

INTERIM REPORT

Q1 Q2 Q3 Q4

JANUARY - JUNE 2020

**northmill
bank**



Interim report January–June 2020

Second quarter 2020 (compared with the second quarter of 2019)

- Total credit portfolio¹ increased by 33 % to SEK 1 441 million (1 083)
- Net interest income decreased by 6 % to SEK 80.6 million (85.6)
- Operating income decreased by 10 % to SEK 89.1 million (98.6)
- Profit before tax (EBT) decreased by 63 % to SEK 17.7 million (48.0)

January - June 2020 (compared with January - June 2019)

- Net interest income increased by 10 % to SEK 168.1 million (153.4)
- Operating income increased by 7 % to SEK 188.8 million (176.9)
- Profit before tax (EBT) decreased by 67 % to SEK 23.4 million (71.9) and Adjusted EBT² decreased by 46 % to SEK 38.8 million
- Cost/income ratio totaled 0.38 (0.27)
- Return on equity was 14.6 % (30.7 %)
- Total capital ratio was 21.3 % in Northmill Bank AB and 19.8 % in the Group
- Common Equity Tier 1 ratio was 21.3 % in Northmill Bank AB and 19.8 % in the Group

Credit portfolio
30 June 2020

SEK 1 441 M (+33%)

Operating income
January – June 2020

SEK 188.8 M (+7%)

Earnings before tax (EBT)
January – June 2020

SEK 23.4 M (-67%)

Cost/Income ratio
January – June 2020

0.38

Return on equity (ROE)
Rolling 12 months

14.6%

Total Capital ratio / CET 1 ratio
30 June 2020

19.8%

¹ Total credit portfolio consists of lending to the public and portfolio of intermediated credits.

² Adjusted for the extra credit loss provision of SEK 15.4 million in the first quarter of 2020.

Words from the CEO

The second quarter of 2020 has been a very special time due to the coronavirus pandemic. How the pandemic will affect the economy still remains uncertain. Yet, preliminary indications imply that the situation is looking brighter than first feared, and during the quarter we have not seen that the pandemic has led to an increase in customers with payment difficulties.

We have gradually started to return to our routines. During the second quarter we deliberately decreased the size of our loan portfolio, and took a more restrictive position regarding our credit granting decisions. In return, this affected our operating income that declined slightly from the previous quarter and amounted to SEK 89.1 million. Our profit before tax amounted to SEK 17.7 million which was SEK 12.0 million higher than the previous quarter. We have a stable position regarding both capital and cash equivalents, and the extra reservation of SEK 15.4 million for future expected credit losses made during the first quarter remains unchanged.

At the end of May, we decided to gradually return to focusing on growing our loan portfolio. Additionally, we chose to reevaluate our multi-brand strategy and launch all future products under the Northmill Bank brand. A natural and strategic decision that will benefit the brand in several ways, seen from both a long- and short-term perspective. This will make our offering more transparent and easier to understand for our customers.

On the first of July, a temporary law came into effect in Finland. In short, it means that the interest rate cap will temporarily be lowered from 20 percent to 10 percent during the last six months of 2020. Meanwhile, we have decided to regroup our Finnish operations, which will help us achieve increased efficiency and obtain better overall performance for the Group.

We look forward to the autumn with humble optimism. Investments in structuring our organization for growth and scalability, increasing efficiency and performance, and maintaining a momentum where we rapidly can bring products to the market, will remain a priority. As an example we see that our efforts within savings with different accounts and competitive interest rates, continue to bear fruit and have been highly appreciated among customers. It has also opened up new exciting opportunities for us, which we will keep exploring and benefit from during the rest of the year.

We believe that there is no contradiction between being profitable and having rapid growth. We have a unique position with an organization, technology and innovation as a tech and product company, and the solvency, stability and security as a traditional player. This is a strong position that brings confidence to scale up further.



