YEAR-END REPORT

Q1 Q2 Q3 Q4

JANUARY - DECEMBER 2019

Interim Report

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

January – December 2019

Q4 2019 (Compared with Q4 2018)

- Net interest income increased by 18.5% to SEK 82.0 million (69.1)
- Operating income increased by 25.0% to SEK 95.6 million (76.4)
- Profit before tax (EBT) decreased by 3.8% to SEK 20.0 million (20.8)

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

- Net interest income increased by 6.8% to SEK 310.7 million (290.8)
- Operating income increased by 7.5% to SEK 356.8 million (331.9)
- Profit before tax decreased by 13.7% to SEK 118.7 million (137.6)
- Cost/income ratio increased to 0.32 (0.26)
- The return on equity was 26.8%

NET INTEREST INCOME	SEK 310.7 MILLION +6.8%
OPERATING INCOME	SEK 356.8 MILLION +7.5%
PROFIT BEFORE TAX (EBT)	SEK 118.7 MILLION -13.7%
COST/INCOME RATIO	0.32
RET. ON EQUITY	26.8%

For more detailed information about Northmills operations in terms of market presence and product offer, please see the latest annual report, available at www.northmill.com.

CEO's comments

The fourth quarter has been dedicated to secure all the necessary functions and competencies for the banking operations as well as setting out the risk management strategy to ensure long term compliance in all processes. The Group has made several important investments in the organization with an emphasis on the areas of IT, analytics and product development. This has enabled us to remain focused and continue to deliver on our portfolio strategy. It has also laid the foundation for increased internal efficiency while growing the organization. The investments have provided a solid foundation for 2020 and fueled our quest to develop smart banking products centered around the customers' needs.

The optimized funding source to drive increased operational capacity
The Swedish banking license has given us the opportunity to optimize several parts of our business, with the source of funding being a natural starting point. After the end of the quarter, we started offering deposits to the public with our first savings account product Rebilla Reserve. Public deposits will help us broaden our customer offering and enable us to diversify and significantly lower our funding cost, which in turn will allow us to continue to invest across all functions of our business and focus on efficiency improvements.

Long-term growth remains a priority
During the quarter we increased the credit portfolio to SEK 1 476 million which is an increase of 13 percent compared to the third quarter. The growth has mainly been driven by the Swedish market. In Finland, the growth was flat for the quarter, mainly affected by the new legislation that came into effect on the first of September 2019 which, in short, meant that an interest rate cap of twenty percent was introduced. This, in turn, had an effect on the profitability of the Finnish operations. Despite a slight slowdown in the fourth quarter, we are confident in our ability to create profitable growth going forward.
Profit before tax (EBT) amounted to SEK 20 million in the fourth quarter which is in line with the same quarter last year.

A broadened product portfolio and a peek into Europe
The Group's product portfolio has been strengthened by the investments in the IT and product development and continued to grow during the fourth quarter. To meet the increased demand of a growing customer base and stay competitive, we intend to keep the high pace in which we introduce new products and features to the market.

Our newest brand Rebilla, with several products and features like the Rebilla Card under its umbrella, has shown promising growth during the quarter. Rebilla continues to be an exciting part of the bank's future growth and remains a significant focus area for us moving forward. The Group is also pursuing the new market strategy and in line with this, we established a dedicated New Markets Team during the quarter with the responsibility to lead the work and keep investigating the opportunities.

We are proud that the Group's insurance business showed rapid revenue growth also in the fourth quarter, with an increase of 55 percent compared to the same quarter previous year. We managed to reach our ambitious aim of having 25 000 insurance customers at the end of 2019. In practice, this means that many more customers recognize the benefits of extra safety and security thanks to our insurance products.

The important investments provide a healthy foundation for 2020

2019 has been a year when considerable and important investments were made to adapt and prepare for the next phase of our fantastic journey. It is very promising to see that we continue to attract amazing talent and we have done several key recruitments throughout 2019, as well as during the fourth quarter. When we entered 2019 we were ninety Northmillians, when we leave 2019 that number is up to over 130.

So lastly, I want to thank all the Northmillians for their fantastic and relentless contribution during 2019. We feel excited and humble about what is ahead of us and together we will nurture the strong challenger culture and continue to develop smarter banking products centered around the customer’s needs.

Hikmet Ego

Hikmet Ego, CEO and Co-founder

The Group's Development

Full year 2019 (Compared to full year 2018)

Operating income

Group's operating income increased by 7.5 percent to SEK 356.8 million (331.9) for the full year. The Swedish operating income increased by 29.7 percent to SEK 289.1 million (223.0) and the Finnish operating income decreased by 23.8 percent totalling SEK 87.2 million (114.4). The decrease was mainly due to lower interest income as a result of lower lending volumes in Finland.

Interest income

Interest income increased with 4.6 percent to SEK 386.5 million (369.7). The lower growth rate than previous years is attributed to the ongoing transformation of the Group's product portfolio with multiple new launches, where the income generating portfolio is gradually built up.

Interest expenses

The Group's interest expenses decreased by 3.9 percent to SEK 75.8 million (78.9). The decrease is attributed to better funding terms.

Net fee and commission income

Net fee and commission amounted to SEK 40.6 million (39.9). Fees related to loan products in Finland have decreased and commission associated with the insurance products have increased explaining the 1.7 percent growth rate.

Operating expenses

Total operating expenses for the period increased by 33.7 percent to SEK 113.8 million (85.1). This was in line with expectations and within the long term growth plans of the organization. The cost/income ratio (C/I) increased to 0.32 (0.26).

