NORDISKA ANNUAL REPORT

2020

NORDISKA

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From the CEO – We are Nordiska

As I wrote these words in last year's annual report, I had no idea what was awaiting us in 2020. Although it has been a very different and restricted year for virtually the whole world, 2020 has been better for Nordiska than I was hoping at the same time one year ago.

The Corporate business area has remained the same in terms of volume during the year, but we are pleased to confirm that our work in recent years to minimise risk has resulted in the portfolio being extremely stable during the year. We operate primarily with mortgages with good mortgage lien priorities in properties that generate cash flow. During the year we also worked with success to resolve overdue exposures.

During 2020 we have really succeeded in showing that the Partner business area works. We have implemented several new Partners and managed to grow the business significantly.

In March 2020 we threw open the doors of a development office with two people in Sundsvall. This has proven to be extremely good for product development and has reduced the distance to the business. We now have five people and another has been recruited. The plan is for there to be ten people in the Sundsvall office by the end of the year. In Stockholm too, we recruited several competent employees in 2020, providing a real boost to the competence in the organisation. This has been an important component part of our development, but also in managing operating activities. Without competent employees, Nordiska cannot develop, grow and run the business as it does today. Although we are now investing a lot of money, we have not only succeeded in growing strongly, we also have Nordiska's most profitable year behind us.

During the final quarter we undertook internal work on our values – We are Nordiska. It was great to see the engagement of all colleagues, with most of them sharing more or less the same vision of what Nordiska actually is. Between us, we concluded that we are positive, driven, reliable, competent and responsive. But in some respects the journey itself is the goal, so we want to have fun along the way.

Despite 2020 being a strange year, we put it behind us with pride. We have respect for the fact that many have not shared Nordiska's comfortable situation, and our thoughts are with them. At Nordiska we have created a common value base that I believe will carry us on our continued journey, starting in 2021.

Stockholm, February 2021

Mikael Gellbäck

Nordiska Kreditmarknadsaktiebolaget

Directors' Report

INFORMATION ABOUT THE BUSINESS

Nordiska Kreditmarknadsaktiebolaget (publ) (hereinafter Nordiska, alternatively the Company or the Parent Company), corporate ID number 556760-6032, is a credit market company with a licence from the Swedish Financial Supervisory Authority to run a financing business in accordance with the Swedish Banking and Financing Business Act (2004:297).

The business operates primarily in Sweden, but also in Finland and Germany, in the business areas Savings, Corporate and Partner. The head office is in Stockholm.

The Savings business area is aimed at private individuals who want to invest some of their rainy day funds in a savings account. In the Corporate business area, the Company provides credit for small and medium-sized companies in return for collateral. In the Partner business area, Nordiska provides lending to customers conveyed by Nordiska's partners. The engagement is managed primarily towards the customer by Nordiska's partners, and the Partner business area thus provides Nordiska's partners with the opportunity to provide financial services for their customers in the absence of the required liquidity or licence. Customers are physical and legal entities and are primarily without collateral or with a guarantee.

The business as a whole is run in a Group consisting of the parent company Nordiska and the wholly owned subsidiary Nordiska Financial Technology AB (NFT), corporate ID number 559080-4570. NFT only carries out development of the Group's IT systems.

The Group's business activities are essentially run in the parent company. The following income statements and balance sheets with associated notes present the Group for 2020. Unless otherwise specified, all amounts are in SEK thousands.

Unless otherwise specified, the comments below refer to the parent company Nordiska.

OWNERSHIP STRUCTURE

The Company is a Swedish public limited liability company with shares denominated in Swedish kronor, in share classes ordinary shares and preference shares. The former carry one vote, while the latter carry one tenth (1/10) of a vote. The preference shares have preferential rights in connection with profit distribution of SEK 2/share per quarter, to a maximum of SEK 8/year. Increases in share capital take place via ordinary shares.

Information about capital base and capital requirement

As of 31/12/2020, Nordiska had a capital base of SEK 259 million, and the total capital ratio, defined as total capital base in relation to total risk exposure, totalled 13.21%. This means that Nordiska comfortably met the requirements for capital ratios and buffers. See Note 28 for detailed information.

BUSINESS ACTIVITIES DURING THE FINANCIAL YEAR

During the year, the Company noted a slight slowdown in the Corporate business area, while at the same time the Company invested in staff and IT in order to further improve the conditions for the Partner business area.

Lending to the public increased during the year by 92.2% compared with 2019. Growth in 2020 came primarily from the Partner business area. Deposits from the public increased by 119.7%.

FINANCIAL RESULTS

Nordiska's operating profit totalled SEK 44.5 million (25.0). The profit for the year totalled SEK 34.7 million (19.7). The profit trend is explained primarily by the commercial transition to the new Partner business area, which started in 2019 and grew strongly during 2020.

Operating income totalled SEK 114.6 million (93.3). Operating expenses totalled SEK 68.6 million (55.3). Credit losses fell by SEK 11.4 million and totalled SEK 1.6 million (13.0). This fall was the result of loans that had been reserved in full being repaid, and the risk in the portfolio being reduced as the Partner business area continued to grow as a proportion of the total portfolio. The profits from the Company's business activities, together with the financial position at the end of the financial year, are described in the following income statements and balance sheets with associated notes.

Statutory Administration Report

FINANCIAL POSITION

Lending to the public totalled SEK 2,764.3 million (1,438.0) at the end of the year, an increase of 92.2% compared with the previous year. Growth in 2020 continued to come primarily from the Partner business area. Deposits from the public increased in line with lending, totalling SEK 3,444.0 million (1,567.6) at the end of the year. The liquidity reserve totalled SEK 1,001.4 million (394.6), of which SEK 130.4 million (50.0) related to high-quality liquid assets in accordance with the LCR regulation.

PROPOSED DISTRIBUTION OF EARNINGS

The Board proposes that no dividend be paid to holders of ordinary or preference shares.

Current regulations for capital adequacy and major exposures mean that the Company must at any given time have a capital base that corresponds at least to the Company's estimated internal capital requirements, i.e. the sum of the capital requirements for credit risks, market risks and operational risks, and also for additional identified risks in the business in accordance with the Company's internal capital and liquidity evaluation policy. The capital base in the Company totals SEK 258,738,000 and its total capital requirement (Pillars 1 and 2) SEK 174,472,000 (Note 28).

Notwithstanding the Company's good financial results for the financial year 2020, the Board believes that no dividend should be paid, partly because of the demands that the nature, scope and risks of the business place on equity, as well as the Company's and the Group's consolidation requirements, liquidity and position in general, and partly in view of the ongoing outbreak of Covid-19, the consequences of which are still not clear.

FINANCIAL AND OTHER RISKS

Nordiska's business activities involve various kinds of risks, such as credit risks, market risks, liquidity risks and operational risks. In order to limit and control risk-taking, Nordiska's Board of Directors, which has ultimate responsibility for risk management, governance and control in the Company, has adopted policies and instructions for the issuing of credit and other business activities. See Note 3 and Note 28 for a more detailed description of financial risks, the use of financial instruments and capital adequacy.

PERSONNEL

Nordiska's workforce during the year totalled an average of 30 (33), of which 10 (9) female and 20 (24) male. See Note 9 for further information.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the year there was significant development of the new platform that forms the basis of the implementation of Nordiska's strategy to further upscale the Partner business area. A number of strategic partnership agreements were launched during the year.

FUTURE OUTLOOK

Nordiska will continue to work in accordance with the previously communicated strategy and has ambitious objectives when it comes to growth and expansion. Nordiska aims to position itself as a leading actor in the field of finance and technology and to be involved in driving the development of the financial services of the future. During the year, Nordiska has invested in both people and technology.

Nordiska has created an organisation, infrastructure and technical banking platform for expansion over the next few years that will result in efficiency without driving costs. A number of strategic partnership agreements were signed last year, which have been and will be launched in due course.

Statutory Administration Report

Nordiska, including all employees, worked on a project about self-motivation and values during 2020 under the name “We are Nordiska”. The aim of the project is to enhance the corporate culture, work principles and individual motivation. This is something that Nordiska will take into account and value in its ongoing operations. Nordiska’s values are Competent, Reliable, Driven, Positive and Responsive.

When preparing this annual report, it has not yet been possible to assess the impact of Covid-19, which has spread throughout Sweden, even though it is evident that it will have a significant impact on the economy as a whole.

BOARD OF DIRECTORS

At the Annual General Meeting on 15 April 2020, Björn Björnsson, Per Berglund, Christer Cragnell and Mikael Gellbäck were re-elected as permanent Board members, and Jörgen Durban as Chairman of the Board.

Five-year summary SEK thousands

The five-year summary refers solely to the parent company, as the subsidiary only constitutes a small part of the Group's activities and does not constitute part of the business that requires a licence.

	2020	2019	2018	2017	2016
INCOME STATEMENT					
Net interest *	99,107	76,080	89,625	31,402	29,971
Net profit from financial transactions *	-3,209	1,928	281	-77	242
Operating expenses *	-68,556	-55,277	-44,824	-36,283	-30,984
Profit before credit losses	46,067	37,984	59,236	26,618	22,394
Credit losses, net **	-1,559	-12,977	-19,045	-6,198	-8,012
Operating profit	44,508	25,007	40,191	20,420	14,381
Profit for the period	34,722	19,706	28,230	15,802	11,317
BALANCE SHEET					
Chargeable treasury bonds, etc.	76,006	50,030	50,124	50,032	30,000
Lending to credit institutions	462,974	320,612	203,725	245,759	133,327
Lending to the public	2,764,292	1,438,042	1,292,087	1,000,585	485,372
Intangible assets	-	-	-	-	253
Property, plant and equipment	254	324	481	566	442
Deposits from the public	3,444,011	1,567,645	1,230,879	1,049,920	551,819
Other liabilities	17,417	48,872	99,767	69,175	23,313
Total equity	253,858	219,936	203,429	185,371	73,369
Balance sheet total	3,780,998	1,843,280	1,555,187	1,306,582	655,351
Capital base	258,739	222,264	207,170	189,026	75,460
Equity/assets ratio, %					
Taxed equity as a % of the balance sheet total	6.7	11.9	13.1	14.2	11.2
Total capital ratio, %					
Total capital/risk-weighted amount	13.2	23.2	21.0	21.2	17.0
Tier 1 capital ratio,%					
Tier 1 capital/risk-weighted amount	11.5	19.7	17.6	17.4	13.9
Return on total assets, %					
Net interest/average balance sheet total	3.5	4.5	4.4	3.2	4.3

* New definitions in operating income and expenses as of 2019; 2018 has been adjusted for the purpose of comparison. 2017 and earlier years are not affected.

** Credit losses are presented in accordance with IFRS 9 in respect of 2019 and 2018. 2017 and earlier years are in accordance with IAS 39.

Consolidated Income Statement SEK thousands

	Note	2020	2019
Interest income	5	127,290	92,569
Interest expenses	5	-28,546	-16,540
Net interest income		98,745	76,028
Commission income	6	19,486	18,588
Commission expenses	6	-3,842	-3,826
Net commission income		15,643	14,762
Net profit from financial transactions	7	-3,209	1,928
Other operating income	8	4,500	2,247
Operating income		115,679	94,965
General administrative expenses	9	-63,272	-50,971
Depreciation	10	-4,817	-4,035
Other operating expenses		-1,477	-1,166
Operating expenses		-69,565	-56,172
Profit before credit losses		***46,114***	***38,793***
Net credit losses	11	-1,559	-12,977
Operating profit		***44,555***	***25,816***
Tax expense	13	-9,798	-5,474
Profit for the year		***34,756***	***20,341***

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2020	2019
Profit for the year	***34,756***	***20,341***
Other comprehensive income		
Items to be cancelled in the income statement		
Other comprehensive income after tax	-	-
Comprehensive income for the year	**34,756**	**20,341**
Of which attributable to the parent company’s shareholders	**34,756**	**20,341**

Income Statement for the Parent Company SEK thousands

	Note	2020	2019
Interest income	5	127,290	92,569
Interest expenses	5	-28,184	-16,489
Net interest income		99,107	76,080
Commission income	6	19,486	18,588
Commission expenses	6	-3,842	-3,826
Net commission income		15,643	14,762
Group contributions received	12	1400	0
Net profit from financial transactions	7	-3,209	1,928
Other operating income	8	1,682	492
Operating income		114,623	93,262
General administrative expenses	9	-68,371	-55,034
Depreciation	10	-162	-157
Other operating expenses	-	-23	-86
Operating expenses		-68,556	-55,277
Profit before credit losses		***46,067***	***37,984***
Net credit losses	11	-1,559	-12,977
Operating profit		***44,508***	***25,007***
Tax expense	13	-9,786	-5,300
Profit for the period		***34,722***	***19,706***

