

ANNUAL REPORT 2020



Qred Holding AB (publ)

Company registration number 559031-0685

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QRED IN BRIEF

This is what we do

Qred helps small companies with simple and flexible financing services; corporate loans, factoring and payments. Through digitization, the process has become easier, faster and safer both for our customers and for us at Qred. Therefore, many customers have chosen Qred instead of traditional bank financing. Today we help customers in Sweden, Finland, Denmark, the Netherlands, Belgium and Brazil. In 2020 alone, we at Qred have ensured that more than ten thousand small companies have had access to the financing needed to be able to invest and create growth in their companies and communities.

This is what we offer

Financing is a highly sought-after service among small businesses. Our proprietary, automated credit system enables us to quickly provide entrepreneurs with capital to create growth in their businesses. With Qred, small businesses get access to simple, fast and transparent financing, be it business loans, factoring or payments.

These are our products

Qred offers flexible and expeditious business loans. Loan amounts are relatively small (up to approximately SEK 2 million) and maturities are normally 6-36 months, with straight-line repayment. The loans have no set-up fee, no hidden costs, and no lock-in period. Qred's loans have a fixed monthly fee and as a customer you only pay for the months you use the loan.

With factoring, entrepreneurs are able to free up capital through our digital platform. The system is integrated with all standard accounting systems, so that you as a business owner can easily choose whether you want to sell invoices and which invoices you want to sell. We make sure that they are paid and that you thus have an overview of your finances.

This is our team

Qred's employees are the single most important success factor. Today, we are around 100 people with headquarters in Stockholm and regional offices in Helsinki, Malmö and São Paulo. With a focus on leading technology and data processing, international expansion and strong growth, Qred has established itself as an attractive employer. This means that we have had the opportunity to recruit many entrepreneurial and motivated talents, offer developmental opportunities, and deepen our team's strengths with experience and cutting-edge skills.

2020 IN BRIEF

Q1

Covid-19 pandemic outbreak

The outbreak of Covid-19 affected not only Q1, but the entire year. Thanks to Qred's digitized business model, the effects have been mitigated. An extra provision was made for anticipated, but not yet realised, credit losses.

Q2

Increased mediation of loans

Qred begins to mediate a majority of new loans to the bank, which resulted in increased liquidity, a shrinking balance sheet and reduced interest bearing liabilities, laying the foundation for continued scalable expansion.

Q3

Qred raises 40 million

In August, Qred raised equity of SEK 40 million through a direct issue of new shares. The capital contributes to the development of the company with continued growth and allows Qred to support even more entrepreneurs.

Q4

Belgium

Qred continued its geographical expansion with the launch of our sixth market; Belgium. There is a strong demand from the country's entrepreneurs, but so far the options for obtaining financing have been sparse.

2020

Qred - Sweden's fastest growing company

Qred was top-ranked of all Swedish companies and #8 of all companies in Europe when the Financial Times for the fourth year in a row published its list of the 1,000 companies in Europe with the fastest growth.

2021

New license opens up new opportunities

At the end of 2020, Qred was awarded a license from the Swedish FSA (Finansinspektionen) to provide payment services through a so-called AIS / PIS license. The license opens up for development of new and innovative payment solutions.

CEO'S COMMENTS

2020 will go down in the history books as a year none of us will forget.

As tradition dictates, 2020 began with New Year's resolutions and hopes of a fresh start. During the first quarter, the corona pandemic broke out, and everyday life was changed for everyone - in particular, many small business owners found their shops shuttered and unable to continue to serve their customers.

Therefore, I am very proud and grateful to state that we at Qred in 2020, which goes down in history as a pandemic year, have been able to help and support more small business owners than ever before.

The overarching situation has made it more difficult for smaller companies to access fair and flexible financing. Unfortunately, state-sponsored loan guarantee programs have not reached the smallest companies, as they are mainly distributed through traditional banks. Even before the outbreak, SMEs have typically had difficulty securing bank financing, as the smaller size of the loans has meant that the income has not been enough for banks to justify the time and effort to handle the loans.

Small business owners are heroes

What many may not realise is that our society is increasingly dependent on the smallest of businesses. Small business owners actually create 4 out of 5 new jobs in society, and drive our economy forward.

Every business needs help from time to time. Being entrepreneurs ourselves, we have experienced how difficult it can be to turn to and get help from the big banks. We want to change that. That's why we started Qred. With the help of our platform, we distribute money today from banks and institutions to the companies where it can have the most impact. Through our financing, our customers

create an average of 10 new jobs a day, 7 days a week.

Qred gives entrepreneurs the opportunity to focus on their passion

Qred has built a unique service where the entire process is both digitized and automated. It provides a better customer experience, is significantly faster and enables us to handle even the smallest of loans efficiently.

Qred's credit scoring algorithm is based on machine learning. The key to success is gaining access to relevant data. We have processed hundreds of thousands of applications, each of which has generated thousands of different data points. We've been able to follow the repayment of tens of thousands of loans. The more data we collect, the better the models become at predicting credit risk. As the models continue to improve, an increasing part of the credit process will be automated, providing a smooth customer experience and multiplying scalability in the business.

The credit model has been designed such that it finds the optimal credit limit for each customer - one that does not over-extend the borrower's ability to handle repayment, but provides our customers sufficient liquidity to make desired investments and be able to meet their commitments, while keeping our credit losses at the desired level.

Continued growth

Despite these challenging conditions, we have delivered on our long-term targets for growth. During the 2020 pandemic year, we have both opened up our offering in Belgium, and recruited more than 60 new employees to our team. We have increased sales by more than 50%, while reducing our liabilities.

Our exceptional growth has attracted international attention. Qred was the highest ranked Swedish company and eighth place in all of Europe when the Financial Times published its list of the 1,000 fastest growing companies in Europe in 2020. Moreover, Qred qualified for ranking in the FT list again in 2021.

Finally, we are also looking forward to being able to offer new products that enable a simpler everyday life for small businesses. With our new AIS / PIS license, Qred became a regulated company, which permits the development of new, smart services enabled by that license. The goal is quite simply to make it a little easier for small businesses to manage their liquidity and payments. Thus we have launched a new interface (API) that enables our partners to seamlessly integrate Qred's services into their own platforms, making it even more convenient for our customers.

Emil Sunvisson
CEO

New challenges and new goals

As we look ahead, our primary goal is to continue to support entrepreneurs when the wheels start rolling again in our economies.

Qred more than ever is needed to keep small businesses fueled for growth, and to help the next generation of entrepreneurial heroes. We want to do our part and make a difference. Together, we shall promote the conditions that small companies demand to be able to develop and follow their dreams.

In closing, I would like to thank all our customers, employees, investors and partners for working together through a challenging and at the same time edifying, 2020. I look forward to continuing our joint efforts and work in 2021.

RESPONSIBLE LENDING

Qred combines speed and simplicity with responsibility

Quick and easy online corporate loans are a relatively new service in the Nordic market. This means that companies no longer have to 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 quote within an hour. The service has been much 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 check

Qred makes a detailed credit check for all applications made. This information is weighed together with external information from various sources together with information from the borrower and any internal data from previous loan and payment history. This means that a qualified assessment of the borrower and the borrower's cash flow can be made to avoid the borrower ending up in difficult situations.

Qred only lends money to companies

Qred only targets companies and never lends money to private individuals. Qred's loans are used to help small businesses facing investments and liquidity needs, rather than for consumption. Each company is assessed individually and the loan is adapted to the borrower's repayment ability.

Qred sets a reasonable loan limit

Qred sets individual limits on how much each company can borrow. Depending on how the borrower's business develops and depending on how the borrower handles his payments, the loan ceiling may change.

Qred asks customers to think twice before they borrow money

Qred shall act as a responsible lender. Qred encourages the borrower to think twice before taking a loan, whether it is a smaller corporate loan from Qred or a larger loan from a bank. There are many good reasons to take a corporate 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 repaying.
- Do not borrow in order to make risky 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.

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

Board member since 2015. Founder. Vice CEO & Head of Customer Success. Born 1977. MBA (Stockholm School of Economics). MA Econ (Duke University).
Former Nordic Strategy Manager at Trygg Hansa and Management Consultant at Oliver Wyman.

Thomas Jansson

Board member since 2015. Founder. Chief Growth Officer. Born 1982. M.Sc. Accounting (Åbo Akademi University).
Former COO and Business Development Manager at Tact Group.

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

Senior executives

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 at 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.

Jenny Arvidsson

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

Elina Eriksson

Chief Compliance Officer since 2020. Graduate Diploma (BPP Law School).
Former Consultant at Hogan Lovells.

ANNUAL REPORT

Information about the business

The Board of Directors and CEO of Qred Holding AB (publ), 559031-0685, (the Company) hereby submit the annual report and consolidated accounts for the financial year January 1 to December 31 2020. The company's head office is located in Stockholm. The operations include lending to companies in Sweden, Finland, Denmark, the Netherlands and Belgium as well as factoring operations in Sweden.

Qred Holding AB (publ) with subsidiaries (the Group or Qred) submits consolidated accounts in accordance with the accounting principles IFRS (International Financial Reporting Standards).

Group structure and owner

Qred Holding AB (publ) is the parent company in the Group and aims to own shares in Group companies. Qred AB with organization number 559008-9800 is a wholly owned subsidiary. Qred AB has branches in Finland, Denmark, the Netherlands and Latvia. Qred Factoring AB with organization number 559221-0180 is a partly owned subsidiary. Qred Factoring AB has operations in Malmö. Suomen Yrityslaina OY and Qred Fintech AB (formerly KronSpar AB) were wholly owned subsidiaries of Qred Holding AB (publ). These companies were liquidated during the year. The Company's largest owner is Nibble Gård Invest AB, which owns approximately 62% of the Company's ordinary shares.

Products and markets

Qred provides innovative financial services to smaller companies in Sweden, Finland, Denmark, the Netherlands and Belgium. Qred receives commission income for loans that are transferred to banks, while loans issued directly by the company result in interest income. The credits offered normally have an amount of up to SEK 2 million and a term of up to 36 months with straight amortization. Receipt and assessment of credit applications,

management of promissory notes and ongoing credit management is largely done digitally through an automated process. Qred AB holds a license to conduct payment services. Qred Factoring AB is registered as a financial institution with the Swedish Financial Supervisory Authority. The lending and factoring operations are not subject to a permit requirement in the markets in which Qred conducts these operations.

Operations during the financial year

Average lending during the financial year amounted to SEK 563 m (SEK 548 m), which is an increase of 3% (89%) compared with the previous year. During the same period, operating income amounted to SEK 301 m (SEK 192 m), which is an increase of 57% (47%) compared with the previous year. Commission income has increased sharply, while interest income has decreased. This is explained by the fact that Qred is brokering an increasing share of loans to the bank instead of issuing loans themselves. Profit for the year increased by 5% (7%) compared with the previous year and amounts to SEK 29 m (SEK 28 m). In order to strengthen the Company's financial position, the Company carried out two directed new issues of a total of SEK 42 m during the year and reduced indebtedness by repurchasing bonds with a nominal value of EUR 21.2 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 subsequent income statements and balance sheets with notes.

Future developments

The focus in 2021 will, as in previous years, be on continued profitable growth, at the same time as lending is continuously adjusted as a result of the ongoing Covid-19 pandemic and its effects on the economy for society and our customers.

Credit risks and other risks of the business

In the Group, various types of risks arise, such as credit risks, market risks, liquidity risks and operational risks. In order to limit and control the risks in the business, the Board, which is ultimately responsible for that risk management, has established policies and instructions for lending and other business. For a more detailed description of financial risks, see Note 3.

Significant events during the financial year

The outbreak of the Covid-19 pandemic in early 2020 has significantly affected operations. Stricter requirements for borrowers in combination with declining demand have resulted in a reduction in new lending in the quarters after the outbreak.

Extra credit loss reserves of SEK 32.6 m for expected, but not yet confirmed, credit losses charged to the first quarter.

Qred has increased the brokering of customers to third parties, which means that the loans are financed off Qred's balance sheet. As a result, commission income increased sharply in 2020. The arrangement means that Qred can continue to grow in a scalable manner without increasing the balance sheet.

At the Annual General Meeting on June 30, 2020, it was decided to add SEK 2 m through a new issue of ordinary shares aimed at the company's employees. At the Extraordinary General Meeting on September 8, 2020, it was decided to add SEK 40 m through a directed new issue of ordinary shares and warrants.

In October, another geographic market was added to the portfolio when Qred opened up for Belgian small businesses.

Qred AB received permission to conduct payment services. The license includes i.a. Payment Initiation Services (PIS) and Account Information Services (AIS).

Qred's bond has been listed on Nasdaq Stockholm. In 2020, Qred repurchased bonds with a nominal value of EUR 21.2 m. The average purchase price corresponded to 86.9 percent of the nominal value of the bonds. The purchase resulted in a profit of EUR 2.8 m.

Significant events after the end of the financial year

For the second year in a row, Qred was named one of Europe's fastest growing companies by the Financial Times.