Credit portfolio

The total credit portfolio amounted SEK 1 476 million, which is an increase of SEK 396 million, or +36.6 percent, since last year. SEK 1 272 million are on-balance loans and SEK 205 million are off-balance loans (loan receivables, not recognized on the balance-sheet, yielding interest income).

Net credit losses

Net credit losses increased by 12.6 percent to SEK 123.0 million (109.2). SEK 109.4 m (87.8) was attributed to realised loan losses and SEK 13.6 m (21.5) was attributed to provisions for expected credit losses.

Profit before tax

Profit before tax decreased by 13.7 percent to SEK 118.7 million (137.6). This is mainly explained by increased costs at a higher pace than the growth of operating income.

Q4 2019 (Compared to Q4 2018)

Operating income

During the fourth quarter, the Group's operating income increased by 25.0 percent to SEK 95.6 million (76.4). The Swedish operating income increased by 56.5 percent to SEK 81.3 million (51.9) and the Finnish operating income decreased by 26.1 percent totalling SEK 19.5 million (26.4).

Interest income as along with fee and commission income in total increased by of 18.2 percent to SEK 102.7 million (86.9). Interest expenses increased by 16.6 percent to SEK 20.7 million (17.8) compared to same period last year.

Operating expenses

Total operating expenses for the period increased by 38.3 percent to SEK 39.4 million (28.5). This was in line with expectations and within the long term growth plans of the organization.

Net credit losses

Net credit losses increased by 33.1 percent to SEK 36.1 million (27.1). SEK 33.6 m (20.2) was attributed to realised loan losses and SEK 2.5 m (6.9) was attributed to provisions for expected credit losses.

Profit before tax

Profit for the period decreased by 3.8 percent to SEK 20.0 million (20.8). This is mainly explained by increased operating expenses.

Cash position

As at 31 December, cash and cash equivalents amounted to SEK 152.6 million (200.7)

Funding

During the quarter the Group increased liabilities from credit institutions with SEK 290 m.

Key ratios

Group

Amounts in SEK million	Q4 2019	Q4 2018	*Change (%)*	Full year 2019	Full year 2018	*Change (%)*
INCOME STATEMENT						
Total operating income	95.6	76.4	*25.0%*	356.8	331.9	*7.5%*
Profit before credit losses	56.2	47.9	*17.1%*	243.0	246.8	*-1.5%*
Profit before tax (EBT)	20.0	20.8	*-3.8%*	118.7	137.6	*-13.7%*
Profit for the period	18.8	20.6	*-8.9%*	95.6	112.8	*-15.3%*
BALANCE SHEET						
Lending to the public	1 218.7	744.6	*63.7%*	1 218.7	744.6	*63.7%*
Cash and equivalents	152.6	200.7	*-24.0%*	152.6	200.7	*-24.0%*
Total assets	1 479.6	974.4	*51.8%*	1 479.6	974.4	*51.8%*
Total Equity	385.7	327.0	*18.0%*	385.7	327.0	*18.0%*
KEY RATIOS						
Return on equity (ROE)[1], %	26.8%	40.7%		26.8%	40.7%	
Equity ratio[2]	26.1%	33.6%		26.1%	33.6%	
C/I ratio[3]	0.41	0.37		0.32	0.26	
Interest coverage ratio[4]	4.25	4.18		4.25	4.18	

1) Profit for the period in relation to average equity. Rolling 12 months.
2) Ratio of Equity to total assets.
3) Total expenses before credit losses divided by operating income.
4) EBITDA less credit losses to interest expenses, Rolling 12 months.

Income statement
Group

Amounts in SEK million	Note	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Operating income	4				
Interest income	5	102.7	86.9	386.5	369.7
Interest expense	6	-20.7	-17.8	-75.8	-78.9
Net interest income		**82.0**	**69.1**	**310.7**	**290.8**
Fee and commission income		18.4	16.2	73.7	65.0
Fee and commission expense		-11.3	-9.0	-33.1	-25.1
Net fee and commission income	7	**7.1**	**7.2**	**40.6**	**39.9**
Net financial transactions		-1.3	0.0	-2.5	0.0
Other income		7.8	0.1	8.1	1.1
Total operating income		**95.6**	**76.4**	**356.8**	**331.9**
Operating expenses					
General administrative expenses		-34.2	-21.3	-92.7	-62.4
Depreciation and amortization		-2.1	-0.6	-4.7	-4.1
Other operating expenses		-3.2	-6.5	-16.3	-18.6
Total operating expenses		**-39.4**	**-28.5**	**-113.8**	**-85.1**
Profit before credit losses		**56.2**	**47.9**	**243.0**	**246.8**
Net credit losses	8	-36.1	-27.1	-123.0	-109.2
Impairment and reversal of fin. assets		-0.1	0.0	-1.3	0.0
Profit before tax (EBT)		**20.0**	**20.8**	**118.7**	**137.6**
Income taxes		-1.2	-0.1	-23.1	-24.8
Profit for the period		**18.8**	**20.6**	**95.6**	**112.8**

Statement of Comprehensive income

	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Profit for the period	**18.8**	**20.6**	**95.6**	**112.8**
Gross exchange differences	-0.9	0.3	0.4	0.5
Total Comprehensive income, net of tax	**17.9**	**20.9**	**96.0**	**113.2**