PARENT COMPANY'S STATEMENT OF COMPREHENSIVE INCOME

	2020	2019
Profit for the year	***34,722***	***19,706***
Other comprehensive income		
Items to be cancelled in the income statement		
Other comprehensive income after tax	-	-
Comprehensive income for the year	**34,722**	**19,706**
Of which attributable to the parent company's shareholders	**34,722**	**19,706**

Consolidated Balance Sheet

	Note	2020	2019
ASSETS			
Chargeable treasury bonds, etc.	14	76,006	50,030
Lending to credit institutions	15	463,664	320,971
Lending to the public	16	2,764,292	1,438,042
Bonds and other interest-bearing securities	19	54,395	-
Intangible assets	17	7,694	6,447
Right of use asset	32	12,007	14,650
Tangible assets	18	298	419
Shares and participations	20	2,000	-
Other assets	22	410,942	26,195
Prepaid expenses and accrued income	23	2,448	1,557
Total assets		***3,793,745***	***1,858,309***
EQUITY AND LIABILITIES			
Deposits from the public	24	3,444,011	1,567,645
Other liabilities	25	17,913	49,303
Lease liability	32	11,289	13,877
Accrued expenses and deferred income	26	65,995	6,902
Total liabilities		***3,539,208***	***1,637,728***
Share capital		43,541	43,541
Other paid-up capital		111,609	111,609
Profit or loss brought forward		64,631	45,090
Profit for the year		34,756	20,341
Total equity		***254,537***	***220,581***
TOTAL EQUITY AND LIABILITIES		**3,793,745**	**1,858,309**

Balance Sheet for the Parent Company

	Note	2020	2019
ASSETS			
Chargeable treasury bonds, etc.	14	76,006	50,030
Lending to credit institutions	15	462,974	320,612
Lending to the public	16	2,764,292	1,438,042
Bonds and other interest-bearing securities	19	54,395	-
Tangible assets	18	254	324
Shares and participations	20	2,000	-
Shares in subsidiaries	21	3,050	3,050
Other assets	22	414,861	28,893
Prepaid expenses and accrued income	23	3,167	2,329
Total assets		***3,780,998***	***1,843,280***
EQUITY AND LIABILITIES			
Deposits from the public	24	3,444,011	1,567,645
Other liabilities	25	17,417	48,872
Accrued expenses and deferred income	26	65,712	6,827
Total liabilities		***3,527,140***	***1,623,344***
Restricted equity			
Share capital		43,541	43,541
Total restricted equity		***43,541***	***43,541***
Non-restricted equity			
Other capital contributed		111,609	111,609
Profit or loss brought forward		63,986	45,079
Profit for the year		34,722	19,706
Total non-restricted equity		***210,317***	***176,395***
Total equity		***253,858***	***219,936***
TOTAL EQUITY AND LIABILITIES		**3,780,998**	**1,843,280**

Consolidated Statement of Changes in Equity

	31/12/2020	31/12/2019
Equity		
Share capital	43,541	43,541
Other capital contributed	111,609	111,609
Retained earnings	99,387	65,431
Total Equity	***254,537***	***220,581***

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Other capital contributed	Retained earnings	Total equity
Opening balance, 01/01/2020	**43,541**	**111,609**	**65,431**	**220,581**
Profit for the year	-	-	34,756	34,756
Comprehensive income for the year	**-**	**-**	**34,756**	**34,756**
Dividend to preference shareholders	-	-	-800	-800
Transactions with shareholders	**-**	**-**	**-800**	**-800**
Closing equity, 31/12/2020	***43,541***	***111,609***	***99,387***	***254,537***
Opening equity, 01/01/2019	**43,541**	**111,609**	**48,290**	**203,440**
Profit for the year	-	-	20,341	20,341
Comprehensive income for the year	**-**	**-**	**20,341**	**20,341**
Dividend to preference shareholders	-	-	-3,200	-3,200
Transactions with shareholders	**-**	**-**	**-3,200**	**-3,200**
Closing equity, 31/12/2019	***43,541***	***111,609***	***65,431***	***220,581***

Statement of Changes in Equity for the Parent Company

	31/12/2020	31/12/2019
Equity		
Share capital	43,541	43,541
Total restricted equity	***43,541***	***43,541***
Non-restricted equity		
Other capital contributed	111,609	111,609
Retained earnings	98,708	64,785
Total non-restricted equity	210,317	176,394
Total Equity	***253,858***	***219,936***

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Other capital contributed	Retained earnings	Total equity
Opening equity, 01/01/2020	**43,541**	**111,609**	**64,785**	**219,936**
Profit for the year	-	-	34,722	34,722
Comprehensive income for the year	**-**	**-**	**34,722**	**34,722**
Dividend to preference shareholders	-	-	-800	-800
Transactions with shareholders	**-**	**-**	**-800**	**-800**
Closing equity, 31/12/2020	***43,541***	***111,609***	***98,707***	***253,858***
Opening equity, 01/01/2019	**43,541**	**111,609**	**48,279**	**203,429**
Profit for the year	-	-	19,706	19,706
Comprehensive income for the year	**-**	**-**	**19,706**	**19,706**
Dividend to preference shareholders	-	-	-3,200	-3,200
Transactions with shareholders	**-**	**-**	**-3,200**	**-3,200**
Closing equity, 31/12/2019	***43,541***	***111,609***	***64,785***	***219,936***

The company's equity comprises share capital, which consists of two share classes: ordinary shares and preference shares. In addition to this there are shareholder contributions, the Company's retained earnings and the profit for the year. With regard to profit-sharing, in accordance with the articles of association, the Company has not paid a dividend to ordinary shareholders, but only to preference shareholders, who have preferential rights in respect of an annual dividend equivalent to an amount of SEK 2 per share per quarter, to a maximum of SEK 8/year.

The Annual General Meeting has delegated the decision on paying this dividend to the Board of Directors. Every time the decision is made, the Board of Directors must make sure that there is scope for the dividend in question within unrestricted equity and that the Board deems the proposed dividend to be justifiable with due regard to the demands that the nature, scope and risks of the business place on the size of the parent company's and the Group's equity, consolidation requirements, liquidity and position in general.

The total number of shares is 43,541,000, of which 43,141,000 are ordinary shares and 400,000 preference shares. The quota value is SEK 1. The total number of votes is 43,541,000, with ordinary shares carrying one vote, while preference shares carry one tenth of a vote (1/10). Increases in share capital take place via ordinary shares.

Cash Flow Statement

	GROUP		PARENT COMPANY	
	2020	**2019**	**2020**	**2019**
Operating profit	44,555	25,816	44,508	25,007
Items not included in cash flow:				
Depreciation	4,817	4,035	162	157
Interest on lease liability	-221	-26	-	-
Discount effect, right of use asset	0	-73	-	-
Appropriations, excl. deferred tax	0	-590		
Income tax paid	-2,401	-5,207	-2,392	-5,033
Cash flow from operating activities before change in operating assets and liabilities	**39,574**	**23,956**	**34,884**	**20,132**
Lending to the public	-1,326,250	-145,954	-1,326,250	-145,954
Other assets	-385,639	-25,422	-386,806	-25,503
Shares and participations	-2,000	-	-2,000	-
Deposits from the public	1,876,366	336,865	1,876,366	336,498
Other liabilities	20,306	-65,005	20,036	-65,181
Changes in operating assets and liabilities	**190,179**	**100,484**	**188,740**	**99,861**
Cash flow from operating activities	**229,753**	**124,440**	**223,624**	**119,993**
Change				
Intangible assets	-3,209	-2,191	-	-
Tangible assets	-92	-113	-92	-
Cash flow from investing activities	**-3,301**	**-2,304**	**-92**	**-**
Issued securities, etc.				
Repayment of lease liability	-2,589	-2,582	-	-
Dividend	-800	-3,200	-800	-3,200
Cash flow from financing activities	**-3,389**	**-5,782**	**-800**	**-3,200**
Cash flow for the year	**223,063**	**116,356**	**222,732**	**116,793**
Cash and cash equivalents at beginning of period	371,001	254,645	370,643	253,849
Exchange rate difference in cash and cash equivalents	-	-		-
Cash and cash equivalents	**594,065**	**371,001**	**593,375**	**370,643**
The following items are included in cash and cash equivalents:				
Lending to credit institutions	463,664	320,971	462,974	320,612
Chargeable treasury bonds, etc.	76,006	50,030	76,006	50,030
Bonds and other interest-bearing securities	54,395	-	54,395	-
Total cash and cash equivalents at end of period	***594,065***	***371,001***	***593,375***	***370,643***

Notes on the financial statements

NOTE 1. GENERAL INFORMATION

Nordiska Kreditmarknadsaktiebolaget (publ), corporate ID number 556760-6032, is a credit market company with a licence from the Swedish Financial Supervisory Authority to run a financing business in accordance with the Swedish Banking and Financing Business Act (2004:297). The company runs credit business activities with services in the areas of saving and lending. The business is run primarily in Sweden, but also in Finland and Germany. Nordiska is the parent company of Nordiska Financial Technology (NFT).

Nordiska is registered and has its registered office and head office in Stockholm, Sweden. The address of the head office is Humlegårdsgatan 14, 114 46 Stockholm, Sweden. The business is run throughout Sweden within the business areas Savings, Corporate and Partner.

Nordiska is the parent company of Nordiska Financial Technology AB (NFT), corporate ID number 559080-4570. NFT is a wholly owned subsidiary, the purpose of which is to develop Nordiska's financial IT platform.

The Board of Directors approved these annual accounts on 25 February 2021, for adoption by the Annual General Meeting on 25 March 2021.

NOTE 2. ACCOUNTING POLICIES

Compliance with standards and laws

Nordiska applies the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL/1995:1559) and the Swedish Financial Supervisory Authority's regulations and general advice on annual accounts in credit institutions and securities companies FFFS 2008:25 when preparing its financial statements.

The summary version of the consolidated financial statements is also prepared in accordance with recommendations and statements from the Swedish Financial Reporting Board (RFR), ÅRKL and the Swedish Financial Supervisory Authority's regulations FFFS 2008:25.

The legally restricted IFRS (International Financial Reporting Standards) means that IFRS as adopted by the EU are applicable to the preparation of the financial statements, with the restrictions and additions deriving from RFR 2 Reporting for Legal Entities and FFFS 2008:25.

The consolidated accounts are prepared in full in accordance with IFRS as adopted by the EU with the additions deriving from RFR1 in respect of complementary accounting rules for groups.

Judgements and estimates in the financial statements

The preparation of financial statements in accordance with IFRS requires Nordiska's management team to make judgements and estimates, and to make assumptions that affect the application of the accounting policies and the carrying amounts of assets, liabilities, income and expenses. The estimates and assumptions are based on historical experience and a number of other factors that are considered reasonable in the prevailing circumstances. Actual outcomes may diverge from these estimates and judgements.

Estimates and assumptions are reviewed on a regular basis. Changes in estimates are recognised in the period the change is made if the change only affects that period, or the period the change is made and future periods if the change affects both the current and future periods.

Additional information is presented in Note 4 Important estimates and judgements for accounting purposes.

Accounting policies applied

Consolidated accounts

The consolidated accounts include the parent company and subsidiaries in which a controlling influence is held. The financial statements for the parent company and the subsidiary that are included in the consolidated financial statements refer to the same period and have been prepared in accordance with the accounting policies that apply for the Group. The parent company has a controlling influence when it has the influence and ability to exercise its influence over the other company's relevant activities and is exposed to a variable return and has the ability to use its influence in order to affect this return.

The acquisition method means that acquired identifiable assets, liabilities and contingent liabilities that satisfy the conditions for recording are recorded and valued at fair value on the acquisition date. The surplus between the cost of acquisition and the business combination and the fair value of the acquired participation is recorded as goodwill. If the amount is less that the fair value, the difference is recorded directly in the income statement under other income. Acquisition-related expenses are recorded as expenses as they are incurred. Provisions are not made for expenses in respect of planned restructuring measures that are a consequence of the acquisition.

A subsidiary's contribution to equity consists solely of the capital introduced between acquisition and divestment date. All internal Group balances that arise in transactions between companies included in the consolidated financial statements are eliminated in full.

The consolidated financial statements are presented in Swedish kronor, which is also the parent company's functional currency and presentation currency. Each company that is part of the Group defines its functional currency on the basis of its primary economic environment.

Transactions in foreign currency are recorded after translation at the exchange rate on the transaction date. Monetary assets and liabilities in foreign currencies are restated in the functional currency at the exchange rates prevailing at the year-end. All exchange rate differences are recorded via the income statement.

Non-monetary assets in foreign currency, which are valued at historical cost of acquisition, are valued using the exchange rate on the original transaction date.