Swedish Financial Supervisory Authority published guidance on February 18 2021 concerning companies that finance lending by issuing bonds either to ensure that the bond has a transfer restriction that prevents the bond from being held by the public or that the company has a license to conduct financing operations in accordance with Act (2004: 297) on banking and financing business. Qred's bond was delisted from NASDAQ on April 23.

After the end of the financial year, Qred sold bonds with a nominal value of EUR 3.0 m. The average sales price corresponds to 102 percent of the nominal amount of the bond.

In other respects, no significant events have occurred after the end of the financial year.

Proposed appropriation of profits

	kr
Balanced result	3 085 242
Net income	187 445
Other non-restricted equity	168 173 838
Total non-restricted equity	171 446 525
Suggestion from the board:	
Dividend to pay out	4 500 000
Carried forward	166 946 525
Total	171 446 525

During the year, a dividend of KSEK 6,142 was paid to preference shareholders and KSEK 2,266 in 2021 until the Annual General Meeting. Of the dividend made in 2020, KSEK 3,483 was made before the 2020 Annual General Meeting and KSEK 2,659 after the 2020 Annual General Meeting. Thus, KSEK 4,925 has been distributed after the 2020 Annual General Meeting until the 2021 Annual General Meeting. This is done in accordance with the authority granted to the Board through the 2020 Annual General Meeting to pay dividends to preference shareholders up to a total maximum amount of KSEK 7,000. In accordance with the Board's authority, the preference shareholders' right to dividend exists on the first record date, the last weekday of each month, which falls after the preference share has been entered in the share register, and the payment date falls no later than the fifth banking day after such record date.

The Board of Directors proposes that the profits be distributed so that SEK 0 per common share is distributed to common shareholders, a total of SEK 0. and up to SEK 700 per preference share is distributed to the preference shareholders in accordance with the Company's Articles of Association, a total of up to KSEK 4,500.

The Board of Director's opinion on the proposed dividend

The equity / assets ratio is reassuring, given that the company's operations have been conducted profitably during the past financial year. The size of the proposed dividend is limited both in relation to the total equity and the previous year's profit. There are good opportunities to influence liquidity through increased or reduced lending. The corona virus involves a large uncertainty factor and may have negative effects on the company's financial position, such as higher credit losses in the future. The management's and the board's assessment is that the company has reasonable opportunities to absorb the expected increase in credit losses and meet the strains that the pandemic places on the company. Liquidity is still considered to be reassuring and manageable. The Board's view is thus that the proposed dividend does not prevent the Group or the Company from fulfilling its obligations in the short and long term, nor from fulfilling the required investments or otherwise endangers the Group's or the Company's position. The proposed dividend can thus be defended with regard to what is stated in ABL ch. 3 § 2 - 3 Par.

KEY FIGURES, CONSOLIDATED

Income statement (KSEK)	2020	2019	2018	2017	2016
Net interest income	165 362	184 392	122 993	61 254	19 909
Net commission income	105 845	672	-	-	-
Total operating income	301 059	192 327	130 614	61 444	19 909
Net credit losses	-143 887	-74 515	-35 810	-16 580	-3 216
Personnel costs	-46 859	-30 399	-18 227	-8 941	-3 814
Other costs	-70 889	-52 967	-45 648	-21 508	-9 256
Amortization of tangible and intangible assets	-4 064	-2 786	-	-	-
Operating profit	35 360	31 660	30 929	14 415	3 623
Net income	29 444	28 029	26 179	12 358	2 792
Balance sheet (KSEK)	2020	2019	2018	2017	2016
Financial fixed assets	23 975	22 001	5 116	13 305	381
Lending and other receivables	431 028	594 207	349 562	165 598	76 528
Cash and receivables to credit institutions	80 105	67 714	43 600	9 989	15 377
Provisions	34 950	2 447	-	-	-
Long-term liabilities	213 493	413 227	194 761	90 383	51 333
-whereof debt to credit institutions	25 481	-	158 535	25 235	31 326
-whereof bond	186 687	410 135	-	-	-
Short-term liabilities	24 485	31 488	27 494	7 282	26 806
Equity	260 903	236 760	176 023	93 893	14 501
Balance sheet total	535 107	683 922	398 278	191 558	92 639
Ratios					
Profit margin	9,8%	14,6%	20,0%	20,1%	14,0%
Return on equity	11,8%	13,6%	19,4%	22,8%	23,7%
Return on assets	5,8%	5,9%	8,9%	8,7%	5,3%
Solidity	48,8%	34,6%	44,2%	49,0%	15,7%
Average lending	562 849	548 436	290 249	121 609	44 313
Change %	3%	89%	139%	174%	633%
Average number of employees	71	42	26	14	7
Active users	9 498	7 387	4 886	2 913	1 444
C/I ratio	39%	43%	49%	50%	66%
Interest coverage ratio, times	1,9	1,8	3,4	2,8	2,5

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

Profit margin: Profit for the year divided by operating income

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 the end of the year divided by total assets at the end of the year

C/I ratio: Total operating expenses divided by total operating income (credit losses excluded)

Interest coverage ratio: Operating profit increased by interest expenses divided by interest expenses

Active users: Number of companies that at the end of the period actively used Qred for financing through corporate loans or factoring

CORPORATE GOVERNANCE REPORT

Qred Holding AB (publ), Org-nr. 559031-0685.

Introduction

The company is the parent company in the Qred Group, which conducts lending and factoring operations. Qred follows a number of laws and regulations: the Swedish Companies Act (2005: 551), the Act on Measures against Money Laundering and Terrorist Financing (2017: 630), the Annual Accounts Act (1995: 1554) and the Company's Articles of Association. In addition, Qred is covered by a number of regulations and general guidelines issued by the Swedish Financial Supervisory Authority. The company also complies with relevant EU regulations.

Qred is headquartered in Stockholm and has 2 subsidiaries: Qred AB and Qred Factoring AB. Qred AB holds a license from Swedish Financial Supervisory Authority as a payment institution and Qred Factoring is a registered financial institution with Swedish Financial Supervisory Authority. Qred AB, including branches, conducts lending operations and brokerage of corporate loans, and Qred Factoring AB conducts factoring operations, both only to legal persons and not consumers.

The code

Given that Qred is a company that does not have shares admitted to trading on a regulated market in Sweden, the Code of Swedish Corporate Governance is not currently applied. Qred evaluates, within the business, whether the code should be implemented in its entirety for application. This is happening in the light of Qred's growth and a development of the business means a greater concern for such a commitment.

Ownership

The largest owners as of December 31, 2020 were as follows:

Owner	Nr of shares	share of capital %
Nibble Gård Invest AB	6 526 460	61,8%
Winholm Invest AB	989 200	9,4%
Asara Holding Ltd	642 857	6,1%
Moritz Wendt	506 590	4,8%
Mil & Min AB	411 540	3,9%
Övriga	1 485 616	14,1%

The largest owner, Nibble Gård Invest AB, is represented on the company's board through Emil Sunvisson.

Each shareholder entitled to vote in Qred may vote for the full number of shares owned and represented by the shareholder without limitation in the number of votes.

Group structure

Nibble Gård Invest AB with a total holding of 61.8% of the shares in Qred Holding AB (publ) is the parent company of Qred Holding AB (publ).

Subsidiaries of Qred

Holding AB (publ)	Org.nr	%
Qred AB	559008-9800	100
Qred Factoring AB	559221-0180	77

Branches Qred AB

	Id.nr
Finland	2868615-5
Denmark	38972294
The Netherlands	72603372
Latvia	40203125230

The Articles of Association

The Articles of Association are approved by the Annual General Meeting and contain a number of mandatory information of a fundamental nature for Qred. The Articles of Association are available on the company's website and state, among other things, what activities the company is to conduct, the limits for the size of the share capital, the voting rights of the shares and the number of board members allowed. There are no regulations in the Articles of Association regarding amendments to the Articles of Association.

Annual General Meeting

The shareholders' decision-making rights are exercised at ordinary board meetings and at the Annual General Meeting. According to the Swedish Companies Act, the Annual General Meeting is the company's highest decision-making body, which decides on issues such as amendments to the Articles of Association, granting of discharge, approval of balance sheets and income statements, dividends, auditors and fees to board members. Rules governing the Annual General Meeting and what is to occur at it are found in the Swedish Companies Act and the Articles of Association, among other things. The Annual

General Meeting in 2020 was held in Stockholm on June 30, 2020. Among other things, it was decided, in accordance with the proposal in the notice, that the board shall consist of five members. Emil Sunvisson, Jason Francis, Thomas Jansson and Andrea Gisle Joosen were re-elected as board members. Mattias Carlsson was re-elected Chairman of the Board. The Board also decided that a fee of SEK 150,000 shall be paid to the Chairman of the Board and a fee of SEK 150,000 shall be paid to other external members who are not employed by Qred. The Annual General Meeting also granted the Board members and the President discharge from liability for the 2019 financial year.

Öhrlings PricewaterhouseCoopers AB with the principal auditor Marcus Robertsson was elected auditor for the period until the end of the 2021 Annual General Meeting.

It was decided to distribute SEK 700 per preference share to be paid to existing preference shareholders in 12 equal parts on a monthly basis according to established record dates. Dividends for preference shares may amount to a maximum of KSEK 7,000 during the period until the end of the next Annual General Meeting.

Nomination Committee

The three largest shareholders who wish to participate in the Nomination Committee have the right to appoint one member each. The Chairman of the Board also has the right to participate in the Nomination Committee. The member who represents the largest shareholder shall be appointed chairman of the nomination committee.

The Nomination Committee shall prepare proposals in the following matters to be submitted to the Annual General Meeting for decision:

- proposal for chairman of the meeting;
- proposal to the board;
- proposal for chairman of the board;
- proposals for board fees with the division between the chairman and other members of the board and remuneration for committee work;
- proposals for auditors; and
- proposed fee for the company's auditors

The Nomination Committee for the 2021 Annual General Meeting consists of:

- Emil Sunvisson, representative of Nibble Gård Invest AB

- Jason Francis, representative of Winholm Invest AB
- Thomas Carlsson, representative of Asara Holding Ltd
- Mattias Carlsson, Chairman of the Board

The board

The Board has the ultimate responsibility for Qred's organization and management. In addition, the Board shall exercise supervision by the CEO and monitor that Qred's financial conditions are reviewed in a reassuring manner. The Board's decision shall aim to promote the owners' interest in value development and return. The Board's tasks and working methods are regulated by the Swedish Companies Act, the Articles of Association and the Board's Rules of Procedure (see below).

The Board is responsible for balancing Qred's risk-taking and establishes rules for decision-making, financial reporting and financing.

The Board's work follows an annual rules of procedure comprising the matters that the Board is to deal with at ordinary meetings and the division of work within the Board, with special assumptions for the Chairman. The rules of procedure also state rules for financial reporting to the Board and more detailed rules for the CEO's responsibilities and powers.

According to the Articles of Association, the Board shall consist of a minimum of 3 (three) and a maximum of 6 (six) ordinary members. In other respects, there are no regulations in the Articles of Association regarding the appointment or dismissal of Board members. The 2020 Annual General Meeting resolved that the Board shall consist of five ordinary members without deputies.

Essential matters

In 2020, the Board had 26 (twenty-six) meetings, of which 7 (seven) were ordinary meetings and 19 (nineteen) were extraordinary. Of the extraordinary meetings, 5 (five) meetings were per capsulam.

Participation in the board work has been as follows:

Board member	Indepen- dent	participated in
Emil Sunvisson	No	26
Jason Francis	No	26
Thomas Jansson	No	26
Mattias Carlsson	Yes	26
Andrea Gisle Joosen	Yes	26

The Board's responsibilities and tasks include establishing goals and strategies for the company's operations, striving to ensure that the organization and operation of the company's operations are characterized by internal management and control, establishing internal rules regarding risk management and control and regularly monitoring compliance, ensuring that there is an audit function and to monitor the company's financial position. Furthermore, the Board's task is to appoint the CEO, adopt instructions for the CEO's work and to monitor the results of that work. Dismissal of the Board members takes place in accordance with the rules of the Swedish Companies Act.

Reporting to the board

The Board receives a monthly financial report including balance sheet and income statement as well as capital and liquidity situation in the company. At each ordinary Board meeting, the CEO, CFO, regulatory compliance and credit risk manager also report directly to the Board.

Remuneration to board members

According to a resolution at the 2020 Annual General Meeting, the following remuneration applies to the members of the Board:

- Chairman of the Board SEK 150,000
- Board members who are not employed by the company SEK 150,000
- To other board members SEK 0

CEO and management team

The CEO is responsible for the day-to-day management of the company in accordance with the Swedish Companies Act and the Board's instructions. The CEO is responsible for keeping the board informed about the company's operations and for ensuring that the board has as fair and correct a basis for decisions as possible.

As of December 31, 2020, Qred's Group Management consisted of: Emil Sunvisson (CEO), Mia Rosén (CFO), Björn Bondén (Chief Credit Officer), Andres Sehr (CMO), Jenny Arvidsson (CLO), Elina Eriksson (Chief Compliance Officer), Marianne Winblad von Walter (Chief Human Resources Officer), Oliver Dolan (CTO), Thomas Jansson (CGO) and Jason Francis (Head of customer success & vice CEO).