Key ratios

Group

Amounts in SEK thousands	Q2 2020	Q2 2019	Change (%)	Jan-jun 2020	Jan-jun 2019	Change (%)	Full year 2019
INCOME STATEMENT							
Total operating income	89 102	98 559	-9.6%	188 763	176 853	6.7%	356 812
Profit before credit losses	51 275	74 838	-31.5%	117 482	129 275	-9.1%	242 806
Profit before tax (EBT)	17 713	47 958	-63.1%	23 372	71 894	-67.5%	118 555
Profit for the period	12 505	37 446	-66.6%	15 677	56 158	-72.1%	95 452
BALANCE SHEET							
Lending to the public	1 229 454	836 203	47.0%	1 229 454	836 203	47.0%	1 218 689
Lending to credit institutions	424 621	175 496	142.0%	424 621	175 496	142.0%	152 571
Total assets	1 965 148	1 071 942	83.3%	1 965 148	1 071 942	83.3%	1 479 640
Deposits from the public	1 016 572	-	-	1 016 572	-	-	-
Total equity	402 563	350 820	14.7%	402 563	350 820	14.7%	386 175
KEY RATIOS							
Return on equity (ROE), %	14.6%	30.7%		14.6%	30.7%		26.8%
Equity ratio, %	20.5%	32.7%		20.5%	32.7%		26.1%
C/I ratio	0.42	0.24		0.42	0.24		0.32
Interest coverage ratio	4.13	4.33		4.13	4.33		4.25
CET1 capital ratio, %	21.3%	-		21.3%	-		22.1%
TIER1 capital ratio, %	21.3%	-		21.3%	-		22.1%
Total capital ratio, %	21.3%	-		21.3%	-		22.1%

Definitions

See separate section with definitions on page 32.

The Group's development

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

January - June 2020 (Compared with January - June 2019)

Operating income

Year to date the Group's operating income increased by 7 percent to SEK 188.8 million (176.9). The Swedish operating income increased by 37 percent to SEK 190.8 million (139.6) and the Finnish operating income decreased by 28 percent totalling SEK 32.8 million (45.4). The increase in operating income was effected by a dividend payout from the Finnish subsidiary of SEK 20.9 million.

Interest income along with fee and commission income in total increased by 10 percent to SEK 246.6 million (224.6). Interest expenses increased by 5 percent to SEK 36.1 million (34.4) compared to same period last year.

Operating expenses

Total operating expenses for the period increased by 50 percent to SEK 71.3 million (47.6). This was in line with expectations and within the long term growth plans of the organization. The cost/income ratio (C/I) increased to 0.38 (0.27).

Credit portfolio

The total credit portfolio amounted SEK 1 441 million, which is an increase of SEK 358 million, or 33 percent, compared to the same period last year. SEK 1 320 million are on-balance loans and SEK 121 million are off-balance loans (loan receivables, not recognized on the balance-sheet, yielding interest income).

Net credit losses

Net credit losses increased by 68 percent to SEK 94.1 million (56.1). SEK 56.7 m (53.2) was attributed to realized loan losses and SEK 37.4 m (3.0) was attributed to

provisions for expected credit losses. Adjusted for the extra credit provision of SEK 15.4 m in the first quarter the net credit losses increased by 40 percent to SEK 78.7 million.

Profit before tax

Profit before tax decreased by 67 percent to SEK 23.4 million (71.9). Decreased profitability is mainly explained by increased costs at a higher pace than the growth of operating income. The Group is strategically reinvesting large parts of its profits in order to build a scalable technology driven banking platform.

Lending to credit institutions

As of 30 June, lending to credit institutions amounted to SEK 424.6 million (175.5)

Funding

The Group increased deposits from the public with SEK 279 million during the quarter. The excess liquidity was used to decrease liabilities from credit institutions by SEK 239 million.

Q2 2020 (Compared with Q2 2019)

Operating income

During the quarter, the Group's operating income decreased by 9.6 percent to SEK 89.1 million (98.6). The Swedish operating income increased by 27 percent to SEK 101.6 million (80.3) and the Finnish operating income decreased by 33 percent totalling SEK 15.3 million (22.9).

Interest income along with fee and commission income in total decreased by of 4 percent to SEK 117.4 million (122.2). Interest expenses decreased by 10 percent to SEK 15.7 million (17.6) compared to the same period last year.

Operating expenses

Total operating expenses for the period increased by 59 percent to SEK 37.8 million (23.7). This was in line with expectations and within the long term growth plans of the organization. The cost/income ratio (C/I) increased to 0.42 (0.24).

Net credit losses

Net credit losses increased by 31 percent to SEK 33.6 million (25.6). SEK 30.5 m (26.6) was attributed to realised loan losses and SEK 3.1 m (-0.9) was attributed to provisions for expected credit losses.

Profit before tax

Profit before tax decreased by 63 percent to SEK 17.7 million (48.0).

Other information

Group operations

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

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

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

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

Significant risks and uncertainty factors

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

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

COVID-19 may have a negative financial impact for Northmill. Although the company as of today does not experience any significant negative consequences, there is a significant risk of changing behavior in private customers that may affect demand on the company’s products as well as reduced ability to pay. It is not yet possible to predict how large and drawn out the macroeconomic consequences of COVID-19 will be neither its impact on Northmill. Given the risk that Northmill may come to be adversely affected, the Board of Directors decided in the first quarter of 2020 on an extra loan loss provision. We closely monitor and analyze the course of events.