Cash and cash equivalents (IAS 7)

Cash and cash equivalents consist of cash, bank balances and balances in the tax account. Balances mean funds that are available for use at any time. This means that all cash and cash equivalents are immediately available. Cash and cash equivalents are included in the items Lending to credit institutions and Other assets. Cash and cash equivalents in the cash flow statement are defined in accordance with IAS 7, and do not correspond with what the Group considers to constitute liquidity.

Tax (IAS 12)

Current tax receivables and tax liabilities for the current period and earlier periods are valued at the amount expected to be received from or paid to tax agencies. Deferred taxes refer to tax on differences between carrying value and tax base, which in future form the basis of current tax. Deferred tax liability is tax that is attributable to taxable temporary differences and is predicted to be paid in the future. Deferred tax liability is recorded for all taxable temporary differences apart from the extent to which tax liabilities are attributable to the initial recording of goodwill or to certain taxable differences due to holding in subsidiary.

Deferred tax liability represents a reduction of future tax relating to deductible temporary differences, tax loss carryforwards or other future tax deductions. Deferred tax asset is reviewed every time the year-end accounts are produced and recorded to the extent that it is likely as of the balance sheet date that it can be utilised. This means that a previously non-recorded deferred tax asset is recorded if it is deemed likely that there will be sufficient taxable surpluses in the future.

Tax rates confirmed on the balance sheet date are used in the calculations. The Group's deferred tax asset and tax liability are calculated nominally using each country's tax rate in force for the following year. Deferred tax asset is recorded net against deferred tax liability for Group companies with a right to balance tax. All current tax and deferred tax is recorded in the income statement as Tax, apart from tax attributable to items that have been recorded in other comprehensive income or directly in equity.

Functional currency and Foreign currency

Nordiska's functional currency is Swedish kronor and the financial statements are presented in Swedish kronor. Unless otherwise specified, all amounts are rounded to the nearest thousand.

Exchange rate profits and losses that arise when conducting transactions in foreign currency and when translating monetary assets and liabilities in foreign currency at the exchange rate on the balance sheet date are recorded in the income statement under Net profit from financial transactions.

Revenue recognition (IFRS15)

IFRS 15 Revenues from contracts with customers describes one single comprehensive accounting model for revenues from customer contracts. This standard does not apply for financial instruments, insurance agreements or leases.

The basic principle is that a company must recognise revenues in order to depict the transfer of promised goods and services at an amount that reflects the compensation to which the company is expected to have a right in exchange for these goods and services. The standard applies a five-stage model for revenue recognition, which consists of the following five stages:

- Identify the contract with the customer (decision on whether or not IFRS 15 is applicable to the contract).
- Identify the performance obligations (the company must identify all promises of goods or services that are contained in the contract).
- Determine the transaction price.
- Allocate the transaction price (the transaction price must be allocated to the distinct performance obligations contained in the contract).
- Recognise re venue (revenue must be recognised when a distinct performance obligation has been fulfilled).

Revenue is recognised at the time when control of the product or service is transferred to the customer.

Interest income and interest expenses

Interest income from receivables and interest expenses from liabilities are calculated and recorded using the effective interest method. The effective interest is the interest that means that the current value of all estimated future payments received and made during the expected fixed-rate interest term are equal to the carrying value of the receivable or debt.

Exceptions from this are assets valued at accrued cost of acquisition, which are categorised at stage 3. Interest income is calculated for these by applying the effective interest rate to the gross carrying amount less provisions for credit losses. Interest income and interest expenses in the income statement consist primarily of interest in Financial assets and liabilities valued at accrued cost of acquisition plus interest from Financial assets valued at fair value via other comprehensive income.

Interest expenses in respect of borrowing from credit institutions and the public are recorded as an expense when they are accrued, which means that interest expenses are recognised on an accrual basis in the period to which they relate. Also recorded under interest expenses are costs of deposit guarantee and resolution fee, which are recognised in accordance with the same principle.

Commission income and commission expenses

Commission income is recorded as income from contracts with customers, which consists of compensation for services performed on the condition that this does not constitute an integral part of the effective interest rate and is instead recorded as interest income. Commission income is recorded when the performance obligation has been fulfilled, which is when control of the service has been transferred to the customer. Income reflects the compensation received in return for these services.

Commission expenses comprise variable costs of services received to the extent that they are not considered to be interest, which relates primarily to cost allocation to partners in connection with the purchase of invoices.

Group contributions

Group contributions are recorded in accordance with the principles set out in RFR 2, which means that they are recorded as financial income through the income statement in accordance with the main rule.

Net profit from financial transactions

The item Net profit from financial transactions contains realised and unrealised value changes that have arisen in connection with financial transactions such as exchange rate fluctuations, interest rate changes and currency exchange charges.

General administrative expenses

General administrative expenses include staff costs including wages, bonuses and commissions, pension expenses, employer contributions and other social security contributions. They also include training, IT, telecommunication, travel and entertainment expenses, as well as other administrative expenses.

Financial Instruments (IFRS 9)

The IFRS 9 standard concerns classification and valuation, impairment and general hedge accounting. In simple terms, the standard means that when a credit is disbursed, an impairment is recorded and the expected credit losses are estimated, which requires additional assessments in respect of changed credit risk and forward-looking information.

Nordiska has classified assets and liabilities, and developed models for the calculation of expected credit losses in accordance with this. Notes 11 and 15 describe credit losses and provisions respectively.

Classification of financial assets and liabilities

A financial instrument is defined as any type of agreement that gives rise to a financial asset in a company and a financial liability or equity instrument with the counterparty.

Every financial instrument is classified in one of the following categories and forms the basis of how such instruments are valued in the balance sheet and how the change in the value of the instruments is recorded; see also to Note 26.

Financial assets

- Accrued cost of acquisition

- Fair value via the income statement

- Fair value via other comprehensive income

Financial liabilities

- Accrued cost of acquisition

- Fair value via the income statement

Financial assets must be classified as and valued at accrued cost of acquisition, fair value via the income statement or fair value via other comprehensive income. The classification of a financial instrument is determined on the basis of the business model for the portfolio of which the instrument is a part and whether cash flows only consist of payment of capital amounts and interest.

Financial liabilities must be classified as and valued at the accrued cost of acquisition or fair value via the income statement.

Valuation of financial assets and financial liabilities

Financial instruments valued at accrued cost of acquisition are recorded applying the effective interest method, in which the effective interest rate is the interest rate that discounts all estimated future payments received and issued during the expected duration of the instrument at the carrying amount. Financial instruments listed in an active market are recorded at fair value via the income statement if reliable, listed prices are available and these prices represent actual and regular market transactions on commercial terms and conditions. If the market is not considered to be active or the prices are not considered to be reliable, Nordiska uses valuation techniques based on observable market data.

Impairments

The impairment loss requirements are based on a model for expected credit losses. The requirements are comprehensive and specify that all assets valued at accrued cost of acquisition, as well as any off-balance sheet commitments, in respect of guarantees and loan commitments issued, must be tested for impairment.

The assets to be tested are divided into three categories (stages) in accordance with the general method, depending on the development of credit risk from the date of disbursement. Stage 1 concerns assets where there has been no significant increase in the credit risk, stage 2 concerns assets where there has been a significant increase in the credit risk and stage 3 concerns defaulted assets that have been valued individually or in groups.

Whether the counterparty is late in making payment or whether there are other indications that the risk has changed are both used as indicators of a significant increase in credit risk. The definition of default includes significantly late payments or other indications that repayment is less likely, which is also the definition applied in regulatory reporting.

In stage 1, the provisions must correspond to the credit losses anticipated for the next 12 months. In stages 2 and 3, the provisions must correspond to the credit losses anticipated for the full remaining maturity. The methodology for calculating expected credit losses takes place by means of an estimate for each product area of the parameters probability of default, expected loss in event of defaults and expected exposure in event of default. The result is then calculated at the current value in order to indicate the value of the expected credit loss. Forward-looking information such as the macroeconomic scenario also affects the expected loss.

Nordiska assigns every single credit in the outstanding credit portfolio a specific provision based on each credit agreement. General provisions have been made for groups of credits as a consequence of Covid-19.

The expected credit loss in a future period is obtained by multiplying the current value of exposure at default (EAD) by the probability of default (PD) and the loss given default (LGD). In order to take into account future uncertainty, Nordiska has introduced an economic dependency factor into the model, resulting in a normal scenario and a stressed scenario.

Offset of financial assets and financial liabilities

Financial assets and financial liabilities are offset in the balance sheet if Nordiska has a contractual right and intention to settle the items with one net amount. The principles for the net accounting of financial assets and financial liabilities in the balance sheet have no significant effect on the balance sheet.

Financial assets and financial liabilities in the balance sheet

- Chargeable treasury bonds, etc. are categorised as assets valued at accrued cost of acquisition.

- Lending to credit institutions is categorised as assets valued at accrued cost of acquisition.

- Lending to the public is categorised as assets valued at accrued cost of acquisition.

- Bonds and other interest-bearing securities are categorised as assets valued at accrued cost of acquisition.

- Shares and participations are categorised as assets valued at fair value via the income statement. This item consists of listed shares recorded at cost of acquisition, which is deemed to correspond to a reliable fair value.

- Other assets, incl. tax account, are categorised as assets valued at accrued cost of acquisition.

- Deposits from the public are categorised as liabilities and valued at accrued cost of acquisition.

- Other liabilities, incl. trade payables, are categorised as liabilities valued at accrued cost of acquisition.

Loan receivables and trade and other receivables

Loan receivables and trade and other receivables are financial assets that are not derivatives, that have defined or definable payments and that are not listed in an active market.

These are represented in the balance sheet by the balance sheet items Lending to credit institutions and Lending to the public.

Property, plant and equipment

Property, plant and equipment is recorded at the cost of acquisition after a deduction for accumulated depreciation and any impairments and with the addition of any revaluations.

Rights of use in respect of leases is amortised on a straight-line basis over the lease period. The recorded cost of acquisition for the right of use is adjusted in accordance with any contractual index clauses, which also involves an adjustment of the straight-line amortisation amount.

Intangible assets

Acquired software licences are capitalised on the basis of the expenses incurred when the software in question was acquired and put into use. Costs of maintenance of software are recorded as expenses as they arise.

Deprecation methods

Depreciation is on a straight-line basis over the estimated useful life of the asset.

- software programs - 5 years
- Equipment, tools, fixtures and fittings - 5 years

Depreciation methods used and the residual values and useful lives of assets are reviewed at the end of each year. The carrying amounts of the company's assets are reviewed on each balance sheet date in order to assess whether there is any indication of the need for impairment. If there is an indication of a need for impairment, the asset's recoverable amount is calculated as described in IAS 36.

The recoverable amount is the higher of the fair value minus costs of sale and the value in use. In calculating value in use, future cash flows are discounted using a discount factor that takes into account the risk-free rate of interest and the risk associated with the specific asset.

Cash flow statement

The cash flow statement for Nordiska is prepared using the indirect method. Cash and cash equivalents relate to the item Lending to credit institutions, Chargeable treasury bonds, etc, and the tax account under Other assets. Cash and cash equivalents include bank balances and current financial investments that are exposed to only a minimal risk of value fluctuations and are traded on an open market at known values or have an remaining maturity of less than three months from the acquisition date.

Current and deferred income tax

The current tax expense is calculated on the basis of the tax rules adopted on the balance sheet date or adopted in practice in the country where Nordiska operates and generates taxable income, i.e. Sweden. The management team regularly evaluates the claims made in the income tax returns with respect to situations in which applicable tax rules are the subject of interpretation and, when considered appropriate, makes provisions for amounts that will presumably have to be paid to the tax authority.

Deferred tax is recorded in full, according to the balance sheet method, for all temporary differences that arise between the tax value of assets and liabilities and their carrying amounts in the annual accounts. Deferred income tax is calculated by applying the tax rates (and laws) that have been adopted or announced as of the balance sheet date and that are expected to apply when the relevant deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recorded to the extent that it is likely that future tax surpluses will be available against which the temporary differences can be utilised.

Employee benefits

Relates to all compensation and benefits to employees, e.g. wages and other cash compensation, compensation in the form of shares or share-related instruments, pension contributions, car benefits and severance pay.

Nordiska's remuneration policy has been published on the Company's website, www.nordiska.com, and has been adopted by the Company's Board of Directors in accordance with the Swedish Financial Supervisory Authority's regulation FFFS 2011:1.

Pensions

Nordiska's pension plans are financed through payments to insurance companies. Nordiska only has defined contribution pension plans. A defined contribution pension plan is a pension plan under which Nordiska pays fixed contributions to a separate legal entity. Nordiska has no legal or informal obligations to pay additional contributions if this legal entity does not have sufficient assets to pay all compensation to employees associated with the employees' service during the current or earlier periods.

The contributions are recorded as staff costs when they fall due for payment. Prepaid contributions are recorded as an asset to the extent that cash repayment or a reduction of future payments may be credited to Nordiska.

