Ferratum Denmark ApS

Lottenborgvej 24, 2800 Kongens Lyngby

ANNUAL REPORT 2020

For the year ended 31 December 2020

The annual report has been presented and adopted at the Company's Annual General Meeting.

19 July 2021

Jesper Melander Hammer
Chairman of Meeting

CVR No: 32 26 33 05

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Directors' report for the year ended 31 December 2020

The directors present their report and the audited financial statements of Ferratum Denmark ApS (the "Company") for the year ended 31 December 2020.

Principal activities
The principal activity of the Company during 2020 was to provide short term consumer credit facilities.

Due to regulatory changes in Denmark, the Company made changes to its primary activity with the addition of a new business activity within financing industry with effect from 1 January 2020.

Results and dividends
The results for the year are shown in the statement of comprehensive income on page 7.

The directors recommend that a dividend is to be distributed in the sum of 650,977 for 2020. A dividend of DKK 33,163,360 was distributed in 2019.

Review of business
The Company performance in terms of sales was low compared to 2019 due to delay in lauching new business activity but the company could anyhow maintain the business performance at profitable level.

In response to the regulatory changes in Denmark affecting providers of short-term consumer credit facilities, the Company entered into an agreement in December 2019 with Ferratum Bank covering all open credit line facility agreements with less than 98 days in arrears.

Future events
The Company continues to collect all remaining credit facilities but has not issued new short-term consumer credit facilities since 2019.

The plan to launch the new activity in 2020 has been unfortunately delayed due to the unpredictable market conditions created by the Covid-19 pandemic. However, preperations are in place to launch the new business launches later in 2021.

Covid-19 pandemic
The Company is confident that it will be able to continue as a going concern and that there are no critical risks associated with the organization or liquidity of its operations due to the global crisis caused by the Covid-19 pandemic.

Currency
The accounts are prepared in Danish Kroner *(DKK)*, in which the Company's share capital is denominated.

Directors
The directors of the Company who served during the year were:

- Kristjan Kajakas – acted the whole year
- Jesper Melander Hammer – acted the whole year

Kongens Lyngby, 19. June 2021

Jesper Melander Hammer
CEO

Kristjan Kajakas
Director

Registered office:
Lottenborgvej 24, 2800 Kongens Lyngby, Denmark

Statement of Management's responsibility

The Executive and Supervisory Boards have today considered and adopted the Annual Report of Ferratum Denmark ApS for the financial year 1 January – 31 December 2020.

The Annual Report is prepared in accordance with International Financial Reporting Standards as adopted by the EU. Moreover, the Annual Report is prepared in accordance with additional Danish disclosure requirements.

In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Company and of the results of Company operations and cash flows for 2020.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Company, of the results for the year and of the financial position of the Company as well as a description of the most significant risks and elements of uncertainty facing the Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Signed on behalf of the Executive Board.

Kongens Lyngby, 14. July 2021

Kristjan Kajakas
Chairman

Jesper Melander Hammer
Member of the Board

Independent Auditor's Reports

To the Shareholders of Ferratum Denmark ApS

Opinion
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS') and further requirements in the Danish Financial Statements Act.

We have audited the Financial Statements of Ferratum Denmark ApS for the financial year 1 January - 31 December 2020, which comprise income statement and statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies.

Collectively referred to as the ("Financial Statements").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence
We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark.We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, we consider whether Management's Review include the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark 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 Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

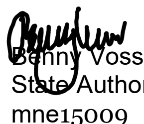
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

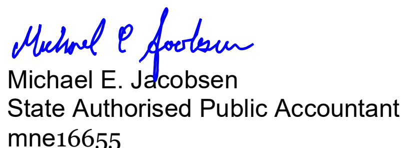
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 19 July 2021
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31