Own funds and capital adequacy

The Group’s account of own funds and capital adequacy at the end of Q2 2020 are included in the published Pillar 3 report, which is available on www.northmill.com.

Employees

The average number of full-time employees in the period from January–June 2020 was 132 (FTE), an increase of 43 percent compared

with the corresponding period last year. The number of full-time positions also include temporary employees.

Significant events after the end of the period

On 13th of August, the Company announced that it will redeem all outstanding senior unsecured floating rate bonds with ISIN SE0011614973 maturing on 3 September 2021.

In connection with the redemption, the Bonds will be delisted from Nasdaq Stockholm, Corporate Bond List.

Income statement

Group

Amounts in SEK thousands	Note	Q2 2020	Q2 2019	Jan-Jun 2020	Jan-Jun 2019	Full year 2019
	4					
Interest income according to the effective interest method		96 320	103 103	204 209	187 854	387 597
Interest expense		-15 740	-17 553	-36 127	-34 446	-75 863
Net interest income		80 580	85 550	168 082	153 408	311 734
Fee and commission income		21 071	19 083	42 352	36 673	72 960
Fee and commission expense		-13 789	-6 169	-27 235	-13 313	-33 114
Net fee and commission income		7 281	12 914	15 117	23 360	39 847
Net result from financial transactions		-777	42	873	31	-2 542
Other operating income		2 017	-	4 691	53	7 772
Total operating income		89 102	98 559	188 763	176 853	356 812
General administrative expenses		-30 579	-18 983	-59 561	-37 468	-92 929
Depreciation, amortisation and impairment of tangible and intangible assets		-6 473	-660	-8 142	-1 300	-4 745
Other operating expenses		-775	-4 078	-3 578	-8 810	-16 331
Total operating expenses		-37 828	-23 721	-71 281	-47 577	-114 005
Profit before credit losses		51 275	74 838	117 482	129 275	242 806
Credit losses, net	3	-33 562	-25 648	-94 086	-56 149	-122 972
Impairment and reversal of financial assets		-	-1 232	-24	-1 232	-1 279
Profit before taxes (EBT)		17 713	47 958	23 372	71 894	118 555
Income tax		-5 208	-10 511	-7 695	-15 736	-23 103
Profit for the period		12 505	37 446	15 677	56 158	95 452

Statement of comprehensive income

Group

Amounts in SEK thousands	Q2 2020	Q2 2019	Jan-Jun 2020	Jan-Jun 2019	Full year 2019
Profit for the period	12 505	37 446	15 677	56 158	95 452
Statement of comprehensive income					
Gains and losses on consolidation	74	196	-67	196	-2 969
Total comprehensive income for the year, net of tax	12 579	37 642	15 610	56 354	92 483

Statement of financial position

Group

Amounts in SEK thousands	Note	30 Jun 2020	31 Dec 2019
	3,6,7		
ASSETS			
Lending to credit institutions		424 621	152 571
Lending to the public	5	1 229 454	1 218 689
Bonds and other interest-bearing securities		122 951	13 131
Intangible assets		15 944	12 684
Tangible assets		111 140	11 314
Other assets		25 674	38 308
Prepaid expenses and accrued income		35 364	32 942
TOTAL ASSETS		1 965 148	1 479 640
LIABILITIES			
Liabilities to credit institutions		62 905	540 618
Deposits from the public		1 016 572	-
Issued debt securities		336 487	494 444
Other liabilities		133 935	47 075
Accrued expenses and prepaid income		12 687	11 328
Total liabilities		1 562 586	1 093 465
EQUITY			
Share capital		500	500
Other contributed capital		57 326	57 326
Reserves		12 255	7 347
Retained earnings		316 805	225 549
Profit for the period		15 677	95 452
Total equity		402 563	386 175
TOTAL LIABILITIES AND EQUITY		1 965 148	1 479 640

Statement of changes in equity

Group

Amounts in SEK thousands	Share capital	Other contributed capital	Reserves	Retained earnings	Profit for the period	Total
Opening balance as of 1 Jan 2019	500	57 326	71	156 371	112 487	326 755
Transition impact of the implementation IFRS 9				-18 878		-18 878
Restated opening balance	500	57 326	71	137 493	112 487	307 876
Transfers of previous year's profit				112 487	-112 487	-
Profit for the period					95 452	95 452
Gross exchange differences			2 560	-1 745		815
Reserve for development costs			7 685	-7 685		-
Other comprehensive income for the period			-2 969			-2 969
<i>Transactions with shareholders</i>						
Dividend				-15 000		-15 000
Closing balance as of 31 Dec 2019	500	57 326	7 347	225 549	95 452	386 175
Opening balance as of 1 Jan 2020	500	57 326	7 347	225 549	95 452	386 175
Transfers of previous year's profit				95 452	-95 452	-
Profit for the period					15 677	15 677
Gross exchange differences			428			428
Reserve for development costs			4 547	-4 197		350
Other comprehensive income for the period			-67			-67
Total comprehensive income for the period, net of tax	500	57 326	12 255	316 805	15 677	402 563
Closing balance as of 30 Jun 2020	500	57 326	12 255	316 805	15 677	402 563

