ANNUAL REPORT 2019

Qred Holding AB (publ)

Company registration number 559031-0685

Earlier Qred AB (publ)

Content

QRED IN BRIEF

This is what we do

Qred helps small businesses with temporary liquidity needs. By digitizing the entire process, both our customers and we as lenders are given great benefits. The process is easier, faster and safer; therefore, many customers have chosen Qred instead of traditional bank financing.

This is what we offer

Funding is a much-sought-after service among small businesses. Traditional bank loans are complicated to apply for, difficult to obtain and take a long time to process. Qred's corporate loans give small businesses access to simple, fast and transparent financing.

These are our loans.

The loan amounts are a maximum of approximately SEK 1,000,000 and the terms are normally up to three years. The loans have a straight interest rate. The loans have no set-up fee, a fixed monthly fee, no hidden fees and no fixed term. As a customer, you only pay for the months that you use the loan.

This is our team

Qred's employees are the single most important success factor. With strong growth, a focus on Fintech, international expansion and based in Stockholm, Qred is an attractive employer. This means that Qred has had the opportunity to attract and recruit many talented people.

2019 IN BRIEF

Q1

Qred launches new strategic partnerships

Qred is entering its fourth year of continued strong growth and reaches an accumulated loaned volume of SEK 1.5 billion. A new partnership is established with Dinero, which is the largest within online accounting for small businesses in Denmark.

Q2

Qred raises EUR 40 million

Qred issues a bond directed to financial institutions and receives EUR 40 million. With access to institutional capital, growth can continue and Qred is increasingly perceived as a serious banking challenger.

Q3

Qred aims for Brazil

Qred is part of a partnership to offer corporate loans in Brazil. Qred contributes with its leading technology and knowledge in corporate loans, while Qred's partners contribute with local knowledge and capital.

Q4

Qred takes up the fight in invoice purchasing

The market for invoice purchases is being bought by large established players. With modern and scalable technology, Qred can offer both a better customer experience, while keeping costs and credit risk down.

2019

Qred's customers create thousands of new jobs

4 out of 5 jobs are created by small businesses. Since its inception in 2015, Qred has lent SEK 3 billion to ten thousand small businesses until 2019. In 2019, we created 10 new jobs a day, 7 days a week. We are proud of that.

2020

Qred is Sweden's fastest growing company

Qred was first found among Swedish companies when the Financial Times for the fourth year in a row published its list of the 1000 companies in Europe with the fastest growth. Overall, Qred ranked number eight among all companies in Europe.

CEO'S COMMENTS

Qred is a Fintech company founded in Stockholm in 2015. Our mission is to help small businesses with small loans, which is exactly what we do.

2019 was a successful year for Qred. The business continued to grow profitability, and Qred was named by the Financial Times as the 8th fastest growing company in Europe. However, it is difficult to wholeheartedly rejoice at our successes during this serious situation.

At the time of writing, Sweden and the world have been hit by a pandemic. People are worried, authorities are urging anyone who can to stay at home and small businesses are fighting for survival when customers and supplies fail, and staff are isolated.

Of course, we too suffer when our customers are affected. However, there are several factors that speak in our favor.

We have a digital DNA. Our model is based on a fully digitized model, which means that we do not depend on physical meetings or paper. All employees work with laptops and can connect from their homes.

Qred has strong funding and thereby good solidity, which will help us absorb rising credit losses as a result of the pandemic. Unlike many other tech companies, we have a priority to build a profitable business and face strong challenges ahead.

Finally, we have chosen our customers with care where we focused on companies with viable operations and good cash flows.

I know from my own experience that in times of trials a lot is put at risk, but I also know that crises create the next generation of winners.

Small businesses are our heroes

Our society is increasingly run by the smallest companies. Large traditional companies have for a long time outsourced an increasing proportion of their businesses to other companies, or have moved parts of, or entire businesses, to low cost countries. At the same time, the population is increasing. Many talented people who come to Sweden and have difficulty getting into the traditional labor market, despite the fact that in many cases they have both good education and long experience. Self-employment is then an important opportunity to support oneself and one's family. We are convinced that small business is an important solution to securing both integration and our future prosperity.

There is also a clear trend with people actively choosing to use traditional forms of employment to become entrepreneurs. The driving forces vary, from finding a better and more flexible form of employment and deciding on one's own time, to wholeheartedly investing in following one's dreams and creating new and powerful businesses.

Whatever the motives, most small businesses at some point face the need for more capital. Unfortunately, for decades, traditional banks have failed to provide the smallest companies with financing.

Qred is the market leader in online corporate loans

Qred has built a unique service where the entire process of corporate loans has been both digitized and automated. It provides a better customer experience; it is much faster, and it enables us to also be able to handle small loans with profitability. With digitalization and smart algorithms, everyone will be winners.

We estimate that Qred is the market leader in the Nordic region in corporate loans of up to SEK 1 million. This gives us an advantage in the competition with major economies of scale, which will benefit our future growth. Qred is in Sweden, Finland, Denmark and the Netherlands. During the year we have also entered into a partnership to offer our corporate loans in Brazil.

Credit assessment and machine learning

Qred's credit assessment is based on a self-learning algorithm, which is based on hundreds of thousands of applications, each of which has data from thousands of different data points.

The credit model has been built with the aim of finding an appropriate limit that allows companies to have enough free cash flow to meet their commitments and not be over-indebted, and partly to keep our credit losses at a desired level. The more data we collect, the better our models will become on predicting failure. As the models improve, an increasing part of the credit process will be automated, providing a better customer experience and creating scalability in the business

New challenges and new goals

As we look ahead, the primary focus is to deal with the effects of the pandemic. It is difficult to monitor the long-term effects. My belief is that there will continue to be talented entrepreneurs in viable companies who need to finance their activities in the future as well. But now it is important to quickly get the wheels moving if we are to save business and welfare.

We want to do our part. Qred is needed more than ever to keep small businesses and help the next generation of business heroes. Together we create opportunities for small companies to be able to develop.

Thank you, all customers, employees and investors for a fantastic 2019 and for your continued support.

Emil Sunvisson
CEO

RESPONSIBLE LENDING

Qred combines speed and simplicity with responsibility

Fast and easy online business loans are a relatively new service in the Nordic market. This means that companies must no longer go to the bank or to friends and acquaintances to borrow money. The application is simple and only takes a few minutes, and the customer receives a non-binding offer within an hour. The service has been highly appreciated and is available for all small companies that want to become large companies and all companies that need financing.

Qred always does a thorough credit assessment

Qred makes a detailed credit report for all applications made. This information is weighed together with external information from various sources along with information from the borrower and any internal data from previous loan and payment history. As a result, a qualified assessment of the borrower and the borrower's cash flow can be made in order to avoid the borrower getting into difficult situations.

Qred only lends money to companies

Qred only caters to companies and never lends money to private individuals. Qred's loans go to help small businesses facing investment and liquidity needs, rather than consumption. Each company is assessed individually, and the loan is adjusted to the borrower's ability to repay.

Qred sets a reasonable loan cap

Qred sets individual limits on how much each company can borrow. Depending on the development of the borrower's business and the way in which the borrower handles its payments, the loan ceiling may change.

Qred asks customers to think before they borrow money

Qred shall be a responsible creditor. Qred encourages the borrower to think twice before taking out a loan, whether it is a small business loan from Qred or a larger loan from a bank. There are many good reasons for taking out a business loan, but there are situations where new loans should be avoided. By following a few simple rules, the borrower avoids many risks:

- Do not borrow if the company already has large loans.
- Do not borrow if the company will have difficulty paying back.
- Don't borrow to make chance-winning investments.

BOARD OF DIRECTORS AND SENIOR EXECUTIVES

Board

Mattias Carlsson
Chairman of the Board since 2017. Born 1972. M.Sc. in Engineering Physics (Uppsala University).
CEO at TF Bank.

Andrea Gisle Joosen
Board member since 2019. Born 1964.
Ba & MSc Business Administration & Marketing (Copenhagen Business School).
Chairman of Acast and board member of ICA Gruppen, BillerudKorsnäs and Dixons Carphone.

Jason Francis
Board member since 2015. Founder. Country manager Sweden. Born 1977. MBA (Stockholm School of Economics). MA Econ (Duke University).
Former Nordic Strategic Manager at Trygg Hansa and Management Consultant at Oliver Wyman.

Thomas Jansson
Board member since 2015. Founder. Country manager Finland. Born 1982. M.Sc. Accounting (Åbo Akademi University).
Former COO and Business Development Manager at Tact Group.

Emil Sunvisson
Board member since 2015. Founder. CEO. Born 1971. MBA (Stockholm School of Economics), M.Sc. Mechanical Engineering (KTH).
Former CEO of Cherry.

Jason Francis, Thomas Jansson and Emil Sunvisson are active in the company as senior executives.

Senior executives

Jenny Arvidsson
Head of Legal & Compliance since 2017. Juris Doctor (Santa Clara University School of Law). Former Associate at Bird & Bird and Attorney at Pillsbury Winthrop Shaw Pittman LLP.

Björn Bondén
Head of Credits since 2018. M.Sc. Industrial Engineering and Management (Helsinki University of Technology).
Former Pricing & Capital Planning at SBAB, Team Lead Risk at Skandiabanken and Management Consultant at Oliver Wyman.

Mia Rosén
CFO since 2018. Master's degree in Economics (University of Borås).
Former CFO at Widespace and Head of Group Accounting at Hoist Finance.

Andres Sehr
CMO since 2020. Bachelor Comm Finance and Marketing (University of Toronto).
Former CMO at Hedvig, Director of Marketing at Truecaller and Marketing Director on Spotify.

Oliver Dolan
CTO since 2020. M.Sc Decision Support & Risk Analysis (Stockholm University) and B.Sc. Computer Engineering (Buckinghamshire New University).
Former Engineering Manager at Worldfavor.

Marianne Winblad von Walter
Head of HR since 2020. Bachelor Human Resources Management (Uppsala University)
Former HR manager at, among others. Nasdaq OMX, Teracom, Proffice, The Red Cross and Dahl.

ANNUAL REPORT

Information about the business

The Board of Directors and CEO of Qred Holding AB (publ) (formerly Qred AB (publ)), 559031-0685, (The Company) hereby issue annual and consolidated financial statements for the financial year 1 January to 31 December 2019. The company's head office is located in Stockholm. The activities include lending to companies in Sweden, Finland, Denmark and the Netherlands and factoring activities in Sweden.

Qred Holding AB (publ) with subsidiaries (The Group or Qred) issue consolidated financial statements in accordance with IFRS (International Financial Reporting Standards).

Group structure and owner

Qred Holding AB (publ) is the parent company of the Group with the purpose of owning shares in group companies. Qred AB with corporate identity number 559008-9800 is a wholly owned subsidiary. Qred AB has branches in Finland, Denmark, the Netherlands and Latvia. Qred Factoring AB with corporate identity number 559221-0180 is a partly owned subsidiary. Qred Factoring AB has operations in Malmö. Suomen Yrityslaina OY and Qred Fintech AB (former KronSpar AB) are wholly owned subsidiaries of Qred Holding AB (publ) and are in liquidation. The company's largest owner is Nibble Gård Invest AB, which owns approximately 65% of the Company's common stocks.