Benny Voss
State Authorised Public Accountant
mne15009



Michael E. Jacobsen
State Authorised Public Accountant
mne16655

Statement of Comprehensive Income for the year ending 31 December 2020

	Note	1 Jan – 31 Dec 2020 DKK	1 Jan – 31 Dec 2019 DKK
Revenues			
Process fees		**202,623**	154,949,960
Other fees		**350,940**	7,798,718
Other income		**2,142,979**	-
		2,696,542	162,748,678
Expenditures			
Direct costs		**(964,484)**	(4,413,067)
Impairments on loans		**1,006,750**	(63,477,603)
		42,266	(67,890,670)
Gross profit		**2,738,808**	94,858,008
Selling and distribution expenses		**(653,182)**	(28,096,786)
Administrative expenses		**(3,830,790)**	(23,201,878)
Depreciations	4	**(370,560)**	(646,963)
Operating Loss/profit		**(2,115,724)**	42,912,381
Finance income	5	**3,027,972**	3,448
Finance costs	6	**(65,572)**	(336,576)
Profit before income tax		**846,676**	42,579,253
Income tax expense	7	**(116,443)**	(9,415,893)
Profit for the year		**730,233**	33,163,360
Other comprehensive income, net of income tax			
Total comprehensive profit for the year		**730,233**	33,163,360

Statement of Financial Position for the year ending 31 December 2020

	Note	31 Dec 2020 DKK	31 Dec 2019 DKK
ASSETS			
Non - current assets			
Right-of-use assets	8	**387,405**	-
Deferred tax	9	**85,229**	-
Total non - current assets		**472,634**	0
Current assets			
Trade receivables	10	**2,181,347**	-
Other receivables		**98,441**	209,767
Company tax receivables		**624,328**	0
Receivables from Group related parties	11	**35,432,247**	151,618,744
Prepayments		**78,350**	641,119
Cash and cash equivalent	15	**3,174,061**	10,133,716
Total current assets		**41,588,774**	162,603,346
Total assets		**42,061,408**	162,603,346
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**200,000**	200,000
Retained earnings		**37,660,726**	37,660,726
Proposed dividend		**730,233**	33,163,360
Total equity		**38,590,959**	71,024,086
Current liabilities			
Trade payables		-	4,426,666
Other payables	13	**1,860,132**	7,652,308
Borrowings	14	**1,215,181**	74,630,881
Lease liabilities	8	**395,136**	-
Taxation payable		-	4,869,405
Total current liabilities		**3,470,449**	91,579,260
Total equity and liabilities		**42,061,408**	162,603,346

Statement of Changes in Equity for the year ending 31 December 2020

	Share capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Balance at 1 January 2019	**200,000**	**37,660,726**	**32,195,316**	**70,056,042**
Total comprehensive profit/(loss) for the year		33,163,360		33,163,360
Dividend paid out			(32,195,316)	(32,195,316)
Proposed dividend		(33,163,360)	33,163,360	0
Balance at 31 December 2019	**200,000**	**37,660,726**	**33,163,360**	**71,024,086**
Total comprehensive profit/(loss) for the year		730,233		730,233
Dividend paid out			(33,163,360)	(33,163,360)
Proposed dividend		(730,233)	730,233	0
Balance at 31 December 2020	**200,000**	**37,660,726**	**730,233**	**38,590,959**

FE-Classification: General\Anyone

Statement of Cash Flow for the year ending 31 December 2020

	Note	31 Dec 2020 DKK	31 Dec 2019 DKK
Cash flow from operating activities			
Profit before tax for the year		**846,676**	42,579,253
Adjustments for:			
Equity restatement IFRS 9 application		-	-
Depreciations		**370,560**	646,963
Finance income		**(3,027,972)**	(3,448)
Finance expense		**65,572**	336,576
Transactions without cash flow		**28,971**	(63,943)
		(1,716,193)	43,495,401
Movements in working capital			
(Increase) / decrease in right-of-use assets		**(387,405)**	-
(Increase) / decrease in trade receivables		**(2,181,347)**	136,560,318
(Increase) / decrease in other receivables		**111,326**	(209,767)
(Increase) / decrease in Group receivables		**116,186,497**	(151,618,744)
(Increase) / decrease in prepayments		**562,769**	123,585
Increase / (decrease) in deferred revenue	13	-	(888,667)
Increase / (decrease) in trade payables		**(4,426,666)**	1,856,877
Increase / (decrease) in other payables		**(5,792,176)**	(1,989,043)
Increase / (decrease) in lease liabilities		**395,136**	-
Cash generated used in operating activities		**102,751,941**	27,329,960
Interest paid		**(307,152)**	(346,675)
Interests received		**2,870,021**	-
Taxation paid		**(5,695,405)**	(13,192,926)
Net cash used in operating activities		**99,619,405**	13,790,359
Cash flows from financing activities			
Proceeds from borrowings	14	**1,215,181**	32,879,052
(Repayment) of borrowings	14	**(74,630,881)**	(42,654,867)
Increase / (decrease) in distributed dividend		**(33,163,360)**	-
Repayment of finance lease liabilities		-	(673,611)
Net cash generated from financing activities		**(106,579,060)**	(10,449,426)
Net (decrease) / increase in cash and cash equivalent		**(6,959,655)**	3,340,933
Cash and cash equivalents at the beginning of the year		**10,133,716**	6,792,783
Cash and cash equivalents at the end of the year	15	**3,174,061**	10,133,716