None of the comprehensive income is attributable to the parent company

Balance sheet
Group

Amounts in SEK million	Note	31 Dec 2019	31 Dec 2018	1 Jan 2018
ASSETS	2,10			
Non-current assets				
Intangible assets		12.7	0.2	0.2
Tangible assets		11.3	13.7	9.2
Financial assets		13.1	1.2	1.2
Non-current assets in total		**37.1**	**15.1**	**10.7**
Current assets				
Lending to the public	9	1 218.7	744.6	370.5
Other receivables		38.3	12.8	22.6
Accruals and prepaid expenses		32.9	1.2	4.7
Cash and equivalents		152.6	200.7	104.7
Current assets in total		**1 442.5**	**959.3**	**502.6**
TOTAL ASSETS		**1 479.6**	**974.4**	**513.2**
EQUITY AND LIABILITIES				
Equity				
Share capital		0.5	0.5	0.5
Share premium reserve		65.0	57.3	57.3
Reserves		0.4	0.7	1.2
Retained profit, incl. profit for the year		319.8	268.5	167.4
Equity in total		**385.7**	**327.0**	**226.5**
Non-current liabilities				
Bonds	11	494.4	491.1	0.0
Liabilities to credit institutions		540.6	93.0	228.9
Other liabilities		0.0	10.1	12.4
Deferred tax liabilities		18.8	13.9	10.2
Current liabilities				
Payables		8.7	4.2	4.3
Current tax liabilities		7.6	16.5	15.0
Other current liabilities		12.7	5.0	3.2
Accrued expenses and deferred income		11.1	13.5	12.8
EQUITY AND LIABILITIES IN TOTAL		**1 479.6**	**974.4**	**513.2**

Cash flow
Group

Amounts in SEK million	Full year 2019	Full year 2018
Operating activities		
Profit before tax	118.7	137.6
Adjustments for items not included in the cash flow		
- Impairment allowance on loans	11.4	21.5
- Depreciation/amortization	4.7	0.7
- Other	2.5	0.1
	137.4	**159.9**
Paid income taxes	-32.6	-23.3
Cash flow from operating activities before changes in working capital	**104.8**	**136.6**
Cash flow from changes in working capital		
Increase (+)/Decrease(-) in operating receivables	-561.0	-382.0
Increase (+)/Decrease(-) in operating liabilities	9.7	2.6
Cash flow from operating activities	**-551.3**	**-379.4**
Investing activities		
Acquisition of intangible fixed assets	-12.8	0.0
Acquisition of tangible fixed assets	-11.9	-2.8
Acquisition of financial assets	-11.9	0.0
Cash flow from investing activities	**-36.5**	**-2.8**
Financing activities		
Change in liabilities to credit institutions	447.6	-140.9
Issued bonds	3.3	491.1
Paid dividend	-15.0	-10.0
Cash flow from financing activities	**435.9**	**340.2**
Cash flow for the period	-47.9	94.5
Cash and cash equivalents at the beginning of the period	200.7	104.7
Exchange differences in cash and cash equivalents	-0.3	1.5
Cash and cash equivalents at the end of the period	**152.6**	**200.7**

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				112.8	**112.8**
Exchange differences in foreign operations				-2.9	**-2.9**
Other comprehensive income for the period			**-0.5**	1.2	**0.7**
					-
Transactions with shareholders					-
Dividend				-10.0	**-10.0**
Closing balance as at 31 Dec 2018	**0.5**	**57.3**	**0.7**	**268.5**	**327.0**

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				95.6	**95.6**
Gross exchange differences		7.7		-11.1	**-3.4**
Other comprehensive income for the period			-0.3	0.7	**0.4**
Transactions with shareholders					
Dividend				-15.0	**-15.0**
Closing balance as at 31 Dec 2019	**0.5**	**65.0**	**0.4**	**319.8**	**385.7**

Income statement
Parent

Amounts in SEK million	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Operating income				
Interest income	10.0	10.2	40.0	15.0
Interest expense	-10.0	-10.1	-40.0	-13.0
Net interest income	**0.0**	**0.1**	**0.0**	**2.0**
Fee and commission income	-	-	-	-
Fee and commission expense	-0.0	0.0	-0.2	-0.1
Net fee and commission income	**0.0**	**0.0**	**-0.2**	**-0.1**
Net financial transactions	0.8	-	0.8	-
Total operating income	**0.7**	**0.1**	**0.6**	**1.8**
Operating expenses				
General administrative expenses	-0.9	-0.9	-3.5	-1.1
Other operating expenses	0.0	-	0.0	-
Total operating expenses	**-0.9**	**-0.9**	**-3.6**	**-1.1**
Profit before credit losses	**-0.2**	**-0.8**	**-3.0**	**0.7**
Impairment and reversal of fin. assets	0.0	0.0	-1.2	-
Profit before tax (EBT)	**-0.2**	**-0.8**	**-4.2**	**0.7**
Income taxes	-	-	-	-
Profit for the period	**-0.2**	**-0.8**	**-4.2**	**0.7**

Balance sheet

Parent

Amounts in SEK million	31 Dec 2019	31 Dec 2018
ASSETS		
Non-current assets	-	
Financial assets	50.1	1.4
Non-current assets in total	**50.1**	**1.4**
Current assets		
Other receivables	450.0	500.0
Cash and equivalents	30.5	45.6
Current assets in total	**480.5**	**545.6**
TOTAL ASSETS	**530.6**	**547.0**
EQUITY AND LIABILITIES		
Equity		
Share capital	0.5	0.5
Share premium reserve	57.3	57.3
Retained profit, incl. profit for the year	-24.2	-5.0
Equity in total	**33.6**	**52.8**
Non-current liabilities		
Bonds	494.4	491.1
Current liabilities		
Other current liabilities	-	0.0
Accrued expenses and deferred income	2.5	3.1
EQUITY AND LIABILITIES IN TOTAL	**530.6**	**547.0**