Products and markets

Qred conducts lending activities and the intermediation of loans to small businesses in Sweden, Finland, Denmark and the Netherlands. The credits normally have an amount of up to SEK 1 million and a maturity of up to 36 months with a straight amortization. The receival and assessment of credit applications, debt management and ongoing credit management are mostly done digitally through an automated process. The business is not subject to authorisation in the markets in which Qred operates lending. Qred is registered as a financial institution with the Swedish Financial Supervisory Authority.

In 2019, Qred started factoring operations, invoice purchasing and invoice lending. Factoring operations are aimed at companies in Sweden.

Operations during the financial year

The average lending of funds during the financial year amounted to SEK 548 m (SEK 290 m), an increase of 89% (139%) compared with the previous year. This is explained by the fact that Qred continues to grow and grow from relatively low volumes. During the same period, operating income amounted to SEK 192 m (SEK 131 m), an increase of 47% (113%) compared with the previous year. Profit for the year increased by 7% (112%) compared to the previous year and amounts to SEK 28 m (SEK 26 m). To strengthen the Company's financial income, the Company has during the year executed several new issuance of preference shares. The company has also issued a bond of EUR 40 m. The result of the Company's and the Group's operations and the financial position at the end of the financial year are otherwise shown in the following income statements and balance sheets with notes.

Future developments

As in the past, the focus will be on continued profitable growth, while lending is constantly adjusted as a result of the ongoing Corona pandemic and its impact on the economy and our borrowers.

Credit risks and other risks of the business

The Group faces various types of risks such as credit risks, market risks, liquidity risks and operational risks. In order to limit and control the risks in the business, the Board of

Directors, which is ultimately responsible for risk management, has established policies and instructions for the granting of credit and other activities. For a more detailed description of financial risks, see Note 3.

Significant events during the financial year

In June, the Company issued a bond. The total bond frame is EUR 100 m, of which EUR 40 m has been used. The bond runs for a maturity of 3 years and has a coupon of EURIBOR + 8.5% paid quarterly.

At the Annual General Meeting in June, Andrea Gisle Joosen was appointed as a new board member.

During the year Qred Factoring was launched, which means that the Group offers invoice purchasing as a new business. Operations are conducted through the subsidiary Qred Factoring AB, which uses a digital platform.

Qred has entered into cooperation with Webrock AB and Atlant Fonder AB to offer corporate loans in Brazil, where Qred contributes technical systems and expertise through the associated company Qred Brazil AB (publ).

The Extraordinary General Meeting on December 4th resolved that the Company's name should be changed from Qred AB (publ) to Qred Holding AB (publ). In connection with this, the operating subsidiary Qred Företagslån AB has changed its name to Qred AB, which better reflects the business and is more internationally feasible.

During the fourth quarter, Qred started to provide loans to other lenders for commission-based compensation, which entails commission income and commission costs. The new business model means that the company can continue to increase its turnover, without necessarily increasing loan receivables on its own balance sheet. The loan intermediation agreement contains a financial guarantee. Expected costs surrounding this are reported as an expense under credit losses.

Significant events after the end of the financial year

The spread of the coronavirus, COVID-19, in the world brings global uncertainty to the economy. We will, like many others, be affected by this extraordinary event. The Company follows the development and acts quickly when conditions change. The Company will focus on stability and long-term thinking during this uncertain time.

As a result of the measures taken to reduce the spread, the economic conditions for the Company's customers are expected to deteriorate. This will most likely lead to reduced ability to repay by the Company's customers and thus increased credit losses. In the first quarter of 2020, this will lead to an increase in the reserve for expected credit losses according to IFRS9, while a corresponding increase in realised credit losses may occur for the remainder of 2020. The Company is following the economic development resulting from the coronavirus outbreak and will adjust the reserve for expected credit losses accordingly. Beyond reservations already made in the first quarter, additional credit loss reservations may be deemed necessary depending on the development of the market and the Company. Information on assessed sensitivity to different economic scenarios and changes in risk parameters as of December 31, 2019 can be found in Note 3.

Qred has repurchased bonds at a nominal value of EUR 10.3 m after the end of the accounting period. The purchase means that the company increases earnings before tax by SEK 25.5 m. After the acquisitions, the company holds a nominal amount of EUR 10.3 m.

Otherwise, no significant events have occurred after the end of the financial year.

Proposed appropriation of profit and loss

	SEK
Balanced result	-3 905 407
Profit for the year	13 138 083
Other non-restricted equity	165 457 626
Total non-restricted equity	**174 690 302**
Suggestion from the board:	
Dividend to pay out	7 000 000
Carried forward	167 690 302
Total	**174 690 302**

During the year, dividends to preference shareholders were paid by SEK 6 106 thousand and in 2020 until the Annual General Meeting of SEK 3 023 thousand. This is in accordance with the power granted to the Board of Directors through the Annual General Meeting 2019 to distribute dividends to preference shareholders up to a total maximum amount of SEK 14 000 thousand. In accordance with the Board's authority, the rights of preference shareholders to dividends are in place at the first record date, the last working day of each month, which falls after the preference share has been entered in the share register, and the payment date is no later than the fifth business day after such record date.

The Board of Directors proposes that the earnings be disposed of so that ordinary shareholders are distributed SEK 0.00 per common share, a total of SEK 0 thousand. and to the preference shareholders, up to SEK 700.00 per preference share is distributed in accordance with the Company's Articles of Association, totaling up to SEK 7 000 000 according to the above mentioned Board’s authority.

The Board of Directors' opinion on the proposed dividend

The equity ratio is reassuring, given that the company's operations have been conducted profitably during the past financial year. The amount of the proposed dividend is limited both in relation to total equity and the previous year's profit. There are good opportunities to influence liquidity through increased or reduced lending. The Coronavirus represents a major uncertainty factor and may have negative effects on the company's financial position such as higher credit losses in the future. Management and the Board of Directors' assessment is that the company has reasonable opportunities to absorb the expected increase in credit losses and meet the pressures that the pandemic puts on the company. Liquidity is expected to continue to be secure and manageable. The Board of Directors thus believes that the proposed dividend does not prevent the Group or the Company from fulfilling its obligations in the short and long term, nor to perform the necessary investments or otherwise jeopardise the Group's or the Company's position. The proposed dividend can therefore be defended in the light of the information provided for in Chapter 17 of ABL 17. 3 § 2 - 3 clause.

KEY FIGURES, CONSOLIDATED

Income statement (KSEK)	2019	2018	2017	2016	2015
Net interest income	184 392	122 993	61 254	19 909	1 813
Net commission income	672	-	-	-	-
Total operating income	192 327	130 614	61 444	19 909	1 813
Net credit losses	-74 515	-35 810	-16 580	-3 216	-395
Personnel costs	-30 399	-18 227	-8 941	-3 814	-608
Other costs	-52 967	-45 648	-21 508	-9 256	-1 897
Amortization of tangible and intangible assets	-2 786	-	-	-	-
Operating profit	**31 660**	**30 929**	**14 415**	**3 623**	**-1 087**
Profit for the year	**28 029**	**26 179**	**12 358**	**2 792**	**-1 087**

Balance sheet (KSEK)	2019	2018	2017	2016	2015
Financial fixed assets	22 001	5 116	13 305	381	-
Lending and other receivables	594 207	349 562	165 598	76 528	12 098
Cash and receivables to credit institutions	67 714	43 600	9 989	15 377	914
Provisions	2 447	-	-	-	-
Long-term liabilities	413 227	194 761	90 383	51 333	3 777
-of which debts to credit institutions	-	158 535	25 235	31 326	-
- of which bond loans	410 135	-	-	-	-
Current liabilities	31 488	27 494	7 282	26 806	253
Equity	236 760	176 023	93 893	14 501	9 013
Balance sheet total	**683 922**	**398 278**	**191 558**	**92 639**	**13 043**

Ratios					
Profit margin	14,6%	20,0%	20,1%	14,0%	-60,0%
Return on equity	3,4%	4,8%	5,7%	5,9%	-6,0%
Return on assets	5,9%	8,9%	8,7%	5,3%	-16,7%
Solidity	34,6%	44,2%	49,0%	15,7%	69,1%
Average lending	548 436	290 249	121 609	44 313	6 049
Change %	*89%*	*139%*	*174%*	*633%*	
Average number of employees	42	26	14	7	2
Credit loss level	13,6%	12,3%	13,6%	7,3%	6,5%
K/I number	43%	49%	50%	66%	138%
Interest coverage ratio, times	1,8	3,4	2,8	2,5	

Comparative figures for changed accounting principles for IFRS 16 2019 and IFRS 2017 not been restated.

Profit margin: Profit for they year divided by operating profit
Return on equity: Profit for the year divided by average equity
Return on assets: Operating profit divided by average balance sheet total
Solidity: Equity at year-end divided by total assets at year-end
Credit loss level: Net loan losses divided by average lending
C/I ratio: Total operating expense divided by total operating income (loan losses excluded)
Interest coverage ratio: Operating profit increased by interest expense divided by interest expense

INCOME STATEMENT, CONSOLIDATED

KSEK	Note	2019	2018
Interest income		225 964	136 041
Interest expense		−41 572	−13 048
Commission income		993	-
Commission expense		−321	-
Other income		7 262	7 621
Total operating income	5	**192 327**	**130 614**
Operating expenses			
Net losses	6	−74 515	−35 810
Personnel expenses	7	−30 399	−18 227
Other expenses	8	−52 967	−45 648
Depreciation of tangible and intangible assets	9,10	−2 786	-
Total operating expenses		**−16 667**	**−99 685**
Operating Profit		**31 660**	**30 929**
Other financial income		4 359	3 092
Other financial expenses		−120	−230
Total other financial items	11	**4 239**	**2 862**
Profit before tax		**35 899**	**33 791**
Tax on profit for the year	12	−7 870	−7 612
Profit for the year		**28 029**	**26 179**
Profit for the year attributable to:			
Shareholders of the Parent Company		*28 087*	*26 179*
Non-controlling interests		*−58*	-

STATEMENT OF COMPREHENSIVE INCOME, CONSOLIDATED

	2019	2018
Profit for the year	28 029	26 179
Exchange rate differences when converting foreign operations	194	214
Tax on exchange rate differences when converting of foreign operations	−27	66
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**28 196**	**26 459**
Comprehensive income for the year attributable to:		
Shareholders of the Parent Company	*28 253*	*26 459*
Non-controlling interests	*−58*	-

BALANCE SHEET, CONSOLIDATED

KSEK	Note	2019-12-31	2018-12-31
Assets			
Fixed assets			
Right-of-use assets	9	6 142	-
Deferred tax	12	14 836	5 116
Deposits	13	31	-
Long-term loan receivables	13	61 172	-
Participations in associated companies	14	200	-
Intangible fixed assets	10	792	-
Total fixed assets		**83 173**	**5 116**
Current assets			
Loans	15	527 351	333 456
Other receivables	16	5 684	16 106
Cash and receivables to credit institutions	17	67 714	43 600
Total current assets		**600 749**	**393 162**
TOTAL ASSETS		**683 922**	**398 278**