Redundancy compensation

Compensation upon termination of employment is paid when an employee is given notice by Nordiska prior to the normal retirement date, or when an employee accepts voluntary redundancy in exchange for such compensation. Nordiska records severance pay when it is clearly obligated either to terminate an employee in accordance with a detailed, formal plan without any possibility of recall, or to pay compensation when serving notice as a result of an offer having been made to encourage voluntary redundancy. Benefits that fall due more than 12 months after the balance sheet date are discounted to the current value.

NOTE 3. FINANCIAL RISK MANAGEMENT

Risk management

The Company's business is lending to, and borrowing from, the public. Lending takes place via promissory notes, factoring and invoice discounting. Lending and accepting deposits are naturally associated with risks. These risks are managed via decisions by the Board of Directors on the overall level of risk (risk appetite). The Company works continuously to reduce the level of risk through active customer contact and security management. The Company's risk appetite forms the basis of the commercial decisions taken by the Company.

Risk management is evaluated on an ongoing basis in order to safeguard controllable and low financial and operational risks. The Company strives continuously to achieve optimal capital utilisation through the analysis of existing and potential risks.

Control organisation

The company's organisation for the control of risks and regulatory compliance is organised in accordance with the Swedish Financial Supervisory Authority's general guidelines on governance and control. The control organisation consists of three lines of defence.

The first line of defence consists of the Board of Directors, the CEO and the business. They are responsible for ensuring that the business is managed within the framework of confirmed risk exposure and internal governance and control, and in accordance with confirmed external and internal rules that are applicable at Nordiska.

The first line of defence has an effective governance model and an efficient process for identifying, measuring, valuing, monitoring, minimising and reporting risk.

The second line of defence consists of the Risk Control Function and the Regulatory Compliance Function.

The Regulatory Compliance Function is there to support the Board of Directors, the CEO and the operational business in order to guarantee licensable regulatory compliance in Nordiska.

The Risk Control function is responsible for checking that all significant risks to which Nordiska is exposed or may be exposed are identified and dealt with by the Functions concerned, and checks that the internal regulatory framework is appropriate and effective, and suggests changes to this as required. The Risk Control Function is also there to support and check to make sure that the business is implementing the requirements specified in external regulations, and on an ongoing basis to strive and contribute towards there being good risk awareness in the organisation.

The independence of the Functions is guaranteed by the fact that the Functions themselves do not perform any such activities that they have to examine, i.e. the Functions must not be involved in Nordiska's commercial business.

The third line of defence consists of the Internal Audit Function.

The Internal Audit Function is the tool used by the Board of Directors to meet the requirements for good, effective internal governance and control, and in view of this it is organisationally separated from the Company's other functions and activities.

The Internal Audit Function is responsible for examining and regularly evaluating whether the internal control is effective and appropriate. Within the framework of its assignment, the Internal Audit Function must, among other things, examine and regularly evaluate the Company's risk management, compliance with the regulatory framework, financial information and the second line of defence.

Description of significant risks

All commercial activities assume some risk-taking. The Company is primarily exposed to credit risk, liquidity risk, operational risks and various market risks. In addition to this, the Company is also exposed to commercial risk, strategic risk and concentration risk. Currency risks can arise from time to time in the commercial business. Below is a description of the risks to which the Company is exposed and how they are managed.

Credit risk

Credit risk is the risk that a borrower fails to meet his or her obligations towards the Company, in part the risk of an inability to pay and in such an instance that the collateral or guarantee lodged does not cover the Company's receivable. Ability to pay refers to the end customer's or the borrower's ability to meet his or her obligations on time.

• Counterparty risk: Credit risk in financial operations. Arises when the value of the instrument changes as a consequence of, for example, variations in interest rates or exchange rates, which then have the effect that a claim arises against the counterparty. The counterparty risk at the Company lies in loans to a governmental agency, which is calculated at fair value, and in derivatives with institutions to manage currency positions. Nordiska uses the market value method, in accordance with Article 274 of CRR, to calculate the exposure value of the counterparty risk.

• Concentration risk: This risk refers to the increase in credit risk that arises from the Company having receivables from counterparties with a dependence on each other such as, for example, concentrations in an industry, region or names.

The Company's granting of credit is performed in a way that promotes a healthy development of the business and is characterised by good ethics and morals, as well as ambitious goals with regard to risk and return. The Company only becomes involved in granting credit when the full risk can be assessed. The credit risk is performed on the basis of both internal and external rating.

In each instance of granting credit, there is an assessment of the ability to repay, the concentration risk and security. The Company's granting of credit takes place on the basis of the credit instructions adopted by the Board of Directors. Collateral for the granting of credit consists of floating charges on assets, personal guarantees, pledges in property or tenant-owned properties or pledges in the shares in the borrowing company. There are also unsecured credits. In the case of invoice discounting, collateral consists of the invoice receivables in question as well as any supplementary collateral through personal guarantees from owners, pledges in property or tenant-owned properties, pledges in shares in borrowing companies and negative pledge clauses.

In Partner transactions, collateral consists of guarantees and receivables that are held in a blocked deposit account. To minimise credit risks in connection with invoice discounting and invoice purchasing, a right of recourse is usually applied.

To guarantee a low concentration risk in the factoring portfolio, the Company strives to purchase single, smaller invoices or portfolios of invoices from clients in diverse industries. A geographical distribution of the portfolio is also taken into account in order to avoid regional concentration.

Geographical distribution, lending per country and type of receivable after deduction for provision

2020	Sweden	Norway	Denmark	Finland	Others	Total
Chargeable treasury bonds, etc.	70,006	-	-	-	6,000	76,006
Bonds and other interest-bearing securities	54,395	-	-	-	-	54,395
Lending to credit institutions	292,051	164	-	170,759	-	462,974
Lending to the public	2,418,628	-	-	331,515	14,149	2,764,292
Other	423,331	-	-	-	-	423,331
Total	***3,258,411***	***164***	**-**	***502,274***	***20,149***	***3,780,998***

Of total income, SEK 9,491,000 is attributable to income from Finland, other income is attributable to Sweden.

2019	Sweden	Norway	Denmark	Finland	Others	Total
Chargeable treasury bonds, etc.	50,030	-	-	-	-	50,030
Lending to credit institutions	301,570	164	-	18,873	-	320,612
Lending to the public	1,415,839	-	-	22,203	-	1,438,042
Other	34,596	-	-	-	-	34,596
Total	***1,802,035***	***164***	**-**	***41,081***	**-**	***1,843,280***

Of total income, SEK 6,206,000 is attributable to income from Finland, other income is attributable to Sweden.

Tables: Geographical distribution of lending per country and type of receivable, SEK thousands.

Credit risk exposure, net book value, SEK thousands	2020	2019
Chargeable treasury bonds, etc.	76,006	50,030
Bonds and other interest-bearing securities	54,395	-
Credit institutions	462,974	320,612
Municipality	1,563	1,156
Company	370,163	357,021
Households	1,753,369	628,209
Receivables with pledge in home	640,759	424,176
Other	421,769	62,075
Total	***3,780,998***	***1,843,280***
o/n investment (receivable from credit institution or similar)	-	-
Total Credit exposure	**3,780,998**	**1,843,280**

Countercyclical Capital Buffer 2020

Country	REA	Capital adequacy requirement	%	Current CCYB	Weighted CCYB
Sweden	1,621,890	-	92.50%	0.00%	0.00%
Finland	132,215	-	7.50%	0.00%	0.00%
Norway	-	-	0.00%	1.00%	0.00%
Total	***1,754,105***	**-**	***100.00%***	**-**	***0.00%***

Credit exposure distributed by type of collateral, 31/12/2020	Credit exposure, gross	Loss provision	Credit risk exposure, net	Value of collateral	Credit risk exposure after deduction for collateral
Chargeable treasury bonds, etc.	76,006	-	76,006	-	76,006
Bonds and other interest-bearing securities	54,395	-	54,395	-	54,395
Lending to credit institutions	462,974	-	462,974	-	462,974
Mortgage on residential property	649,403	-8,644	640,759	640,759	-
Mortgage on commercial property	185,735	-1,274	184,461	184,461	-
Company mortgage	20,955	-962	19,993	19,993	-
Share pledge	58,844	-130	58,714	58,714	-
Deposited capital	1,840,050	-28,801	1,811,249	691,987	1,119,262
Guarantees	21,240	-2,616	18,624	18,624	-
Unsecured	5,673	-595	5,078	-	5,078
Other	450,546	-1,801	448,745	36,880	-
Total	*3,825,821*	*-44,823*	*3,780,998*	*1,651,418*	*1,717,715*

Credit exposure distributed by type of collateral, 31/12/2019	Credit exposure, gross	Loss provision	Carrying amount
Chargeable treasury bonds, etc.	50,030	-	50,030
Lending to credit institutions	320,612	-	320,612
Mortgage on residential property	426,729	-2,553	424,176
Mortgage on commercial property	205,851	-3,590	202,262
Company mortgage	31,942	-2,614	29,328
Share pledge	67,857	-2,078	65,780
Deposited capital	658,805	-7,321	651,484
Guarantees	42,652	-10,391	32,261
Unsecured	21,671	-597	21,074
Other	46,273	-	46,273
Total	*1,872,423*	*-29,143*	*1,843,280*

Table: Credit risk exposure, book value per item of collateral, SEK thousands
The value of collateral where obtained is deemed to be adequate in connection with granting of credit. Loss provision is made on basis of factors such as value of collateral per reporting instance.

Liquidity risk

This arises in the business because all assets, receivables and other assets need financing.

Liquidity risk arises when the maturities of assets and liabilities do not match, and the Company is unable to fulfil its payment commitments when due without a significant increase in the cost of cash and cash equivalents. The Company's liquidity risk is managed in a policy adopted by the Board of Directors.

Liquidity risk is an area in which the Company has very low risk tolerance. In addition to the statutory liquidity provision, this is evident in measures including a restriction on deposit customers from withdrawing funds early from fixed-interest accounts. Furthermore, the Company always has the opportunity to decline invoice purchases even if they fall within limits and within the confirmed credit risk limits. The short-term liquidity risk is calculated through the Liquidity Coverage Ratio (LCR).

This key indicator is presented in the table below. LCR is a liquidity risk metric that measures the correlation between liquid assets and 30 days' net outflow in a stressed scenario. LCR must be at least 100 per cent at any time (for each significant currency).

Liquidity risk (LCR)	**2020**	**2019**
All currencies, %	153	200
Liquidity coverage (LCR) - Sub-components		
SEK thousands	**2020**	**2019**
Liquid assets	**126,525**	**50,030**
Liquid assets level 1	126,525	50,030
Liquid assets level 2		
Cash outflows	330,163	100,153
Customer deposits	330,163	84,785
Other cash outflows	-	15,368
Cash inflows (limited to 75% of outflow)	***711,837***	***136,588***
Inflows from overdue lending from non-financial customers	505,372	11,987
Other cash flows	206,465	152,715

The components are defined in accordance with the Swedish Financial Supervisory Authority's regulations on requirements for liquidity coverage ratio and recording of liquid assets and cash flows (FFFS 2012:6). Liquid assets level 1 correspond to Chapter 3 Section 6. Liquid assets level 2 correspond to Chapter 3 Section 7. Customer deposits correspond to Chapter 4 Sections 4-9. Market borrowing corresponds to Chapter 4 Sections 10-13. Other cash flows correspond to Chapter 4 Sections 14-25. Lending to non-financial customers correspond to Chapter 5 Section 4. Other cash flows correspond to Chapter 5 Sections 6-12.

Operational risks

Operational risk refers to the risk that expenses or losses arise in Nordiska's business caused by unexpected (direct or indirect)

economic losses or losses of trust, as a consequence of internal errors and deficiencies in procedures, internal control, systems, technical equipment, human error, irregularities or as a consequence of external events. The operational risks are limited through qualitative and clear processes and updated procedural descriptions.

The Company has internal regulations that make it possible to work effectively on risk-reducing measures in order to prevent and minimise the operational risks. Nordiska uses the base method when calculating operational risks.

Market risks

The Company is exposed to interest rate risk and currency risks in its business. The Board of Directors has decided that market risk, aside from the interest rate risk in lending/deposits and net position in foreign currency to which the business is exposed, may not occur. The Company must under no circumstances take positions for the purpose of speculation. There are treasury bonds with municipalities where the maturities are less than six months.

- **Interest rate risk:** Arises when the fixed interest term for the receivable deviates from the financing. If the market interest rate changes, this can affect profitability.

The Company's interest rate risk is primarily a net interest risk, i.e. that the Company's net interest changes in connection with interest rate changes in the market.