Statement of cash flows

Group

Amounts in SEK thousands	Jan-Jun 2020	Jan-Jun 2019	Full year 2019
Operating activities			
Profit before tax	23 372	71 894	118 555
<i>Adjustments for items not included in the cash flow</i>			
- Impairment allowance on loans	37 458	2 978	11 421
- Depreciation/amortization	8 142	1 300	4 745
- Other	-5 543	122	1 385
	63 429	76 295	136 106
Paid income tax	-7 695	-15 736	-27 357
Cash flow from operating activities before changes in working capital	55 734	60 558	108 750
Increase (+)/Decrease(-) in lending to the public	-48 223	-113 415	-504 345
Increase (+)/Decrease(-) in other short-term receivables	10 212	-29 023	-57 448
Increase (+)/Decrease(-) in other short-term liabilities	-9 464	-3 367	-1 291
Cash flow from operating activities	-47 475	-145 806	-563 084
Investing activities			
Investments in intangible assets	-4 727	-6 520	-12 755
Investments in tangible assets	-3 265	-8 030	-6 206
Investments in financial assets	-109 825	1 232	-11 849
Cash flow from investing activities	-117 817	-13 318	-30 809
Financing activities			
Change in liabilities to credit institutions	-477 713	97 806	447 596
Deposits from the public	1 016 572	-	-
Issued securities	-157 958	-10 646	-
Dividend paid to shareholders	0	-15 000	-15 000
Cash flow from financing activities	380 901	72 161	435 930
Cash flow for the period	271 343	-26 405	-49 215
Cash and cash equivalents at the beginning of the period	152 571	200 702	200 702
Exchange difference in cash and cash equivalents	707	1 200	1 084
Cash and cash equivalents at the end of the period	424 621	175 496	152 571
Cash flow from operating activities including interest expenses paid and interest income received			
Interest expenses paid	-31 520	-31 557	-73 194
Interest income received	176 097	164 570	350 740

Income statement

Parent company

Amounts in SEK thousands	Q2 2020	Q2 2019	Jan-Jun 2020	Jan-Jun 2019	Full year 2019
Interest income according to the effective interest method	5 536	10 177	14 636	20 177	40 036
Interest expense	-6 705	-10 002	-16 254	-20 027	-40 027
Net interest income	-1 170	175	-1 619	150	9
Fee and commission expense	-15	-7	-27	-32	-171
Net fee and commission income	-15	-7	-27	-32	-171
Net result from financial transactions	-	-	-	-	750
Total operating income	-1 185	168	-1 646	118	588
General administrative expenses	-1 002	-868	-1 045	-1 772	-3 510
Other operating expenses	0	0	0	0	-44
Total operating expenses	-1 002	-868	-1 045	-1 772	-3 555
Impairment and reversal of financial assets	-	-1 232	-	-1 232	-1 237
Profit before taxes (EBT)	-2 187	-1 932	-2 691	-2 887	-4 204
Income tax	-	-	-	-	-
Profit for the period	-2 187	-1 932	-2 691	-2 887	-4 204

Statement of financial position

Parent company

Amounts in SEK thousands	Note	30 Jun 2020	31 dec 2019
	3, 6		
ASSETS			
Lending to credit institutions		18 293	30 461
Shares and participations in group companies		50 100	50 100
Other shares and participations		-	-
Other assets		300 000	450 005
Prepaid expenses and accrued income		1 431	-
TOTAL ASSETS		369 825	530 566
LIABILITIES			
Issued debt securities		336 487	494 444
Accrued expenses and prepaid income		1 951	2 534
Total liabilities		338 438	496 978
EQUITY			
Share capital		500	500
Share premium reserve		57 326	57 326
Retained earnings		-23 749	-20 035
Profit for the period		-2 691	-4 204
Total equity		31 387	33 587
TOTAL LIABILITIES AND EQUITY		369 825	530 566