KSEK	Note	2019-12-31	2018-12-31
Equity	18		
Equity attributable to owners of the parent company			
Share capital		14 788	14 753
Other contributed capital		164 683	126 557
Reserves		1 675	1 322
Balanced profits including profit for the year		55 372	33 391
Equity attributable to			
Parent company shareholders		236 518	176 023
Non-controlling interest		242	-
Total equity		**236 760**	**176 023**
Provisions			
Other provisions		2 447	-
Total provisions		**2 447**	**-**
Liabilities			
Long-term liabilities	19		
Shareholders and related companies		-	36 226
Liabilities to credit institutions	20	-	158 535
Bond		410 135	-
Other long-term liabilities		3 092	-
Total long-term liabilities		**413 227**	**194 761**
Current liabilities	19		
Shareholders and related companies		-	8 542
Accounts payable		4 237	1 752
Other liabilities		21 970	12 964
Accrued expenses and deferred income	21	5 280	4 236
Total current liabilities		**31 487**	**27 495**
TOTAL LIABILITIES AND EQUITY		**683 922**	**398 278**

STATEMENT OF CHANGES IN EQUITY, CONSOLIDATED

KSEK	Share capital	Other contributed capital	Reserves	Balanced earnings and profit for the year	Non-controlling interest	Total equity
Equity 2018-01-01	**14 662**	**68 364**	**1 011**	**9 856**	**-**	**93 893**
Profit for the year				26 179		26 179
Exchange differences			214			214
Tax on exchange rate differences			66			66
Total comprehensive income for the year			280	26 179	**-**	**26 459**
Previously paid ordinary shares paid	83	-83				**0**
Transaction costs in case of new issue preference shares		-66				**-66**
Tax effect transaction costs on new issue preference shares			14			**14**
New issue preference shares	8	52 802				**52 810**
Registration of previously paid,not reg. preference shares	0					**0**
Paid-up, non-reg. preference shares		5 540				**5 540**
Dividend preference shares				-2 644		**-2 644**
Share-based compensation - value of employee service			17			**17**
Equity 2018-12-31	**14 753**	**126 557**	**1 322**	**33 391**	**-**	**176 023**

	Share capital	Other contributed capital	Reserves	Balanced earnings and profit for the year	Non-controlling interest	Total equity
Equity 2019-01-01	**14 753**	**126 557**	**1 322**	**33 391**	**-**	**176 023**
Profit for the year				28 087	−58	28 029
Exchange differences			195			195
Tax on exchange rate differences			27			27
Total comprehensive income for the year	0	0	222	28 087	−58	**28 251**
Transaction costs in case of new issue preference shares		−119				**−119**
Tax effect transaction costs on new issue preference shares			25			**25**
New issue preference shares	5	40 544				**40 549**
Registration of previously paid,not reg. preference shares	1					**1**
Paid-up, unallocated preference shares		−3 270				**−3 270**
Dividend preference shares				−6 106		**−6 106**
New issue ordinary shares	29	971				**1 000**
Share capital					7	**7**
Premium fund					293	**293**
Share-based compensation - value of employee service			106			**106**
Equity 2019-12-31	**14 788**	**164 683**	**1 675**	**55 372**	**242**	**236 760**

CASH FLOW STATEMENT, CONSOLIDATED

KSEK	Note	Full year 2019	Full year 2018
Cash flow from operating activities			
Operating profit incl. Interest expense		31 660	30 929
Adjustments for items not included in cash flow			
-Depreciation		*2 786*	*-*
-Capitalised interest		*1 336*	*368*
-Change in loan losses		*44 888*	*11 402*
- Other		*106*	*3 311*
Other interest paid		-120	-7
Tax paid		-14 636	-939
Cash flow from operating activities before changes in working capital		**66 020**	**45 064**
Changes in working capital			
Change in loan receivables		-294 794	-172 545
Change in other operating receivables		9 032	-15 218
Change accounts payable		2 496	396
Change in other operating liabilities		-442	2 780
Changes in working capital		**-283 708**	**-184 587**
Cash flow from operating activities		**-217 688**	**-139 523**
Cash flow from investment activities			
Investments in subsidiaries		-	715
Investments in associates		-200	-
Change in other financial fixed assets		-33	380
Change in other intangible assets		-891	-
Cash flow from investment activities		**-1 124**	**1 095**
Cash flow from financing activities			
Non-controlling interest transactions		300	-
New issue ordinary shares		1 000	1 995
New issue preference shares		37 161	58 284
Preference shares dividend	18	-6 106	-2 644
Borrowings		415 754	152 165
Amortization loans		-205 194	-37 963
Cash flow from financing activities		**242 915**	**171 837**
Cash flow for the year		**24 103**	**33 409**
Cash and cash equivalents at the beginning of the period		43 600	9 989
Exchange differences in cash and cash equivalents		11	202
Cash and cash equivalents at the end of the year		**67 714**	**43 600**

Compilation of cash and receivables with credit institutions

Cash and cash equivalents	39 633	43 600
Claims from credit institutions	28 081	-
Total cash and receivables of credit institutions	**67 714**	**43 600**

FINANCIAL STATEMENTS AND NOTES, CONSOLIDATED

Amounts in thousands of Swedish Krona (SEK thousands)

Note 1 - General information

Qred Holding AB (publ) (previously Qred AB (publ)), with corporate identity number 559031-0685, operates through its subsidiaries. The head office is located in Stockholm, Sweden. The address of the head office is Tulegatan 15, 113 53 Stockholm. The business consists of financing services in the form of corporate credits, offered to companies in Sweden, Finland, Denmark and the Netherlands.

Subsidiary	Org.nr	%
Qred AB	559008-9800	100
Qred Fintech AB	556567-7613	100
Suomen Yrityslaina OY	2769663-4	100
Qred Factoring AB	559221-0180	85

Branches Qred AB	Org.nr
Finland	2868615-5
Denmark	38972294
Holland	72603372
Latvia	40203125230

On April 29, 2020, the Board of Directors approved this Annual Report for the adoption of the Annual General Meeting in 2020.

Note 2 - Summary of key accounting policies

The main accounting principles applied when this annual report is prepared are set out below. These principles have been applied consistently for all years presented, unless otherwise stated.

Basis for the preparation of the reports

The consolidated financial statements have been prepared in accordance with international financial reporting standards (IFRS) as adopted by the EU and the Swedish Accounting Act. Preparing reports in accordance with IFRS requires the use of some important estimates for accounting purposes. Furthermore, management is required to make certain assessments in the application of the Group's accounting policy. The areas involving a high degree of assessment, which are complex or those areas where assumptions and estimates are of material importance for the consolidated financial statements, are set out in Note 4.

New and amended standards applied by the Group

IFRS 16 Leases, applied by the Group for the first time in 2019.

IFRS 16 Leases replace IAS 17 Leases and related interpretations. The standard will apply from 1 January 2019 and is adopted by the EU. The new standard changes how Qred as a lessee recognises leases as IFRS 16 entails a uniform model for how leases are reported in the balance sheet, where a leasing asset (the right to use an asset) and a financial liability are recognised. In the income statement, the straight-line operating lease cost is replaced by a cost of depreciation of the leased asset and an interest expense for the financial liability. The accounting for lessors is not changed in principle.

In the transition to IFRS 16, Qred has chosen to use the modified retrospective approach, which means that the calculation of the liability in the transition to IFRS 16 is based on the remaining payments for the leased asset. The leasing liability is valued at the present value of the remaining lease payments using the discount line used at initial recognition. Leases with a maturity of 12 months or less have not been included, nor leases for which the underlying asset has a smaller value. Comparative figures have not been restated.

The effect on the Group's financial statements stems from the recognition of leased premises. The introduction of IFRS 16 does not materially affect the income statement, however, the presentation of the income statement will change as other costs are replaced with depreciation of the assets and interest expenses for the leasing debt.

The table shows the transition effect for IFRS 16 with the closing balance for IAS 17 as of December 31, 2018 and the opening balance sheet for IFRS 16 as of January 1, 2019.

	Closing balance 2018-12-31	**Adjustment to IFRS 16**	**Opening balance 2019-01-01**
Right-of-use assets	-	7 747	7 747
Other receivables	16 106	-236	15 870
Total assets	**16 106**	**7 511**	**23 617**
Other long-term liabilities	-	5 007	5 007
Other current liabilities	16 964	2 504	19 468
Total liabilities	**16 964**	**7 511**	**24 475**

The new standard sets new estimates and assumptions that affect the valuation of lease liabilities. Qred values the lease liability at the start date and may re-evaluate it if, for example, there is a change in the assessment of the likelihood of an option being exercised. As this will increase the volatility of financial reporting, it is continuously evaluated and followed up in the Group. The new standard will not be applied in legal entity to the parent company.

No other new standards, amendments, interpretations and annual improvement projects that have entered into force have had a material impact on Qred's financial statements.

New and amended standards that have not yet been applied by the Group

A number of new standards and interpretations are in force for financial years beginning after 1 January 2020 and have not been applied in the preparation of this financial report. These new standards and interpretations are not expected to have a material impact on the Group's financial statements in current or future periods, nor on future transactions.

Consolidated accounts

Subsidiary

Subsidiaries are the companies in which the Group has the right to develop financial and operational strategies when their shareholding amounts to more than half of the voting rights. A subsidiary is included or excluded in the Group on the date of change in the controlling influence.

Acquisition accounting has been used to report on the Group's business combinations. Upon the acquisition of a subsidiary, the purchase price of the fair value of transferred receivables, liabilities and the shares issued by the Group is calculated on acquisition costs.

If the amount of the purchase price exceeds the value of the acquisition, goodwill arises and if the acquisition is purchased at a lower value, a negative goodwill arises. This is not something that Qred at present has.

Balance sheet items, transactions and unrealised gains and losses between group companies are eliminated in the Group's financial statements. In order to comply with the Group's accounting principles, so that all companies in the Group report consistently, subsidiaries have in some cases had to adjust their accounting policies.

Transactions with shareowners of non-controlling interests

The Group treats transactions with non-controlling interests as transactions with the Group's shareholders. In the case of acquisitions from non-controlling interests, the difference between the purchase price paid and the actual acquired share of the carrying amount of the subsidiary's net assets is recognised in equity. Gains and losses on divestments to non-controlling interests are also recognised in equity.
When the Group no longer has a controlling interest, each remaining holding is revalued at fair value and the change in carrying amount is recognised in the income statement. The fair value is used as the first carrying amount and forms the basis for the continued recognition of the remaining holding as an associate company, joint venture or financial asset. All amounts relating to the divested entity reported in other comprehensive income are

accounted as if the Group had directly disposed of the related assets or liabilities. This may cause amounts previously reported in other comprehensive income to be reclassified to profit or loss.

Associated Companies

Associated companies are companies in which the Group has significant but non-controlling influence. Holdings in associated companies are reported according to the equity method.

According to the equity method, the asset is initially recognised at acquisition cost. The reported year is then increased or reduced to consider the Group's share of profit and loss and other comprehensive income from associated companies after the acquisition date. The Group's share of earnings is included in the Group's profit and loss and the Group's share of other comprehensive income is included in other comprehensive income.

Foreign currency conversion

Functional currency and reporting currency

Items included in the financial statements of the various units in the Group are valued in the currency used in the economic environment in which each company is mainly active (functional currency). The consolidated financial statements use Swedish kronor (SEK), which is the parent company's functional currency, and the Group's reporting currency.