Cash flow

Parent

Amounts in SEK million	Full year 2019	Full year 2018
Operating activities		
Profit before tax	-4.2	0.7
Adjustments for items not included in the cash flow		
- Depreciation/amortization	0.0	-
		0.7
Paid income taxes	0.0	0.0
Cash flow from operating activities before changes in working capital	**-4.2**	**0.7**
Cash flow from changes in working capital		
Increase (+)/Decrease(-) in operating receivables	50.0	-442.8
Increase (+)/Decrease(-) in operating liabilities	-0.6	3.1
Cash flow from operating activities	**49.4**	**-439.7**
Investing activities		
Acquisition of financial assets	-48.7	0.0
Cash flow from investing activities	**-48.7**	**0.0**
Financing activities		
Issued bonds	3.3	491.1
Paid dividend	-15.0	-10.0
Cash flow from financing activities	**-11.7**	481.1
Cash flow for the period	**-15.2**	**42.1**
Cash and cash equivalents at the beginning of the period	**45.6**	**3.5**
Cash and cash equivalents at the end of the period	**30.5**	**45.6**

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			0.7	**0.7**
Transactions with shareholders				
Dividend			-10.0	**-10.0**
Closing balance as at 31 Dec 2018	**0.5**	**57.3**	**-5.0**	**52.8**

Amounts in SEK million	Share capital	Share premium	Retained profit, incl. Profit for the period	Total
Opening balance as at 1 Jan 2019	**0.5**	**57.3**	**-5.0**	**52.8**
Profit for the year			-4.2	-4.2
Transactions with shareholders				
Dividend			-15.0	-15.0
Closing balance as at 30 Dec 2019	**0.5**	**57.3**	**-24.2**	**33.6**

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, 31 December 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

IFRS 9

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).

IFRS 16

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.

Information according to IAS 34 Interim Financial Reporting can be found in notes as well as in other places in the quarterly report.

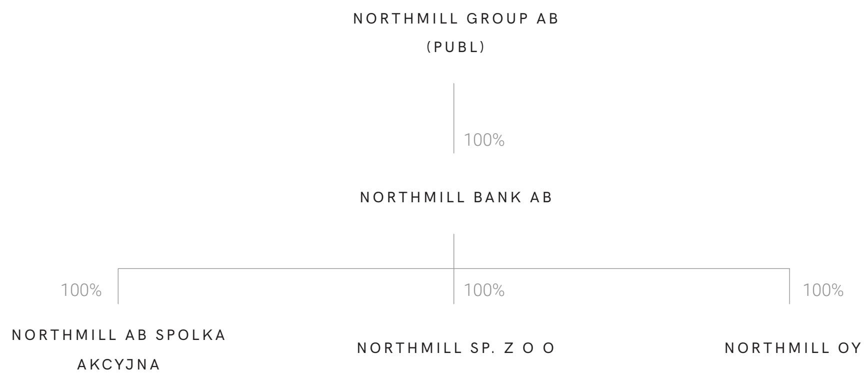
Below accounting principles have been applied consistently to all reporting periods presented in these consolidated financial statements, except for accounting principles for financial instruments, where Northmill has, in accordance with exception in IFRS 1, applied previously applied principles (K3)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

Group consolidation principles

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

Subsidiaries

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



Note 1 cont.

Group accounting principles

Foreign currency translation

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

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

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

Balance sheet items

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

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

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

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

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

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

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

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

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

Note 1 cont.

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

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

The Group also provides information regarding the fair value of certain assets for information purposes. A table for this is shown in Note 10.

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

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

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

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

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

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

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

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

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

Note 1 cont.

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

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

Intangible assets

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

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

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

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

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

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

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

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

The following useful life periods are applied:

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

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

Note 1 cont.

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

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

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

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

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

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

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

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

Note 1 cont.