Notes to the Financial Statements - continued

1. General information
Ferratum Denmark ApS (the "Company") operates in Denmark. It is part of an international group and has been providing mobile short-term consumer loans and short-term (up to 1 year) credit facilities to private persons up till 17 December 2019. As at that date the Company entered into an agreement with Ferratum Bank ltd regarding sale of all rights and obligations relating to all open credit line facility agreements in the Company database excluding those which are 98 days or more in arrears in payment.

Futhermore the Company committed to not to enter into any new consumer loan as of the Effective Date.

The company is registered in Denmark and trades under the names of Ferratum Denmark ApS and Kvikautomaten.

2. Significant accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as adopted by EU.

The application of the company's accounting policies also requires the management to make assumptions and exercise its judgment in the process of applying the Company's accounting policies. These assumptions and estimates affect the amounts reported of assets and liabilities, income and expenses. Actual results may diverge from these estimates. Areas that contain such discretionary assessments or a high level of complexity or areas in which assumption and estimates are important to the financial statements are disclosed in Note 2.1.1: Critical accounting estimates and judgments.

The report "Statement of cash flow" is prepared based on the indirect method.

The financial statements have been prepared on a going concern basis, applying a historical cost convention.

(a) New and amended standards adopted by the company

The following standards have been adopted by the Company for the first time for the financial year on or after 1 January 2020:

Amendments to IAS 1 and IAS 8 Definition of Material
The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent defnition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. The application of these amendments has had no material impact on the Company's financial statements.

Amendments to IFRS 3 Definition of a Business
The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The defnition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefts.

In addition, entities can now apply a 'concentration test' that, if met, eliminates the need for further assessment. The amendments will likely result in more acquisitions being accounted for as asset acquisitions. The application of the amendments has had no material impact on the Company's financial statements.

Revised Conceptual Framework for Financial Reporting
The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity

Notes to the Financial Statements - continued

- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that proft or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. The application of the amendments has had no material impact on the Company's financial statements.

Temporary amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform
The IASB has amended the hedge accounting requirements in IFRS 9 and IAS 39, and the related standard for disclosures, IFRS 7.

The amendments modify some specifc hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The application of these amendments has had no material impact on the Company's financial statements.

Amendments to IFRS 16 Covid-19-related Rent Concessions
As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments.

In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat rent concessions in the same way as they would if they were not lease modifcations under certain circumstances. The application of the amendments has had no material impact on the Company's financial statements.

(b) New standards and interpretations not yet adopted by the company:

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorization for issue of these financial statements, but have not yet become effective. The Company has not early adopted these revisions to the requirements of IFRSs as approved by the EU and the Company's directors are of the opinion that, there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

2.1.1 Critical accounting estimates and judgments
The amounts recognized in the fnancial statements are sensitive to the accounting policies, assumptions and estimates that underlies the preparation of financial statements. The judgements made by management in applying the company's accounting policies that have the most signifcant effect on the amounts recognized in the financial statements, together with information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are either disclosed below or in the remaining notes to the financial statements.

Impairment losses on loan and advances
The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). The estimation of ECL is complex and requires the use of models. The statistical model used to calculate loss allowance are based on macro-economic scenarios. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 2.21.