Transactions and balance sheet items

Transactions denominated in foreign currencies are converted into the functional currency at the exchange rates in force on the date of the transaction or on the date on which the items are revalued. Foreign exchange gains and losses arising from the payment of such transactions and the conversion of monetary assets and liabilities in foreign currency at the closing date rate are recognised in the profit and loss account. Foreign exchange gains and losses attributed to loans and cash and cash equivalents are recognised in the income statement as financial income or expenses. All other foreign exchange gains and losses are recognised in the item other financial income or other financial expenses in the income statement.

Affiliates

Companies and branches within the Group that do not have the same functional currency as the Group are converted into SEK. The assets and liabilities in the balance sheet are converted at the closing price. Income and expenses in the income statement are converted into the average price of the month. All of the exchange rates arising from the conversion between the companies in the Group are reported in other comprehensive income.

Financial instruments

Financial instruments are defined under IAS 32 as contracts that give rise to a financial asset in an enterprise and a financial liability or equity instrument of another entity. A financial asset is an equity instrument of another entity or assets with a contractual right to receive cash or other financial asset. A financial liability is a contractual obligation to pay cash or other financial assets to another entity.

Classification and valuation

The classification and valuation of financial assets is determined based on the business model of the portfolio in which the instrument is part of and whether the cash flows represent only the payment of principal and interest.

Financial assets with cash flows that do not consist exclusively of the payment of principal and interest are measured at fair value in the income statement. All other assets are classified based on the business model.

Portfolio instruments that are subject to a business model where the intention is to retain the instruments and receive contracted cash flows are valued at accrued cost. Instruments that are covered by a business model in which the intention is both to retain the instruments for collecting contracted cash flows and to sell the instruments are valued at fair value via other comprehensive income. Financial assets covered by a different business model are measured at fair value in the income statement.

Qred's business model is to issue corporate loans and the main assets are short-term corporate loans. The part of the loan exceeding 12 months is long-term. Qred considers that these can be classified as a homogeneous portfolio.

The category Financial assets and liabilities measured at fair value via other comprehensive income does not appear in the Group.

Each financial instrument has been classified as belonging to one of the following categories of subsequent valuation:

Financial assets

Accrued acquisition value. Qred's financial assets consist of loan receivables, most of Other receivables, which are not linked to personnel costs or taxes, and cash and cash equivalents.

Financial liabilities

Accrued acquisition value. Qred's financial liabilities valued at accrued acquisition value consist of Liabilities to credit institutions, Bond loans, Trade payables and Other liabilities.

Accrued acquisition value

Financial assets and liabilities valued at accrued acquisition value are initially reported in the balance sheet at fair value, including transaction costs. After initial recognition, instruments in this category are valued at accrued acquisition value. When valuing accrued acquisition value, the difference between acquisition and redemption value over the remaining maturity is reported using the effective interest rate method. Accrued acquisition value is defined as the amount at which the financial asset, or liability, is measured at initial recognition, minus installments of principal, plus, or minus, accumulated amortization using the effective interest rate method to any difference between the original amount and the amount at maturity and, in the case of financial assets, adjusted for any loss reserve. For further information on the effective interest method, see section Interest income. Information about impairments in accordance with IFRS 9 can be found in the Section impairments below.

The assets and liabilities in the category Valued at accrued acquisition value are reported in the income statement in the items Interest income and interest expenses.

Accounting and derecognition from the balance sheet

Purchases and sales of financial assets are shown on the business day, the date on which the Group undertakes to buy or sell the asset. Financial instruments are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and virtually all risks and benefits associated with ownership have been transferred, or that the Group no longer has any obligations associated with the financial instrument. A financial asset and a financial liability are settled and accounted with a net balance sheet only when there is a legal right to set off the amounts, and that there is an intention to settle the items with a net amount or to simultaneously realise the asset and settle the liability.

Impairment of financial assets

Application

Impairment losses due to credit risk are applied to financial instruments classified in the category accrued acquisition value. See the section on classification above for further information on the classification of financial instruments.

Accounting and presentation

Assets valued at accrued acquisition value are accounted as gross, with a separate reserve for expected loan losses, if the loss is not considered final. The reserves are presented net in the balance sheet but are presented separately in the notes. Changes in reservations are reported in the income statement and are classified as net credit losses.

If the impairment is considered definitive, it is accounted as a realised credit loss and the carrying amount of the loan and the associated reservation for loan losses are removed from the balance sheet. An impairment loss is considered definitive when the bankruptcy application is filed against the borrower and the receiver has presented the financial outcome of the bankruptcy proceedings, or when the Group waives its claims by reorganisation on either a legal or voluntary basis. Credit losses are also observed in connection with the sale of loan receivables to external parties.

Impairment assessment

The Group's impairment model is based on a breakdown of assets into three categories, where category 1 is performing credits, category 2 is credits where the credit risk has increased significantly since initial recognition and category 3 is credit default.

1. Category 1 refers to performing credit. Loan receivables are classified as category 1 when issuing credit. In category 1, the reservation shall correspond to expected loan losses over the next 12 months.
2. Category 2 refers to credits where the credit risk has increased significantly since initial recognition. These loan receivables are terminated and transferred from category 1 to category 2. By complying with the request for payment in connection with notice of termination, borrowers can avoid default and return to the repayment plan. The loan receivable is then transferred back from category 2 to category 1. Cancellation of the credit takes place 42 days after maturity in Sweden, Denmark and the Netherlands and 25 days after maturity in Finland.
3. Category 3 refers to credit in default. Default is defined as collection measures being taken. This normally occurs in case of non-payment 40-70 days after the last due date. Loan receivables are then transferred from category 2 to category 3. Loan receivables once transferred to category 3 are not returned to category 1 or 2.

The reservations are calculated as the product of the exposure at default, the probability of default and the loss given default. For category 1 loan receivables, the calculation is based only on the next 12 months, whereas category 2 assets are based on the remaining maturity of the asset.

The credit loss model is based on a reservation amount for each credit category that is based on the risk in each credit category and country. For loan receivables in all categories, assessment of impairments are made on a group basis. The credit model is based on actual and forecasted outcomes of previous credits.

For the purpose of calculating losses over the remaining maturity, including classification in credit categories, the calculation shall be based on probability-weighted, forward-looking information. Qred has made a collective assessment of the future cash flow of category 2 and 3 receivables. The future cash flow has been discounted at present value at a discount rate corresponding to the original APR for loans attributable to a group of loan receivables. In Sweden and Finland, Qred has entered into agreements through which overdue credits are sold on an ongoing basis, known as 'forward flow,' agreements. In these countries, the expected loss on non-defaulted credit is instead based on the agreed compensation levels under the agreements entered into.

Qred has analysed various macroeconomic events to assess expected credit losses. The different scenarios may lead to a higher risk of default and a lower recovery rate. Qred has conducted an analysis of historical bankruptcy statistics that date back to the 1990s. Based on these loss statistics, Qred has applied scenarios for how loan losses might develop, which has led to an upward adjustment of expected loan losses, to reflect the impact that a possible economic deterioration may have on loan losses.

Leasing

As explained above, the Group has changed its accounting policies for leasing in cases where the Group is a lessee.

Until December 31, 2018, the leasing payments associated with the Group's leases were expensed in the income statement on a straight-line basis over the lease period. Qred has only operational leasing.

Intangible fixed assets

Intangible fixed assets are identifiable, non-monetary assets that are not of physical nature. The assets are under Qred's control.

Qred's intangible fixed assets are depreciated on a straight-line basis over the useful life, but not more than five years.

Impairment assessment is carried out in an indication of a decline in value or at least annually when each asset's residual value and the remaining useful life are determined. If there is an impairment need, the recoverable amount of the asset is estimated. A impairment is reported when the carrying amount exceeds its recoverable amount. Impairment losses are reported in the income statement. Impairments are reversed if there has been a change in the assumptions based on which the recoverable amount was determined. Impairments are reversed only to the extent that the carrying amount of the assets after the reversal does not exceed the carrying amount of the asset if the impairment loss had not been reported.

Reservations

A reservation is accounted for when there is an existing legal or constructive obligation as a result of a past event, and it is likely that an outflow of financial resources will be required to settle the obligation. In order for accounting to take place, it must be possible to make a reliable estimate of the amount. The reserve is valued at the amount corresponding to the best estimate of what is required to settle the obligation at the balance sheet date. The valuation takes into account the expected future timing of adjustment.

Issued preference shares

When preference shares are paid and allotted, they are considered issued and accounted as equity. They are classified as equity when the preference shares are not mandatory redeemable at a specific time.

Income and expenses

Interest income and expense

Interest income is accounted as income over the maturity using the effective interest method. The effective interest rate is the interest rate that makes the present value of all estimated future in- and out payments during the expected interest period equal to the carrying amount of the receivable or liability. Interest income and expenses include, where appropriate, accrual amounts of fees received included in the effective interest rate, transaction costs and other differences between the original value of the receivable or liability and the amount settled on maturity. Interest expenses consist of costs for the Group's financing.

Commission income and expense

Qred performs loan brokerage to third parties and receives brokerage commissions. Commission income is recognised when the performance commitment is met. Commission costs are expenses attributable to the provision of commission income.

Other income

Only revenue that is not to be regarded as interest or commission is included under other revenue. These consist mainly of fees associated with the issue of loans such as reminder and invoice fees. It also includes revenue for customer service related to loans owned by third parties.

Personnel costs

Personnel costs include all forms of employee compensation including salaries, bonuses and commissions, pension costs, employer's contributions and other social security contributions.

Pensions

Pension plans are financed through payments to insurance companies. The Group only has defined contribution pension plans. A defined contribution pension plan is a pension plan under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or informal obligation to pay additional fees if this legal entity does not have enough assets to pay all employee benefits related to the service of employees in the current or previous years. Pension costs are reported in the profit and loss calculation as personnel costs.

Share-based compensation

The Group has share-based remuneration plans where the company receives services from employees as consideration for the Group's equity instruments. For information on these plans, see Note 7. The value of the service entitling employees to the allotment of options through Qred's employee stock option program is accounted as a personnel cost with a corresponding increase in equity. The total amount to be expensed is based on the effective value of the options allotted. The total cost is recognised over the vesting period; period over which all the specified vesting conditions are to be met. At the end of each reporting period, the Group reviews its assessments of how many items are expected to be earned based on the non-market vesting conditions and conditions of service. Any deviation from the initial assessments resulting from the review is accounted in the profit and loss account and corresponding adjustments are made in equity.

Other expenses

Other expenses include all other costs in the Group. Marketing costs, office expenses, data costs, fees and other administrative expenses are reported here.

Income from financial items

Earnings from financial items mainly refer to currency revaluation of assets and liabilities in foreign currencies.

Current and deferred income tax

Income tax consists of current tax and deferred tax. Income taxes are reported in the income statement unless the underlying transaction is accounted directly in equity or in other comprehensive income. The related tax effect is also reported in equity and other comprehensive income.

The tax expense in question is calculated based on the tax rules decided, or in practice, at the balance sheet date, in the country where Qred operates and generated taxable income, i.e. Sweden, Finland and Denmark. Management regularly assesses the claims made in tax returns in respect of situations where the applicable tax rules are subject to interpretation and, where appropriate, makes provisions for amounts likely to be paid to the tax authorities.

Deferred tax returns are recognised on all temporary differences that arise between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax assets from deductible temporary differences and sub-deductions are recognised only if it is considered likely that these will be used in the foreseeable future. The value of deferred tax assets is reduced when they are exercised or when it is no longer considered likely that they can be used. "Tax on net income" reports current tax, deferred tax and tax for previous years.

