.0	33.4
Fee and commission expense	-6.9	-2.1	0.0	0.0	-9.1
Net fee and commission income	14.0	10.3	0.0	0.0	24.3
Net financial transactions	0.0	0.0	0.0	0.0	0.0
Other income	4.7	0.0	0.0	-3.7	1.1
Total operating income	115.2	60.9	1.1	-3.7	173.6
Operating expenses					
General administrative expenses	-25.2	-9.3	1.6	3.6	-29.4
Depreciation and amortization	0.0	-0.1	-1.6	0.0	-1.7
Other operating expenses	-3.7	-4.8	0.0	0.1	-8.5
Total operating expenses	-29.0	-14.2	0.0	3.7	-39.6
Profit before credit losses	86.2	46.7	1.1	0.0	134.1
Net credit losses	-22.5	-22.7	0.0	0.0	-45.2
Impairment and reversal of fin. assets	0.0	0.0	0.0	0.0	0.0
Profit before tax (EBT)	63.7	24.1	1.1	0.0	88.9
Income taxes	-14.0	-4.8	0.0	0.0	-18.8
Profit for the period	49.7	19.2	1.1	0.0	70.0
Statement of Comprehensive income					
Profit for the period	49.7	19.2	1.1	0.0	70.0
Gross exchange differences	0.0	2.4	0.0	0.0	2.4
Total Comprehensive income, net of tax	49.7	21.6	1.1	0.0	72.4

Note 4 cont.

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

Note 5 - Interest income

Group	Q2	Q2	Jan-Jun	Jan-Jun	Jan-Dec
Amounts in SEK million	2019	2018	2019	2018	2018
Interest income from lending to the public	102.6	97.9	186.9	189.2	369.7
Other interest income	0.2	0.0	0.2	0.0	0.0
Total interest income	102.8	97.9	187.0	189.2	369.7

Note 6 - Interest expense

Group	Q2	Q2	Jan-Jun	Jan-Jun	Jan-Dec
Amounts in SEK million	2019	2018	2019	2018	2018
Interest expense, Credit institutions	-7.4	-21.2	-14.3	-40.7	-65.5
Interest expense, Bonds	-10.0	0.0	-20.0	0.0	-13.0
Other financial expense	-0.2	-0.1	-0.3	-0.2	-0.3
Total interest expense	-17.6	-21.3	-34.6	-40.9	-78.9

Note 7 - Net fee and commission income

Group	Q2	Q2	Jan-Jun	Jan-Jun	Jan-Dec
Amounts in SEK million	2019	2018	2019	2018	2018
<i>Fee and commission income</i>					
Insurance provisions	4.6	2.9	8.6	5.0	13.2
Other commission and fees	15.0	14.1	29.0	28.3	51.9
Total commission income	19.6	16.9	37.6	33.4	65.0
<i>Fee and commission expense</i>					
Insurance expense	-2.5	-1.5	-5.1	-2.6	-6.8
Other expenses	-3.6	-3.7	-8.2	-6.5	-18.4
Total commission expense	-6.2	-5.1	-13.3	-9.1	-25.1
Net fee and commission income	13.4	11.8	24.3	24.3	39.9

Note 8 - Net credit losses

Group	Q2	Q2	Jan-Jun	Jan-Jun	Full year
Amounts in SEK million	2019	2018	2019	2018	2018
<i>Net credit losses according to IFRS 9</i>					
Change in provision for ECL, stage 1	-2.5	0.0	-1.9	0.0	0.0
Change in provision for ECL, stage 2	2.5	0.0	-1.7	0.0	0.0
Change in provision for ECL, stage 3	1.0	0.0	0.6	0.0	0.0
Total change in provision for ECL, stage 1-3	1.0	0.0	-3.0	0.0	0.0
Realised credit losses	-26.7	0.0	-53.3	0.0	0.0
Net credit losses	-25.8	0.0	-56.3	0.0	0.0
<i>Net credit losses according to K3</i>					
Provision for expected loan losses		0.0		0.0	-21.5
Realised credit losses		-25.5		-45.2	-87.8
Net credit losses		-25.5		-45.2	-109.2

Note 9 - Impairment and reversal of fin. assets

Northmill Group AB (publ) holding in iCell AB, which was recognized to a value of SEK 1.2 m, has been impairment tested during the year. Our assessment and estimation has lead to a write down of the holding to SEK 0 m.

Note 10 - Lending to the public

Group	30 Jun 2019	31 Dec 2018	30 Jun 2018	1 Jan 2018
Amounts in SEK million				
Total lending to the public	879.5	766.1	460.3	370.5
<i>Lending to the public</i>				
Stage 1, gross	702.7	0.0	0.0	0.0
Stage 2, gross	157.4	0.0	0.0	0.0
Stage 3, gross	19.3	0.0	0.0	0.0
Total lending to the public, gross	879.5	766.1	460.3	370.5
<i>Provision for expected credit losses</i>				
Stage 1	-26.5	0.0	0.0	0.0
Stage 2	-15.3	0.0	0.0	0.0
Stage 3	-1.6	0.0	0.0	0.0
Provisions according to K3	0.0	-21.5	0.0	0.0
Total provision for expected credit losses	-43.3	-21.5	0.0	0.0
<i>Lending to the public</i>				
Stage 1, net	676.2	0.0	0.0	0.0
Stage 2, net	142.2	0.0	0.0	0.0
Stage 3, net	17.8	0.0	0.0	0.0
Total lending to the public, net	836.2	744.6	460.3	370.5

Change in provision for expected credit losses (ECL)

Group	30 Jun 2019	1 Jan 2019
Amounts in SEK million		
Opening balance	-40.3	-21.5
Transition impact of implementation of IFRS 9	0.0	-18.9
Opening balance according to IFRS 9	-40.3	-40.3
Change in provision for ECL in stage 1	-1.9	0.0
Change in provision for ECL in stage 2	-1.7	0.0
Change in provision for ECL in stage 3	0.6	0.0
Closing balance	-43.3	-40.3

Note 10 cont.