Notes to the Financial Statements - continued

The company develops three scenarios to derive the unbiased and probability weighted ECL. In the process, management judgement is applied in determination of scenario setting and assignment of probability weighting for each scenario, with quantitative analysis of historical economic performance and qualitative analysis of macroeconomic environment. Explanation of how forward-looking information is incorporated in the ECL model is further detailed in note 2.21.

A number of signifcant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for signifcant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing groups of similar fnancial assets for the purposes of measuring ECL.

2.2 Financial Assets

According to IFRS 9 the financial assets are classified in the following three categories:

- amortized cost
- fair value through other comprehensive income (FVOCI)
- fair value through income statement (FVPL).

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse. Classification and subsequent measurement of debt instruments depend on:

I. the Company's business model for managing the asset; and
II. the cash flow characteristics of the asset.

Based on these factors the Company classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI') and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets are adjusted by any expected credit loss allowance recognised and measured as described in Note 2.2.3. Interest income from these financial assets are included in Revenue using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI).Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net Investment income'. Interest income from these financial assets are recognised using the effective interest rate method. The Company does not have any items at FVOCI.
- Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss.

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance, except for impaired financial assets in Stage 3 in the impairment model, for which the interest income is recognised from the net amount) or to the amortised cost of a financial liability.

Notes to the Financial Statements - continued

The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Company revises the estimates of future cash flows, the carrying amounts of the respective financial assets or financial liabilities are adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

The Company reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

a) Business model assessment
Key management personnel determine the Company's business models by considering the way financial instruments are managed in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Such assessment is performed at a 'portfolio level' as it best reflects the way the business is managed and information is provided to management. The information that will be considered in such assessment includes:

- the objectives for the portfolio including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- the method for the evaluation of the performance of the portfolio and how such performance is reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets are achieved and how cash flows are realised.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

b) Cash flows that represent solely payment of principal and interests (SPPI)
In respect of assets where the intention of the business model is to hold the financial assets to collect the contractual cash flows or to hold to collect and to sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending agreement. 'Principal' is the fair value of the financial asset at initial recognition. It is not the amount that is due under the contractual terms of an instrument. 'Interest' is the compensation for time value of money and credit risk of a basic lending-type return. A basic lending-type return could also include consideration for other basic lending risks (for example, liquidity risk) and consideration for costs associated with holding the financial asset for a particular period of time (for example, servicing or administrative costs) and/or a profit margin. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Notes to the Financial Statements - continued

Unlike the business model assessment, the SPPI assessment is performed for each individual product or portfolio of products. The following considerations are made when assessing consistency with SPPI:

- contingent events that would change the amount and timing of cash flows such as contractual term resetting interest to a higher amount in the event of a missed payment;
- leverage features, being contractual cash flow characteristics that increase the variability of the contractual cash flows with the result that they do not have economic characteristics of interest;
- contractual terms that allow the issuer to prepay (or the holder to put a debt instrument back to the issuer) before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest, which may include reasonable compensation for early termination of the contract;
- contractual terms that allow the issuer or holder to extend the contractual term and the terms of the extension option result in contractual cash flows during the extension period that are solely payments of principal and interest, which may include reasonable compensation for the extension of the contract; and
- features that modify consideration for the time value of money (for example, periodic reset of interest rates).

2.2.1 Recognition, derecognition and measurement of financial assets

The Company recognizes a financial asset or financial liability in its statement of financial position when it becomes a party to the contractual rights or obligations.

The Company derecognizes a financial asset or a portion of financial asset when it loses control of the contractual rights that comprise the financial asset or a portion of the financial asset. The evaluation of the transfer of risks and rewards of ownership precedes the evaluation of the transfer of control for derecognition transactions. The Company derecognizes a financial liability when a liability is extinguished, that is when the obligation specified in the contract is discharged, cancelled or expires.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

Financial instruments issued by the company are financial assets.

The financial instruments include no contractual obligation to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the company.

2.2.2 Loans and Receivables

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period, which are classified as non-current assets. Management reviews these loans monthly and where doubt exists about collectability an allowance is made to reduce the carrying value to its realisable value.