Cash flow statement

The cash flow statement includes changes in cash and cash equivalents. The Group's cash and cash equivalents consist of cash, and receivables to credit institutions. Cash flow is broken down into cash flow from operating, investing and financing activities. Cash flows are reported using the indirect method.

Parent company's accounting policies

The annual report has been prepared in accordance with the Annual Accounting Act and RFR 2 Accounting for Legal Entities. The principles are the same for the parent company as for the Group except for the following exceptions.

Shares and ownership in subsidiaries and associate companies

Shares and ownership in subsidiaries are calculated as acquisition cost plus transaction costs minus any impairments. Where there is an indication that shares in subsidiaries have decreased in value, a calculation of the recoverable amount is made. If it is lower than the carrying amount, an impairment is made. Impairments are reported in the items Profit from shares and ownership in group companies and Profit from shares and ownership in associated companies.

Group contributions

In accordance with the alternative rule in RFR 2, both the group contributions received and made are reported as well as the appropriations for the financial statements. The tax effect of the group contributions received and made is reported in the income statement in accordance with IAS 12.

Note 3 - Risks and financial risk management

Qred defines risk as an uncertainty factor that may affect the Company's ability to achieve its goal, while risk management aims to create a balance between the desire to limit risk and achieve the Company's goals.

Through its operations, the Group is exposed to some types of risks of significant importance. These are mainly credit risk, interest rate risk and market risk. In order to minimize the risks that these will affect the Group's financial results, Qred has compiled a risk policy. The risk policy is established by the Board of Directors annually.

Credit risk

Credit risk is identified as the risk that a counterpart will not meet its financial commitments to Qred (default risk). This includes the risk that the borrower may not or will not be able to meet his credit obligations and the risk that the guarantee does not cover the outstanding claim in cases where the borrower shows a lack of ability to pay.

Credit losses constitute Qred's single largest risk exposure and the Board has overall responsibility for the credit risk. Qred's lending is characterized by responsible lending and high risk- and return targets. Credit is only extended to companies where an adequate assessment of the credit risk can be made.

The credit assessment consists mainly of an assessment of the customer's ability to repay. In addition, personal guarantor liability is required for all credits.

Qred assesses the risk of each loan claim before granting credit. The risk is based on Qred's own assessment of the customer's ability to repay. The risk is based on the Company's own assessment of the customer's ability to repay, which in turn is based on the customer's Qred score. The customer's Qred score is calculated using Qred's proprietary credit assessment algorithms, Qred Scoring Algorithm (QSA). The models are based on machine learning where data from e.g. the company's bank, credit reporting agencies and other public sources are analysed. This data normally contains detailed financial information based on the company's annual report and tax return, information from the Swedish Company Registration Office on representatives, signature rights and business. This data is supplemented by information on the company's representative and beneficial owner. This results in the company's Qred Score, i.e. the Company's credit assessment of the borrower's limit and risk class. Qred Score is calculated in connection with the application for a loan.

Qred also has procedures for monitoring due payments and works proactively with existing customers who have experienced payment difficulties in order to minimize credit losses.

For more information, see Note 15.

Loan receivables by category of borrowers

Loan receivables, 31 Dec	2019	2018
Companies, Sweden	292 384	169 799
Companies, other markets	362 134	187 563
Sum	**654 518**	**357 362**

Age analysis overdue loan receivables

Group	2019	2018
Overdue 1-29 days	29 606	12 008
Overdue 30-59 days	6 853	1929
Overdue 60-89 days	3 387	801
Overdue 90-179 days	7 661	1175
Overdue 180-365 days	10 544	814
More than 365 days	3 164	11
Sum	**61 215**	**16 739**

Credit quality for fully functional other financial assets

Cash and cash equivalents	2019	2018
Moody's Aa	320	476
Moody's A	38 053	40 253
Moody's Baa	-	-
Rating is missing	29 341	2 871
Sum	**67 714**	**43 600**

Of the above, SEK 28 081 (0) thousand is maintained in an account with partners as part of a collaboration through which Qred acts as a loan intermediary.

Provisions for expected loan losses are calculated through a model that is based on internal history regarding the probability of default and loss given default

The model is adjusted based on different macroeconomic scenarios that reflect expected developments but also scenarios with a deteriorating and improved outcome. Qred applies three different scenarios per 31 december 2020, which can be described in

brief as:
(1) "economic upturn", (2) "Unchanged economic situation" and (3) "Prolonged deep recession".

The impact on provision for expected loan losses and assigned probability for each scenario is illustrated below.

	Scenario 1	2	3	Total
Assigned probability	5%	90%	5%	100%
Impact on reserves, KSEK	-7 288	-	36 273	1 449

The current economic situation is good in all markets where Qred operates. However, the application of macroeconomic scenarios leads overall to an upward adjustment of expected loan losses amounting to SEK 1 449 thousand relative to what can be observed in the internal loss history; thus, the provisions consider slightly increased loss levels relative to what has been observed historically.

The main parameters for assessing expected credit losses are the expected default probability and the expected loss given default (see Note 2 concerning the classification of loan receivables and Note 4 concerning the provision of expected loan losses).

Below is the sensitivity to changes in the probability of default (PD) and loss given the default count (LGD).

Sensitivity to default risk and loss given the default

PD	LGD -10%	-5%	+/- 0%	+5%	+10%
-10%	-10 573	-7 367	-4 161	-955	2 251
-5%	-8 700	-5 39	-2 080	1 229	9 116
+/- 0%	-6 828	-3 414	-	3 414	6 828
+5%	-4 955	-1 438	2 080	5 598	9 116
+10%	-3 083	539	4 161	7 783	11 405

For example, if the default risk increases 10% (relative) and the loss given default increases 5% (relative), the provision for future loan losses would have increased by SEK 7,783,000.

Market risks

Currency risk

Currency risk arises when change in price of one currency against another occurs. Currency risk arises in the Group when the Company's subsidiaries have branches that report in another functional currency (EUR and DKK). Market prices for these currencies affect the Group's total balance sheet.

The Group is exposed to two different types of currency risks: transaction risk and conversion risk.

Transaction risk

In each country, most of the income and operating expenses are in the local currency, so exchange fluctuations have only a limited effect on the company's operating profit in local currency. Revenues and expenses in national currency are thus naturally hedged, limiting transaction exposure.

Conversion risk

Qred is exposed to conversion risk at group level. conversion risks arise as a result of revaluation of intra-group balances but also as a result of the bond issued in EUR during the year. The conversion risks are continuously monitored but are not currently actively secured. Qred is also exposed to transaction risks that arise primarily when the Company grants credit in a currency other than the functional currency.

Net book values of assets and liabilities denominated in foreign currencies are shown in the following table:

Balance record	EUR 2019	EUR 2018	DKK 2019	DKK 2018
Claims	259 122	154 908	53 835	22 636
Cash	17 989	12 257	1 260	2 871
Sum	**277 111**	**167 165**	**55 096**	**25 507**
Debt	415 647	102 095	208	952
Sum	**415 647**	**102 095**	**208**	**952**
Exposure	**-138 536**	**65 070**	**54 887**	**24 555**

The Group has a significant currency risk against the EUR as the liabilities exceed the receivables and in DKK as the receivables exceed liabilities. This risk is not hedged with any financial instruments. Qred's ambition is to have a better balance between receivables and liabilities in each currency in the long term, thereby reducing currency risk.

The Group's income statement includes foreign exchange differences of SEK 4 359 thousand (5 075) in operating profit, which is reported in the item Profit from financial items, see Note 11.

If the Swedish krona had strengthened by 10% relative to the EUR, with all other variables constant, earnings before tax as of December 31, 2019 would have been SEK 13 854 thousand (-6 507) higher, mostly as a result of gains in the recalculation of the bond debt reduced by EUR lending. Profits are more sensitive to changes in the exchange rate between SEK and EUR in 2019 than in 2018, when the increase in deposits in EUR has increased more than lending. Equity would have been SEK 10 889 thousand (-5 075) higher, which includes the above-mentioned earnings effect.

Interest rate risk

Interest rate risk is the risk that the fair value of, or future cash flows from, a financial instrument varies due to changes in market interest rates. Risk arises mainly when there is an imbalance in maturity and contractual terms between interest-bearing assets and liabilities. Qred's lending is mostly loans with short maturities of up to 12 months, maximum, but up to 36 months, see Note 15.

In June, the Company issued a bond. The total bond frame is EUR 100 m, of which EUR 40 m has been used. The bond runs for a maturity of 3 years and has a coupon of EURIBOR + 8.5% paid quarterly.

Qred has not found it necessary to use financial instruments, such as interest rate swaps, to mitigate the interest rate risk, as the interest margin is relatively high. In the long term, an increased repo rate could amount to both increased borrowing costs and higher revenues.

If Qred's borrowing costs in 2019 had been 2 percentage points higher (absolute) with all other variables constant, the profit after tax for the financial year would have been SEK 6 624 thousand (1 487) lower, mainly as an effect of higher interest expenses for borrowing. Equity would have been SEK 6 624 thousand (1 487) lower.

Liquidity and refinancing risk

Liquidity and refinancing risk means the risk that financing opportunities are limited when loans are to be converted, either by the origination of new loans or when maturing loans are to be replaced with new loans. The risk can be summed up as the fact that payment obligations cannot be met as a result of insufficient liquidity.

For Qred, the liquidity and refinancing risk consists primarily in the Group's ability to finance lending operations, to carry out refinancing of maturing loans and to carry out redemptions of preference shares. The availability of capital and the cost of capital are largely determined by the Group's credit loss levels, financial position and reputation.

Preference shareholders may ask for redemption of preference shares. The Board of Directors decides on redemption. If all preference shareholders as of 31 March 2019 would require redemption, this would result in a negative cash flow of SEK 105 680 thousand (68 400). If redemption is requested by several shareholders and the board of directors considers that such payment is not possible, the total redemption amount that is possible to pay shall be distributed pro rata between the shares notified for redemption. For further information on dividends and preference shares, see Note 18.

The short-term liquidity risk is managed by adjusting lending to the prevailing liquidity situation. Management closely follows the Group's liquidity reserve, which consists of cash and cash equivalents at banks.

As of December 31, 2019	Payable on demand	under 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years
Financial liabilities					
(contractual maturity)					
Bond				410 135	
Long-term leasing debt				3 092	
Short-term leasing debt		734	2 295		
Financial guarantee	500	10 581	13 478	3 521	
Other liabilities					2 570
Sum	**500**	**11 315**	**15 773**	**416 748**	**2 570**

Concentration risk

Concentration risk mainly refers to the risk of large exposures or concentrations in the credit portfolio.

The Group's concentration risk is considered relatively low. No individual credit claim exceeds 0.2% of the total size of the credit portfolio. In addition, borrowers are well diversified across a large number of industries and geographical areas.

Reputation risk

Reputational risk is a current and future risk that stems from the negative perception of customers, counterparties, shareholders, investors and authorities about the Group.

It is of the utmost importance for Qred to provide reliable financing activities. Qred's esteem is thus a highly valued asset and a deteriorating reputation can have a negative impact on the business.

Qred is actively working to inform its customers and other stakeholders about the business in order to reduce the risk of false rumours spreading on the market. Clarity and respect towards the customer reduce the reputation risk.