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

Parent company's accounting principles

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

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

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

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

Important estimations and assumptions for accounting purposes

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

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

Note 2 - Risk management

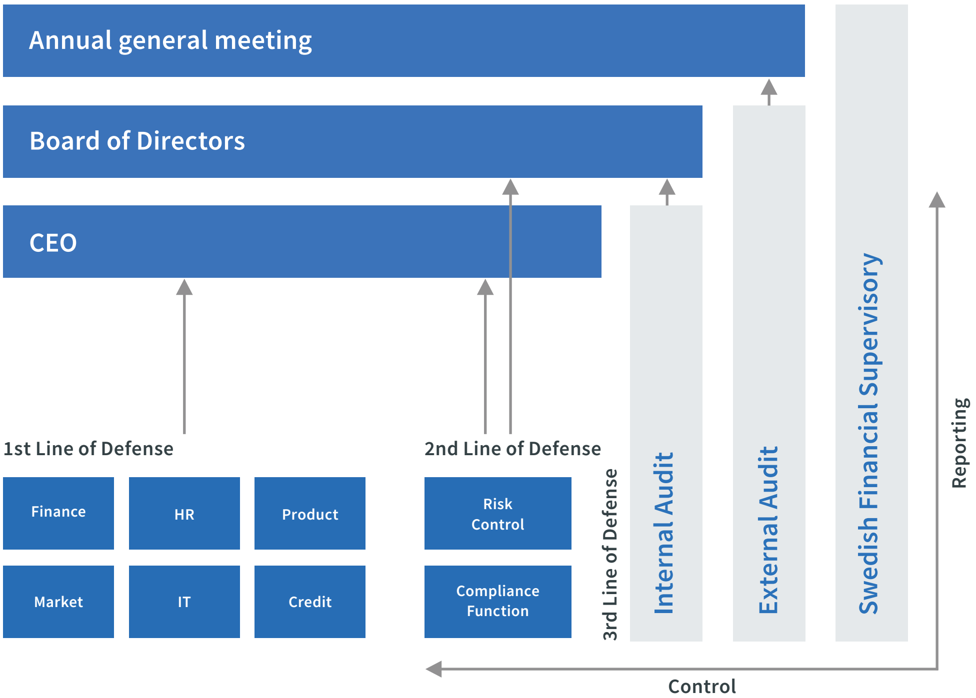
General

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

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

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

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



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

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

Note 2 cont.

The Q4 2019 results of the Group's capital adequacy can be found in The Pillar 3 report, available at www.northmill.com.

Credit risk

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

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

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

The Group's credit approval process maintains high standards regarding ethics, quality and control. Despite credit risk being the largest risk exposure for the Group, the provision for credit losses is small in proportion to the outstanding loan volume (see Note 9). 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 lending to the public consist 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	31 Dec 2019	31 Dec 2018	1 Jan 2018
Lending to the public, gross	1 272.4	766.1	370.5
Allowance for credit losses	-53.7	-21.5	0.0
Lending to the public, net carrying amount	**1 218.7**	**744.6**	**370.5**

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

Credit risk concentrations

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

Amounts in SEK million	Stage 1	Stage 2	Stage 3	Total
Per region				
Sweden	932.4	171.9	43.4	**1 147.8**
Finland	111.9	12.2	0.5	**124.7**
Total	**1 044.4**	**184.1**	**43.9**	**1 272.4**
Before due and per days past due				
Before due	924.7	0.0	0.0	**924.7**
< 30 days	119.6	113.4	0.0	**233.0**
31-60 days	0.0	55.5	0.0	**55.5**
61-90 days	0.0	15.3	0.0	**15.3**
> 90 days	0.0	0.0	43.9	**43.9**
Total	**1 044.4**	**184.1**	**43.9**	**1 272.4**

Note 2 cont.

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	
Cash and cash equivalents	31 Dec 2019	31 Dec 2018	1 Jan 2018	31 Dec 2019	31 Dec 2018
A-1+	43.7	50.1	38.7	1.8	1.8
A-1	101.3	147.0	62.6	28.7	43.8
A-2	1.6	3.6	-	-	-
Unrated	6.0	-	3.3	-	-
Total cash and cash equivalents	**152.6**	**200.7**	**104.7**	**30.5**	**45.6**
Other assets					
A-1+	13.9	-	-	-	-
A-1	-	-	-	-	-
A-2	-	-	-	-	-
Unrated	-	-	-	-	-
Total other assets	**13.9**	**-**	**-**	**-**	**-**
Total	**166.5**	**200.7**	**104.7**	**30.5**	**45.6**

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

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. Currency risk involves the following currencies EUR and PLN.

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 Group uses forward contracts for EUR for the purpose of hedging the currency risk.

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

Interest rate risk

Interest rate risk is the risk of changes in the value in interest-bearing assets and liabilities or future cash flows, as a result of changes in market interest rates. The Group's assets and liabilities are financed at a variable rate, which reduces interest rate risk for the company. On 31 December 2019, a decrease in market interest of 2 percentage points would have decreased the value of interest bearing assets and liabilities, including derivatives, by SEK 3.3 million.

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 75 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
31 Dec 2019

Amounts in SEK million	< 1 year	1-2 years	2-5 years	> 5 years
Assets				
Lending to the public	889.4	470.7	606.8	149.6
Cash and equivalents	152.6	0.0	0.0	0.0
Total	**1 042.0**	**470.7**	**606.8**	**149.6**
Liabilities				
Bonds	40.8	524.9	0.0	0.0
Liabilities to credit institutions	552.0	2.6	0.0	0.0
Total	**592.7**	**527.5**	**0.0**	**0.0**

Group
31 Dec 2018

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

Note 2 cont.

Group
1 Jan 2018

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

Note 2 cont.

Operational risk

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

Business risk

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

Financing risks

The Group is externally financed through issued bonds. The bond matures September 3, 2021. In addition, there is liabilities to credit institutions and other liabilities. 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 deprecations 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 Amounts in SEK million	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
Financial assets					
Financial assets	Other financial assets	Amortized cost	1.2	0.0	1.2
Lending to the public	Lending and other receivables	Amortized cost	744.6	-18.9	725.8
Other receivables	Lending and other receivables	Amortized cost	12.8	0.0	12.8
Accruals and prepaid expenses	Other financial assets	Amortized cost	1.2	0.0	1.2
Cash and equivalents	Lending and other receivables	Amortized cost	200.7	0.0	200.7
Financial assets in total			**960.6**	**-18.9**	**941.7**
Equity					
Share capital			0.5	0.0	0.5
Share premium reserve			57.3	0.0	57.3
Reserves			0.7	0.0	0.7
Retained profit			155.8	-18.9	136.9
Profit for the year			112.9	0.0	112.9
Equity in total			**327.2**	**-18.9**	**308.3**
Financial liabilities					
Bonds	Other financial liabilities	Amortized cost	491.1	**0.0**	491.1
Liabilities to credit institutions	Other financial liabilities	Amortized cost	93.0	**0.0**	93.0
Other liabilities	Other financial liabilities	Amortized cost	0.0	**0.0**	0.0
Deferred tax liabilities	Other financial liabilities	Amortized cost	13.9	**0.0**	13.9
Payables	Other financial liabilities	Amortized cost	4.2	**0.0**	4.2
Current tax liabilities	Other financial liabilities	Amortized cost	16.5	**0.0**	16.5
Other current liabilities	Other financial liabilities	Amortized cost	5.0	**0.0**	5.0
Accruals and deferred income	Other financial liabilities	Amortized cost	13.5	**0.0**	13.5
Financial liabilities in total			**637.2**	**0.0**	**637.2**

Note 3 cont.