2.2.3 Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses ('ECLs') associated with its debt instruments carried at amortised cost. The measurement of ECLs reflects:

I. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
II. The time value of money, and
III. Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 2.21 provides more detail of how the expected credit allowance is measured.

Expected credit loss allowances are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Financial instrument with both a drawn and undrawn component, whereby the Company cannot identify the ECL on the loan commitment component separately from those on the drawn component: the

Notes to the Financial Statements - continued

Company presents a combined loss allowance for both components, as a deduction from the gross carrying amount of the drawn component.

2.2.4 Modification of financial assets
The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer.

The Company renegotiates loans and advances to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default.

Under its restructuring policy, the Company might consider the application of restructuring of selected loans and advances. The process commences when a customer applies to extend the repayment date. The upfront payment of a restructuring fee is a pre-condition for restructuring to be granted and for the loan term to be extended.

When modification happens, the Company assesses whether or not the new terms are substantially different to the original terms. As a result of restructuring the Company does not revise the key substantive terms and conditions of the respective loan in order to facilitate recoverability after taking into consideration the individual's financial situation, but simply provides the individual customer with a standard extension to the maturity date. The significant terms and conditions of the loan are not altered, for instance, through moratorium on fees or waiver of fees. A significant level of individual customers apply for and request the extension of the loan term and considering that each loan transaction is individually insignificant, the monitoring of each individual customer's financial situation is impracticable.Management considers historical experience and other factors when determining whether rescheduled loans are forborne loans. Such historical experience demonstrates that very high repayment rates are associated with rescheduled loans.

Taking cognisance of the principles highlighted above, rescheduling of loans granted by the Company is not deemed to constitute a forbearance measure in relation to customers experiencing difficulties in repaying the micro-credit. Moreover, given that the terms are not substantially different, the renegotiation or modification is not expected to result in derecognition, and the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss.

If the terms are substantially different, the Company derecognises the original financial asset and recognises a 'new' asset at fair value, and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Company also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated creditimpaired financial assets).

2.3 Prepayments
Prepayments are classified expenses paid in advance for subsequent years. These are recognised as current assets and recognised as an expenses in the year incurred.

2.4 Cash and cash equivalents
Cash and cash equivalents includes cash in hand and bank deposits.

2.5 Share capital
Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.6 Dividends
Dividends that are expected to be paid during the year are shown as a separate item in equity after decision at the Annual General Meeting.

Notes to the Financial Statements - continued

2.7 Trade and other payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.8 Loans to/from related party
Loans/Borrowings are recognised initially at fair value, net of transaction costs incurred. Loans/Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the loans/borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs, after which it is included in the amortised cost of the loan. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2.9 Deferred income
Deferred income comprises payments received in respect of income in subsequent years.

2.10 Foreign currency translation
The financial statements of the company are presented in its functional currency, DKK, being the currency of the primary economic environment in which the company operates. Transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are re-translated to the functional currency at the exchange rate ruling at year-end. Exchange differences arising on the settlement and on the re-translation of monetary items are dealt with in P&L. Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured at fair value are re-translated using the exchange rate ruling on the date the fair value was determined.

Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured in terms of historical cost are not re-translated. Exchange differences arising on the translation of non-monetary items carried at fair value are included in P&L for the period, except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised in Other Comprehensive Income. For such non-monetary items, any exchange component of that gain or loss is also recognised in Other Comprehensive Income.

Foreign exchange gains and losses are included within administrative expenses, except in the case of significant exchange differences arising on investing or financing activities, which are classified within investment income, investment losses or finance costs as appropriate.

2.11 Revenue recognition
The company's revenue is related to interest income recognised according to the effective interest rate within the scope of IFRS 9 Financial Instruments. Therefore IFRS 15 revenue from contracts with customers does not have impact in the company's Financial Statement.

The company generates its revenue from its lending activities, by charging one or more of the following fees to the customer: processing fee (representing interest yield on initial loan period), prolonging fees (representing interest yield for any extension of the repayment date for the original maturity date of the loan), reminder fees and overdue fees. The fees mentioned are an integral part of the creation of the financial asset (Trade and other receivables) and represent interest income by nature.