Qred is working intensively to strengthen the brand. All communication, internal and external, should be of high quality and characterized by, among other things, accessibility, clarity and objectivity. Furthermore, it is of the utmost importance that communication is delivered at the right time, to the right receiver, via the right channel and designed in a professional and appealing way.

By actively working with information and communication, both externally and internally, Qred controls reputational risk in a preventive manner.

Strategic risk

Strategic risk includes risks that may affect Qred's long-term earnings, caused by incorrect or lack of business decisions. Qred manages the strategic risk at board and management level through recruitment of competent staff and regular meetings where strategic issues are addressed.

Counterparty risk

Qred has claims against counterparties. Should counterparties default to pay these claims, the Group may be adversely affected.

Operational risk

Operational risk refers to the risk of losses due to errors or deficiencies in internal procedures and processes. In addition to mere errors in administrative procedures, operational risk also includes human errors, faulty systems, IT technical problems, legal risks and internal and external irregularities.

The main operational risk for the Group is based on the rapid growth, where both the volume of loans and the number of employees is increasing rapidly. Qred works continuously to develop structures and processes to deal with the challenges and risks that arise.

There is also a risk of a change in legislation that may affect Qred's business. Qred monitors the development of new legislation closely and works continuously with product development to comply with laws and regulations. The increased geographical spread to new markets also reduces the impact that changes in legislation may have on the business.

There is a risk of not complying with laws and regulatory requirements. Non-compliance can lead to fines and a negative impact on reputation. Qred has developed procedures and policies based on regulatory requirements and risk exposure, including policies, procedures and training on the Money Laundering Act.

Qred strives for a structured approach to facilitate the identification and management of operational risks in the business and has established a variety of policy documents in the form of policies, guidelines and instructions to minimize operational risk in the business. Through good knowledge and understanding of operational risks and how these can be managed, the hope is to further contribute to a healthy risk culture at Qred.

Note 4 - Key estimates and assessments for accounting purposes

Estimates and assessments are evaluated on an ongoing basis and are based on historical experience and other factors, including expectations of future events deemed reasonable under current conditions.

Important estimates and assumptions

Qred makes estimates and assumptions about the future. The resulting estimates will, by definition, rarely correspond to actual results. The estimates and assumptions that present a considerable risk of significant adjustments in the carrying amounts of assets and liabilities in the following financial year are set out in the main features below.

Reservations for expected loan losses

Qred evaluates its loan portfolio on an ongoing basis to assess the need for reserving expected loan losses.

The reservations under IFRS 9 are calculated as the exposure at default times the probability of default times the loss given default. When assessing default risk, Qred considers historical cash flows from similar assets as well as forward-looking assessments such as macro analysis. Method and assumptions are subject to periodic review.

Sale of loan receivables

Qred has during the first half of the year sold loan receivables from category 1 and continuously during the year from Category 2 and 3, see section Impairment of financial assets.

Qred's assessment of agreements regarding the sale of category 1 loan receivables to external counterparties was that the Group did not materially transfer risks and benefits associated with the loan receivables and the loan receivables booked were not sold off the balance sheet. Qred's business model for these loan receivables was to collect contractual cash flows.

Qred sells receivables from categories 2 and 3. In these cases, risks and benefits associated with the loan receivables have been transferred to the acquiring party and the loan receivables booked were sold off the balance sheet.

Note 5 - Revenue

Operating income	**2019**	**2018**
Net interest income	184 392	122 993
Net commission income	672	-
Other income	7 262	7 621
Total operating income	**192 327**	**130 614**

Note 6 - Net credit losses

Group	2019	2018
Realised credit losses	29 626	24 408
Change in provisions, net	42 438	11 402
Provision for guarantee obligation	2 451	-
Sum	**74 515**	**35 810**

Note 7 - Employees and personnel costs

Average number of full-time employees (including fixed-term employees but not on parental leave or on leave)	2019	Of which men	2018	Of which men
Group				
Sweden	31	67%	18	65%
Finland	6	65%	5	68%
Latvia	5	64%	3	100%
The Group total	**42**	**66%**	**26**	**69%**

Share of women in management, %	2019	2018
Board	20	0
Other senior executives	43	38

Salaries, other allowances and social costs	2019	2018
Group	28 704	17 448
Of which variable remuneration	*1 433*	*726*
Of which social costs	*6 006*	*3 084*
Of which pension costs	*1 088*	*738*

	2019		2018	
Salaries and other remuneration broken down by country and between board members, etc. and other employees	**Board of Directors and CEO**	**Other employees**	**Board of Directors and CEO**	**Other employees**
Sweden	1 838	14 758	1 655	7 711
Finland	1 108	2 947	951	2 275
Latvia	-	2 045	-	1 772
The Group total	**2 946**	**19 750**	**2 606**	**11 758**

Refers to salaries and other remuneration to board members, deputies, president and vice president.

Remunerations and other benefits 2019	Basic salary	Variable remuneration	Pension	Other compensation	Sum
CEO	616	125	-	-	741
Other senior executives (seven people)	4 743	1 157	205	-	6 106
Sum	**5 359**	**1 282**	**205**		**8 847**

Remunerations and other benefits 2018	Basic salary	Variable remuneration	Pension	Other compensation	Sum
CEO	633	88	-	-	741
Other senior executives (seven people)	4 150	481	155	-	4 786
Sum	**4 783**	**569**	**155**	**-**	**5 507**

Remuneration CEO and senior executives

The Board of Directors decides both the fixed and variable remuneration to the CEO. The fixed remuneration to senior executives is decided by the CEO and is revised annually. The variable remuneration is based on target fulfilment. In the event of termination, mutual notice is valid for 3 months. The 2019 Annual General Meeting approved the Chairman's annual fee, as well as the remuneration of external members, at SEK 150 000. Board fees are not paid to members who are employees of the Group.

Remuneration policy

Remuneration to the CEO and the other senior executives consists of fixed remuneration, variable remuneration, pension and other benefits. Remuneration levels shall promote and be consistent with effective risk management, shall counteract excessive risk-taking, and be consistent with Qred's business strategy, objectives, values and long-term interests.

Pension obligations

All of the Group's pension plans are defined contribution plans. A defined contribution pension plan is a pension plan under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or informal obligation to pay additional fees if this legal entity does not have enough assets to pay all employee benefits related to employee service during in-office or prior periods. For defined contribution pension plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no additional payment obligations once the fees have been paid. The fees are accounted as personnel costs when they are due. Prepaid fees are accounted as an asset to the extent that cash repayment or reduction of future payments may benefit the Group.

Share-based employee benefits

During 2018, the Board of Directors has decided to offer certain key employees who are employees of the Group the opportunity to own shares in the form of stock options, with the right to subscribe for new ordinary shares in Qred Holding AB (publ). The employee stock options have been granted free of charge. The employee stock options are conditional on the employee fulfilling three years' service (vesting period) and that the employment relationship still exists at the date of call for subscription. The stock options can be exercised starting three years after the allotment date and they have a contractual term of three years. The Company has no legal or constructive obligation to repurchase or settle the options in cash. The option program has a maturity that expires in 2021. The subscription rate is SEK 50 per share. If all employee stock options are exercised, the number of ordinary shares will increase by 60 000, corresponding to a dilution of 0.6%. Decision on a new share issue shall be taken at the Company's Annual General Meeting 2022. The total cost reported in the income statement attributable to the employee stock option program amounts to SEK 106 thousand (17) for 2019.

Note 8 - Fees and expenses to auditors

Group	**2019**	**2018**
Auditor	*Pwc*	*Pwc*
Audit assignment	1 235	838
Audit activities in addition to the audit assignment	119	66
Other services	125	103
Sum	1 478	1 007

Note 9 - Property, plant and equipment

	Right-of-use assets	
Group	**2019**	**2018**
Cost, Opening balance		-
Change in accounting policy, IFRS 16	8 825	-
Cost, closing balance	**8 825**	**-**
Depreciation according to plan, opening balance	-	
Depreciation according to plan	-2 687	-
Conversion differences	4	-
Accumulated depreciation according to plan, closing balance	**-2 683**	**-**
Residual value, closing balance	**6 142**	**-**

Note 10 - Intangible fixed assets

	Licenses and Software	
Group	**2019**	**2018**
Expense, opening balance		
Purchases	891	-
Cumulative cost, closing balance	**891**	**-**
Depreciation according to plan, opening balance	-	
Depreciation according to plan	-99	-
Accumulated depreciation according to plan, closing balance	**-99**	**-**
Residual value, closing balance	**792**	**-**

Note 11 - Other financial income and expenses

Group	2019	2018
Other financial income		
Foreign exchange gains	4 359	3 092
Total other financial income	**4 359**	**3 092**
Other financial expenses		
Interest expenses	-120	-7
Exchange rate losses	-	-223
Total other financial expenses	**-120**	**-230**
Net financial items	**4 239**	**2 862**

Note 12 - Income tax

Group	2019	2018
Income tax for the period	-17 590	-10 011
Total current tax	**-17 591**	**-10 011**
Deferred tax	9 720	2 399
Total tax expense	**-7 870**	**-7 612**

Group		
Result before tax	35 899	33 791
Income tax calculated according to the Group's current tax rate per country	-7 682	-7 548
Tax effect of the following items		
Non-deductible expenses, net	-189	-11
Tax in previous years	1	-
Change in tax rate	-	-53
Tax expense Group	**-7 870**	**-7 612**

The Group's deferred tax asset consists in its entirety of temporary differences.

The Group's deferred tax	2019	2018
Opening balance	5 116	2 721
This year's change in temporary tax differences	9 720	2 451
Currency effects	0	-3
Change in tax rate from 22% to 21.4%	-	-53
Closing balance	**14 836**	**5 116**

Note 13 - Long-term receivables

Group	2019	2018
Left deposits	31	-
Long-term loan receivables	66 153	-
Provision for long-term loan receivables	-4 981	-
	66 184	**-**
Long-term receivables due in 1-5 years	66 184	-

Group deposits		
Opening balance	-	452
Change of year	33	-451
Currency effect	-2	-1
Closing balance	**31**	**-**

Group long-term loan receivables		
Opening balance	-	-
Change of year	66 727	-
Currency effect	-574	-
Closing balance	**66 153**	**-**

Group Provision long-term loan receivables		
Opening balance	-	-
Change of year	-5 019	-
Currency effect	38	-
Closing balance	**-4 981**	**-**

For more information on long-term loan receivables see Note 15.

Note 14 - Shares in associated companies

Group's interests in associated companies	2019	2018
Opening cost	-	-
Acquisition	200	-
Closing cumulative cost	**200**	**-**

Participations in associated companies	Org.nr	Seat	Capital share, %	Number of shares	Book value 2019	2018
Qred Brazil AB (publ)	559220-3607	Stockholm	40	400	200	-

Note 15 - Loan receivables

Group	2019	2018
Gross loan receivables	654 518	357 362
Whereof long-term	*66 153*	*-*
Whereof short-term	*588 364*	*357 362*
Provision for doubtful loans	-65 995	-23 906
Whereof long-term	*-4 981*	*-*
Whereof short-term	*-61 014*	*-23 906*
Loan receivables, net	**588 523**	**333 456**
Overdue loan receivables	61 215	16 739
Loan receivables maturing in 0 to 3 months	217 123	133 718
Loan receivables maturing in 3 to 12 months	310 027	199 619
Loan receivables maturing in more than 12 months	66 153	7 286
Sum	**654 518**	**357 362**

Reported amounts, per currency, for the Group's loan receivables	2019-12-31	2018-12-31
SEK '000	292 384	169 799
EUR '000	27 741	15 453
DKK '000	51 733	21 148

The reservation for credit losses amounted to SEK 65 995 (23 906) thousand. Qred makes ongoing assessments of the loan receivables. The reservations are calculated on expected cash flow considering an age analysis. No additional impairment needs are found at the end of the interim period. The reservations for bad loans and the reversal is expensed under Credit losses, net in the Group's income statement.