Further information about the Group Management's representatives is available on the company's website.

Remuneration to senior executives

The 2020 Annual General Meeting adopted the following guidelines for remuneration to Qred's senior executives.

Remuneration and other terms of employment must be designed so that they are compatible with and promote effective risk management and counteract excessive risk-taking and ensure access to the senior executives the company needs. The guidelines, which apply until the next Annual General Meeting, shall be applied with regard to each commitment on and change of remuneration. The board shall decide on the remuneration terms and may deviate from the guidelines, if in an individual case there are special reasons.

Remuneration can consist of the components: fixed remuneration in the form of basic salary, benefits and pension as well as variable remuneration. Each senior executive must receive a basic salary and may be entitled to both general benefits offered to all employees and special extra benefits. If the company terminates the employment, salary can be paid during a notice period of three months.

Commission-based remuneration to senior executives

The additional commission-based remuneration performs in relation to individual target fulfillment of the financial targets set during the year. During 2020, commission-based remuneration of SEK 725,755 was charged to earnings and relates to senior executives within the Group. All commission-based benefits are not pensionable.

Internal governing documents

In addition to laws, ordinances, regulations, etc., Qred has a number of internal governing documents regarding daily operations. These have been adopted by the board, the CEO or other functionaries. The purpose of the documents is to ensure reliable external financial reporting, such as the control activities aimed at preventing, detecting and correcting errors and deviations, as well as achieving reasonable assurance in accordance with good accounting practice and also policy on measures against money laundering and terrorist financing. insider policy and information policy.

External auditors

The company's external auditors are appointed by the Annual General Meeting. The external auditors' task is to examine the annual report and the financial reports as well as the Board's and the CEO's administration. In 2020, Öhrlings Pricewaterhousecoopers AB was elected as the company's auditors with authorized public accountant Marcus Robertsson as the principal auditor.

Information on fees and cost reimbursements to the auditors can be found in Note 8.

Internal control and risk management

The operations within Qred mainly consist of lending operations to small companies, brokerage of corporate loans and factoring, as well as five support functions (IT, finance, law and regulatory compliance, product and marketing).

The requirements for risk management and compliance were raised in connection with Qred receiving a license to conduct payment services and new functions and processes for risk management and compliance were implemented during the year.

Risk management is based on the business and support units and includes all employees. Unit / function managers are responsible for the daily risk management and compliance with regulations, as well as for taking appropriate measures in the event of unwanted risk exposure or lack of compliance within the

respective area of activity. Reporting takes place to the immediate superior, the compliance function or the CEO.

The control functions' compliance with regulations and risk control review, evaluate and report to management and the board regarding risks and compliance with regulations. The work of both functions is regulated by instructions established by the board. The control functions also function as a support for the business.

Examination of compliance with external and internal rules is carried out in the regulatory compliance function in accordance with applicable guidelines and recommendations issued by the Swedish Financial Supervisory Authority and / or the EBA. The function for compliance with regulations is subordinate to the CEO and reports directly to the Board. The compliance function is independent of all business units and support functions.

Risk control and monitoring of risk management in Qred is performed by the risk control function. The risk control function is also subordinate to the CEO and reports directly to the Board. Reporting to the Board includes the company's capital situation, liquidity risk, credit risk, market risk and operational risk, including related incidents. The risk control function works to ensure that all risks in the business are identified and clarified.

INCOME STATEMENT, CONSOLIDATED

SEK 000	Note	2020	2019
Interest income		199 095	225 964
Interest expense		-33 734	-41 572
Commission income		111 336	993
Commission expense		-5 490	-321
Other income		29 852	7 262
Total operating income	5	301 059	192 327
Operating expenses			
Net credit losses	6	-143 887	-74 515
Personnel expenses	7	-46 859	-30 399
Other expenses	8	-70 889	-52 967
Depreciation	9,10	-4 064	-2 786
Total operating expenses		-265 699	-160 667
Operating profit		35 360	31 660
Other financial income		156	4 359
Other financial cost		-3 811	-120
Result shares in associated companies		6 192	-
Income/cost financial transactions	11	2 537	4 239
Earnings before tax		37 897	35 899
Income tax	12	-8 453	-7 870
Net income		29 444	28 029
<i>Net income attributable to</i>			
Parent company shareholders		29 802	28 087
Holdings without dominant influence		-358	-58

STATEMENT OF COMPREHENSIVE INCOME, CONSOLIDATED

	2020	2019
Net income	29 444	28 029
Adjustments after re-calculating foreign operations	-3 286	194
Tax on adjustments after re-calculating foreign operations	703	-27
Total income for the period	26 861	28 196
<i>Result attributable to</i>		
Parent company shareholders	27 219	28 309
Holdings without dominant influence	-358	-58

BALANCE SHEET, CONSOLIDATED

SEK 000	Note	2020-12-31	2019-12-31
ASSETS			
Fixed assets			
Assets with right of use	9	4 861	6 142
Deferred tax	12	8 114	14 836
Left deposits	13	-	31
Long-term loan receivables	13,15	37 108	61 172
Shares in associated companies	14	6 392	200
Intangible assets	10	4 430	792
Tangible assets	9	177	-
Total fixed assets		61 082	83 173
Current assets			
Loan receivables	15	375 152	527 351
Other receivables	16	18 768	5 684
Cash & receivables on credit institutions	17	80 105	67 714
Total current assets		474 025	600 749
TOTAL ASSETS		535 107	683 922
SEK 000	Note	2020-12-31	2019-12-31
EQUITY			
Equity attributable to the parent company			
Share capital		15 421	14 788
Other directly contributed capital		167 392	164 683
Reserves		-830	1 675
Retained earnings including net income		79 032	55 372
Equity attributable to			
Parent company shareholders		261 015	236 518
Holdings without dominant influence		-112	242
Total equity		260 903	236 760
Provisions			
Other Provisions	19	34 950	2 447
Deferred Tax		1 276	-
Total Provisions		36 226	2 447
LIABILITIES			
Long-term liabilities			
Debt to credit institutions	20	25 481	-
Bond	21	186 687	410 135
Other long-term liabilities		1 325	3 092
Total long-term liabilities		213 493	413 227
Short-term liabilities			
Accounts payable	20	4 477	4 237
Other debts		14 135	21 970
Accrued expenses and prepaid income	22	5 873	5 280
Total short-term liabilities		24 485	31 487
TOTAL EQUITY AND LIABILITIES		535 107	683 922

STATEMENT OF CHANGE IN EQUITY, CONSOLIDATED

SEK 000	Share capital	Other directly contributed capital	Reserves	Retained earnings including Net income	Holdings without dominant influence	Total equity
Equity 2019-01-01	14 753	126 557	1 322	33 391	-	176 023
Net income				28 087	-58	28 029
Exchange rate differences			195			195
Tax on exchange rate differences			27			27
Total net income for the period	0	0	222	28 087	-58	28 251
Transaction costs for new share issue preference shares		-119				-119
Tax effect transaction costs in connection with new issue preference shares			25			25
New issue preference shares	5	35 005				40 549
Registration of previously paid, not reg. preference shares	1					1
Paid, but not yet registered preference shares		2 270				-3 270
Dividend on preference shares				-6 106		-6 106
New Issue common shares	29	971				1 000
Share capital					7	7
Share premium					293	293
Share-based remuneration - value of employee service			106			106
Equity 2019-12-31	14 788	164 683	1 675	55 372	242	236 760

	Share capital	Other directly contributed capital	Reserves	Retained earnings including Net income	Holdings without dominant influence	Total equity
Equity 2020-01-01	14 788	164 683	1 675	55 372	242	236 760
Net income				29 802	-325	29 444
Exchange rate differences			-3 286			-3 286
Tax on exchange rate differences			703			703
Total net income for the period	0	0	-2 583	29 802	-358	26 861
Transaction costs new share issue		-33				-33
Tax effect transaction costs new share issue			7			7
Redemption preference shares	-5	-40 584				-40 589
Paid, but not yet registered preference shares	0	0				0
New issue preference shares	0	1 930				1 930
Dividend on preference shares				-6 142		-6 142
New issue common shares	638	41 396				42 034
Share capital					4	4
Share-based remuneration - value of employee service			71			71
Equity 2020-12-31	15 421	167 392	-830	79 032	-112	260 903

CASH FLOW STATEMENT, CONSOLIDATED

SEK 000	Note	2020	2019
Cash flow from operating activities			
Operating profit incl. operating expenses		35 360	31 660
Whereof interest income		202 769	213 206
Whereof interest expense		-36 377	-43 399
<i>Adjustments for items not included in cash flow</i>			
-Depreciations		4 064	2 786
-Capitalised interest		-911	1 336
-Change in credit losses		113 388	44 888
-Other		-494	106
Other interest paid		-209	-120
Paid tax		-18 266	-14 636
Cash flow from operating activities before changes in working capital		132 933	66 020
Change in working capital			
Change in loan receivables		89 017	-294 794
Change in other operating receivables		-28 291	-19 049
Change in accounts payable		314	2 496
Change in other operating liabilities		1 925	-442
Change in working capital		62 965	-311 789
Cash flow from operating activities		195 898	-245 769
Cash flow from investment activities			
Investments in Associates		-	-200
Reduction of other financial fixed assets		31	-33
Change in other intangible fixed assets		-4 541	-891
Change in other tangible fixed assets		-219	-
Cash flow from investment activities		-4 729	-1 124
Cash flow from financing activities			
Transactions for holdings without dominant influence		160	300
New issue common shares		42 020	1 000
New issue/redemption preference shares		-38 677	37 161
Preference shares dividend	18	-6 142	-6 106
New loans/bond		31 885	415 754
Amortisation loans / repurchase bond		-232 519	-205 194
Cash flow from financing activities		-203 273	242 915
Cash flow for the period		-12 104	-3 977
Cash and cash equivalents at beginning of period		39 633	43 600
Exchange rate differences in cash and cash equivalents		-4 052	11
Cash and cash equivalents at end of period		23 477	39 633
Summary of cash and cash equivalents			
Cash		23 477	39 633
Receivables on credit institutions		56 628	28 081
Total cash and cash equivalents		80 105	67 714

FINANCIAL STATEMENTS AND NOTES, CONSOLIDATED

Amounts in SEK 000

Note 1 - General information

Qred Holding AB (publ), with organization number 559031-0685, conducts business through its subsidiaries. The head office is located in Stockholm. The address of the head office is Tulegatan 15, 113 53 Stockholm. The business consists of financing services in the form of corporate loans, aimed at companies in Sweden, Finland, Denmark, the Netherlands and Belgium, as well as factoring in Sweden.

Subsidiary	Org.nr	%
Qred AB	559008-9800	100
Qred Factoring AB	559221-0180	77

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

On April 29, 2021, the Board of Directors approved this annual report for approval of the Annual General Meeting in 2021.

Note 2 - Summary of key accounting principles

The most important accounting principles applied when this annual report was prepared are listed 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 Annual Accounts 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 when applying the Group's accounting principles. The areas that include a high degree of assessment, which are complex or such areas where assumptions and estimates are of significant importance

for the consolidated accounts, are stated in Note 4.

New and amended standards applied by the Group

No new standards, changes, interpretations and annual improvement projects that came into force in 2020 have had any significant impact on Qred's financial reports.

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

The International Accounting Standards Board (IASB) has published the IBOR reform - Phase 2, amendments to IAS 39, IFRS 9, IFRS 7, IFRS 4 and IFRS 16 on 27 August 2020, which has been approved by the European Commission. The changes take effect for financial years beginning on or after January 1, 2021, and earlier application is permitted. Qred does not intend to apply the changes prematurely. The IBOR reform - phase 2 contains temporary relief to deal with the accounting issues that arise when the InterBank Offered Rate (IBOR) is to be replaced by an alternative almost risk-free interest rate (RFR). Qred has financial instruments, which are affected by the reform, but the existing risk assessment is not assumed to change significantly. However, the changes entail disclosure requirements regarding the uncertainty in the ongoing reforms of reference interest rates, primarily through information on exposure to reference interest rates and their scope.

No other new standards, changes and interpretations are expected to have a material impact on the Group's financial statements in the current or future periods, nor on future transactions.

Consolidated accounts

Subsidiary

The consolidated financial statements include subsidiaries over which the Group has a controlling influence. The Group controls a company when it is exposed to or has the right to a variable return from its holding in the company and has the opportunity to influence the return through its influence in the company. Subsidiaries are included in the consolidated financial statements from the

date on which the controlling influence is transferred to the Group. They are excluded from the consolidated financial statements from the date on which the controlling influence ceases.

The acquisition method has been used to report the Group's business acquisitions. Upon the acquisition of a subsidiary, the purchase price is calculated from the fair value of transferred receivables, liabilities and the shares issued by the Group on the acquisition date. The costs that are attributable to the acquisition are expensed when they arise.