Statement of changes in equity

Parent company

Amounts in SEK thousands	Restricted equity			Non-restricted equity		Total
	Share capital	Share premium reserve	Other reserves	Retained earnings	Profit for the period	
Opening balance as of 1 Jan 2019	500	57 326	-	-5 754	719	52 791
Transfers of previous year's profit				719	-719	-
Profit for the period					-4 204	-4 204
<i>Transactions with shareholders</i>						
Dividend				-15 000		-15 000
Closing balance as of 31 Dec 2019	500	57 326	-	-20 035	-4 204	33 587
Opening balance as of 1 Jan 2020	500	57 326	-	-20 035	-4 204	33 587
Transfers of previous year's profit				-4 204	4 204	-
Profit for the period					-2 691	-2 691
<i>Transactions with shareholders</i>						
Dividend				-		-
Other				490		490
Closing balance as of 30 Jun 2020	500	57 326	-	-23 749	-2 691	31 387

Statement of cash flows

Parent company

Amounts in SEK thousands	Jan-Jun 2020	Jan-Jun 2019	Full year 2019
Operating activities			
Profit before tax	-2 691	-2 887	-4 204
Paid income tax	-	-	-
Cash flow from operating activities before changes in working capital	-2 691	-2 887	-4 204
Increase (+)/Decrease(-) in other short-term receivables	148 573	-	49 996
Increase (+)/Decrease(-) in other short-term liabilities	-583	-213	-577
Cash flow from operating activities	147 990	-213	49 418
Investing activities			
Investments in financial assets	-	1 232	-48 718
Cash flow from investing activities	-	-	-48 718
Financing activities			
Issued securities	-157 958	-10 646	3 333
Dividend paid to shareholders	490	-15 000	-15 000
Cash flow from financing activities	-157 467	-25 646	-11 667
Cash flow for the period	-12 168	-27 513	-15 170
Cash and cash equivalents at the beginning of the period	30 461	45 631	45 631
Cash and cash equivalents at the end of the period	18 293	18 118	30 461
Cash flow from operating activities includes interest expenses paid and interest income received			
Interest expenses paid	-14 303	-17 138	-37 493
Interest income received	13 655	20 177	40 036

Notes

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

Note 1 – General Information

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

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

Note 2– Accounting and valuation principles

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

Note 3 – Credit risk

Credit quality of financial assets

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

Amounts in SEK thousands	Group		Parent company	
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
Lending to credit institutions				
A-1+	178 909	43 666	8 755	1 791
A-1	244 440	101 329	9 538	28 670
A-2	1 273	1 618	-	-
Unrated	-	5 956	-	-
Total cash and cash equivalents	424 621	152 571	18 293	30 461
Other assets				
A-1+	78 581	13 899	-	-
Unrated	44 370	-	-	-
Total other assets	122 951	13 899	-	-
Total	547 572	166 469	18 293	30 461

Other assets include derivatives with positive value as well as bonds and interest-bearing securities.

Impairment of financial assets

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

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

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

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

Net credit losses

Group

Amounts in SEK thousands	Q2 2020	Q2 2019	Jan-Jun 2020	Jan-Jun 2019	Full year 2019
Net credit losses according to IFRS 9					
Change in provision for ECL, stage 1	3 553	-2 538	-12 806	-1 883	-6 291
Change in provision for ECL, stage 2	-7 669	2 469	-8 044	-1 660	-3 947
Change in provision for ECL, stage 3	1 029	1 023	-16 486	564	-3 279
Total change in provision for ECL, stage 1-3	-3 088	954	-37 336	-2 978	-13 517
Realised credit losses	-30 474	-26 602	-56 750	-53 171	-109 455
Net credit losses	-33 562	-25 648	-94 086	-56 149	-122 972

Note 4 – Operating segments by geographical area

The CEO has the ultimate responsibility for the decisions being taken by the Group. Management has defined the operating segments based on the information determined by the CEO and used as a basis for 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 Bank AB and its Polish IT-branch which only provides internal IT-services. Finland represents the subsidiary Northmill OY. Other includes the Parent company which only acts as a holding company, providing funding through its issued bonds and paying interest which it in turn invoices to its subsidiaries. The latter is eliminated under Adjustments and Elimination.