The table below shows the changes in the amount of loan receivables in each credit category and migration between the different credit categories.

Tables below show changes in reservations for loan receivables in each credit category and migrations between the different credit categories.

	Category 1	Category 2	Category 3	Total
Loan receivables as of 2018-12-31	336 037	16 955	4 370	**357 362**
Move to (-) / from (+) Category 1	-	4 395	8 994	**13 389**
Move to (-) / from (+) Category 2	-4 395	-	1 406	**-2 989**
Move to (-) / from (+) Category 3	-8 994	-1 406	-	**-10 400**
Ransom, sales, etc.	-298 755	-15 312	-1 081	**-315 148**
On loan during the year	573 911	18 249	20 144	**612 304**
Loan receivables as of 2019-12-31	**597 804**	**22 881**	**33 832**	**654 518**

The table below shows the changes in reservations for loan receivables in each credit category.

	Category 1	Category 2	Category 3	Total
Reserve as of 2018-12-31	-16 474	-4 083	-3 348	**-23 906**
Move to (-) / from (+) Category 1	-	1 627	-7 165	**-8 792**
Move to (-) / from (+) Category 2	-2	-	-1 156	**-943**
Move to (-) / from (+) Category 3	6	818	-	**1 578**
Ransom, sales, etc.	16 466	3 185	1 798	**19 493**
On loan during the year	-30 184	-7 265	-16 798	**-53 371**
Reserve as of 2019-12-31	**-30 188**	**-8 973**	**-26 670**	**-65 995**

Reported changes during the year are reported in net amounts. The corresponding tables for the previous financial year are shown below.

	Category 1	Category 2	Category 3	Total
Loan receivables as of 2018-01-01	169 210	5 554	3 027	**177 792**
Move to (-) / from (+) Category 1	-	1 090	423	**1 512**
Move to (-) / from (+) Category 2	-1 090	-	35	**-1 055**
Move to (-) / from (+) Category 3	-423	-35	-	**-458**
Ransom, sales, etc.	-158 768	-5 262	-3 012	**-167 043**
On loan during the year	327 107	15 609	3 897	**346 613**
Loan receivables as of 2018-12-31	**336 037**	**16 955**	**4 370**	**357 362**

	Category 1	Category 2	Category 3	Total
Reserve as of 2018-01-01	-8 232	-1 109	-2 853	**-12 194**
Move to (-) / from (+) Category 1	-	-245	-260	**-505**
Move to (-) / from (+) Category 2	52	-	-22	**30**
Move to (-) / from (+) Category 3	20	8	-	**28**
Ransom, sales, etc.	7 733	1 043	2 864	**11 640**
On loan during the year	-16 047	-3 781	-3 077	**-22 905**
Reserve as of 2018-12-31	**-16 474**	**-4 083**	**-3 348**	**-23 906**

Note 16 - Other receivables

Group	2019	2018
Receivable purchase price for loan receivables sold	3 877	14 776
Other receivables	1 807	1 330
Sum	**5 684**	**16 106**

Note 17 - Cash and cash equivalents

Group	2019	2018
Cash	39 633	43 600
Claims from credit institutions	28 081	-
Sum	**67 714**	**43 600**

Note 18 - Equity

Information about the Company's shares

The company's shares are issued in two series, common shares and preference shares. Common shares entail one vote per share. Preference shares entail one vote per share. The number of shares as of 31 December 2019 was 10 118 571 common shares (10 098 571) and 10 568 preference shares (6 840). The nominal value per share is SEK 1.46.

All shares are fully paid, and no shares are reserved for transfer. No shares are held by the Company or its subsidiaries. Other contributed capital consists of capital contributed by the shareholders in addition to the share capital. Retained earnings consist of earned earnings. The company has two classes of shares; common shares and preference shares.

Preference shares give preferential rights over the common shares to dividends but cannot be freely transferred and are subject to a pre-emption clause. Preference shares shall give preferential rights over common shares to annual dividends of SEK 700 per share with monthly payment (Preference dividend). Reconciliation day is the last weekday of each month. If no dividend has been paid on preference shares, or if only dividends less than preference dividends have been paid for one or more years, the preference shares shall, provided that the general meeting decides on the distribution of profits, give the right to receive, in addition to future prepayment, an amount equal to the difference between what should have been paid and the amount paid(Outstanding Amount) before the distribution of ordinary shares is paid. The amount held shall be enumerated by a factor equal to an annual interest rate of 10%, the enumeration being calculated starting from the month in which part of the preference dividend has been paid (or should have been, in the event of no dividend at all). In addition, the preference shares do not entitle the dividend to be paid.

The Company has the right to redeem the preference shares at SEK 10 000 per share. In the event of liquidation of the Company, the preference shares are entitled to preference of SEK 10 000 per preference share. Preference shareholders may request redemption of preference shares. The Board of Directors decides on the matter. In the event that redemption is requested by several shareholders and the Board of Directors considers that such payment is not possible, the total redemption amount that is possible to pay shall be distributed pro rata between the shares notified for redemption. The redemption amount of preference shares is SEK 10 000 per share.

Classification of equity instruments

The Group has two financial instruments that are deemed to be classified as equity instruments. The preference shares are considered to be equity instruments as both the dividend and the possible redemption of the preference shares require a decision by Qred's board of directors authorized by the general meeting where the common shareholders have a majority. The issuing conditions of preference shares do not entail a contractual obligation for the owners to redeem the preference share.

Dividend and rights issue

During 2019, a dividend of SEK 6,106 thousand (2 644) was paid out and relates only to preference shares. There has been no dividend to common shares. During 2019, a new issue of 3 728 (6 015) preference shares was issued, which increased the share capital by SEK 5 thousand (9).

Note 19 - Liabilities

Group	2019	2018
Long-term		
Opening balance	194 761	90 383
Borrowings	411 747	194 663
Capitalised interest	1 480	591
Amortization	-194 761	-80 460
Reclassifications		-10 507
Currency effect		91
Closing balance	**413 227**	**194 761**
Short-term		
Opening balance	27 494	7 282
Net change	6 458	12 373
Acquired balances	-	121
Reclassification	-	3 987
Currency effect	-2 465	3 732
Closing balance	**31 487**	**27 494**

Note 20 - Liabilities to credit institutions

	Carrying amount		Fair value	
	2019	2018	2019	2018
Liabilities to credit institutions	-	158 535	-	158 535
- of which Swedish currency	-	89 306	-	89 306
- of which foreign currency	-	69 229	-	69 229

Note 21 - Accrued expenses and deferred income

Group	2019	2018
Accrued personnel costs	3 609	1 810
Other accrued costs	1 671	2 426
Sum	**5 280**	**4 236**

Note 22 - Securities lodged

Group	2019	2018
Loans	-	270 260
Cash and cash equivalents		
- Blocked bank funds	29 540	1 385
Sum	**29 540**	**271 645**

Note 23 - Classification of financial assets and liabilities

Assets in the balance sheet

31 December 2019	Amortized cost	Carrying amount	Fair value
Loan receivables	588 523	588 523	617 906
Cash and receivables to credit institutions	67 714	67 714	67 714
Sum	**656 237**	**656 237**	**687 230**

Liabilities in the balance sheet

31 December 2019	Amortized cost	Carrying amount	Fair value
Bond	410 135	410 135	419 352
Sum	**410 135**	**410 135**	**419 352**

Assets in the balance sheet

31 December 2018	Amortized cost	Carrying amount	Fair value
Loan receivables	333 456	333 456	349 930
Cash and cash equivalents	43 600	43 600	43 600
Sum	**377 057**	**377 057**	**393 531**

Liabilities in the balance sheet

31 December 2018	Amortized cost	Carrying amount	Fair value
Shareholders and related companies	44 768	44 768	44 768
Liabilities to credit institutions	158 535	158 535	158 535
Sum	**203 302**	**203 302**	**203 302**

Note 24 - Related Party transactions

Group	**2019**	**2018**
Revenue		
Interest	-	224
Sum	**-**	**224**
Costs		
Interest	3 064	5 608
Sum	**3 064**	**5 608**

Group	**2019-12-31**	**2018-12-31**
Deposits		
Shareholders and related companies	-	40 213
Sum	**-**	**40 213**

Deposits have been made by shareholders and companies related to the shareholders. The deposits have been used to finance lending activities. Deposits are made on market terms.

In 2018, Qred Holding AB (publ) acquired all shares in Qred Fintech AB from its shareholders' related companies. The purchase price has been paid through a reversal of the previously interest-bearing seller reversible. The company considers that the sale has been made on market terms. See Note 23 for more information.

Note 25 – Important events after the balance sheet date

The spread of the coronavirus, COVID-19, in the world brings global uncertainty to the economy. We will, like many others, be affected by this extraordinary event. The company follows developments and acts quickly when conditions change. The company will focus on stability and long-term thinking during this uncertain time.

As a result of the measures taken to reduce the spread, the financial conditions for the company's customers are expected to deteriorate. This will most likely lead to a decrease in the Company's customers' ability to pay and thus increased credit losses. In the first quarter of 2020, this will lead to an increased reservation for expected credit losses under IFRS9, while a corresponding increase in realised credit losses may occur for the remainder of 2020. The company is following the economic development resulting from the coronavirus outbreak and will adjust the reserve for expected credit losses accordingly. Beyond reservations already made in the first quarter, additional credit loss reservations may be deemed necessary depending on the development of the market and the Company. Information on assessing sensitivity to different economic scenarios and changes in risk parameters as of December 31, 2019 can be found in Note 3.

Qred has repurchased bonds at a nominal value of EUR 10.3 m after the end of the accounting period. The average purchasing price corresponds to 75.53 percent of the bonds face value. The purchase results in an increase in earnings before tax of SEK 25.5 m. After the acquisitions, the company holds a nominal amount of EUR 10.3 m.

Otherwise, no significant events have occurred after the end of the financial year.