The interest rate risk is quantified as the effect of a parallel shift of the interest rate curve by 2 percentage points. As of 31 December 2020, a parallel shift has a negative impact on profit of SEK 11,000.

- **Currency risk:** This risk arises from time to time when lending takes place in foreign currency. The risk is managed by arranging financing in the same currency.

As the currency risk constitutes 4.8 million of the total balance sheet of 3.3 billion, this is considered small, and the underlying currencies consist primarily of EUR, which is considered to be a stable currency.

Exchange rates used

EUR closing rate = 10,0375 (10,43)
NOK closing rate = 0.9546 (1.06)
DKK closing rate = 1.3492 (1.40)

Exchange rate risk, 31/12/2020

Currency (SEK thousands)	Long Position	Short Position	Forward Position	Net position SEK	Capital adequacy requirement
DKK	-	-	-	-	-
NOK	164	-	-	651	-
EUR	372,949	-377,098	-	4,149	-
Total	**373,113**	**-377,098**	**-**	**4,800**	**-**

Exchange rate risk, 31/12/2019

Currency	Long Position	Short Position	Forward Position	Net position SEK	Capital adequacy requirement
DKK	1,424	-	-	1,424	114
NOK	651	-	-	651	52
EUR	-	-1,520	-	1,520	122
Total	**2,075**	**-1,520**	**-**	**3,595**	**288**

Table Currency exposure translated into SEK thousands.

Operational risk 2020	2018	2019	2020	REA	Capital adequacy requirement
Base indicator	104,061	93,262	113,223	194,091	15,527

Operational risk 2019	2017	2018	2019	REA	Capital adequacy requirement
Base indicator	62,900	104,061	93,262	162,639	13,011

Table Operational risk translated into SEK thousands.

Fixed-interest periods for assets and liabilities
Interest rate exposure, 31/12/2020

Assets	"Up to 3 months"	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years	"Non-interest-bearing"	Total
Chargeable treasury bonds, etc.	26,000	50,006	-	-	-	-	-	76,006
Bonds and other interest-bearing securities	-	-	54,395	-	-	-	-	54,395
Lending to credit institutions	462,974	-	-	-	-	-	-	462,974
Lending to the public	2,224,903	443,988	-	30,594	11,807	53,000	-	2,764,292
Property, plant and equipment	-	-	-	-	-	-	254	254
Shares and participations	-	-	-	-	-	-	2,000	2,000
Shares in subsidiaries	-	-	-	-	-	-	3,050	3,050
Other assets	-	-	3,500	-	-	-	411,361	414,861
Prepaid expenses and accrued income	-	-	-	-	-	-	3,167	3,167
Total assets	***2,713,877***	***493,994***	***57,895***	***30,594***	***11,807***	***53,000***	***419,832***	***3,780,998***
Liabilities								
Deposits from the public	2,853,117	493,995	53,475	30,594	12,777	53	-	3,444,011
Other liabilities	-	-	-	-	-	-	17,417	17,417
Accrued expenses and prepaid income	-	-	-	-	-	-	65,712	65,712
Total equity	-	-	-	-	-	-	253,858	253,858
Total equity and liabilities	***2,853,117***	***493,995***	***53,475***	***30,594***	***12,777***	***-***	***336,987***	***3,780,998***
Interest rate risk in SEK thousands at -2% parallel shift	45	-18	12	-	-70	-	-	-31

2020. Table Interest rate exposure for assets and liabilities, SEK thousands.

Interest rate exposure, 31/12/2019

Assets	Up to 3 months	3-6 months	6-12 months	1-3 years	3-5 years	Over 5 years	Non-interest-bearing	Total
Chargeable treasury bonds, etc.	50,030	-	-	-	-	-	-	50,030
Lending to credit institutions	320,612	-	-	-	-	-	-	320,612
Lending to the public	247,385	153,708	127,342	485,280	215,883	208,444	-	1,438,042
Property, plant and equipment	-	-	-	-	-	-	254	254
Shares in subsidiaries	-	-	-	-	-	-	3,050	3,050
Other assets	-	-	-	-	-	-	28,893	28,893
Prepaid expenses and accrued income	-	-	-	-	-	-	2,329	2,329
Total assets	***618,027***	***153,708***	***127,342***	***485,280***	***215,883***	***208,444***	***34,596***	***1,843,280***
Liabilities								
Deposits from the public	952,556	288,084	151,283	166,807	8,695	221	-	1,567,646
Other liabilities	-	-	-	-	-	-	48,873	48,873
Accrued expenses and prepaid income	-	-	-	-	-	-	6,827	6,827
Total equity	-	-	-	-	-	-	219,935	219,935
Total equity and liabilities	**952,556**	**288,084**	**151,283**	**166,807**	**8,695**	**221**	**275,635**	**1,843,280**
Interest rate risk in SEK thousands at -2% parallel shift	47	-1,008	-441	-	-	745	-	-657

2019. Table Interest rate exposure for assets and liabilities, SEK thousands.

Business risks

The company's business risks are described below:

- ***Compliance risk***: This risk describes the risk that the Company unconsciously fails to observe current laws and regulations, thereby risking losses or punishment. Compliance involves compliance with laws, ordinances, government agency regulations and internal rules, as well as good practice or good standards. The Company has a low tolerance of compliance risks.

  The outsourced compliance function shall apply a risk-based approach to both support and control regulatory compliance and also analyse deficiencies and risks in respect of regulatory compliance. Compliance is directly responsible to the Chief Executive Officer and reports to this person and to the Board of Directors. This function must be independent in relation to the functions being controlled.

- ***Capital planning:*** In accordance with the instructions for internal capital evaluation adopted by the Board of Directors, the Company must, in addition to the capital adequacy requirements, always maintain a good margin of capital for the defined risk profile and to be able to achieve the adopted strategy.

  The starting point for quantifying the risks is the methods described in Pillar 1. This is then augmented by risks not addressed in Pillar 1 plus supplements in cases where the levels are not deemed adequate. The internal capital evaluation involves the performance of stress tests in order to analyse sensitivity to a significantly worse development in the external environment than the forecast in the business plan.

  The aim is always to secure relevant capitalisation for the risk to which the business is exposed and to make sure that significant risks are identified, quantified and qualitatively described, and also understood by employees, management and the Board of Directors.

  This internal evaluation of capital and liquidity takes place at least once a year and forms an integral part of the company's risk management process. Please refer to Note 28 for information about capital adequacy.

  Further information is also provided in the quarterly publication of the Company's capital situation via the Company's website. The website also features a presentation of data about the leverage ratio in accordance with Article 429 of CRR.

- ***Profitability risk***: The Company's profitability can be negatively affected by competition. This risk results in lower income and/or higher expenses in the business on an ongoing basis.

- ***Tax risk***: This risk arises through the introduction of new taxes that affect profitability without the Company receiving increased income.

- ***Strategic risk***: This risk arises through strategically incorrect decisions, which result in the business failing to achieve its goals.

NOTE 4. IMPORTANT ESTIMATES AND JUDGEMENTS FOR ACCOUNTING PURPOSES

The application of the Company's and the Group's accounting policies means in certain instances that assessments must be made that have a significant impact on amounts recorded. Amounts recorded are also affected in a number of instances by assumptions about the future. Such assumptions always involve a risk of an adjustment to the carrying amount for assets and liabilities. The assessments and assumptions made always reflect the best and most reasonable perceptions of company management and are the subject of continuous examination and validation. The following assessments and assumptions have had a significant effect on the financial statements. Information about any significant assumptions is also provided in the relevant note.

Calculation of expected credit losses (ECL)

This is based on three components (see below). These components are calculated on the basis of internally developed statistical models, which consist of a combination of historical, current, forward-looking and macroeconomic data, as well as benchmarks deemed relevant by Nordiska.

- Probability of default (PD) The 12-month and lifelong PD represent Nordiska's assessment of the probability of default within the next twelve months or during the remaining term of the contract at a given time based on conditions on the balance sheet date and future economic conditions that affect the credit risk.
- Loss given default (LGD) LGD represents the expected loss in the event of default with due consideration of mitigating factors such as collateral and the value of this.
- Exposure at default (EAD) EAD refers to the expected exposure in the event of default with due consideration of repayments of principal and interest from the balance sheet date until the default date. The 12-month ECL is calculated by the 12-month PD multiplied by LGD and EAD discounted to current value.

Notes on the income statement

NOTE 5. NET INTEREST

Interest income attributable to interest-bearing securities totals SEK 0, while other interest income is distributed as follows:

	GROUP		PARENT COMPANY	
	2020	**2019**	**2020**	**2019**
Interest income				
Lending to credit institutions	-	-	-	-
Lending to the public	127,290	92,569	127,290	92,569
Total interest income	***127,290***	***92,569***	***127,290***	***92,569***
Interest expenses				
Deposits from the public	-24,673	-14,428	-24,673	-14,428
Cost of deposit guarantee	-1,755	-1,537	-1,755	-1,537
Cost of State stability fund	-15	-10	-15	-10
Interest expense, lease liability IFRS 16	-221	-26	-	-
Interest expenses, other	-1,881	-539	-1,740	-513
Total interest expenses	***-28,545***	***-16,540***	***-28,183***	***-16,489***
Net interest	**98,745**	**76,028**	**99,107**	**76,080**

NOTE 6. NET COMMISSION

	GROUP		PARENT COMPANY	
	2020	**2019**	**2020**	**2019**
Commission income				
- invoice purchasing	7,902	9,302	7,902	9,302
- administrative expenses	940	2,754	940	2,754
- other administrative expenses	10,644	6,532	10,644	6,532
Total commission income	***19,486***	***18,588***	***19,486***	***18,588***
Commission expenses				
- intermediary expenses	-3,842	-3,826	-3,842	-3,826
Total commission expenses	-3,842	-3,826	-3,842	-3,826
Net commission *	**15,643**	**14,762**	**15,643**	**14,762**

NOTE 7. NET PROFIT FROM FINANCIAL TRANSACTIONS

	GROUP		PARENT COMPANY	
	2020	**2019**	**2020**	**2019**
Exchange rate gains EUR	-2,520	2,201	-2,520	2,201
Exchange rate gains NOK	-62	124	-62	124
Exchange rate gains DKK	40	24	40	24
Other	-667	-421	-667	-421
Net profit from financial transactions	***-3,209***	***1,928***	***-3,209***	***1,928***

NOTE 8. OTHER OPERATING INCOME

	GROUP		PARENT COMPANY	
	2020	**2019**	**2020**	**2019**
- Rental income	134	-	134	-
- income from system administration	2,818	1,755	-	-
- other income related to operations	1,548	413	1,548	413
- arrangement fee	-	79	-	79
Total other operating income	***4,500***	***2,247***	***1,682***	***492***

NOTE 9. GENERAL ADMINISTRATIVE EXPENSES

	GROUP		PARENT COMPANY	
	2020	**2019**	**2020**	**2019**
Staff costs, employees				
Salaries, bonuses and other remuneration	-16,371	-13,741	-16,141	-13,741
Pension expenses	-1,220	-740	-1,220	-740
Social security contributions	-4,781	-4,571	-4,735	-4,571
Other staff costs	-1,897	-1,316	-1,889	-1,316
Total staff costs, employees	-24,269	-20,368	-23,985	-20,368
Staff costs, Board of Directors, CEO and management				
Salaries, bonuses and other remuneration	-5,985	-4,801	-5,985	-4,801
Pension expenses	-735	-342	-735	-342
Social security contributions	-2,059	-1,528	-2,059	-1,528
Total staff costs, Board of Directors, CEO and management	-8,779	-6,670	-8,778	-6,670
Total staff costs	***-33,048***	***-27,039***	***-32,763***	***-27,039***
Other administrative expenses				
Expenses for premises *	-	-601	-3,605	-3,194
IT costs	-8,425	-5,806	-8,425	-5,806
Notification, accounting and other admin support (lending)	-7,054	-5,703	-7,054	-5,703
Audit	-1,584	-1,827	-1,584	-1,827
Marketing	-1,924	-1,472	-1,924	-1,472
Consultancy fees	-2,602	-1,385	-2,602	-1,385
Risk and compliance	-1,610	-1,706	-1,610	-1,706
Bank expenses	-2,501	-1,183	-2,501	-1,183
Internal Group expenses - Nordiska Financial Technology	-	-	-2,722	-1,783
Other general administrative expenses	-4,523	-4,249	-3,580	-3,937
Total other administrative expenses	**-30,224**	**-23,932**	**-35,608**	**-27,995**
Total general administrative expenses	***-63,272***	***-50,971***	***-68,371***	***-55,034***

** Expenses for premises at Group level have been removed as of 2019 in accordance with IFRS 16; they are recorded instead as interest expenses (Note 5) and depreciation (Note 10), see also Note 30 IFRS 16.*

NOTE 9 CONTD.