Should the amount of the purchase price exceed the value of the acquisition, goodwill arises and if the acquisition is purchased at a lower value, a negative goodwill arises. As of the balance sheet date, Qred had no reported goodwill.

Balance sheet items, transactions and unrealized gains and losses between Group companies are eliminated in the Group's accounts. In order to adapt to the Group's accounting principles, so that all companies in the Group report consistently, subsidiaries have in some cases had to adapt their accounting principles.

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 holders without a controlling influence, the difference between the purchase price paid and the actual acquired share of the reported value of the subsidiary's net assets is reported in equity. Gains and losses on disposals to non-controlling interests are also reported in equity.

When the Group no longer has a controlling influence, each remaining holding is revalued to fair value and the change in carrying amount is reported in the income statement. The fair value is used as the first carrying amount and forms the basis for the continued reporting of the remaining holding as an associated company, joint venture or financial asset. All amounts relating to the divested unit that were previously reported in other comprehensive income are reported as if the Group had directly divested the attributable assets or liabilities. This may mean that

amounts previously reported in other comprehensive income are reclassified to profit or loss.

Associated companies

Associated companies are companies in which the Group has a significant but not controlling influence. Holdings in associated companies are reported according to the equity method.

According to the equity method, the asset is initially reported at acquisition cost. The carrying amount is increased or decreased thereafter to take into account the Group's share of earnings and other comprehensive income from associated companies after the acquisition date. The Group's share of profit is included in the Group's profit 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 for the various units in the Group are valued in the currency used in the economic environment in which each company is primarily 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 in foreign currency are translated into the functional currency according to the exchange rates that apply on the transaction date or the day when the items are revalued. Exchange rate gains and losses that arise from the payment of such transactions and from the recalculation of monetary assets and liabilities in foreign currency at the exchange rate on the balance sheet date are reported in the income statement. Exchange rate gains and losses relating to loans and cash and cash equivalents are reported in the income statement as financial income or expenses. All other exchange rate gains and losses are reported in the item other financial income or other financial expenses in the income statement.

Group companies

Companies and branches within the Group that do not have the same functional currency as the Group are translated into SEK. The

assets and liabilities in the balance sheet are translated at the exchange rate on the balance sheet date. Income and expenses in the income statement are translated at the average exchange rate for the month. All of the exchange rate effects that arise in the translation from functional to presentation currency between the companies in the Group are reported in other comprehensive income.

Financial instruments

Financial instruments are defined in accordance with IAS 32 as agreements that give rise to a financial asset in one company and a financial liability or an equity instrument in another company. A financial asset is an equity instrument in another company or assets with a contractual right to receive cash or another financial asset. A financial liability is a contractual obligation to pay cash or other financial assets to another company.

Classification and valuation

The classification and valuation of financial assets is determined on the basis of the business model for the portfolio in which the instrument is included and whether the cash flows only constitute payment of principal and interest.

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

Portfolio instruments that are covered by a business model where the intention is to retain the instruments and receive agreed cash flows are valued at accrued acquisition value. Instruments that are covered by a business model where the intention is both to retain the instruments for collecting agreed cash flows and to sell the instruments are valued at fair value via other comprehensive income. Financial assets covered by another business model are valued at fair value via the income statement.

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

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

Each financial instrument has been classified as belonging to one of the following categories at 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 expenses 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, Accounts payable 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 the first reporting opportunity, instruments in this category are valued at accrued acquisition value. When valued at accrued acquisition value, the difference between the acquisition value and the redemption value is recognized in the income statement over the remaining term using the effective interest method. Accrued acquisition value is defined as the amount to which the financial asset, or liability, is valued at the first reporting date, less installments of principal, plus, or minus, accumulated depreciation using the effective interest method on any difference between the original amount and the amount at maturity and, for financial assets, adjusted for any loss reserve. For further information on the effective interest method, see section Interest income. Information on write-downs in accordance with IFRS 9 can be found in the section Write-downs below.

Interest on assets and liabilities in the category Valued at accrued acquisition value is reported in the income statement in the items Interest income and Interest expenses.

Accounting and derecognition from the balance sheet

Lending is reported on the settlement date. Other purchases and sales of financial assets

are reported on the business day, the date on which the Group commits 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 the Group no longer has any obligations linked to the financial instrument. A financial asset and a financial liability are set off and reported with a net amount in the 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 realize the asset and settle the liability.

Impairment of financial assets

Application

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

Accounting and presentation

Assets valued at accrued acquisition value are reported gross, with a separate provision for expected credit 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 provisions are reported in the income statement and classified as Credit losses, net.

If the write-down is considered definitive, it is reported as an realised credit loss, and the reported value of the loan together with the associated provision for credit losses is removed from the balance sheet. An impairment loss is considered final when the bankruptcy application is filed against the borrower and the trustee in bankruptcy has presented the financial outcome of the bankruptcy proceedings, or when the Group releases its receivables through reorganization on either a legal or voluntary basis. Credit losses are also found in connection with loan receivables being sold to external parties.

Impairment assessment

The Group's model for impairment is based on a division of assets into three categories, where category 1 is functional credits, category 2 is credits where credit risk has

increased significantly since the first reporting occasion and category 3 is credits in default.

1. Category 1 refers to working credits. Loan receivables are classified when issuing credit as category 1. In category 1, the provisions shall correspond to expected credit losses over the next 12 months.
2. Category 2 refers to loans where the credit risk has increased significantly since the first reporting occasion. For receivables in category 2, the risk of default (PD) is revalued based on historical default for receivables that have been due for the same number of days. Receivables are grouped by geographic market and write-downs are made on a collective basis. A significant increase in credit risk, "SICR" occurs when a receivable is 15 days late. These loan receivables are transferred from category 1 to category 2. By obeying a prompt payment request, borrowers can avoid default and get back in phase. The loan receivable is then returned from category 2 to category 1.
3. Category 3 refers to credits in default. Bankruptcy is defined as either collection measures being taken or payment not being made 90 days after the due date. Loan receivables are then transferred from category 2 to category 3. Loan receivables for which debt collection measures have been undertaken are not returned to category 1 or 2. In the event that a receivable is settled before debt collection measures have been undertaken, the receivable is transferred to category one or two depending on whether all outstanding receivables have been settled (category 1) or if there are outstanding receivables left (15-90 days category 2). For receivables in category 3, the expected credit loss is based on the future expected cash flow. The future cash flow is discounted to present value with a discount rate that corresponds to the original effective interest rate. Receivables are grouped by geographic market.

The provisions are calculated as the product of the exposure in the event of default (EAD), the probability of default (PD) and the loss given default (LGD). The credit loss model is based on a reservation amount for each credit category which is based on the risk in each credit category and each country.

When calculating losses over the remaining term, including classification into credit categories, the calculation is based on probability-weighted, forward-looking information, taking into account the time value of the money.

The credit model is based on the actual and forecast outcome of previous loans.

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

Tangible fixed assets

Tangible fixed assets are reported as an asset in the balance sheet if it is probable that the future economic benefits will accrue to the company. Qred's Tangible fixed assets are amortized on a straight-line basis over the assets' expected lifetime, but not longer than five years. For depreciation, a depreciation period of 60 months is applied.

The assets' residual values and expected lifetime are tested every balance sheet date and adjusted if necessary. An impairment loss is recognized when the carrying amount exceeds its recoverable amount. Impairment losses are reported via the income statement.

Assets are reported at acquisition value less accumulated depreciation and write-downs.

Leasing

According to IFRS 16, Leasing agreements are reported as a usufruct asset and a corresponding liability at the date when the leased asset is available for use by the Group. The usufruct rights are presented within Assets with usufruct rights and the leasing liabilities within Other liabilities. Depreciation of usufruct rights and interest expenses for the lease liabilities are reported in the income statement.

The leasing liability is valued at an amount corresponding to the present value of the remaining leasing fees at the start date discounted using the Group's marginal borrowing rate on the first day of application.

The lease liability then increases with interest expenses on the lease liability and decreases with paid lease fees. The right of use is depreciated over the period of use.

The Group applies the exceptions that the standard allows for short-term leasing agreements. These leasing agreements are reported as other costs and are expensed on a straight-line basis over the leasing period.

Intangible fixed assets

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

Qred's intangible fixed assets are amortized on a straight-line basis over the expected lifetime, but not longer than five years.

Impairment testing is performed when there is an indication of impairment or at least annually when the residual value of each asset and the remaining expected lifetime is determined. If there is a need for impairment, the asset's recoverable amount is estimated. An impairment loss is recognized when the carrying amount exceeds its recoverable amount. Impairment losses are reported via the income statement. The assets are reported at acquisition value less accumulated depreciation and write-downs.

Capitalized expenses for IT development

Expenses for IT development and IT maintenance are usually expensed when they arise. Expenses for such software development that can be attributed to identifiable assets over which the Group has a controlling influence and which have an expected future economic value are capitalized and reported as intangible fixed assets. Expenses attributable to the maintenance of existing software are expensed on an ongoing basis. Upon capitalization of self-generated development expenses, the corresponding amount is transferred from unrestricted to restricted equity in the parent company.

Provisions

A provision is recognized when there is an existing legal or informal obligation as a result of an event that has occurred, and it is probable 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 provision is valued at the amount that corresponds to the best estimate of what is required to settle the obligation on the balance sheet date. The valuation takes into account the expected future time for regulation.

Qred is brokering corporate loans to third parties and receives brokerage commissions. Any credit losses are deducted from paid brokerage commissions, which is why expected credit losses are reserved. Changes in the provision are reported in the income statement and are classified as Credit losses, net. For further information, see the section 'Impairment testing', which is used for the underlying asset that forms the basis for the brokerage commission.

Financial guarantees

The company's guarantee agreement means that the company has a limited obligation to compensate the holder of brokered loans when he makes a loss due to a specific debtor not fulfilling his payments when due to the holder in accordance with original or changed contract terms. The liability for the financial guarantee is reported in accordance with IFRS 9 under provisions.

Issued preference shares

When preference shares have been paid in and allotted, they are considered issued and reported as equity. They are classified as equity as the preference shares are not compulsorily redeemable at a specific time.

Income and expenses

Interest income and interest expenses

Interest income is reported as income distributed over the term using the effective interest method. The effective interest rate is the interest rate that makes the present value of all estimated future inflows and outflows during the expected fixed interest period equal to the carrying amount of the receivable or liability. Interest income and interest expenses include, where applicable, accrued amounts of fees received that are included in the effective interest rate, transaction costs and other differences between the original value of the receivable or liability and the amount settled at maturity. Interest expenses consist of costs for the Group's financing. Interest income in Category 3 is recognized as income in connection with its inflow.

Commission income and commission expenses

When brokering credits, the party to whom the credit has been brokered owns the credit claim. Income for brokered credits is reported as commission income in accordance with IFRS 15. Commission income is reported as income in three different ways as follows:

1. Qred has a performance commitment regarding brokered credits that is met and reported as income as fees for brokered credits arise.
2. Delay fees in connection with the issuance of the loan, such as reminder fees and default interest, are reported as income at the rate these are paid by the customer.
3. Revenue recognition for fees relating to receivables where debt collection measures have been taken is reported at the rate these are paid by the customer.

Commission expenses are expenses that are attributable to the earning of commission income, e.g. direct acquisition costs related to partners. See the 'Provisions' section for more information.

Qred is responsible for part of the credit risk by deducting any credit losses arising from brokered loans from the paid brokerage commission. Part of the brokerage commission is included during the term of the credit as security for the performance commitment, which is reported as a financial guarantee.

Other income

Only income that is not to be regarded as interest or commission income is included under other income. This includes revenue for customer service regarding loans owned by third parties. Positive results from trading in bonds are reported under other income

Personnel costs

Personnel costs include all forms of compensation to employees including salaries, bonuses and commissions, pension costs, employer 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

according to which the Group pays fixed contributions to a separate legal entity. The Group has no legal or informal obligations to pay additional fees if this legal entity does not have sufficient assets to pay all employee benefits related to the employees' service during the current or previous years. Costs for pensions are reported under the income statement as personnel costs.

Share-based compensation

The Group has share-based compensation plans where the company receives services from employees as consideration for the Group's equity instruments. Information regarding these plans can be found in Note 7. The fair value of the service that entitles employees to the allotment of options through Qred's employee stock option program is reported as a staff cost with a corresponding increase in equity. The total amount to be expensed is based on the fair value of the options granted. The total cost is reported over the vesting period; the period over which all the specified vesting conditions must be met. At the end of each reporting period, the Group reconsiders its assessments of how many shares are expected to be earned based on the non-market earnings terms and conditions of service. Any deviation from the original assessments that the reconsideration gives rise to is reported in the income statement and corresponding adjustments are made in equity.

Other costs

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

Profit from financial items

Profit from financial items mainly refers to currency revaluation of assets and liabilities in foreign currency as well as profit from participations in associated companies.

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 reported directly in equity or in other comprehensive income. In that case, the attributable tax effect is also reported in equity and in other comprehensive income.