INCOME STATEMENT PARENT COMPANY

KSEK	Note	2019	2018
Interest income and similar income items		22 280	9 253
Interest expenses and similar income items		-25 301	-4 575
Total operating income		**-3 021**	**4 678**
Other external costs	26	-1 249	-1 642
Total operating expenses		**-1 249**	**-1 642**
Operating income		**-4 270**	**3 038**
Other financial income		16 302	-
Other financial expenses		0	-167
Total other financial items	27	**16 302**	**-167**
Appropriations			
Group contributions received		1 148	-
Profit before tax		**13 179**	**2 869**
Tax on profit for the year	28	-41	-631
Net income		**13 138**	**2 238**
Parent company's report on other comprehensive income			
Net income		13 138	2 238
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**13 138**	**2 238**

BALANCE SHEET PARENT COMPANY

KSEK	Note	2019-12-31	2018-12-31
Assets			
Fixed assets			
Shares in group companies	29	66 581	14 881
Interests in associated companies	30	200	
Receivables from group companies		541 855	155 489
Total financial fixed assets		**608 636**	**170 370**
Total fixed assets		**608 636**	**170 370**
Other receivables		100	-
Prepaid expenses and accrued income		41	-
Cash and cash equivalents	31	5 516	14 519
Total current assets		**5 657**	**14 519**
TOTAL ASSETS		**614 293**	**184 889**
Equity			
Restricted equity			
Share capital		14 788	14 753
Total restricted equity		**14 788**	**14 753**
Non-restricted equity			
Other contributed capital		2 270	5 540
Premium fund		163 188	121 766
Retained earnings		-3 906	-37
Profit for the year		13 138	2 238
Total unrestricted equity		**174 690**	**129 507**
Total equity		**189 478**	**144 260**
Long-term liabilities	32		
Liabilities to group companies		-	6 520
Borrowing		410 135	24 946
Total long-term liabilities		**410 135**	**31 466**
Current liabilities	32		
Accounts payable		32	13
Liabilities to group companies		11 038	
Current tax liabilities		597	653
Other liabilities		2 570	7 986
Accrued expenses and deferred income	33	442	511
Total current liabilities		**14 679**	**9 163**
Total liabilities		**424 814**	**40 629**
TOTAL LIABILITIES AND EQUITY		**614 293**	**184 889**

CHANGES IN EQUITY PARENT COMPANY

	Restricted Equity			Non-restricted Equity		
	Equity capital	Other contributed capital	Premium fund	Retained earnings	Profit for the year	Total equity
Equity 2018-01-01	**14 662**	**3 795**	**65 304**	**-172**	**2 779**	**86 367**
Profit for the year					2 238	**2 238**
Total comprehensive income for the year					2 238	**2 238**
Disposition of previous year's results				2 779	-2 779	**0**
Previously paid ordinary shares paid	83	-1 995	1 912			**0**
Transaction costs in case of new issue preference shares			-66			**-66**
Tax effect transaction costs on new issue preference shares			14			**14**
New issue preference shares	8		52 802			**52 810**
Registration of previously paid,not reg. preference shares	0	-1 800	1 800			**0**
Paid-in, not reg., preference shares allocated		5 540				**5 540**
Dividend preference shares				-2 644		**-2 644**
Equity 2018-12-31	**14 753**	**5 540**	**121 766**	**-37**	**2 238**	**144 260**
Equity 2019-01-01	**14 753**	**5 540**	**121 766**	**-37**	**2 238**	**144 260**
Profit for the year					13 138	**13 138**
Total comprehensive income for the year					13 138	**13 138**
Transfer of previous year's profit				2 238	-2 238	**0**
New issue ordinary shares	29		971			**1 000**
Transaction costs in case of new issue preference shares			-119			**-119**
Tax effect transaction costs on new issue preference shares			25			**25**
New issue preference shares	5		35 005			**35 010**
Registration of previously paid,not reg. preference shares	1	-5 540	5 539			**0**
Paid-in, not reg., preference shares allocated		2 270				**2 270**
Dividend preference shares				-6 106		**-6 106**
Equity 2019-12-31	**14 788**	**2 270**	**163 188**	**-3 906**	**13 138**	**189 478**

CASH FLOW STATEMENT PARENT COMPANY

	2019	2018
Cash flow from operating activities		
Operating income	-4 270	3 037
Adjustments for items not included in cash flow		
- Capitalised interest	*1 336*	*200*
Tax paid	*-72*	-
Cash flow from operating activities before changes in working capital	**-3 006**	**3 237**
Changes in working capital		
Change in other operating receivables	-141	91
Change accounts payable	19	-154
Change in other operating liabilities	-1 499	4 361
Cash flow from operating activities	**-4 627**	**7 535**
Cash flow from investment activities		
Investments in subsidiaries	-1 700	
Investments in associates	-200	
Change in long-term receivables group companies	-440 773	-32 918
Cash flow from investment activities		**-32 918**
Cash flow from financing activities		
Group contribution received	1 148	-
Dividend received	12 990	-
New issue ordinary shares	1 000	1 995
New issue preference shares	37 161	58 284
Preference shares dividend	-6 106	-2 644
Borrowings	421 255	18 510
Amortisation of loans	-29 151	-37 963
Cash flow from financing activities	**438 297**	**38 182**
Cash flow for the period	**-9 003**	**12 799**
Cash and cash equivalents at the beginning of the period	14 519	1 720
Cash and cash equivalents at the end of the period	**5 516**	**14 519**

FINANCIAL STATEMENTS COMMENTS AND NOTES PARENT COMPANY

Note 26 - Parent company's fees and expenses to auditors

Parent company	**2019**	**2018**
Auditor	*Pwc*	*Pwc*
Audit assignments	721	680
Audit activities in addition to the audit assignment	119	66
Other services	125	103
Sum	**965**	**849**

Note 27 - The parent company's other financial income and expenses

Parent company	**2019**	**2018**
Other financial income		
Foreign exchange gains	3 312	-
Dividend received	12 990	-
Total other financial expenses	**16 302**	**-167**

Other financial expenses		
Exchange rate losses	-	-167
Total other financial expenses	**-**	**-167**
Other net financial items	**16 302**	**-167**

Note 28 - Parent company's income tax

Parent company	**2019**	**2018**
Income tax for the period	-41	-631
Total current tax	-41	-631
Deferred tax	-	-
Total tax expense	-41	-631

Parent company		
Profit before tax	13 179	2 870
Income tax calculated according to current tax rate	-2 820	-631
Tax effect of the following items		
Non-taxable income	2 779	-
Non-deductible expenses, net	0	-
Tax expense parent company	**-41**	**-631**

Note 29 - Parent company's shares in group companies

Parent company's shares in group companies	**2019**	**2018**
Opening cost	14 881	4 524
Acquisition	1 700	10 357
Shareholder contribution	50 000	-
Closing cumulative cost	**66 581**	**14 881**

Shares in subsidiaries	Org.nr	Seat	Equity share, %	Number of shares	Book value 2019	2018
Qred AB	559008-9800	Stockholm	100	500 000	54 500	4 500
Qred Fintech AB	556567-7613	Stockholm	100	10 000	10 357	10 357
Suomen Yrityslaina OY	2769663-4	Helsinki	100	2 500	24	24
Qred Factoring	559221-0180	Stockholm	85	850	1 700	-

Note 30 - Parent company's shares in associated companies

Parent company's shares in associated companies	2019	2018
Opening cost	-	-
Acquisition	200	-
Closing cumulative cost	**200**	**-**

Participations in associated companies	Org.nr	Seat	Equity share, %	Number of shares	Book value 2019	2018
Qred Brazil AB (publ)	559220-3607	Stockholm	40	400	200	-

Note 31 - Parent company's cash and cash equivalents

Parent company	2019	2018
Cash and bank	5 516	14 519
Sum		**14 519**

Note 32 - Parent company's liabilities

Parent company	2019	2018
Long-term		
Opening balance	31 466	54 313
Borrowings	408 655	18 511
Capitalised interest	1 480	591
Amortization	-20 649	-37 963
Reclassifications	-10 817	-3 987
Closing balance	**410 135**	**31 466**
Short-term		
Opening balance	8 652	234
Net change	-5 232	4 431
Reclassification	10 817	3 987
Closing balance	**14 237**	**8 652**

Note 33 - Parent company's accrued expenses and deferred income

Parent company	2019	2018
Other accrued costs	442	511
Sum	**442**	**511**

Note 34 - Parent company's securities and contingent liabilities

The parent company's securities	2019	2018
Shares in Qred AB	54 500	-
Receivables from group companies	528 233	-
Rental guarantee Qred Factoring AB	155	-
Sum	**582 888**	**-**

Parent company	2019	2018
Contingent liabilities	-	11 280
Sum	**-**	**11 280**

Note 35 - Parent Company's proposal for the allocation of profits

The Company's shares are issued in two series, common shares and preference shares. The number of shares as of 31 December 2019 was 10 118 571 common shares (10 098 571) and 10 568 preference shares (6 840).

	SEK
Balanced result	-3 905 407
Profit for the year	13 138 083
Other non-restricted equity	165 457 626
Total non-restricted equity	**174 690 302**
Suggestion from the board:	
Dividend to pay out	7 000 000
Carried forward	167 690 302
Total	**174 690 302**

During the year, dividends to preference shareholders were paid by SEK 6 106 thousand and in 2020 until the Annual General Meeting of SEK 3 023 thousand. This is in accordance with the power granted to the Board of Directors through the Annual General Meeting 2019 to distribute dividends to preference shareholders up to a total maximum amount of SEK 14 000 thousand. In accordance with the Board's authority, the rights of preference shareholders to dividends are in place at the first record date, the last working day of each month, which falls after the preference share has been entered in the share register, and the payment date is no later than the fifth business day after such record date.

The Board of Directors proposes that the earnings be disposed of so that ordinary shareholders are distributed SEK 0.00 per common share, a total of SEK 0 thousand. and to the preference shareholders, up to SEK 700.00 per preference share is distributed in accordance with the Company's Articles of Association, totaling up to SEK 7 000 000 according to the above mentioned Board's authority.

The Board of Directors' opinion on the proposed dividend

The equity ratio is reassuring, given that the company's operations have been conducted profitably during the past financial year. The amount of the proposed dividend is limited both in relation to total equity and the previous year's profit. There are good opportunities to influence liquidity through increased or reduced lending. The Coronavirus represents a major uncertainty factor and may have negative effects on the company's financial position such as higher credit losses in the future. Management and the Board of Directors' assessment is that the company has reasonable opportunities to absorb the expected increase in credit losses and meet the pressures that the pandemic puts on the company. Liquidity is expected to continue to be secure and manageable. The Board of Directors thus believes that the proposed dividend does not prevent the Group or the Company from fulfilling its obligations in the short and long term, nor to perform the necessary investments or otherwise jeopardise the Group's or the Company's position. The proposed dividend can therefore be defended in the light of the information provided for in Chapter 17 of ABL 17. 3 § 2 - 3 clause.

ASSURANCE BY THE BOARD OF DIRECTORS AND THE CEO

The company's income statements and balance sheets will be submitted to the Annual General Meeting on May 28, 2020 for confirmation.

Stockholm 29th April 2020

Mattias Carlsson
Chairman

Jason Francis
Director

Andrea Gisle Joosen
Director

Thomas Jansson
Director

Emil Sunvisson
CEO and Director

Our audit report has been submitted on April 29, 2020
Öhrlings PricewaterhouseCoopers AB

Marcus Robertsson
Authorised Public Accountant
Auditor in Charge

Frida Main
Authorised Public Accountant

Contact

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Auditor's report

Unuffical translation

To the general meeting of the shareholders of Qred Holding AB (publ), corporate identity number 559031-0685

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Qred Holding AB (publ) for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 9-47 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other Information than the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises on page 1-8. The Board of Directors and the Managing Director are responsible for the other information.

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

In connection with our audit of the annual accounts and consolidated accounts, our 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 we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director 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 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 Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Qred Holding AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit loss be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section.

We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for 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 organization 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 organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the 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.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's websitewww.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Stockholm 29 April 2020

Marcus Robertsson
Authorised Public Accountant
Auditor in Charge

Frida Main
Authorised Public Accountant