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

Group	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Amounts in SEK million				
Lending to the public, gross, opening balance 1 January 2019	629.6	118.2	18.3	766.1
New assets originated during period	232.7	27.1	3.0	262.8
Change in existing assets during period	-28.1	2.1	1.4	-24.6
Transfers from stage 1	-108.3	97.2	11.1	0.0
Transfers from stage 2	24.1	-28.1	3.9	0.0
Transfers from stage 3	1.3	0.9	-2.2	0.0
Financial assets sold during the year	-47.2	-61.0	-16.5	-124.7
Lending to the public, gross, closing balance 30 June 2019	704.0	156.4	19.2	879.5
Provision for ECL, opening balance 1 January 2019	-24.6	-13.6	-2.1	-40.3
New assets originated during period	-8.3	-1.8	-0.2	-10.3
Change in existing assets during period	4.4	-6.5	-0.5	-2.6
Transfers from stage 1	3.5	-3.1	-0.4	0.0
Transfers from stage 2	-3.0	3.4	-0.4	0.0
Transfers from stage 3	-0.1	-0.1	0.2	0.0
Financial assets sold during the year	1.6	6.5	1.9	10.0
Provision for ECL, closing balance 30 June 2019	-26.5	-15.3	-1.6	-43.3

Sensitivity analysis of ECL-model

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

Sensitivity analysis	+ / -	ECL change (%)
Threshold increase	+100%	-4.18%
Threshold decrease	- 50%	5.45%

Note 11 - Financial assets and liabilities

Classification of financial assets and liabilities into valuation categories

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

Group 30 Jun 2019

Amounts in SEK million	Amortized cost	Non-financial assets and liabilities	Total	Fair value
Assets				
Financial assets	0.0	0.0	0.0	0.0
Lending to the public	836.2	0.0	836.2	836.2
Other receivables	6.8	19.6	26.4	26.4
Accruals and prepaid expenses	0.0	9.2	9.2	9.2
Cash and equivalents	175.6	0.0	175.6	175.6
Total financial assets	1018.5	28.8	1047.3	1047.3
Liabilities				
Bonds	480.5	0.0	480.5	475.7
Liabilities to credit institutions	183.3	0.0	183.3	183.3
Other liabilities	8.2	0.0	8.2	8.2
Payables	6.6	0.0	6.6	6.6
Total financial liabilities	678.5	0.0	678.5	673.7

Group 31 Dec 2018

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

Note 11 cont.

Group 30 Jun 2018

Amounts in SEK million	Available for-sale financial assets	Non-financial assets and liabilities	Other financial assets and liabilities	Total
Assets				
Financial assets	1.2	0.0	0.0	1.2
Lending to the public	0.0	460.3	0.0	460.3
Other receivables	9.2	12.5	0.0	21.7
Accruals and prepaid expenses	0.0	8.8	0.0	8.8
Cash and equivalents	0.0	111.5	0.0	111.5
Total financial assets	10.4	593.2	0.0	603.6
Liabilities				
Liabilities to credit institutions	0.0	0.0	267.8	267.8
Other liabilities	0.0	0.0	10.9	10.9
Payables	0.0	0.0	4.6	4.6
Total financial liabilities	0.0	0.0	283.4	283.4

Group 1 Jan 2018

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

Note 11 cont.

Parent 30 Jun 2019	Financial instruments at fair value through P/L - Initially measured at fair value through P/L	Amortized cost	Non-financial assets and liabilities	Total
Amounts in SEK million				
Assets				
Financial assets	0.2	0.0	0.0	0.2
Other receivables	0.0	0.0	500.0	500.0
Cash and equivalents	0.0	18.1	0.0	18.1
Total financial assets	0.2	18.1	500.0	518.3
Liabilities				
Bonds	0.0	480.5	0.0	480.5
Accruals and deferred income	0.0	2.9	0.0	2.9
Total financial liabilities	0.0	483.4	0.0	483.4

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

Note 11 cont.

Parent 30 Jun 2018	Financial instruments at fair value through P/L - Designated at initial recognition				Available for-sale financial assets	Loans and receivables	Other financial assets and liabilities	Total
Amounts in SEK million								
Assets								
Financial assets	0.2		1.2		0.0		0.0	1.4
Other receivables	0.0		0.0		50.0		0.0	50.0
Cash and equivalents	0.0		0.0		1.9		0.0	1.9
Total financial assets	0.2		1.2		51.9		0.0	53.3
Liabilities								
Other current liabilities	0.0		0.0		0.0		0.0	0.0
Total financial liabilities	0.0		0.0		0.0		0.0	0.0

Note 12 - Bonds

Group and Parent

Amounts in SEK million	30 Jun 2019	31 Dec 2018	30 Jun 2018	1 Jan 2018
Issued bond (ISIN SE0011614973)	480.5	491.1	0.0	0.0
Total	480.5	491.1	0.0	0.0

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

As per 2019-06-30, Northmill Group AB (publ) owns SEK 12.3 m of its issued bonds. The holding is netted towards the liability.

Note 13 - Significant events after the end of the financial period

Northmill implemented the internal audit function during Q3 in order to ensure that all parts according to the Governance model is fully in place and that the independent evaluation of the risk management framework and internal control is operational supporting the future growth of Northmill Group. The internal Audit function is externally sourced through GrantThornton.



We're going to make a change



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