Group Income statement

Q2 2020

Amounts in SEK thousands	Sweden	Finland	Other	Adjustment and elimination	Total
Interest income according to the effective interest method	78 689	19 162	5 536	-7 067	96 320
Interest expense	-12 117	-3 985	-6 705	7 067	-15 740
Net interest income	66 573	15 177	-1 170	-	80 580
Dividend received	20 901	-	-	-20 901	-
Fee and commission income	18 613	2 458	-	-	21 071
Fee and commission expense	-11 390	-2 384	-15	-	-13 789
Net fee and commission income	7 223	74	-15	-	7 281
Net result from financial transactions	-777	-	-	-	-777
Other operating income	7 699	-	-	-5 682	2 017
Total operating income	101 618	15 251	-1 185	-26 582	89 102
General administrative expenses	-32 503	-2 755	-1 002	5 682	-30 579
Depreciation, amortisation and impairment of tangible and intangible assets	-6 230	-243	-	-	-6 473
Other operating expenses	-768	-7	-	-	-775
Total operating expenses	-39 501	-3 006	-1 002	5 682	-37 828
Profit before credit losses	62 117	12 245	-2 187	-20 901	51 275
Credit losses, net	-23 123	-10 438	-	-	-33 562
Profit before taxes (EBT)	38 994	1 807	-2 187	-20 901	17 713
Income tax	-3 897	-1 311	-	-	-5 208
Profit for the period	35 097	496	-2 187	-20 901	12 505
Statement of comprehensive income					
Gains and losses on consolidation	-	74	-	-	74
Total comprehensive income for the period, net of tax	35 097	570	-2 187	-20 901	12 579

Group
Income statement
Q2 2019

Amounts in SEK thousands	Sweden	Finland	Other	Adjustment and elimination	Total
Interest income according to the effective interest method	78 955	24 149	10 177	-10 177	103 103
Interest expense	-12 555	-5 172	-10 003	10 177	-17 553
Net interest income	66 400	18 977	174	-	85 550
Fee and commission income	14 617	4 466	-	-	19 083
Fee and commission expense	-5 644	-518	-7	-	-6 169
Net fee and commission income	8 973	3 948	-7	-	12 914
Net result from financial transactions	42	-	-	-	42
Other operating income	4 912	-	32	-4 891	53
Total operating income	80 326	22 925	199	-4 891	98 559
General administrative expenses	-18 614	-4 385	-874	4 891	-18 983
Depreciation, amortisation and impairment of tangible and intangible assets	-620	-40	-	-	-660
Other operating expenses	-3 076	-1 002	-	-	-4 078
Total operating expenses	-22 310	-5 428	-874	4 891	-23 721
Profit before credit losses	58 016	17 497	-675	-	74 838
Credit losses, net	-19 583	-6 065	-	-	-25 648
Impairment and reversal of financial assets	-	-	-1 232	-	-1 232
Profit before taxes (EBT)	38 433	11 432	-1 908	-	47 958
Income tax	-8 225	-2 287	-	-	-10 511
Profit for the period	30 208	9 145	-1 908	-	37 446
Statement of comprehensive income					
Gains and losses on consolidation	-	198	-2	-	196
Total comprehensive income for the period, net of tax	30 208	9 343	-1 910	-	37 642

Group
Income statement

Jan-Jun 2020

Amounts in SEK thousands	Sweden	Finland	Other	Adjustment and elimination	Total
Interest income according to the effective interest method	165 494	41 943	18 943	-22 171	204 209
Interest expense	-28 881	-8 855	-20 562	22 171	-36 127
Net interest income	136 613	33 088	-1 619	-	168 082
Dividend received	20 901	-	-	-20 901	-
Fee and commission income	37 503	4 849	-	-	42 352
Fee and commission expense	-22 070	-5 138	-27	-	-27 235
Net fee and commission income	15 434	-289	-27	-	15 117
Net result from financial transactions	873	-	-	-	873
Other operating income	16 936	-	-	-12 245	4 691
Total operating income	190 756	32 799	-1 646	-33 146	188 763
General administrative expenses	-63 687	-7 074	-1 045	12 245	-59 561
Depreciation, amortisation and impairment of tangible and intangible assets	-7 655	-487	-	-	-8 142
Other operating expenses	-3 204	-374	-	-	-3 578
Total operating expenses	-74 546	-7 935	-1 045	12 245	-71 281
Profit before credit losses	116 210	24 864	-2 691	-20 901	117 482
Credit losses, net	-70 157	-23 929	-	-	-94 086
Impairment and reversal of financial assets	-24	-	-	-	-24
Profit before taxes (EBT)	46 029	934	-2 691	-20 901	23 372
Income tax	-5 443	-2 252	-	-	-7 695
Profit for the period	40 586	-1 317	-2 691	-20 901	15 677
Statement of comprehensive income					
Gains and losses on consolidation	-	-67	-	-	-67
Total comprehensive income for the period, net of tax	40 586	-1 384	-2 691	-20 901	15 610