Salaries, other remuneration and pension expenses in respect of senior executives - 2020

	Basic salary/fee	Variable remuneration	Other benefits	Pension expenses	Total
Board of Directors					
Jörgen Durban	160	-	-	-	160
Björn Björnsson	140	-	-	-	140
Christer Cragnell	140	-	-	-	140
Per Berglund	396	-	-	-	396
Board member/CEO					
Mikael Gellbäck	680	-	-	-	680
Other senior executives (4 persons)	**4,469**	**-**	**-**	**735**	**5,204**
Total	***5,985***	***-***	***-***	***735***	***6,720***

Salaries, other remuneration and pension expenses in respect of senior executives - 2019

	Basic salary/fee	Variable remuneration	Other benefits	Pension expenses	Total
Board of Directors					
Jörgen Durban (took up position on 03/07/2019)	60	-	-	-	60
Björn Björnsson	109	-	-	-	109
Christer Cragnell	120	-	-	-	120
Per Andelius (left position on 03/07/2019)	60	-	-	-	60
Per Berglund	440				440
Board member/CEO					
Mikael Gellbäck	672	-	-	-	672
Other senior executives	**3,340**	**-**	**-**	**342**	**3,682**
Total	***4,801***	***-***	***-***	***342***	***5,143***

Salaries and other remuneration to the CEO and other senior executives consist of a fixed salary. Board members who are also employed within the Company do not receive a fee for their Board work.

Pensions

The pensions of all employees are secured through defined contribution plans, which means that the pension expense in the financial year corresponds in full to pensionable remuneration.

The retirement age for the Chief Executive Officer and other senior executives is 65. There is no pension agreement with the CEO.

Periods of notice and severance pay

In accordance with an agreement between Nordiska and the CEO, the period of notice is six months.

No loans to related parties

Gender distribution	GROUP					
	2020			2019		
	Female	Male	Total	Female	Male	Total
All employees (average)	10	20	30	9	24	33
Board members (balance sheet date)	-	5	5	-	5	5
Other senior executives (balance sheet date)	1	3	4	-	4	4

Gender distribution	PARENT COMPANY					
	2020			2019		
	Female	Male	Total	Female	Male	Total
All employees (average)	10	20	30	9	24	33
Board members (balance sheet date)	-	5	5	-	5	5
Other senior executives (balance sheet date)	1	3	4	-	4	4

NOTE 9 CONTD.

	GROUP		PARENT COMPANY	
Remuneration to the auditors	**2020**	**2019**	**2020**	**2019**
Audit assignment 1	-996	-1,227	-966	-1,227
Auditing work apart from the audit assignment	-214	-600	-214	-600
Total remuneration to the auditors	***-1,210***	***-1,827***	***-1,180***	***-1,827***

1 The audit assignment refers to fee for the statutory audit, i.e. work that was necessary in order to issue the audit report, as well as what is referred to as audit advice offered in connection with the audit assignment.

	PARENT COMPANY	
Operational leases	**2020**	**2019**
Leases where the Company is the lessee. Includes lease expenses incurred via operational leases such as premises rented in advance and major items of IT and office equipment.	2,864	2,638
Leases where the Company is the lessor	-	-
Total operational leases	***2,864***	***2,638***
Leases where the Company is the lessee		
Future leases in respect of operational leasing with leases with a remaining maturity of <1 year	-	-
Leases where the Company is the lessor		
Future leases in respect of operational leasing with leases with a remaining maturity of >1 year <5 years	-	-
All leases are operational and are included above for the parent company. Leases at Group level are recorded in accordance with IFRS 16 in separate tables, and consist of interest expenses, depreciation, right of use assets and lease liabilities, see also Note 30.		

NOTE 10. DEPRECIATION

	GROUP		PARENT COMPANY	
Depreciation	**2020**	**2019**	**2020**	**2019**
Amortisation of intangible assets	-1,961	-1,293	-	-
Amortisation of right of use assets (leases, IFRS 16)	-2,643	-2,567	-	-
Depreciation of property plant and equipment	-213	-175	-162	-157
Total depreciation	***-4,817***	***-4,035***	***-162***	***-157***

NOTE 11. CREDIT LOSSES

	GROUP		PARENT COMPANY	
	2020	**2019**	**2020**	**2019**
Credit losses				
Provisions, Stage 1	255	-56	255	-56
Provisions, Stage 2	100	2,380	100	2,380
Provisions, Stage 3	11,261	1,089	11,261	1,089
Total	***11,616***	***3,413***	***11,616***	***3,413***
Confirmed credit losses	-13,463	-16,599	-13,463	-16,599
Recovered previously impaired receivables	288	209	288	209
Total	***-13,175***	***-16,390***	***-13,175***	***-16,390***
Recorded credit losses for the period, net	-1,559	-12,977	-1,559	-12,977

NOTE 12. GROUP CONTRIBUTIONS RECEIVED

	GROUP		PARENT COMPANY	
Appropriations	**2020**	**2019**	**2020**	**2019**
Group contributions received/paid	-	-	1,400	-
Total	**-**	**-**	***1,400***	**-**

NOTE 13. TAX ON PROFIT FOR THE YEAR

	GROUP		PARENT COMPANY	
Tax on profit for the year	**2020**	**2019**	**2020**	**2019**
Current tax on profit for the year	-9,637	-5,314	-9,786	-5,300
Deferred tax	-161	-161	-	-
Tax on profit for the year	***-9,798***	***-5,474***	***-9,786***	***-5,300***
Recorded tax				
Profit before tax	44,555	25,816	44,508	25,007
Tax rate: 21.4%	-9,798	-5,525	-9,786	-5,351
Effect on non-deductible expenses/Non-taxable income				
Other non-deductible expenses	-	51	-	51
Tax on profit for the year	**-9,798**	**-5,474**	**-9,786**	**-5,300**
Effective tax rate	-21.4%	-21.2%	-21.4%	-21.2%

Notes on the balance sheet

NOTE 14. CHARGEABLE TREASURY BONDS, ETC.

	GROUP		PARENT COMPANY	
Chargeable treasury bonds, etc.	**2020**	**2019**	**2020**	**2019**
Municipal bills	70,006	50,030	70,006	50,030
German government	6,000	-	6,000	-
	76,006	50,030	76,006	50,030
Helsingborg Municipality, due date 18/03/2020. Nom. amount: 50,000	-	50,030	-	50,030
Örebro Municipality, due date 12/03/2021. Nom. amount: 20,000	20,002	-	20,002	-
Helsingborg Municipality, due date 19/04/2021 Nom. amount: 50,000	50,004	-	50,004	-
Germany RB Bond, due date 03/02/2021. Nom. amount: EUR 600,000	6,000	-	6,000	-
	76,006	**50,030**	**76,006**	**50,030**

NOTE 15. LENDING TO CREDIT INSTITUTIONS

	GROUP		PARENT COMPANY	
Lending to credit institutions	**2020**	**2019**	**2020**	**2019**
- Swedish currency	286,056	186,842	285,366	186,484
- foreign currency	177,608	134,129	177,608	134,129
	463,664	***320,971***	***462,974***	***320,612***
Maturity information				
Payable on request	463,664	320,971	462,974	320,612
Total lending to credit institutions	***463,664***	***320,971***	***462,974***	***320,612***

NOTE 16. LENDING TO THE PUBLIC

	GROUP		PARENT COMPANY	
	2020	**2019**	**2020**	**2019**
Companies	1,025,382	632,406	1,025,382	632,406
Private individuals	1,782,170	832,956	1,782,170	832,956
Public sector	1,563	1,821	1,563	1,821
Total lending to the public, gross	***2,809,115***	***1,467,184***	***2,809,115***	***1,467,184***
Stage 1	2,711,221	1,386,851	2,711,221	1,386,851
Stage 2	43,671	4,969	43,671	4,969
Stage 3	54,223	75,365	54,223	75,365
Deposits	-	-	-	-
Other	-	-	-	-
Total lending to the public, gross	***2,809,115***	***1,467,184***	***2,809,115***	***1,467,184***
Stage 1	-28,514	-2,187	-28,514	-2,187
Stage 2	-720	-325	-720	-325
Stage 3	-15,589	-26,630	-15,589	-26,630
Deposits	-	-	-	-
Other	-	-	-	-
Total expected credit losses in accordance with IFRS 9	***-44,823***	***-29,142***	***-44,823***	***-29,142***
Stage 1	2,682,707	1,384,663	2,682,707	1,384,663
Stage 2	42,951	4,644	42,951	4,644
Stage 3	38,634	48,735	38,634	48,735
Deposits	-	-	-	-
Other	-	-	-	-
Total lending to the public, net	***2,764,292***	***1,438,042***	***2,764,292***	***1,438,042***

NOTE 17. INTANGIBLE ASSETS

	GROUP		PARENT COMPANY	
Intangible assets	**2020**	**2019**	**2020**	**2019**
- cost of acquisition	14,417	11,208	1,900	1,900
- accumulated amortisation	-6,723	-4,761	-1,900	-1,900
	7,694	***6,447***	**-**	**-**
Accumulated cost of acquisition				
Opening balance	11,208	9,018	1,900	1,900
Acquisitions	3,209	2,791	-	-
Retirement of assets	-	-600	-	-
Closing balance	**14,417**	**11,208**	**1,900**	**1,900**
Accumulated amortisation				
Opening balance, 1 January	-4,761	-3,833	-1,900	-1,900
Amortisation for the year	-1,962	-1,262	-	-
Disposals and retirements	-	334	-	-
Closing balance, 31 December	**-6,723**	**-4,761**	**-1,900**	**-1,900**
Carrying amounts				
As of 31 December	**7,694**	**6,447**	**-**	**-**

NOTE 18. TANGIBLE ASSETS

	GROUP		PARENT COMPANY	
Non-current assets	**2020**	**2019**	**2020**	**2019**
- cost of acquisition	991	898	878	785
- accumulated depreciation	-693	-479	-624	-461
	298	***419***	***254***	***324***
Accumulated cost of acquisition				
Opening balance, 1 January	898	785	785	785
Acquisitions	93	113	93	-
Closing balance, 31 December	**991**	**898**	**878**	**785**
Accumulated depreciation				
Opening balance, 1 January	-479	-304	-461	-304
Depreciation for the year	-214	-175	-163	-157
Closing balance, 31 December	**-693**	**-479**	**-624**	**-461**
Carrying amounts				
As of 31 December	***298***	***419***	***254***	***324***

NOTE 19. BONDS AND OTHER INTEREST-BEARING SECURITIES

	GROUP		PARENT COMPANY	
	2020	**2019**	**2020**	**2019**
Bonds and other interest-bearing securities				
Covered bonds	54,395	-	54,395	-
	54,395	-	54,395	-
Swedish covered bond, due date 15/09/2021. Nom. amount 54,000	54,395	-	54,395	-
	54,395	-	54,395	-

NOTE 20. SHARES AND PARTICIPATIONS

	GROUP		PARENT COMPANY	
	2020	**2019**	**2020**	**2019**
Opening cost of acquisition	-	-	-	-
Change during the year	2,000	-	2,000	-
Closing accumulated cost of acquisition	2,000	-	2,000	-
Closing book value of shares and participations	2,000	-	2,000	-

Holding, 31 December 2020	**Corp. ID no.**	**ISIN**	**Reg. office**	**No. of shares**	**Cost of acquisition**	**Carrying amount**	**Fair value**
Grängesberg Exploration Holding AB (publ)	556710-2784	SE0007789417	Stockholm	50,000,000	SEK 2,000,000	SEK 2,000,000	SEK 5,750,000
Grängesberg Exploration Holding AB Uniträtter	556710-2784	SE0007789417	Stockholm	50,000,000	-	-	SEK 1,400,000

NOTE 21. SHARES IN SUBSIDIARY

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Opening cost of acquisition	-	-	3,050	3,050
Change during the year	-	-	-	-
Closing accumulated cost of acquisition	-	-	3,050	3,050
Closing book value of participations in subsidiary	-	-	3,050	3,050

Holding, 31 December 2020	Corp. ID no.	Reg. office	No. of shares	Proportion	Cost of acquisition	Unconditional shareholder contribution	Carrying amount
Nordiska Financial Technology AB	559080-4570	Stockholm	50,000	100%	SEK 50,000	SEK 3,000,000	SEK 3,050,000

NOTE 22. OTHER ASSETS

	GROUP		PARENT COMPANY	
Other assets	2020	2019	2020	2019
Tax account	409,068	25,064	409,068	25,064
Receivable from subsidiary	-	-	4,900	3,500
Default receivables	893	327	893	327
Other current receivables	981	803	-	1
Total other assets	***410,942***	***26,195***	***414,861***	***28,893***