The current tax cost is calculated on the basis of the tax rules that have been decided, or in practice decided on the balance sheet date, in the country where Qred operates and has generated taxable income, ie Sweden and Finland. Management regularly evaluates the claims made in self-declarations regarding situations where applicable tax rules are subject to interpretation and makes, when deemed appropriate, provisions for amounts that are likely to be paid to the tax authority.

Deferred tax is reported on all temporary differences that arise between the tax value of assets and liabilities and their reported values in the consolidated accounts.

Deferred tax assets from deductible temporary differences and loss carryforwards are only reported if it is considered probable that these will be utilized in the foreseeable future. The value of deferred tax assets is reduced when these are utilized or when it is no longer considered probable that they can be utilized. Under "Tax on profit for the year", current tax, deferred tax and tax relating to previous years are reported.

Cash flow analysis

The cash flow analysis includes changes in cash and cash equivalents. The Group's cash and cash equivalents consist of cash. Cash flow is divided into cash flow from operating activities, investing activities and financing activities. Cash flows are reported using the indirect method.

Parent company accounting principles

The annual report has been prepared in accordance with the Annual Accounts Act and RFR 2 Accounting for Legal Entities. The principles are the same for the Parent Company as for the Group, except for the exceptions below.

Shares and ownership in subsidiaries and associated companies

Shares and ownership in subsidiaries are reported at acquisition value plus transaction costs after deductions for any write-downs. When there is an indication that shares and ownership in subsidiaries have decreased in value, a calculation of the recoverable amount is made. If it is lower than the carrying amount, a write-down is made. Impairment losses are reported in the items Profit from ownership in Group companies and Profit

from ownership in associated companies, respectively.

Group contributions

In accordance with the alternative rule in RFR 2, both received and paid group contributions and appropriations are reported. The tax effect of received and paid group contributions 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 which can 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 objectives.

Through its operations, the Group is exposed to some types of significant risks. These mainly consist of credit risk, interest rate risk and market risk. To minimize these risks from affecting the Group's financial results, Qred has compiled a risk policy. The risk policy is established by the Board annually.

Credit risk

Credit risk is identified as the risk that a counterparty will not fulfill its financial obligations to Qred (default risk). This includes the risk that the borrower will not be able or willing to fulfill his credit obligations and the risk that the guarantee will not cover the outstanding claim in cases where the borrower shows insolvency.

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

The credit assessment mainly consists of an assessment of the customer's repayment ability. In addition, personal guarantee is required for all credits.

Qred assesses the risk of each loan receivable before granting credit. The risk is based on Qred's own assessment of the customer's repayment ability. The risk is based on the Company's own assessment of the customer's repayment ability, 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 companies and other public sources are analyzed. This data normally contains detailed financial information based on the company's annual report and tax return, information from the Swedish Companies Registration Office on e.g. representatives, company registration and operations. This data is supplemented with information about the company's representative and real principal. 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 applying for a loan.

For further information, see note 15.

Loan receivables by category of borrowers

Loan receivables, 31 dec	2020	2019
Companies, Sweden	185 879	292 384
Companies, other markets	367 859	362 134
Sum	553 738	654 518

Age analysis overdue loan receivables

Group	2020	2019
Overdue 1-29 days	22 775	29 606
Overdue 30-59 days	9 821	6 853
Overdue 60-89 days	7 887	3 387
Overdue 90-179 days	18 274	7 661
Overdue 180-365 days	23 604	10 544
More than 365 days	25 350	3 164
Sum	107 711	61 215

Credit quality for fully functional other financial assets

Cash and cash equivalents	2020	2019
Moody's Aa	173	320
Moody's A	21 142	38 053
Rating is missing	2 162	1 260
Sum	23 477	39 633

receivables on credit institutions

	2020	2019
Rating is missing	56 628	28 081
Sum	56 628	28 081

Receivables from credit institutions as described above are maintained in an account with a partner as part of a collaboration

through which Qred acts as a loan intermediary.

Provisions for expected credit losses are based on internal history regarding the probability of default and loss given default

Consideration of forward-looking macroeconomic scenarios

The model is adjusted on the basis of various macroeconomic scenarios that reflect expected development, but also scenarios with a deteriorating and improved outcome. As of December 31, 2020, Qred applies four different scenarios that can be briefly described as:

(1) "boom", (2) "normal economic situation", (3) "short recession" and (4) "prolonged deep recession". The development of the different scenarios and their estimated impact on future losses is based on historical bankruptcy statistics from each country's statistical authority. For example, the scenario "prolonged deep recession" is based on bankruptcy levels during the crisis of the 1990s.

The impact on the provision for expected credit losses and the assigned probability for each scenario are illustrated below.

Scenario					
2020	1	2	3	4	Total
Assigned probability	5%	48%	40%	7%	100%
Impact on reserve, KSEK	-9 248	-	13 872	69 362	9 942
2019	1	2	3	4	Total
Assigned probability	5%	90%	0%	5%	100%
Impact on reserve, KSEK	-7 288	-	-	36 273	1 449

If the assigned probability for Scenario 1 decreases by 2 percentage points and the probability for Scenario 3 increases by 2 percentage points, the reserve is affected by KSEK 9,017.

Application of the macroeconomic scenarios generally leads to an upward adjustment of expected credit losses amounting to KSEK 9,942 relative to what can be expected based on the internal loss history.

The expected credit loss (ECL) consists of the expected probability of default (PD), the

expected loss given default (LGD) (see Note 2 regarding classification of loan receivables and Note 4 regarding provision for expected credit losses) and expected exposure in the event of default (EAD).

$$ECL = PD \times EAD \times LGD$$

PD is calculated by using machine learning to compare data for previously issued credits of a similar nature together with the assessment of macroeconomic scenarios.

EAD is calculated using the average EAD for historical defaults.

LGD is calculated by discounting future estimated cash flow to present value with a discount rate that corresponds to the original effective interest rate.

The sensitivity to changes in the probability of default (PD) and loss given default (LGD) are illustrated below.

Sensitivity regarding default risk and loss given default

PD	LGD				
	-10%	-5%	+/- 0%	+5%	+10%
-10%	-22 720	-14 169	-5 618	2 933	11 484
-5%	-15 136	-11 501	-2 809	5 882	14 574
+/- 0%	-17 664	-8 832	-	8 832	17 664
+5%	-15 136	-6 163	2 809	11 782	20 754
+10%	-12 607	-3 494	5 618	14 731	23 844

If, for example, the default risk increases by 10% (relatively) and the loss given default increases by 5% (relatively), the provision for future credit losses would have increased by KSEK 14,731.

Market risks

Currency risk

Currency risk arises when the price of one currency changes against another. Currency risk arises in the Group as 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, the majority of revenues and operating expenses are in the local currency, which is why currency fluctuations have only a limited effect on the company's operating profit in local currency. Revenues and expenses in national currency are thus hedged in a natural way, which limits the transaction exposure. Qred's bond loan is denominated in EUR, which constitutes a transaction risk as Qred's functional currency is SEK.

Conversion risk

Qred is exposed to conversion risk at Group level. Conversion risks arise mainly as a result of the revaluation of intra-group balances but also as a result of the bond issued during the year, which was issued in EUR.

Conversion risks are continuously monitored but are not currently actively hedged. Qred is also exposed to transaction risks that mainly arise when the Company grants credit in a currency other than the functional currency.

Book net values of assets and liabilities in foreign currency are reported in SEK in the following table:

Balance item	EUR	EUR	DKK	DKK
	2020	2019	2020	2019
Assets	219 236	277 111	86 207	55 096
Liabilities	208 284	415 647	298	208
Exposure	10 951	-138 536	85 909	54 887

The Group has a currency risk against EUR and DKK as 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, and thereby reduce currency risk.

The consolidated income statement includes exchange rate differences of KSEK -3,602 (KSEK 4,359) in the result, which is reported in the item Profit from financial items, see Note 11. In equity, the exchange rate difference regarding translation effect amounts to KSEK -3,286 (KSEK 194). The result for exchange rate differences regarding internal balances amounts to KSEK -6,655 (KSEK 5,331) and for the bond holding KSEK 2,098 (KSEK -453).

If the Swedish krona had strengthened by 10% in relation to the EUR, with all other variables constant, profit before tax as of December 31, 2020 would have been KSEK 1,095 (KSEK

-13,854) lower. The gain was more sensitive to changes in the exchange rate between Swedish kronor and EUR in 2019 than in 2020, when increased deposits in EUR increased more than lending. In 2020, deposits in EUR decreased. Equity would have been KSEK 861 (KSEK -10,889) lower, which includes the above-mentioned effect on earnings.

If the Swedish krona had strengthened by 10% in relation to the DKK, with all other variables constant, profit before tax as of December 31, 2020 would have been KSEK 8,591 (KSEK 5,489) lower. The gain is more sensitive to changes in the exchange rate between Swedish kronor and DKK in 2020 than in 2019 when lending has increased. Equity would have been KSEK 6,752 (KSEK 4,314) lower, which includes the above-mentioned effect on earnings.

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. The risk arises mainly when there is an imbalance in maturity and contract terms between interest-bearing assets and liabilities. Qred's lending is largely loans with short maturities of up to 12 months, but a maximum of up to 36 months, see Note 15.

In June 2019, the Company issued a bond. The total bond framework is EUR 100m, of which EUR 40m has been used. The bond has a term of 3 years and has a coupon of EURIBOR + 8.5% which is paid out quarterly. At the end of the year, the outstanding amount was EUR 18.2m.

Qred has not found it necessary to use financial instruments, such as interest rate swaps, to mitigate interest rate risk, as the interest margin is relatively high. In the long run, an increased policy rate can mean both increased borrowing costs and higher income.

If Qred's underlying market interest rate regarding Qred's interest expenses in 2020 had been 2 percentage points higher (absolutely) with all other variables constant, profit after tax for the financial year would have been KSEK 5,581 (KSEK 6,624) lower, mainly as a result of higher interest costs for borrowing. Equity would have been KSEK 5,581 (KSEK 6,624) lower.

If Qred's interest income in 2020 had been 2 percentage points lower (absolutely) with all

other variables constant, the profit after tax for the financial year would have been KSEK 8,316 (KSEK 8,219) lower. Equity would have been KSEK 8,316 (KSEK 8,219) lower.

Liquidity and refinancing risk

Liquidity and refinancing risk means the risk that the financing opportunities are limited when loans are to be repaid, either by new loans being raised or when maturing loans are to be replaced by new loans. The risk can be summarized as meaning that payment obligations cannot be met as a result of insufficient liquidity.

For Qred, the liquidity and refinancing risk mainly consists of the Group's opportunities to finance its lending operations, to refinance loans that fall due and to redeem 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 can request redemption of preference shares. The board decides on redemption. Should all preference shareholders as of December 31, 2020 request redemption, this would mean a negative cash flow of KSEK 67,020 (KSEK 105,680). In the

event that redemption is requested by several shareholders and the Board of Directors deems that such payment is not possible, the total redemption amount that can be paid out shall be distributed proportionally between the shares notified for redemption. For further information on dividends and preference shares, see Note 18.

Qred does not have ownership rights to credit receivables regarding brokered credits. Qred indirectly bears part of the credit risk, which is considered a financial guarantee for the benefit of partners. Qred thus reports a provision for expected losses. As security for the commitment, part of the brokerage commission is set aside in a blocked account. The amount is released on an ongoing basis during the term of the loans as the loans are repaid. The balance is reported as a receivable in the balance sheet and amounts to KSEK 59,617 (KSEK 29,540), which constitutes the maximum outflow from this commitment.

The short-term liquidity risk is managed by adapting the lending to the current liquidity situation. Management closely monitors the Group's liquidity reserve, which consists of cash and cash equivalents at the bank.

As of December 31, 2020	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		4 009	12 249	196 751	
Long-term leasing debt				1 325	
Short-term leasing debt		889	2 666		
Debt to financial institution		25 481			
Sum		30 379	14 915	198 076	

Concentration risk

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

The Group's concentration risk is assessed as relatively low. No individual credit receivable exceeds 0.4% of the total size of the credit portfolio. Borrowers are also well diversified across a large number of industries and geographical areas.

Reputation risk

Reputation risk is a current and future risk that arises from customers', counterparties,

shareholders, investors and authorities' possible negative perception of the Group.

It is of utmost importance for Qred to offer a reliable financing business. Qred's respect is thus a highly valued asset and a deteriorating reputation can have a negative impact on business operations.

Qred works actively to inform its customers and other stakeholders about the business to reduce the risk of false rumors spreading in the market. Through clarity and respect for the customer, the risk of reputation is reduced.

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

By actively working with information and communication, both externally and internally, Qred controls the risk of rumors in a preventive way.

Strategic risk

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

Counterparty risk

Qred has receivables from counterparties. Should the counterparties fail to pay these receivables, the Group may be adversely affected.

Operational risk

Operational risk refers to the risk of losses due to errors or deficiencies in internal routines and processes. In addition to pure errors in administrative routines, 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 loan volume and the number of employees increase rapidly. Qred works continuously to develop structures and processes to deal with the challenges and risks that arise.

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

There is a risk that laws and regulatory requirements will not be complied with.