IFRS 16 Leases

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 Amounts in SEK million	Closing balance 2017-12-31	Transition impact of implementation of IFRS 16	IFRS 16 Opening balance 2018-01-01
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 Amounts in SEK million	Note	K3 Q4 2018	Transition effect	IFRS Q4 2018
Operating income				
Interest income		86.9	0.0	86.9
Interest expense		-17.8	0.0	-17.8
Net interest income		**69.1**	**0.0**	**69.1**
Fee and commission income		16.2	0.0	16.2
Fee and commission expense		-9.0	0.0	-9.0
Net fee and commission income		**7.2**	**0.0**	**7.2**
Net financial transactions		0.0	0.0	0.0
Other income		0.1	0.0	0.1
Total operating income		**76.4**	**0.0**	**76.4**
Operating expenses				
General administrative expenses		-21.3	0.9	-20.4
Depreciation and amortization		-0.6	-0.9	-1.5
Other operating expenses		-6.5	0.0	-6.5
Total operating expenses		**-28.5**	**0.0**	**-28.5**
Profit before credit losses		**47.9**	**0.0**	**47.9**
Net credit losses		-27.1	0.0	-27.1
Impairment and reversal of fin. assets		0.0	0.0	0.0
Profit before tax (EBT)		**20.8**	**0.0**	**20.7**
Income taxes		-0.1	0.0	-0.1
Profit for the period		**20.6**	**0.0**	**20.6**

Statement of Comprehensive income

Profit for the period	**20.6**	**0.0**	**20.6**
Gross exchange differences	0.3	0.0	0.3
Total Comprehensive income, net of tax	**20.9**	**0.0**	**20.9**

None of the comprehensive income is attributable to the parent company

The transition effect seen in the income expense is due to the implementation of IFRS 16 as asset liability that is recognized. The reallocation of SEK 0.9 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 Amounts in SEK million	Note	K3 Jan-Dec 2018	Transition effect	IFRS Jan-Dec 2018
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 Amounts in SEK million	Note	K3 1 Jan 2018	Transition effect	IFRS 1 Jan 2018
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 Amounts in SEK million	Note	K3 31 Dec 2018	Transition effect	IFRS 31 Dec 2018
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 Amounts in SEK million	Note	K3 31 Dec 2018	Transition effect	IFRS 1 Jan 2019
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 Q4 2019	Sweden	Finland	Other	Adjustments and Elimination	Total
Operating income					
Interest income	79.0	25.1	10.0	-11.4	102.7
Interest expense	-16.9	-5.2	-10.0	11.4	-20.7
Net interest income	**62.1**	**19.9**	**0.0**	**0.0**	**82.0**
Fee and commission income	16.6	1.7	0.0	0.0	18.4
Fee and commission expense	-9.1	-2.1	0.0	0.0	-11.3
Net fee and commission income	**7.5**	**-0.4**	**0.0**	**0.0**	**7.1**
Net financial transactions	-2.1	0.0	0.7	0.0	-1.3
Other income	13.8	0.0	0.0	-5.9	7.8
Total operating income	**81.3**	**19.5**	**0.7**	**-5.9**	**95.6**
Operating expenses					
General administrative expenses	-33.8	-5.4	-0.9	5.9	-34.2
Depreciation and amortization	-1.8	-0.3	0.0	0.0	-2.1
Other operating expenses	-2.7	-0.4	0.0	0.0	-3.2
Total operating expenses	**-38.3**	**-6.1**	**-1.0**	**5.9**	**-39.4**
Profit before credit losses	**43.0**	**13.4**	**-0.2**	**0.0**	**56.2**
Net credit losses	-21.9	-14.2	0.0	0.0	-36.1
Impairment and reversal of fin. assets	0.0	0.0	0.0	0.0	-0.1
Profit before tax (EBT)	**21.0**	**-0.8**	**-0.2**	**0.0**	**20.0**
Income taxes	-0.3	-0.9	0.0	0.0	-1.2
Profit for the period	**20.7**	**-1.7**	**-0.2**	**0.0**	**18.8**

Statement of Comprehensive income

	Sweden	Finland	Other	Adjustments and Elimination	Total
Profit for the period	**20.7**	**-1.7**	**-0.2**	**0.0**	**18.8**
Gross exchange differences	-	-0.9	-	-	-0.9
Total Comprehensive income, net of tax	**20.7**	**-2.6**	**-0.2**	**0.0**	**17.9**

Note 4 cont.