**Group
Income statement**

Jan-Jun 2019

Amounts in SEK thousands	Sweden	Finland	Other	Adjustment and elimination	Total
Interest income according to the effective interest method	139 081	48 773	20 177	-20 177	187 854
Interest expense	-24 349	-10 243	-20 027	20 174	-34 446
Net interest income	114 732	38 530	150	-3	153 408
Fee and commission income	28 673	8 000	-	-	36 673
Fee and commission expense	-12 122	-1 159	-32	-	-13 313
Net fee and commission income	16 551	6 841	-32	-	23 360
Net result from financial transactions	31	-	-	-	31
Other operating income	8 253	-	-	-8 200	53
Total operating income	139 567	45 371	118	-8 203	176 853
General administrative expenses	-35 734	-8 180	-1 772	8 218	-37 468
Depreciation, amortisation and impairment of tangible and intangible assets	-1 221	-79	-	-	-1 300
Other operating expenses	-6 845	-1 965	-	-	-8 810
Total operating expenses	-43 800	-10 224	-1 772	8 218	-47 577
Profit before credit losses	95 767	35 147	-1 654	16	129 275
Credit losses, net	-42 161	-13 988	-	-	-56 149
Impairment and reversal of financial assets	-	-	-1 232	-	-1 232
Profit before taxes (EBT)	53 606	21 159	-2 887	16	71 894
Income tax	-11 472	-4 265	-	-	-15 736
Profit for the period	42 135	16 894	-2 887	16	56 158
Statement of comprehensive income					
Gains and losses on consolidation	-	200	-	-3	196
Total comprehensive income for the period, net of tax	42 135	17 094	-2 887	12	56 354

**Group
Income statement**

Full year 2019

Amounts in SEK thousands	Sweden	Finland	Other	Adjustment and elimination	Total
Interest income according to the effective interest method	290 217	101 294	40 036	-43 949	387 597
Interest expense	-57 582	-22 196	-40 034	43 949	-75 863
Net interest income	232 635	79 098	2	-	311 734
Dividend received	69 227	-	-	-69 227	-
Fee and commission income	60 482	12 478	-	-	72 960
Fee and commission expense	-28 584	-4 359	-171	-	-33 114
Net fee and commission income	31 898	8 119	-171	-	39 847
Net result from financial transactions	-3 293	-	751	-	-2 542
Other operating income	45 101	-	32	-20 159	24 974
Total operating income	375 568	87 217	614	-89 386	374 013
General administrative expenses	-108 383	-18 366	-3 541	20 159	-110 131
Depreciation, amortisation and impairment of tangible and intangible assets	-4 193	-552	-	-	-4 745
Other operating expenses	-13 287	-3 000	-44	-	-16 331
Total operating expenses	-125 863	-21 918	-3 585	20 159	-131 207
Profit before credit losses	249 705	65 299	-2 971	-69 227	242 806
Credit losses, net	-88 163	-34 809	-	-	-122 972
Impairment and reversal of financial assets	-42	0	-1 237	-	-1 279
Profit before taxes (EBT)	161 500	30 490	-4 208	-69 227	118 555
Income tax	-15 598	-7 505	-	-	-23 103
Profit for the period	145 902	22 986	-4 208	-69 227	95 452
Statement of comprehensive income					
Gains and losses on consolidation	-	-2 970	1	-	-2 969
Total comprehensive income for the period, net of tax	145 902	20 016	-4 207	-69 227	92 483

Note 5 – Lending to the public

Group		
Amounts in SEK thousands	30 Jun 2020	31 Dec 2019
Total lending to the public	1 320 392	1 272 430
Lending to the public, gross		
Stage 1, gross	1 047 386	1 044 361
Stage 2, gross	201 720	184 149
Stage 3, gross	71 286	43 919
Total lending to the public, gross	1 320 392	1 272 430
Provision for expected credit losses		
Stage 1	-43 448	-30 781
Stage 2	-25 592	-17 547
Stage 3	-21 898	-5 411
Total provision for expected credit losses	-90 937	-53 740
Lending to the public		
Stage 1, net	1 003 938	1 013 580
Stage 2, net	176 128	166 602
Stage 3, net	49 388	38 508
Total lending to the public, net	1 229 454	1 218 689

Change in provision for expected credit losses (ECL)

Group		
Amounts in SEK thousands	30 Jun 2020	31 Dec 2019
Opening balance	-53 740	-40 335
Change in provision for ECL in stage 1	-12 667	-6 179
Change in provision for ECL in stage 2	-8 044	-3 947
Change in provision for ECL in stage 3	-16 486	-3 279
Closing balance	-90 937	-53 740