Deficiencies in regulatory compliance can lead to fines and a negative impact on reputation. Qred has developed routines and policies based on statutory requirements and risk exposure, including policies, routines and training regarding the Money Laundering Act.

Qred strives for a structured approach to facilitate the identification and management of the operational risks in the business and has established a number of different control documents in the form of policies, guidelines and instructions to minimize the 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 in 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 that are considered reasonable under prevailing conditions.

Important estimates and assumptions

Qred makes estimates and assumptions about the future. The estimates for accounting purposes that result from these will, by definition, seldom correspond to the actual result. The estimates and assumptions that entail a significant risk of significant adjustments in the reported values of assets and liabilities during the next financial year are stated in outline below.

Reservations for expected credit losses

Qred evaluates its and brokered loan portfolio on an ongoing basis to assess the need to set aside expected credit losses.

The provisions in accordance with IFRS 9 are calculated as the exposure in the event of default times the probability of default times the loss in the event of default. When assessing provisioning needs, Qred takes into account historical cash flows from similar assets, taking into account the time value of money, as well as forward-looking assessments such as macro analysis. Method and assumptions are subject to periodic review. For more information, see 'Impairment testing', Note 2, and 'Consideration of

forward-looking macroeconomic scenarios; Note 3.

Brokerage of credits

Qred has brokered significant credit volumes. Qred receives a performance-based remuneration for this and thus indirectly bears part of the credit risk. In addition, Qred handles certain administration of brokered loans (see also Note 2, under the heading other income). According to IFRS 9, a financial asset must be reported when, and only when, the company becomes a party to the instrument's contractual terms. Despite the fact that Qred is affected by the contractual terms of the loans, Qred has assessed that the company is not a party to the contractual terms of the loans, mainly due to the fact that agreements are entered into directly between partners and borrowers.

If the company had made a different assessment, it would have had a significant impact on the design of the company's financial reports.

Sale of loan receivables

Qred has sold loan receivables from categories 1, 2 and 3, see section Impairment of financial assets.

Sale of loan receivables in category 1

In the sale of loan receivables in category 1, Qred has in all material respects not transferred the risks and benefits associated with the loan receivables sold. The loan receivables sold are therefore retained on the balance sheet. Qred is entitled to contractual cash flows for sold loan receivables, which at

subsequent reporting dates are valued at accrued acquisition value with application of the effective interest method. Sales proceeds received for sold loan receivables are reported net in the receivable Qred has towards the acquiring party.

Sale of loan receivables in category 2 and 3

Upon sale of loan receivables in categories 2 and 3, risks and benefits associated with the sold loan receivables have been transferred to the acquiring party and the loan receivables are booked off the balance sheet.

Intangible assets

Development costs that are directly attributable to the development of identifiable and unique software products controlled by the Group are reported as intangible fixed assets when the following criterias are met:

- It is technically possible to complete the software so that it can be used.
- The company's intention is to complete the software and to use it.
- There are conditions for using the software.
- Adequate, technical, financial and other resources to complete the development and to use the software are available.
- The expenses that are attributable to the software during its development can be calculated reliably.

The assets' residual values and lifetimes are tested every balance sheet date and adjusted if necessary. The carrying amount of an asset is immediately written down to its recoverable amount if the carrying amount of the asset exceeds its estimated recoverable amount.

Note 5 - Income

Income is divided into three categories; interest income, commission income and other income. Interest income and commission income are of a recurring nature. Other income is also of a recurring nature with the exception of income related to bond repurchases.

The table below shows the income, including the internal financing cost, which is based on part of the loan receivable.

Operating income 2020	Sweden	Other markets	Central functions	Group
Interest income	69 679	129 416	-	199 095
Interest expense	-14 216	-19 518	-	-33 734
Whereof internal financing expense	-10 888	-17 848	28 737	-
Net interest income	55 464	109 897	-	165 361
Commission income	58 578	52 757	-	111 336
Commission expense	-3 399	-2 092	-	-5 490
Net commission income	55 180	50 666	-	105 846
Other operating income	2 475	-	27 377	29 852
Whereof income repurchase bond			27 377	27 377
Total operating income	113 119	160 563	27 377	301 058

Operating income 2019	Sweden	Other markets	Central functions	Group
Interest income	98 248	127 716	-	225 964
Interest expense	-21 353	-20 219	-	-41 572
Whereof internal financing expense	-11 106	-13 510	24 616	-
Net interest income	76 895	107 497	-	184 391
Commission income	608	386	-	993
Commission expense	-211	-110	-	-321
Net commission income	397	276	-	672
Other operating income	4 578	2 684	-	7 262
Total operating income	81 869	110 457	-	192 326

Note 6 - Credit losses, net

Group	2020	2019
Realised credit losses	30 493	29 626
Change in credit loss reservation, net	80 151	42 438
Provision for financial guarantee	33 243	2 451
Total	143 887	74 515

Note 7 - Employees and personnel costs

Average FTE's (incl. fixed term employees but not on parental leave or on leave)

	2020	Whereof men	2019	Whereof men
Group				
Sweden	60	68%	31	67%
Finland	8	63%	6	65%
Latvia	3	40%	5	64%
Group total	71	66%	42	66%

Share of women in management, %

	2020	2019
Board of Directors	20	20
Other senior executives	28	43

Salaries, other remuneration and social costs

	2020	2019
Group	45 386	28 704
Whereof variable remuneration	1 124	1 433
Whereof social costs	9 151	6 006
Whereof pension costs	1 651	1 088

	2020	2019
Salaries and other remuneration broken down by country and between board members etc. and other employees	Board of Directors and CEO	Board of Directors and CEO
	Other employees	Other employees
Sweden	1 282	28 870
Finland	1 093	3 829
Latvia	-	1 161
Group total	2 376	33 860

Refers to salaries and other remuneration to board members, deputy board members, CEO and deputy CEO.

Remuneration and other benefits 2020	Base salary	Variable remuneration	Pension	Other remuneration	Sum
CEO	767	90	-	-	857
Other senior executives (eight people)	6 522	636	233	-	7 391
Total	7 289	726	233		8 248
Remuneration and other benefits 2019	Base salary	Variable remuneration	Pension	Other remuneration	Sum
CEO	616	125	-	-	741
Other senior executives (seven people)	4 743	1 157	205	-	6 106
Total	5 359	1 282	205		8 847

Remuneration CEO and senior executives

The Board decides on both the fixed and variable remuneration to the CEO. The fixed remuneration to the senior executives is decided by the CEO and revised annually. The variable remuneration is based on goal fulfillment. In the event of termination, the mutual notice period of 3 months applies. The 2020 Annual General Meeting set the chairman's annual fee, as well as the fee 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 must promote and be compatible with effective risk management, must counteract excessive risk-taking, and be in line with Qred's business strategy, goals, 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 according to which the Group pays fixed contributions to a separate legal entity. The Group has no legal or informal obligations to pay additional fees if this legal entity does not have sufficient assets to pay all employee benefits related to the employees' service during the current or previous 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 reported as personnel costs when they fall due for payment. Prepaid fees are reported as an asset to the extent that cash repayment or reduction of future payments can benefit the Group.

Share-based employee benefits

During 2018, the Board of Directors has decided to offer certain key persons employed in the Group an opportunity for shareholding in the form of employee 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 completing three years' service (the vesting period) and that the employment relationship exists at the time of subscription. The employee stock options can be exercised starting three years after the grant date and they have a contractual term of three years. The company has no legal or informal obligation to repurchase or regulate the options in cash. The option program has a term that expires in 2021. The subscription price is SEK 50 per share. If all employee stock options are exercised, the number of ordinary shares will increase by 40,000, which corresponds to a dilution of 0.4%. A decision on a new share issue shall be made no later than 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 71,000 (106) for 2020.

Note 8 - Fees and expenses to auditors

Group	2020	2019
<i>Auditor</i>	<i>PWC</i>	<i>PWC</i>
Audit assignment	1 078	1 235
Audit activities in addition to the audit assignment	159	119
Other services	63	125
Total	1 300	1 478

Note 9 - Tangible fixed assets

2019	Inventory	Group Right-of-use premises	Right-of-use cars	Total
Change in accounting policy, IFRS 16	-	8 825	-	8 825
New acquisition	-	-	-	-
Conversion differences	-	-	-	-
Acquisition value at the end of the year	-	8 825	-	8 825
Depreciation according to plan at beginning of year	-	-	-	-
Depreciation according to plan	-	-2 687	-	-2 687
Conversion differences	-	4	-	4
Depreciation at the end of the year	-	-2 683	-	-2 683
Residual value according to plan at end of year	-	6 142	-	6 142
2020				
Acquisition value at beginning of year	-	8 825	-	8 825
Change in accounting policy, IFRS 16				
New acquisition	219	1 516	337	2 072
Conversion differences	-3	-43		-46
Acquisition value at the end of the year	216	10 298	337	10 851
Depreciation according to plan at beginning of year	-	-2 683	-	-2 683
Depreciation according to plan	-39	-3 086	-36	-3 161
Conversion differences	0	31		31
Depreciation at the end of the year	-39	-5 738	-36	-5 814
Residual value according to plan at end of year	177	4 560	301	5 038

Information on corresponding leasing liabilities is reported in Note 20 Liabilities.

Note 10 - Intangible fixed assets

	Other intangible assets	Group Internally developed software	Total
2019			
Acquisition value at beginning of year	-	-	-
New acquisition	891	-	891
Acquisition value at the end of the year	891	-	891
Depreciation according to plan at beginning of year	-	-	-
Depreciation according to plan	-99	-	-99
Depreciation at the end of the year	-99	-	-99
Residual value according to plan at end of year	792	-	792
2020			
Acquisition value at beginning of year	891	-	891
New acquisition	-	4 541	4 541
Acquisition value at the end of the year	891	4 541	5 432
Depreciation according to plan at beginning of year	-99	-	-99
Depreciation according to plan		-111	-111
Impairment	-792		-792
Depreciation at the end of the year	-891	-111	-1 002
Residual value according to plan at end of year	0	4 430	4 430

Internally developed software refers to software related to automated credit assessment, credit management and administration as well as customer interfaces.

Note 11 - Other financial income and expenses

Group	2020	2019
Other financial income		
Other financial income	156	-
Exchange rate gains	-	4 359
Total other financial income	156	4 359
Other financial expenses		
Interest expenses	-209	-120
Exchange rate losses	-3 602	-
Total other financial expenses	-3 811	-120
Income share in associated companies		
Income share in associated companies	6 192	-
Total income share in associated companies	6 192	-
Net financial items	2 537	4 239

Note 12 - Income tax

Group	2020	2019
Income tax for the period	-8 254	-17 590
Sum current tax	-8 254	-17 591
Deferred tax	-199	9 720
Total tax expense	-8 453	-7 870
Group		
Earnings before tax	37 897	35 899
Income tax calculated according to the Group's current tax rate per country	-8 110	-7 682
<i>Tax effect of the following items</i>		
Non-taxable income	33	-
Non-deductible expenses, net	-358	-189
Tax previous years	-20	1
Change in tax rate	2	-
Tax expense Group	-8 453	-7 870

The Group's deferred tax consists entirely of temporary differences.

The Group's deferred tax	2020	2019
Opening balance	14 836	5 116
This years change in temporary tax differences	8 013	9 720
Change in tax treatment IFRS 9	-14 687	-
Change in tax rate from 21,4% to 20,6%	-48	-
Closing balance	8 114	14 836

The Group's deferred tax liability	2020	2019
Opening balance	-	-
This years change in temporary tax differences	1 325	-
Change in tax rate from 21,4% to 20,6%	-49	-
Closing balance	1 276	-

Note 13 - Long-term receivables

Group	2020	2019
Left deposits	-	31
Long-term receivables	51 246	66 153
Provision for long-term receivables	-14 138	-4 981
	37 108	61 203

Long-term receivables due in 1-5 years	37 108	61 203
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Group deposits		
Opening balance	31	-
Change in year	-31	33
Exchange rate effect	-	-2
Closing balance	-	31

Group Long-term loan receivables

Opening balance	66 153	-
Change in year	14 233	66 727
Exchange rate effect	-674	-574
Closing balance	51 246	66 153

Group provision long-term loan receivables

Opening balance	-4 981	-
Change in year	-9 477	-5 019
Exchange rate effect	320	38
Closing balance	-14 138	-4 981

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

Note 14 - Shares in associated companies

Qred Brazil AB (publ) has 1,111 shares, of which 861 are Series A and 250 are Series B. Series A has three votes per share. Series B has one vote per share. Qred has 400 Series A shares. The company is registered in Sweden, the business is conducted through subsidiaries in Brazil.