Group Income statement Q4 2018	Sweden	Finland	Other	Adjustments and Elimination	Total
Operating income					
Interest income	56.7	30.2	10.2	-10.2	86.9
Interest expense	-12.3	-5.6	-10.1	10.2	-17.8
Net interest income	**44.4**	**24.6**	**0.1**	**0.0**	**69.1**
Fee and commission income	13.5	2.7	0.0	0.0	16.2
Fee and commission expense	-8.0	-1.0	0.0	0.0	-9.0
Net fee and commission income	**5.5**	**1.7**	**0.0**	**0.0**	**7.2**
Net financial transactions	0.0	0.0	0.0	0.0	0.0
Other income	2.0	0.0	0.0	-2.0	0.1
Total operating income	**51.9**	**26.4**	**0.1**	**-2.0**	**76.4**
Operating expenses					
General administrative expenses	-18.7	-3.7	-0.9	2.0	-21.3
Depreciation and amortization	-0.6	0.0	0.0	0.0	-0.6
Other operating expenses	-5.1	-1.4	0.0	0.0	-6.5
Total operating expenses	**-24.4**	**-5.1**	**-0.9**	**2.0**	**-28.5**
Profit before credit losses	**27.5**	**21.2**	**-0.8**	**0.0**	**47.9**
Net credit losses	-18.4	-8.8	0.0	0.0	-27.1
Impairment and reversal of fin. assets	0.0	0.0	0.0	0.0	0.0
Profit before tax (EBT)	**9.1**	**12.5**	**-0.8**	**0.0**	**20.8**
Income taxes	2.4	-2.5	0.0	0.0	-0.1
Profit for the period	**11.5**	**9.9**	**-0.8**	**0.0**	**20.6**

Statement of Comprehensive income

	Sweden	Finland	Other	Adjustments and Elimination	Total
Profit for the period	**11.5**	**9.9**	**-0.8**	**0.0**	**20.6**
Gross exchange differences	0.0	0.3	0.0	0.0	0.3
Total Comprehensive income, net of tax	**11.5**	**10.2**	**-0.8**	**0.0**	**20.9**

Note 4 cont.

Group Income statement Full year 2019	Sweden	Finland	Other	Adjustments and Elimination	Total
Operating income					
Interest income	289.2	101.3	40.0	-44.0	386.5
Interest expense	-57.6	-22.2	-40.0	44.0	-75.8
Net interest income	231.6	79.1	0.0	0.0	310.7
Fee and commission income	61.3	12.5	0.0	0.0	73.7
Fee and commission expense	-28.6	-4.4	-0.2	0.0	-33.1
Net fee and commission income	32.7	8.1	-0.2	0.0	40.6
Net financial transactions	-3.3	0.0	0.7	0.0	-2.5
Other income	28.2	0.0	0.0	-20.2	8.1
Total operating income	289.1	87.2	0.6	-20.2	356.8
Operating expenses					
General administrative expenses	-90.9	-18.4	-3.5	20.2	-92.7
Depreciation and amortization	-4.2	-0.6	0.0	0.0	-4.7
Other operating expenses	-13.3	-3.0	0.0	0.0	-16.3
Total operating expenses	-108.4	-21.9	-3.6	20.2	-113.8
Profit before credit losses	180.7	65.3	-3.0	0.0	243.0
Net credit losses	-88.2	-34.8	0.0	0.0	-123.0
Impairment and reversal of fin. assets	-0.1	0.0	-1.2	0.0	-1.3
Profit before tax (EBT)	92.5	30.4	-4.2	0.0	118.7
Income taxes	-15.6	-7.5	0.0	0.0	-23.1
Profit for the period	76.9	22.9	-4.2	0.0	95.6

Statement of Comprehensive income

	Sweden	Finland	Other	Adjustments and Elimination	Total
Profit for the period	76.9	22.9	-4.2	0.0	95.6
Gross exchange differences	0.0	0.4	0.0	0.0	0.4
Total Comprehensive income, net of tax	76.9	22.9	-4.2	0.0	96.0

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

	Sweden	Finland	Other	Adjustments and Elimination	Total
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 Amounts in SEK million	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Interest income from lending to the public	102.7	86.9	386.5	369.7
Other interest income	0.0	0.0	0.0	0.0
Total interest income	**102.7**	**86.9**	**386.5**	**369.7**

Note 6 - Interest expense

Group Amounts in SEK million	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Interest expense, Credit institutions	-11.1	-7.6	-36.1	-65.5
Interest expense, Bonds	-9.5	-10.1	-39.4	-13.0
Other financial expense	-0.1	-0.1	-0.3	-0.3
Total interest expense	**-20.7**	**-17.8**	**-75.8**	**-78.9**

Note 7 - Net fee and commission income

Group Amounts in SEK million	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Fee and commission income				
Insurance provisions received	7.3	4.5	24.7	13.2
Other commission and fees	11.1	11.8	49.0	51.9
Total commission income	**18.4**	**16.2**	**73.7**	**65.0**
Fee and commission expense				
Insurance provisions paid	-3.0	-2.1	-10.8	-6.8
Other expenses	-8.3	-7.0	-22.3	-18.4
Total commission expense	**-11.3**	**-9.0**	**-33.1**	**-25.1**
Net fee and commission income	**7.1**	**7.2**	**40.6**	**39.9**

Note 8 - Net credit losses

Group Amounts in SEK million	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Net credit losses accordring to IFRS 9				
Change in provision for ECL, stage 1	-4.8	0.0	-6.3	0.0
Change in provision for ECL, stage 2	4.4	0.0	-3.9	0.0
Change in provision for ECL, stage 3	-2.0	0.0	-3.3	0.0
Total change in provision for ECL, stage 1-3	**-2.5**	**0.0**	**-13.6**	**0.0**
Realised credit losses	-33.6	0.0	-109.4	0.0
Net credit losses	**-36.1**	**0.0**	**-123.0**	**0.0**
Net credit losses according to K3				
Provision for expected loan losses		-6.9		-21.5
Realised credit losses		-20.2		-87.8
Net credit losses		**-27.1**		**-109.2**