Note 6 – Classification of financial assets and liabilities

Group 30 Jun 2020		Financial instruments at fair value through profit or loss			Fair value through other com- prehensive income	Non- financial assets and liabilities	Total carrying amount	Fair value
Amounts in SEK thousands	Amortized cost	Compulsory	Upon initial recognition measured at fair value through profit or loss					
Assets								
Lending to credit institutions	424 621	-	-	-	-	424 621	424 621	
Lending to the public	1 229 454	-	-	-	-	1 229 454	1 229 454	
Bonds and other interest- bearing securities	122 951	-	-	-	-	122 951	123 392	
Intangible assets	-	-	-	-	15 944	15 944	15 944	
Tangible assets	-	-	-	-	111 140	111 140	111 140	
Other assets	-	-	-	-	25 674	25 674	25 674	
Prepaid expenses and accrued income	-	-	-	-	35 364	35 364	35 364	
Total assets	1 777 026	-	-	-	188 122	1 965 148	1 965 590	
Liabilities								
Liabilities to credit institutions	62 905	-	-	-	-	62 905	62 905	
Deposits from the public	1 016 572	-	-	-	-	1 016 572	1 016 572	
Issued debt securities	336 487	-	-	-	-	336 487	343 217	
Other liabilities	-	-	-	-	133 935	133 935	133 935	
Accrued expenses and prepaid income	-	-	-	-	12 687	12 687	12 687	
Total liabilities	1 415 964	-	-	-	146 622	1 562 586	1 569 315	

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

Parent company 30 Jun 2020		Financial instruments at fair value through profit or loss			Fair value through other com- prehensive income	Non- financial assets and liabilities	Total carrying amount	Fair value
Amounts in SEK thousands	Amortized cost	Compulsory	Upon initial recognition measured at fair value through profit or loss					
Assets								
Lending to credit institutions	18 293	-	-	-	-	18 293	18 293	
Shares and participations in group companies	-	-	-	-	50 100	50 100	50 100	
Other assets	300 000	-	-	-	-	300 000	300 000	
Prepaid expenses and accrued income	-	-	-	-	1 431	1 431	1 431	
Total assets	318 293	-	-	-	51 531	369 825	369 825	
Liabilities								
Issued debt securities	336 487	-	-	-	-	336 487	343 217	
Accrued expenses and prepaid income	-	-	-	-	1 951	1 951	1 951	
Total liabilities	335 654	-	-	-	2 395	338 049	329 658	

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

Financial assets and liabilities at fair value

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

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

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

Group

30 Jun 2020

Amounts in SEK thousands	Level 1	Level 2	Level 3	Total
Liabilities				
Issued debt securities	343 217	-	-	343 217
Total liabilities	343 217	-	-	343 217

Group

31 Dec 2019

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

Parent company

30 Jun 2020

Amounts in SEK thousands	Level 1	Level 2	Level 3	Total
Liabilities				
Issued debt securities	343 217	-	-	343 217
Total liabilities	343 217	-	-	343 217

Parent company

31 Dec 2019

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

Note 7 – Pledged assets, contingent liabilities and commitments

Group

Amounts in SEK thousands	30 Jun 2020	31 Dec 2019
Relating to current liabilities to credit institutions		
Chattel mortgage	60 000	90 000
Other pledged assets	421	35 777
Total pledged assets	60 421	125 777

Note 8 – Transactions with related parties

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

Note 9 – Significant events after the balance sheet date

On 13th August 2020, the Parent company announced that it will redeem all outstanding senior unsecured floating rate bonds with ISIN SE0011614973 maturing on 3 September 2021.

In connection with the redemption, the bonds will be delisted from Nasdaq Stockholm, Corporate Bond List.

Assurance by the Board of Directors and the CEO

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

Stockholm, 25 August 2020

Margareta Lindahl,
Chairperson of the Board

Per Granath,
Board Member

George Kurt,
Board Member

Erik Fagerland,
Board Member

Björn Hazelius,
Board Member

Karl Källberg,
Board Member

Hikmet Ego,
CEO

Definitions

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

Return on equity %

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

Equity ratio %

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

C/I ratio before net credit losses

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

Interest coverage ratio

EBITDA less net credit losses divided by interest expenses.

Average number of employees (FTE)

Average number of employees during the period.

CET1 capital ratio

CET1 capital as a percentage of total risk exposure amount.

TIER1 capital ratio

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

Total capital ratio

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

Northmill is a bank for everyone.

Northmill is a bank for everyone. We provide the tools for people to make better financial choices. We have helped more than 200,000 customers and today we have 150 employees across three countries. Northmill Bank AB was founded in 2006 and acts under the supervision of Finansinspektionen, the Swedish Financial Supervisory Authority and is subject to the Banking and Financing Business Act (2004:297)

northmill
bank