Group's shares in associated companies	2020	2019
Acquisition value at beginning of year	200	-
Acquisition	-	200
Share of capital according to the equity method	6 193	-
Closing accumulated acquisition value	6 393	200

Shares in associated companies	Org.nr	HQ	Capital share, %	Number of shares	Book value 2020	2019
Qred Brazil AB (publ)	559220-3607	Stockholm	36	400	6 393	200

Balance sheet in summary	2020	2019
Current assets		
Cash	129	227
Other current assets	55	1
Sum current assets	184	228
Fixed assets	15 875	3 000
Short-term liabilities	22	31
Net assets	16 037	3 197

Opening net assets 1 January	3 197	
Share capital	56	500
Shareholder contributions	12 875	2 862
Net income for period	-91	-165
Closing net assets	16 037	3 197

Group's capital share in %	36%	40%
Group's share in KSEK	5 773	1 279
Book value	6 393	200

Note 15 - Loan receivables

Group	2020	2019
Gross loan receivables	553 738	654 518
<i>Whereof long-term</i>	51 246	66 153
<i>Whereof short-term</i>	502 492	588 364
Provisions for doubtful receivables	-141 478	-65 995
<i>Whereof long-term</i>	-14 139	-4 981
<i>Whereof short-term</i>	-127 339	-61 014
Loan receivables, net	412 260	588 523
Overdue loan receivables	107 562	61 215
Loan receivables maturing in 0 to 3 months	161 443	217 123
Loan receivables maturing in 3 to 12 months	233 487	310 027
Loan receivables maturing in more than 12 months	51 246	66 153
Total	553 738	654 518
Reported amounts, per currency, for the Group's loan receivables	2020-12-31	2019-12-31
SEK '000	185 879	292 384
EUR '000	24 782	27 741
DKK '000	88 386	51 733

The provision for credit losses amounted to KSEK 141,478 (65,995). Qred makes ongoing assessments of loan receivables. The provisions are calculated on the expected cash flow with regard to an age analysis. There is no further need for impairment at the end of the year. The provision for the doubtful loan receivables and the reversal are expensed under credit losses losses, net in the consolidated income statement.

The table below shows the net changes in amounts for loan receivables in each credit category as well as migrations between the different credit categories

	Category 1	Category 2	Category 3	Total
Loan receivables as of 2019-12-31	597 804	22 882	33 832	654 518
Recategorization	-42 083	44 153	-2 070	0
Move to (-) / from (+) Category 1	-	56 326	33 632	89 958
Move to (-) / from (+) Category 2	-56 326	-	25 769	-30 557
Move to (-) / from (+) Category 3	-33 632	-25 769	-	-59 401
Amortizations	-433 628	-19 563	-3 723	-456 914
Sales	-25 478	-24 610	-103	-50 191
Write-offs	-145	-152	-106	-403
Purchased receivables	575	327	28 318	29 220
Lent during the year	377 509	-	-	377 509
Loan receivables as of 2020-12-31	384 596	53 593	115 549	553 738

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

	Category 1	Category 2	Category 3	Total
Reserve as of 2019-12-31	-30 352	-8 973	-26 670	-65 995
Recategorization	-2 224	-17 863	1 889	-18 198
Move to (-) / from (+) Category 1	-	-32 027	-24 314	-56 341
Move to (-) / from (+) Category 2	30 820	-	-20 942	9 878
Move to (-) / from (+) Category 3	1 162	13 795	-	14 957
Amortizations	21 352	12 909	423	34 684
Sales	7 177	10 534	83	17 794
Write-offs	35	85	80	200
Purchased receivables	-49	-166	-18 853	-19 068
Lent during the year	-59 389	-	-	-59 389
Reserve as of 2020-12-31	-31 468	-21 706	-88 304	-141 478

Receivables was transferred from January 1 2020 from category 1 to category 2 after 15 (previously 42) days after the due date, which meant that a large part of the receivables in category 1 were recategorized to category 2.

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

	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	-	42 788	8 993	51 781
Move to (-) / from (+) Category 2	-42 788	-	21 550	-21 238
Move to (-) / from (+) Category 3	-8 994	-21 550	-	-30 544
Amortizations	-274 163	-5 174	-1 081	-280 418
Sales	-24 141	-9 962	-	-34 103
Write-offs	-451	-175	-	-626
Lent during the year	612 304	-	-	612 304
Loan receivables as of 2019-12-31	597 804	22 882	33 832	654 518

	Kategori 1	Kategori 2	Kategori 3	Totalt
Reserve as of 2018-12-31	-16 474	-4 083	-3 348	-23 905
Move to (-) / from (+) Category 1	-	-25 690	-7 166	-32 856
Move to (-) / from (+) Category 2	24 276	-	-17 954	6 322
Move to (-) / from (+) Category 3	760	17 616	-	18 376
Amortizations	13 288	913	1 798	15 999
Sales	1 058	2 210	-	3 268
Write-offs	111	61	-	172
Lent during the year	-53 371	-	-	-53 371
Reserve as of 2019-12-31	-30 352	-8 973	-26 670	-65 995

Note 16 - Other receivables

Group	2020	2019
Receivable purchase price for loan receivables sold	3 018	3 877
Receivable SKV	11 375	-
Prepaid expenses	2 274	1 000
Other receivables	2 101	807
Total	18 768	5 684

Note 17 - Cash and cash equivalents

Group	2020	2019
Cash	23 477	39 633
Receivables from credit institutions	56 628	28 081
Total	80 105	67 714

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 carry one vote per share. Preference shares carry one vote per share. The number of shares as of 31 December 2020 amounted to 10,555,561 common shares (10,118,571) and 6,702 preference shares (10,568). The nominal value per share is SEK 1.46.

All shares are fully paid and no shares are reserved for transfer. No shares in Qred Holding AB (publ) 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 accrued earnings.

The preference shares entail a preferential right over the ordinary shares to an annual dividend of SEK 700 per share with a monthly payment (Preference dividend). Reconciliation day is the last weekday in each calendar month. If no dividend has been paid on preference shares, or if only dividends below the preference dividend have been paid for one or more years, the preference shares, provided the AGM decides on the dividend, shall entail the right to receive an amount corresponding to the difference between what would have been paid and amount paid out (Deposit Amount) before dividend on ordinary shares is paid. The amount due must be calculated by a factor corresponding to an annual interest rate of 10%, whereby the calculation must take place starting from the month in which payment of part of the preference dividend took place (or should have taken place, in the event that no dividend was paid at all). The preference shares do not otherwise entail any right to a dividend.

The company has the right to redeem the preference shares at SEK 10,000 per preference share. In the event of liquidation of the Company, the preference shares are entitled to a preference of SEK 10,000 per preference share. Preference shareholders can request redemption of preference shares. The board decides on redemption. In the event that redemption is requested by several shareholders and the Board deems that such redemption is not possible, the total redemption amount that can be paid out shall be distributed proportionally between the shares notified for redemption.

The preference shares are covered by a pre-emptive reservation which means that a preference shareholder who wishes to transfer a preference share must first offer the Company's ordinary shareholders to buy the share before the transfer. Selling preference shareholders must notify such a transfer to the Company's Board of Directors (Registration). Notification must be made in writing. The price per share shall be SEK 10,000 per preference share. Other conditions may not apply. The shareholder who wishes to exercise the right of first refusal must notify the Company's Board of Directors no later than two months from the date of Registration. If more than one person entitled to pre-empt registers, all shares shall, as far as possible, be distributed among the pre-emptive rights in relation to their previous holdings of ordinary shares in the Company. The remaining shares are distributed by drawing lots by the Company's Board. For further details, please see the Company's Articles of Association.

The company's ordinary shares are covered by another pre-emptive reservation. Anyone who intends to transfer ordinary shares shall, by written notification to the Company's Board, first offer other shareholders to purchase such shares. The notification must state the price per share that applies to the advance purchase. Pre-emptive shareholders

must submit their pre-emptive claim in writing to the Company's Board of Directors within one month of receiving the pre-emptive offer. The offer to buy in advance can only be used for the shares that the offer covers.

In the event that several pre-emptive rights express an interest in redeeming the shares, and they do not agree otherwise, they shall redeem the offered shares in a number corresponding to their respective holdings of shares in the Company in relation to all notifying shareholders' holdings of shares. In the event that no shareholder requests to redeem the shares within the specified time frame, the offer shareholder has the right to freely sell the shares, within three months after the pre-emptive offer has expired. In the event that the request to pre-purchase the shares only covers part of the pre-emptive shares, the offer to shareholders has the right to dispose of the shares that are not covered by such pre-purchase request within the period specified above. Such shares may not be sold at a lower price per share or otherwise on worse terms than those offered to other shareholders. An action in a matter of pre-emption must be brought within two months from the day when the person who wanted to exercise the pre-emption right reported this to the Company's Board.

Classification of equity instruments

The Group has two financial instruments that are judged to be classified as equity instruments. The preference shares are

considered to be equity instruments as both dividends as well as possible redemption of the preference shares require a decision by Qred's Board of Directors, which is authorized by the Annual General Meeting where the ordinary shareholders have a majority. The issue terms for preference shares do not entail a contractual obligation to redeem preference shares for the owners.

Dividend and new share issue

During 2020, a dividend of KSEK 6,142 (6,106) was paid and refers only to preference shares. No dividend has been paid on ordinary shares. During 2020, a new issue of 193 (3,728) preference shares took place, redemption of 4,059 preference shares took place, which reduced the share capital by SEK 6,000 (+5). The company's AGM on June 30 decided to issue ordinary shares to employees of Qred. The issue entails an increase in the company's share capital by SEK 54,000 through a new issue of 36,990 ordinary shares, which were allotted on July 6. Qred's Extraordinary General Meeting on September 8 decided on a new issue of 400,000 ordinary shares and 200,000 warrants through a directed new issue. The warrants may be exercised until September 30, 2022, provided that the Company makes an additional new issue of ordinary shares at a share price of less than SEK 100 per share. The issue entails an increase in the company's share capital by SEK 584,000. The ordinary shares were allotted on September 8.

Note 19 - Other provisions

Reported changes during the year are reported net.

	Category 1	Category 2	Category 3	Total
Provision as of 2019-12-31	2 447	-	-	2 447
Recategorization	-568	568	-	-
Move to (-) / from (+) Category 1	-	29 287	-	29 287
Move to (-) / from (+) Category 2	-29 034	-	18 853	-10 181
Move to (-) / from (+) Category 3	-	-18 853	-	-18 853
Amortizations	-1 475	-568	-	-2 043
Sold receivables	-49	-166	-18 853	-19 068
Lent during the year	53 361	-	-	53 361
Provision as of 2020-12-31	24 682	10 268	-	34 950

The corresponding table for the previous financial year is shown below.

	Category 1	Category 2	Category 3	Total
Provision as of 2018-12-31	-	-	-	-
Move to (-) / from (+) Category 1	-	-	-	-
Move to (-) / from (+) Category 2	-	-	-	-
Move to (-) / from (+) Category 3	-	-	-	-
Amortizations	-	-	-	-
Sold receivables	-	-	-	-
Lent during the year	2 447	-	-	2 447
Provision as of 2019-12-31	2 447	-	-	2 447

Note 20 - Liabilities

Group	2020	2019
Long-term		
Swedish bank	25 481	-
Bond	186 687	410 135
Long-term leasing	1 325	3 092
Total	213 493	413 227
Short-term		
Accounts payable	4 478	4 237
Short-term leasing	3 555	3 029
Tax liability	7 047	13 909
Other liabilities	3 533	5 032
Accrued expenses	5 873	5 280
Total	24 486	31 487

Note 21 - Liabilities to credit institutions

	Book value		Real value	
	2020	2019	2020	2019
Liabilities to credit institutions	25 481	-	25 481	-
- Whereof Swedish currency	25 481	-	25 481	-
- Whereof foreign currency	-	-	-	-

Note 22 - Accrued expenses and deferred income

Group	2020	2019
Accrued personnel costs	4 408	3 609
other accrued costs	1 465	1 671
Total	5 873	5 280

Note 23 - provided collateral

Group	2020	2019
Loan receivables	33 151	-
Cash and receivables to credit institutions		
- Blocked funds	59 617	29 540
Total	92 768	29 540

Blocked funds consist partly of pledged collateral for leases and partly of earned but not yet paid commission relating to loan intermediation.

Note 24 - Classification of financial assets and liabilities

Qred values financial instruments at fair value. When determining the fair value of an asset or liability, the Group uses observable data as far as possible. The valuation at fair value per level takes place according to the following valuation hierarchy:

- Level 1. Listed prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Level 2. Other observable data for assets or liabilities are quoted prices included in level 1, either directly (i.e. as price quotations) or indirectly (i.e. derived from price quotations) (level 2).
- Level 3. Data for assets or liabilities that are not based on observable market data (i.e. non-observable data) (level 3).

As far as possible, market information is used if it is available, while company-specific information is used as little as possible. If all the essential input data required for valuation at the fair value of an instrument are observable, the instrument is found in level 2.

Loan receivables, cash and cash equivalents and receivables from credit institutions as well as liabilities at credit institutions' fair value are deemed to correspond to the carrying amount.