NOTE 23. PREPAID EXPENSES AND ACCRUED INCOME

	GROUP		PARENT COMPANY	
Prepaid expenses and accrued income	2020	2019	2020	2019
Prepaid expenses	1,888	855	2,607	1,628
Commitment for pension contribution	394	394	394	394
Other	166	307	166	307
Total prepaid expenses and accrued income	***2,448***	***1,557***	***3,167***	***2,329***

NOTE 24. DEPOSITS FROM THE PUBLIC

	GROUP		PARENT COMPANY	
Deposits from the public	2020	2019	2020	2019
- Accrued interest liability	8,745	12,422	8,745	12,422
- Unidentified deposits	12	23	12	23
- in Swedish currency	3,075,157	1,388,821	3,075,157	1,388,821
- in euros	360,097	166,379	360,097	166,379
Total deposits from the public	***3,444,011***	***1,567,645***	***3,444,011***	***1,567,645***
Remaining maturity of no more than 3 months	3,064,520	952,556	3,064,520	952,556
Remaining maturity of longer than 3 months but no more than 1 year	320,338	439,366	320,338	439,366
Longer than 1 year but no more than 5 years	58,765	175,502	58,765	175,502
Longer than five years	389	221	389	221
Total deposits from the public	***3,444,011***	***1,567,645***	***3,444,011***	***1,567,645***

NOTE 25. OTHER LIABILITIES

	GROUP		PARENT COMPANY	
Other liabilities	**2020**	**2019**	**2020**	**2019**
Trade and other payables	2,822	1,943	2,822	1,820
Withholding tax, employees	1,395	915	1,395	915
Tax liabilities	3,782	10,527	3,708	10,354
Funds in blocked accounts	4,491	1,506	4,491	1,506
Non-invested deposits	3,144	10,688	3,144	10,688
Deposits	958	22,505	958	22,505
Other liabilities	1,321	1,219	899	1,083
Total other liabilities	***17,913***	***49,303***	***17,417***	***48,872***

NOTE 26. ACCRUED EXPENSES AND PREPAID INCOME

	GROUP		PARENT COMPANY	
Accrued expenses and prepaid income	**2020**	**2019**	**2020**	**2019**
Accrued holiday pay	1,992	1,426	1,992	1,426
Accrued social security contributions and holiday pay	626	448	626	448
Interest income allocated over time	2,226	2,202	2,226	2,202
Intermediary commissions	59,412	2,504	59,412	2,504
Other prepaid income and accrued expenses	1,739	322	1,456	247
Total accrued expenses and prepaid income	***65,995***	***6,902***	***65,712***	***6,827***

NOTE 27. PLEDGED ASSETS AND CONTINGENT LIABILITIES

	GROUP		PARENT COMPANY	
Pledged assets and contingent liabilities	**2020**	**2019**	**2020**	**2019**
Pledges and comparable collateral lodged for own liabilities and provisions	6,005	6,005	6,005	6,005
Contingent liabilities	-	-	-	-

NOTE 28. CATEGORISATION OF FINANCIAL INSTRUMENTS

2020	**Accrued cost of acquisition**	**Fair value**	**Total**
Chargeable treasury bonds, etc.	76,006	-	76,006
Lending to credit institutions	462,974	-	462,974
Lending to the public	2,764,292	-	2,764,292
Bonds and other interest-bearing securities	54,395	-	54,395
Other assets	423,331	-	423,331
Total assets	***3,780,998***	**-**	***3,780,998***
Deposits from the public	3,444,011	-	3,444,011
Other liabilities	83,129	-	83,129
Total liabilities	***3,527,140***	**-**	***3,527,140***

NOTE 28 CONTD.

2019	Accrued cost of acquisition	Fair value	Total
Chargeable treasury bonds, etc.	50,030	-	50,030
Lending to credit institutions	320,612	-	320,612
Lending to the public	1,438,042	-	1,438,042
Other assets	34,596	-	34,596
Total assets	***1,843,280***	**-**	***1,843,280***
Deposits from the public	1,567,645	-	1,567,645
Other liabilities	55,699	-	55,699
Total liabilities	***1,623,344***	**-**	***1,623,344***

NOTE 29. RELATED PARTY TRANSACTIONS

Parties related to Nordiska Kreditmarknadsaktiebolaget that have conducted transactions during the year and the previous year:

Counterparty	Relation to related party	Business relationships
Nordiska Financial Technology AB	Subsidiary	Utilisation of licence for Nordiska's technical platform
Sala Bly AB	Company related to owner	Nordiska had receivables and received interest
Sala Bly Fastigheter AB	Company related to owner	Nordiska had receivables and received interest
Grängesberg Exploration Holding AB	Company related to owner	Nordiska offset receivable against receipt of shares.

Summary of transactions with related parties (amount in SEK thousands)	2020	Sales of goods/ services to related party	Purchase of goods and services from related party	Interest income from related party	Receivable from related party as of 31 December	Debt to related party as of 31 December
Nordiska Financial Technology AB		-	2,235	-	4,900	-
Sala Bly AB		-	-	438	2,922	-
Sala Bly Fastigheter AB		-		452	2,981	-
Total		**-**	***2,235***	***890***	***10,803***	***188***

Summary of transactions with related parties (amount in SEK thousands)	2019	Sales of goods/ services to related party	Purchase of goods and services from related party	Interest income from related party	Receivable from related party as of 31 December	Debt to related party as of 31 December
Nordiska Financial Technology AB		-	1,783		3,500	188
Lively Wines AB		43	-		-	-
Total		***43***	***1,783***		***3,500***	***188***

NOTE 30. CAPITAL ADEQUACY

The rules on capital adequacy contribute to strengthening the Company's resilience against financial losses and thereby protecting the Company's customers. The rules mean that Nordiska's capital base must cover with a margin not only the prescribed minimum capital adequacy requirements, which includes capital adequacy requirements for credit risks, market risks and operational risks, but also the estimated capital adequacy requirement for additional identified risks in the business in accordance with the Company's evaluation of capital and risks.

Nordiska has confirmed evaluation of the capital requirement based on:

- Nordiska's risk profile
- identified risks in respect of probability and economic impact
- stress tests
- expected expansion in lending and financing opportunities
- new legislation

The review of the capital plan is an integral part of work on Nordiska's annual operational plan. The plan is being followed up on a quarterly basis and an annual review is conducted in order to make sure that the risks are correctly considered and reflects Nordiska's actual risk profile and capital requirements. Every amendment/supplement to policies/strategy documents adopted by the Board of Directors must, as is the case with more important credit decisions and investments, always be related to Nordiska's current and future capital requirements.

Information about Nordiska's risk management is provided in Note 3 and at www.nordiska.com.

There is more information about the Company's capital adequacy at www.nordiska.com.

Nordiska has chosen in these annual accounts only to provide the disclosures required about capital base and capital adequacy requirement in accordance with Chapter 6, Section 4 of the Swedish Financial Supervisory Authority's regulations and general advice on annual accounts in credit institutions and securities Companies (FFFS 2008:25). Other disclosures about capital adequacy are provided on Nordiska's website www.nordiska.com on a quarterly basis. Nordiska fulfils not only the statutory requirement for capital adequacy, but also the internally assessed capital requirement.

Capital situation for Nordiska Kreditmarknadsaktiebolaget

Capital base	**2020**	**2019**
Capital instruments and associated share premium reserves: ordinary shares	43,541	43,541
Non-distributed profits	141,786	122,879
Annual profit net after deduction for foreseeable expenses and dividend that have been verified by persons in an independent position	34,722	19,706
Common Equity Tier 1 capital before legislative adjustments	**220,048**	**186,127**
Proposed dividend	-	-3,200
Reversal in accordance with transitional rules to IFRS 9	4,880	5,528
Total legislative adjustments of Common Equity Tier 1 capital	**4,881**	**2,328**
Common Equity Tier 1 capital	***224,929***	***188,455***
Tier 1 capital contribution	-	-
Tier 1 capital	***224,929***	***188,455***
Capital instruments and associated share premium reserves: preference shares	33,809	33,809
Tier 2 capital	***33,809***	***33,809***
Total capital base	***258,738***	***222,264***

Risk-weighted exposure	**2020**	**2019**
Credit risk according to the standardised method		
Exposures to national governments or central banks	-	-
Exposure to regional or local autonomous bodies and government agencies	-	-
Institutes	87,834	64,157
Companies	301,664	293,165
Households	1,155,105	223,498
Covered bonds	5,429	-
Exposures secured through mortgages on tenant-owned properties	176,889	141,279
Defaulted exposures	27,015	56,151
Share exposures	5,050	3,050
Others	5,899	8,858
Total risk exposures for credit risk	***1,764,885***	***790,158***
Market risk exposure	-	3,595
Operational risk exposure	194,091	162,639
Creditworthiness adjustment risk exposure	-	-
Total risk-weighted assets	***1,958,976***	***956,392***

Capital adequacy requirement	**2020**	**2019**
Credit risk according to the standardised method	141,191	63,213
Market risk	-	288
Operational risk	15,527	13,011
Creditworthiness adjustment risk	-	-
Capital adequacy requirement Pillar 1	***156,718***	***76,512***
Capital adequacy requirement Pillar 2	**17,754**	**9,381**
Total capital adequacy requirement	***174,472***	***85,893***

NOTE 30 CONTD.

Information about capital adequacy

Determination of the statutory capital adequacy requirement is subject to the Swedish Act (2014:968) concerning Special Supervision of Credit Institutions and Securities Companies, the Capital Requirements Regulation (EU) No 575/2013, Swedish Act (2014:966) on Capital Buffers and the Swedish Financial Supervisory Authority's regulations and general advice on supervisory requirements and capital buffers (FFFS 2014:12).

The capital base must cover the minimum capital requirement for credit, sales, market and operational risk, and the combined buffer requirement (capital conservation and contra-cyclic buffer) as well as additional Pillar 2 requirements (interest risk in the bank book, concentration risk).

Nordiska fulfils the minimum level for capital adequacy requirement, which corresponds to a capital base that amounts to at least the total minimum capital requirement.

Capital ratios and buffers	2020	2019
Common Equity Tier 1 capital ratio	11.48%	19.70%
Tier 1 capital ratio	11.48%	19.70%
Total capital ratio	13.21%	23.24%
Institute-specific buffer requirements		
Applicable capital conservation buffer (2.5%)	48,974	23,910
Applicable contra-cyclic capital buffer	-	22,735
Tier 1 capital available for use as buffer	50,457	102,562

Internally assessed capital requirement

The minimum requirement for capital in accordance with Pillar 1 is 8%. In addition to the minimum requirement, Nordiska holds capital to fulfil the combined buffer requirement and to cover the total capital requirement that has been the result of the bank's annual internal capital and liquidity evaluation (IKLU), which is conducted within Pillar 2.

This is regulated in Article 73 of the EU's Capital requirements Directive 2013/36/EU and the Swedish Financial Supervisory Authority's regulations (FFFS 2014:12, Chapter 10).

The purpose of the capital evaluation is to analyse and highlight risks that might be underestimated when calculating the capital base requirement in accordance with Pillar 1, and to identify other significant risks to which the bank is exposed. IKLU also includes an assessment of the liquidity requirement in relation to future development under both normal and stressed conditions.

The internal capital evaluation is based on Nordiska's business plan, current and future regulatory requirements and different scenario analyses. The process and a summary of the result must be reported to the Board of Directors every year and form the basis of the Board's decision on capital planning. The Swedish Financial Supervisory Authority examines and evaluates Nordiska's risk management and ensures that sufficient capital is held for the significant risks to which the Company is exposed.

In addition to the minimum capital requirement and buffer requirements, Nordiska has estimated the internal capital requirement to be SEK 17.7 million (9.4). This is considered to be a satisfactory capital situation with due regard to the business run by Nordiska.

Capital ratios are monitored on an ongoing basis, and if required the results are examined during the course of the financial year by the Company's external auditors so that they can be included in the capital base.