Note 9 - Lending to the public

Group

Amounts in SEK million	31 Dec 2019	31 Dec 2018	1 Jan 2018
Total lending to the public	**1 272.4**	**766.1**	**370.5**
Lending to the public			
Stage 1, gross	1 044.4	0.0	0.0
Stage 2, gross	184.1	0.0	0.0
Stage 3, gross	43.9	0.0	0.0
Total lending to the public, gross	**1 272.4**	**766.1**	**370.5**
Provision for expected credit losses			
Stage 1	-30.8	0.0	0.0
Stage 2	-17.5	0.0	0.0
Stage 3	-5.4	0.0	0.0
Provisions according to K3	0.0	-21.5	0.0
Total provision for expected credit losses	**-53.7**	**-21.5**	**0.0**
Lending to the public			
Stage 1, net	1 013.6	0.0	0.0
Stage 2, net	166.6	0.0	0.0
Stage 3, net	38.5	0.0	0.0
Total lending to the public, net	**1 218.7**	**744.6**	**370.5**

Change in provision for expected credit losses (ECL)

Group

Amounts in SEK million	31 Dec 2019	1 Jan 2019
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	-6.2	0.0
Change in provision for ECL in stage 2	-3.9	0.0
Change in provision for ECL in stage 3	-3.3	0.0
Closing balance	**-53.7**	**-40.3**

Note 9 cont.

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

Group

Amounts in SEK million	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Lending to the public, gross, opening balance 1 January 2019	**629.6**	**118.2**	**18.3**	**766.1**
New assets originated during period	606.4	74.1	17.4	**697.8**
Change in existing assets during period	-27.8	10.9	5.1	**-11.8**
Transfers from stage 1	-89.2	72.5	16.8	**0.0**
Transfers from stage 2	21.2	-24.4	3.1	**0.0**
Transfers from stage 3	0.8	0.5	-1.3	**0.0**
Financial assets sold during the year	-96.6	-67.7	-15.5	**-179.7**
Lending to the public, gross, closing balance 31 December 2019	**1044.4**	**184.1**	**43.9**	**1272.4**
Provision for ECL, opening balance 1 January 2019	**-24.6**	**-13.6**	**-2.1**	**-40.3**
New assets originated during period	-19.0	-6.6	-2.2	**-27.7**
Change in existing assets during period	8.8	-5.6	-2.1	**1.2**
Transfers from stage 1	3.2	-2.5	-0.7	**0.0**
Transfers from stage 2	-2.8	3.1	-0.4	**0.0**
Transfers from stage 3	-0.1	-0.1	0.2	**0.0**
Financial assets sold during the year	3.7	7.6	1.8	**13.1**
Provision for ECL, closing balance 31 December 2019	**-30.8**	**-17.5**	**-5.4**	**-53.7**

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, 2019-12-31	+ / -	ECL change (%)
Threshold increase	+100%	-4.90%
Threshold decrease	- 50%	2.43%

Note 10 - Financial assets and liabilities

Classification of financial assets and liabilities into valuation categories

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

Group
31 Dec 2019

Amounts in SEK million	Amortized cost	Non-financial assets and libilities	Total	Fair value
Assets				
Financial assets	13.9	0.0	13.9	13.9
Lending to the public	1 218.7	0.0	1 218.7	1 218.7
Other receivables	4.4	37.5	41.9	41.9
Accruals and prepaid expenses	32.9	0.0	32.9	32.9
Cash and equivalents	152.6	0.0	152.6	152.6
Total financial assets	**1 422.5**	**37.5**	**1 460.0**	**1 460.0**
Liabilities				
Bonds	494.4	0.0	494.4	516.7
Liabilities to credit institutions	540.6	0.0	540.6	540.6
Other liabilities	0.0	0.0	0.0	0.0
Payables	8.7	0.0	8.7	8.7
Total financial liabilities	**1043.8**	**0.0**	**1043.8**	**1 066.0**

Group
31 Dec 2018

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

Note 10 cont.

Group
1 Jan 2018

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

Note 10 cont.

Parent 31 Dec 2019 Amounts in SEK million	Financial instruments at fair value through P/L - Designated at initial recognition	Amortized cost	Non-financial assets and liabilities	Total
Assets				
Financial assets	50.1	0.0	0.0	50.1
Other receivables	0.0	0.0	450.0	450.0
Cash and equivalents	0.0	30.5	0.0	30.5
Total financial assets	**50.1**	**30.5**	**450.0**	**530.6**
Liabilities				
Bonds	0.0	494.4	0.0	494.4
Accruals and deferred income	0.0	2.5	0.0	2.5
Total financial liabilities	**0.0**	**497.0**	**0.0**	**497.0**

Parent 31 Dec 2018 Amounts in SEK million	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
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 - Bonds

Group and Parent

Amounts in SEK million	31 Dec 2019	31 Dec 2018	1 Jan 2018
Issued bond (ISIN SE0011614973)	494.4	491.1	0.0
Total	**494.4**	**491.1**	**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 2019-12-31, Northmill Group AB (publ) owns SEK 0.0 m of its issued bonds. The holding is netted towards the liability.

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

After the end of the financial period Northmill Bank AB started offering deposits to the public through a savings account which is covered by the state-provided deposit insurance.

northmill

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