Assets in the balance sheet

December 31, 2020	Accrued acquisition value	Book value	Real value
Loan receivables (Level 3)	412 260	412 260	412 260
Cash and receivables to credit institutions (Level 2)	80 105	80 105	80 105
Total	492 365	492 365	492 365

Liabilities in the balance sheet

December 31, 2020	Accrued acquisition value	Book value	Real value
Bond (Level 1)	186 687	186 687	194 162
Liabilities to credit institutions (Level 2)	25 481	25 481	25 481
Total	212 168	212 168	219 643

Assets in the balance sheet

December 31, 2019	Accrued acquisition value	Book value	Real value
Lånefordringar (Nivå 3)	588 523	588 523	588 523
Likvida medel och fordringar till kreditinstitut (Nivå 2)	67 714	67 714	67 714
Total	656 237	656 237	656 237

Liabilities in the balance sheet

December 31, 2019	Accrued acquisition value	Book value	Real value
Bond (Level 1)	410 135	410 135	419 352
Total	410 135	410 135	419 352

Note 25 - Related party transactions

Group	2020	2019
<i>Revenue</i>		
Interest	-	-
Total	-	-

<i>Costs</i>		
Interest	350	3 064
Total	350	3 064

Group	2020-12-31	2019-12-31
<i>Deposits</i>		
Shareholders and related companies	-	-
Total	-	-

Deposits have been made from shareholders and from companies related to the shareholders. Deposits have been used to finance lending operations. Deposits are made on market terms.

Note 26 - Important events after the balance sheet day

For the second year in a row, Qred was named one of Europe's fastest growing companies by the Financial Times.

After the end of the financial year, Qred sold bonds with a nominal value of EUR 3.0 m. The average sales price corresponds to 102 percent of the nominal amount of the bond. Qred has initiated a written procedure regarding the delisting of the bond from NASDAQ.

In other respects, no significant events have occurred after the end of the financial year.

INCOME STATEMENT, PARENT COMPANY

SEK 000	Note	2020	2019
Interest income and similar income items		45 189	22 280
Interest expenses and similar items		-40 433	-25 301
Other income		30 478	-1
Total operating income		35 234	-3 021
Other external income	27	-1 360	-1 249
Total operating expenses		-1 360	-1 249
Operating income		33 874	-4 270
Other financial income		11 686	16 302
Other financial expenses		-12	0
Total other financial items	28	11 674	16 302
Appropriations			
Received group contribution		-	1 148
Left group contributions		-45 350	-
Earnings before tax		198	13 179
Tax	29	-11	-41
Net income		187	13 138
Parent company's report on other comprehensive income			
Net income		187	13 138
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		187	13 138

BALANCE SHEET, PARENT COMPANY

SEK 000	Note	2020-12-31	2019-12-31
ASSETS			
Fixed assets			
Shares in group companies	30	56 196	66 581
Interests in associated companies	31	200	200
Receivables from group companies		532 775	541 855
Total financial fixed assets		589 171	608 636
Total fixed assets		589 171	608 636
Other receivables		615	100
Prepaid expenses and accrued income		108	41
Cash and cash equivalents	32	992	5 516
Total current assets		1 715	5 657
TOTAL ASSETS		590 886	614 293
EQUITY			
Restricted equity			
Share capital		15 421	14 788
Reserve fund		6	-
Total restricted equity		15 427	14 788
Non-restricted capital			
Other contributed capital		-	2 270
Share premium fund		168 174	163 188
Retained earnings		3 085	-3 906
Net income		187	13 138
Total non-restricted equity		171 446	174 690
Total equity		186 873	189 478
Long-term liabilities			
Liabilities to group companies	33	185 569	-
Borrowing		183 724	410 135
Total long-term liabilities		369 293	410 135
Current liabilities			
Accounts payable	33	488	32
Liabilities to group companies		33 867	11 038
Tax liabilities		-	597
Other liabilities		-	2 570
Accrued expenses and deferred income	34	365	442
Total current liabilities		34 720	14 679
Total liabilities		404 013	424 814
TOTAL LIABILITIES AND EQUITY		590 886	614 293

CHANGES IN EQUITY, PARENT COMPANY

	Restricted equity			Non-restricted equity		
	Share capital	Other contributed capital	Share premium fund	Retained earnings	Net income	Total equity
Equity 2019-01-01	14 753	5 540	121 766	-37	2 238	144 260
Net income					13 138	13 138
Total income for the year					13 138	13 138
Disposition of previous year's result				2 238	-2 238	0
New issue common shares	29		971			1 000
Transactions costs related to new issue preference shares			-119			-119
Tax effect related to new issue preference shares			25			25
New issue preference shares	5		35 005			35 010
Registration of previously paid, not yet reg. preference shares	1	-5 540	5 539			0
Paid, not yet reg. preference shares		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

	Restricted equity			Non-restricted equity		
	Share capital	Other contributed capital	Share premium fund	Retained earnings	Net income	Total equity
Equity 2020-01-01	14 788	2 270	163 188	-3 906	13 138	189 478
Net income					187	187
Total income for the year					187	187
Disposition of previous year's result				13 138	-13 138	0
New issue common shares	638		41 396			42 034
Transactions costs related to new share issue			-33			-33
Tax effect related to new issue preference shares			7			7
New issue preference shares	0		1 930			1 930
Registration of previously paid, not yet reg. preference shares	0	-2 270	2 270			0
Redemption preference shares	-5		-40 584			-40 589
Provision reserve fund		6		-6		0
Dividend preference shares				-6 142		-6 142
Equity 2020-12-31	15 421	6	168 174	3 085	187	186 873

CASH FLOW ANALYSIS, PARENT COMPANY

	2020	2019
Cash flow from operating activities		
Operating income	33 874	-4 270
Whereof received interest	14 482	-
Whereof paid interest	-37 462	-32 766
Adjustments for items not included in cash flow		
- Capitalized interest	-157	1 336
- Other	-302	-
Paid tax	-1 191	-72
Cash flow from operating activities before changes in working capital	32 224	-3 006
Changes in working capital		
Change in other operating receivables	8	-141
Change in accounts payable	455	19
Change in other operating liabilities	-77	-1 499
Change in working capital	386	-1 621
Cash flow from operating activities	32 610	-4 627
Cash flow from investment activities		
Investments in subsidiaries	-	-1 700
Liquidation subsidiaries	10 839	-
Investments in associated companies	-	-200
Change in receivables group companies	226 000	-440 773
Cash flow from investment activities	236 839	-442 673
Cash flow from financing activities		
Received/left group contributions	-45 350	1 148
Dividend received	-	12 990
Transactions with non-controlling interests	160	-
New issue common shares	42 020	1 000
New issue/redemption preference shares	-38 677	37 161
Dividend preference shares	-6 142	-6 106
Borrowings	5 000	421 255
Amortization of loans/repurchase bond	-230 984	-29 151
Cash flow from financing activities	-273 973	438 297
Cash flow for the period	-4 524	-9 003
Cash and cash equivalents at beginning of period	5 516	14 519
Cash and cash equivalents at end of period	992	5 516

FINANCIAL STATEMENT AND NOTES, PARENT COMPANY

Note 27 - Parent company's fees and other expenses to auditor

Parent company	2020	2019
<i>Auditor</i>	<i>PWC</i>	<i>PWC</i>
Audit assignments	699	721
Audit activities in addition to the audit assignment	63	119
Other services	-	125
Total	761	965

Note 28 - Parent company's other financial income and expenses

Parent company	2020	2019
<u>Other financial income</u>		
Exchange rate gains	11 065	3 312
Received dividend	-	12 990
Other financial income	614	-
Total other financial income	11 679	16 302

<u>Other financial expenses</u>		
Other financial expenses	-5	-
Total other financial expenses	-5	-

Other financial items net	11 674	16 302
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Note 29 - Parent company's income tax

Parent company	2020	2019
Income tax	-11	-41
Total current tax	-11	-41
Deferred tax	-	-
Total tax expense	-11	-41

Parent company		
Earnings before tax	198	13 179
Income tax calculated according to current tax rate	-42	-2 820
<i>Tax effect of the following items</i>		
Non-taxable income	33	2 779
Non-deductible expenses, net	-2	0
Tax expense parent company	-11	-41

Note 30 - Parent company's shares in group companies

Parent company	2020	2019
Opening acquisition value	66 581	14 881
Acquisition	-	1 700
Shareholder contributions	-	50 000
Sales	-4	
Liquidations	-10 381	
Closing accumulated acquisition value	56 196	66 581

Shares in subsidiaries	Org.nr	HQ	Capital share, %	Number of shares	Book value 2020	2019
Qred AB	559008-9800	Stockholm	100	500 000	54 500	54 500
Qred Factoring	559221-0180	Stockholm	77	770	1 696	1 700

Note 31 - Parent company's shares in associated companies

Parent company	2020	2019
Opening acquisition value	200	-
Acquisitions	-	200
Closing accumulated acquisition value	200	200

Shares in subsidiaries	Org.nr	HQ	Capital share, %	Number of shares	Book value 2020	2019
Qred Brazil AB (publ)	559220-3607	Stockholm	40	400	200	200

Note 32 - Parent company's cash and cash equivalents

Parent company	2020	2019
Cash	992	5 516
Total	992	5 516

Note 33 - Parent company's liabilities

Parent company	2020	2019
Long-term		
Opening balance	410 135	31 466
Borrowings	196 625	408 655
Capitalized interest	-157	1 480
Amortizations	-223 414	-20 649
Reclassifications	-	-10 817
Exchange rate effects	-13 896	-
Closing balance	369 293	410 135
Short-term		
Opening balance	14 237	8 652
Net change	20 483	-5 232
Reclassifications	-	10 817
Closing balance	34 720	14 237

Note 34 - Parent company's accrued expenses and deferred income

Parent company	2020	2019
Other accrued expenses	365	442
Total	365	442

Note 35 - Parent company's provided collateral and contingent liabilities

Parent company	2020	2019
Shares in Qred AB	54 500	54 500

Receivables from group companies	532 775	528 233
Total	587 275	582 888

Contingent Liabilities	2020	2019
Office rent guarantee Qred factoring AB	509	155
Leasing car guarantee Qred Factoring AB	167	-
Summa	676	155

Note 36 - Parent company's proposal for 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 2020 amounted to 10,555,561 ordinary shares (10,118,571) and 6,702 preference shares (10,568).

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Balanced result	3 085 242
Net income	187 445
Other non-restricted capital	168 173 838
Total non-restricted capital	171 446 525
Suggestion from the board:	
Dividend to pay out	4 500 000
Carried forward	166 946 525
Total	171 446 525

During the year, a dividend of KSEK 6,142 was paid to preference shareholders and KSEK 2,266 in 2021 until the Annual General Meeting. Of the dividend made in 2020, KSEK 3,483 was made before the 2020 Annual General Meeting and KSEK 2,659 after the 2020 Annual General Meeting. Thus, KSEK 4,925 has been distributed after the 2020 Annual General Meeting until the 202nd Annual General Meeting. the 2020 Annual General Meeting to implement a dividend to preference shareholders up to a total maximum amount of KSEK 7,000. In accordance with the Board's authority, the preference shareholders' right to dividend exists on the first record date, the last weekday of each month, which falls after the preference share has been entered in the share register, and the payment date falls no later than the fifth banking day after such record date.

The Board of Directors proposes that the profits be distributed so that SEK 0 per common share is distributed to common shareholders, a total of SEK 0. and up to SEK 700 per preference share is distributed to the preference shareholders in accordance with the Company's Articles of Association, a total of up to KSEK 4,500.

Board of Directors' opinion on proposed dividend

The equity / assets ratio is reassuring, given that the company's operations have been conducted profitably during the past financial year. The size of the proposed dividend is limited both in relation to the total equity and the previous year's profit. There are good opportunities to influence liquidity through increased or reduced lending. The Board has evaluated the Company's financial position on the basis of the pandemic's impact, implemented measures and the effects this has had on the Company and assesses that a dividend to shareholders is appropriate. Liquidity is still considered to be reassuring and manageable. The Board's view is thus that the proposed dividend does not prevent the Group or the Company from fulfilling its obligations in the short and long term, nor from fulfilling the required investments or otherwise endangers the Group's or the Company's position. The proposed dividend can thus be defended with regard to what is stated in ABL ch. 3 § 2 - 3 st.

ASSURANCE OF THE BOARD OF DIRECTORS AND CEO

The company's income statements and balance sheet will be submitted to the Annual General Meeting on June 4, 2021 for approval.

Stockholm, the day stated on my electronic signature.

Mattias Carlsson

Chairman

Jason Francis

Board member

Andrea Gisle Joosen

Board member

Thomas Jansson

Board member

Emil Sunvisson

CEO and Board member

Our audit report has been submitted on the day stated on our electronic signature.
Öhrlings PricewaterhouseCoopers AB

Marcus Robertsson

Authorised Public Accountant
Auditor in Charge

Frida Main

Authorised Public Accountant

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Auditor's report

Unofficial 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 2020.

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 and the group as of 31 December 2020 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 2020 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

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-8. The Board of Directors and the Managing Director are responsible for this 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 Director's 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 intend 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 Director's and the Managing Director of Qred Holding AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's 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 Director's 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' 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 website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Stockholm 29 April 2021

Öhrlings PricewaterhouseCoopers AB

Marcus Robertsson
Authorized Public Accountant

Frida Main
Authorized Public Accountant