NOTE 31. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	GROUP		PARENT COMPANY	
Financial assets	**2020**	**2019**	**2020**	**2019**
Chargeable treasury bonds, etc. (Note 13)	76,006	50,030	76,006	50,030
Bonds and other interest-bearing securities (Note 19)	54,395	-	54,395	-
Lending to credit institutes (Note 14)	463,664	320,971	462,974	320,612
Lending to the public (Note 15)	2,764,292	1,438,042	2,764,292	1,438,042
Right of use asset (Note 30)	12,007	14,650	-	-
Total financial assets	***3,370,364***	***1,823,693***	***3,357,667***	***1,808,684***
Financial assets - Remaining maturity				
On demand	463,664	320,971	461,294	320,612
Remaining maturity of no more than 3 months	334,068	243,553	332,858	242,781
Outstanding term of longer than 3 months but no more than 1 year	657,677	237,524	655,493	235,333
Longer than 1 year but no more than 5 years	1,230,150	971,843	1,225,696	960,157
Longer than five years	684,806	49,800	682,326	49,800
Total financial assets	***3,370,364***	***1,823,693***	***3,357,667***	***1,808,684***
Financial liabilities				
Deposits from the public (Note 22)	3,444,011	1,567,645	3,444,011	1,567,645
Other liabilities (Note 23)				
Trade and other payables	2,822	1,943	2,822	1,820
Funds in blocked accounts	4,491	1,506	4,491	1,506
Deposits	958	22,505	958	22,505
Lease liability (Note 30)	11,289	13,877	-	-
Total financial liabilities	***3,463,571***	***1,607,476***	***3,452,282***	***1,593,476***
Financial liabilities - Remaining maturity				
On demand	-	-	-	-
Remaining maturity of no more than 3 months	3,073,438	978,509	3,072,791	978,387
Outstanding term of longer than 3 months but no more than 1 year	322,279	441,460	320,338	439,366
Longer than 1 year but no more than 5 years	67,466	187,286	58,765	175,502
Longer than five years	389	221	389	221
Total financial liabilities	***3,463,571***	***1,607,476***	***3,452,282***	***1,593,476***

NOTE 32: IFRS 16

Nordiska has classified the rental agreement relating to the Group's office premises as a leased asset. The lease liability is valued at the current value of remaining lease payments with the aid of a marginal loan rate (5-year government bond + margin of 2.5%) on the first application date. The depreciation period has been expressed as the remaining contract term for the lease on the first application date.

The lease is recorded on an ongoing basis as a right of use (asset) and a lease liability respectively. The estimated interest expense for the lease liability is recorded via the income statement as an interest expense. Leases with a maturity of less than 12 months are not included, nor are leases for which the underlying asset is of little value. Comparative figures have not been translated. Nordiska has exercised the opportunity in RFR2 not to apply IFRS 16 for the parent company.

The lease liability is valued on the date of acquisition at the current value of unpaid lease charges on the opening date, discounted by the marginal loan rate. The lease liability is then reduced by lease charges paid and increased by interest expenses calculated on the current lease liability. The right of use asset is recorded initially at discounted cost of acquisition, i.e. the lease liability's original value including any other expenses such as lease charges paid before the opening date. The right of use is then depreciated on a straight-line basis over the period of use. See also Note 2, Accounting policies.

The Group

Reconciliation of operational and financial leases in accordance with IAS 17 and recorded lease liability in accordance with IFRS 16

Group Right of use

SEK thousands	**Rent of premises**
Cost	
As of 1 January 2020	14,650
Additional right of use	-
As of 31 December 2020	***14,650***
Accumulated depreciation	
As of 1 January 2020	-
Depreciation for the year	-2,643
As of 31 December 2020	***-2,643***

Carrying amount	
As of 31 December 2020	***12,007***

Group Lease liability

SEK thousands	**Rent of premises**
Cost of acquisition	
As of 1 January 2020	13,877
Additional lease liability	-
As of 31 December 2020	**13,877**

Accumulated repayments and interest	
As of 1 January 2020	-
Repayments and interest for the year	-2,588
As of 31 December 2020	***-2,588***

Carrying amount	
As of 31 December 2020	***11,289***

NOTE 32 CONTD.

Group

Amounts recorded in income statement

Items	SEK thousands
Amortisation of right of use	-2,643
Interest expenses for lease liability	-221
Total	*-2,864*

Total cash flow for leasing in 2020 was SEK 2,864,000.

As of 31 December 2020, the Group has obligations in respect of a smaller value of SEK 11,238,000, assuming 5-year agreement = rent for office premises. There are no short-term leases.

NOTE 33. PROPOSED DISPOSITION OF PROFITS

According to the balance sheet for Nordiska Kreditmarknadsaktiebolaget AB, the Annual General Meeting has at its disposal profits as follows:	
Retained earnings, incl. share premium reserve	176,394,538
Distributed to preference shareholders	-800,000
Profit for the year	34,722,537
Total available for distribution	***210,317,075***
Dividend to preference shareholders	-
Carried forward to the new accounts	**210,317,075**

Nordiska Kreditmarknadsaktiebolaget's income statement and balance sheet will be submitted for adoption at the Annual General Meeting on 25/04/2021.

The Board of Directors and the Chief Executive Officer hereby certify that the annual accounts and the consolidated accounts have been prepared in accordance with IFRS as adopted by the EU and the Swedish Annual Accounts Act (1995:1559) for Credit Institutions and Securities Companies (ÅRKL), with the application of the Swedish Financial Supervisory Authority's regulations (FFFS 2008:25) and the Swedish Financial Accounting Standards Council's recommendations, and give a true and fair view of the financial position and results of the Group and the parent company, and that the statutory administration report gives a true and fair view of the progress of the business operations, its position and results, and describes significant risks and uncertainties faced by the Group and the parent company.

Stockholm, 25/02/2021

Jörgen Durban
Chairman of the Board

Björn Björnsson
Board member

Per Berglund
Board member

Mikael Gellbäck
CEO/Board member

Christer Cragnell
Board member

My audit report was submitted on ____/____/2021.

Per Fridolin
Authorised Public Accountant

Audit Report

To the Annual General Meeting of Nordiska Kreditmarknadsaktiebolaget (publ), corporate ID no. 556760-6032

REPORT ON THE ANNUAL ACCOUNTS AND THE CONSOLIDATED ACCOUNTS

Opinion

I have audited the annual accounts and the consolidated accounts of Nordiska Kreditmarknadsaktiebolaget (publ) for 2020. The company's annual accounts and consolidated accounts are included on pages 4–45 of this document.

In my opinion the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and in all material respects present a fair view of the parent company's financial position as of 31 December 2020 and of its financial performance and cash flow for the year in compliance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated financial accounts have been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and in all material respects present a fair view of the Group's financial position as of 31 December 2020 and its financial performance and cash flows for the year in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

I therefore recommend that the Annual General Meeting adopt the income statement and balance sheet for the parent company and the Group.

My opinion in this report on the annual accounts and the consolidated accounts is compatible with the content of the supplementary report that was submitted to the Board of Directors in accordance with Article 11 of the Audit Regulation (537/2014/EU).

Basis for opinion

I have conducted the audit in accordance with International Standards on Auditing (ISA) and auditing standards generally accepted in Sweden. My responsibilities under those standards are described in further detail in the section entitled Auditor's Responsibilities. I am independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled my ethical responsibilities in accordance with these requirements. This includes that, based on my best knowledge and conviction, no forbidden services as described in Article 5.1 of the Audit Regulation (537/2014/EU) have been provided to the audited company or, where relevant, its parent company or its controlled companies within the EU.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

Key audit matters are the matters that, in my professional judgement were the most significant for the audit of the annual accounts and consolidated financial accounts for the current period. These matters were addressed in the context of my audit of, and in forming my opinion thereon, the annual accounts and consolidated financial accounts as a whole, but I do not provide a separate opinion on these matters.

Provision for expected credit losses

Information about this area is contained in the annual report – Note 2 Accounting policies, Note 4 Important estimates and evaluations for accounting purposes, Note 11 Credit losses and Note 16 Lending to the public.

As of 31 December 2020, Lending to the public in the Group and in the parent company amounts to SEK 2,764,292,000 (last year 1,438,042,000), which corresponds to 73% (77) and 73% (78) respectively of the total assets of the Group and the parent company respectively. The provision for expected credit losses in the Group and the parent company amounts to SEK 44,823,000 (last year 29,142,000).

In accordance with IFRS 9, loan receivables are divided into three stages based on the level of credit risk or the change in the credit risk: stage 1 for loans with no significant worsening of credit risk, with losses estimated for expected defaults within 12 months, stage 2 for loans with a significant worsening of credit risk and stage 3 for loans in default with losses estimated for occurred and expected defaults during the remaining term of the loan.

Expected credit loss is calculated as a function of the probability of default, exposure to default, losses in the event of default and the timing of default. The provision is based on previous events, current conditions and forecasts of future economic conditions. IFRS 9 allows estimated credit losses to be adjusted with reference to professional assessments.

Management performs assessments of and assumptions about, among other things, criteria in order to identify a significant worsening of the credit risk and methods for calculating expected defaults. The complexity of the calculations, the element of assessments and assumptions, and the significance of the balance sheet item mean that the provision for expected credit losses is considered to be a particularly important area.

My audit consisted of a combination of evaluation and substantive testing.

I have evaluated on the one hand internal control in the loan process, and on the other hand whether assessments made of the probability of default, exposure in the event of default and loss in the event of default (expected credit loss) as well as significant increase in credit risk are in accordance with IFRS 9.

In my substantive testing, I tested to make sure that data from underlying systems used in the provision model are complete and correct, and also examined and assessed the model used, including assumptions and parameters, and also assessed the reasonableness of the manual adjustments made. I have also examined the disclosures relating to the implementation of IFRS 9.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated financial statements. This may be found on page 3 and relates to the CEO's comments.. The Board of Directors and the CEO are responsible for this other information.

My opinion on the annual accounts and consolidated accounts does not cover this other information and I do not express any form of conclusion regarding this other information.

In connection with my audit of the annual accounts and consolidated accounts, my responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure I also take into account my knowledge otherwise obtained during the audit and assess whether the information otherwise appears to be materially misstated.

If I, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Board of Directors and the CEO

It is the Board of Directors and the CEO who are responsible for ensuring that the annual accounts and the consolidated accounts are prepared and that they give a true and fair view in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and, in the case of consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the CEO are also responsible for the internal control they deem necessary to prepare annual accounts and consolidated accounts that do not contain material misstatements, whether due to fraud or error.

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

The auditor's responsibility

My goal is to achieve a reasonable degree of certainty as to whether the annual accounts and consolidated accounts as a whole do not contain any material misstatement, whether due to fraud or error, and to submit an audit report that contains my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit under ISA, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement in the annual accounts and consolidated accounts, whether due to fraud or error, and draw up and perform audit procedures, inter alia on the basis of these risks and obtain audit evidence that is sufficient and appropriate for providing a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- gain an understanding of the part of the company's internal controls relevant to my audit in order to draw up audit procedures that are appropriate in the circumstances, but not in order to express an opinion on the effectiveness of internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the board and CEO in the accounts together with associated information.
- draw a conclusion on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and CEO when preparing the annual accounts and the consolidated accounts. I also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify my opinion about the annual accounts and consolidated accounts. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause a company and a Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the information, and whether the annual accounts and the consolidated accounts reflect the underlying transactions and events in a way that gives a true and fair view.
- obtain sufficient and appropriate audit evidence with regard to the financial information for the units or business activities within the Group to provide an opinion in respect of the consolidated accounts. I am responsible for the direction, supervision and performance of the Group audit. I am solely responsible for my opinion.

I must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. I must also inform of significant audit findings during the audit, including any significant deficiencies in internal control that I identified.

I must also provide the Board of Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, measures taken in order to eliminate threats or safeguards that have been taken.

From the matters communicated with the Board of Directors, I determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks of material misstatement, and which are therefore key audit matters. I describe these matters in the audit report unless laws or other regulations preclude disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion

In addition to my audit of the annual accounts and consolidated accounts, I have also audited the administration of the Board of Directors and the CEO of Nordiska Kreditmarknadsaktiebolaget (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

I recommend to the Annual General Meeting that the profit be appropriated in accordance with the proposal in the Management Report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Basis for opinion

I conducted the audit in accordance with generally accepted auditing standards in Sweden. My responsibility in this regard is described in more detail in the section entitled Auditor's responsibility. I am independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled my ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for the appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the parent company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and, among other matters, take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

The auditor's responsibility

My objective concerning the audit of the administration, and thus my opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board or the CEO in any material respect

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- has in any other way acted in breach of the Swedish Companies Act, the Swedish Banking and Financing Business Act, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies or the articles of association.

My objective concerning the audit of the proposed appropriations of the company's profit or loss, and thus my opinion about this, is to assess with a reasonable degree of assurance whether the proposal is in accordance with the Swedish Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, I exercise professional judgement and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on my professional judgement with a starting point in risk and materiality. This means that I focus the examination on such actions, areas and relationships that are material for the operation and where deviations and violations would have particular importance for the company's situation. I examine and test decisions taken, support for decisions, actions taken and other circumstances that are relevant to my opinion concerning discharge from liability. As a basis for my opinion on the Board of Directors' proposed appropriations of the company's profit or loss, I have examined whether the proposal is in accordance with the Swedish Companies Act.

Per Fridolin, c/o BDO Mälardalen AB, Sveavägen 53, SE-102 35 Stockholm, was appointed as Nordiska Kreditmarknadsaktiebolaget (publ)'s auditor at the Annual General Meeting in 2020 and has been the company's auditor since 2015.

Stockholm, 25 February 2021

Per Fridolin
Authorised Public Accountant

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