The recognition of revenues is based on the effective interest method. After signing the contract with the customer, the Company first assesses the probability that the fees charged can be recovered and that the economic benefits from the fees (i.e. the effective interest income accrued on the basis of the contractual fees) will flow to the Company.

Notes to the Financial Statements - continued

This assessment involves uncertainty estimation as it is based on the Company's statistics and historical information on customer behaviour.

The identification and credit scoring model allows the Company to create a customer default and risk profile for every single customer any time a loan request comes in. This is a critical step in the assessment whether or not the economic benefits associated with the issuance of the consumer loan will flow to the company as the scoring model rejects non-creditworthy loan requests.

After this assessment, when it has been concluded that it is probable that economic benefts will flow to the company, the company assesses whether the amount of revenue can be measured reliably. The loan contracts comprise explicit terms for the loans granted i.e. the loan amount, maturity and repayment schedules and the associated fees which are used as a basis for revenue recognition. Given that the cash flows are contractually based, the amount of revenue can be measured reliably.

Revenue recognition using the effective interest rate calculations starts on day zero based on the estimated cash flows and payment dates in accordance with what is agreed in the contract. On the day when the loan is issued, the revenue recognition method accounts for the interest accrual for the frst day, and subsequently, on a day to day basis. The effective interest rate is based on the number of days between the day on which the loan is paid out and the day on which the loan is contractually due.

2.12 Direct costs

Direct costs include costs incurred during the year for credit scoring the persons that have applied to obtain a loan or credit facility as well as costs incurred in relation to transferring funds to the lender.

2.13 Selling, Distribution and Administrative costs

Sales and Distribution costs include costs incurred for the sale and distribution of loans and credit facilities and for sales campaigns during the year, etc. This includes costs for sales personnel and advertising costs.

Administrative costs include costs incurred during the year for management and administration, including expenses for administrative staff, office premises and office expenses as well as depreciation and amortization of tangible assets.

2.14 Expenses

Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement.

2.15 Employee benefits

In the normal course of business through salary deductions, the company makes payments to mandatory State run pension funds on behalf of its employees as required by the law. All contributions made to the mandatory pension funds are recorded as salary expenses when incurred. The State pension plans are defined contribution plans; future payments are the obligation of the State.

2.16 Finance income and costs

Interest income and expense for all interest-bearing financial instruments, except microloans and short-term credit facilities, are recognised within 'finance income' and 'finance costs' in P&L using the effective interest method.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.
The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.17 Other income from operations

Revenues that are not part of actual net sales, such as revenue from marketing services for the Group or the sale of non-current assets, are recorded under other income from operations.

Notes to the Financial Statements - continued

2.18 Right-of-use Assets
The company acts as a lessee leasing office premises. The company recognizes a leased asset (right-of-use asset) and a lease liability for all leases, except right-of-use assets and lease liability for shortterm (that have a lease term of 12 months or less) and low value leases. Short-term leases include office premises. The company recognizes the lease payments associated with short-term and low value leases as an expense on a straight-line basis over the lease term. These are reported in note 8.

The company assesses whether a contract is or contains a lease at inception of the contract by determining if the contract conveys the right to control the use of an identifed asset for a period in exchange for consideration and then correspondingly recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date, less any lease incentives (e.g. lease-free months) and any direct costs of the lease
- Estimated restoring costs of leased asset to condition required by the contract at the end of lease period

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight-line method, from the commencement date to the earlier of the end of the useful life of the right-of-use asset, or the end of the lease term.

- Open ended Lease contracts: 3 years*
- Office premises: 3 – 4 years

* Subsequently the lease terms of open-ended contracts are assessed yearly and extended or reduced accordingly

The right-of-use asset is tested for impairment where necessary and any impairment loss identified is recorded in profit or loss. Right-of-use assets are reported in note 8.

Initially the lease liability is measured at the present value of the lease payments that are not paid at the commencement date. Lease payments included in the measurement of the lease liability comprised of fixed payments, including in substance fxed payments and variable lease payments that are measured using an index or rate at the commencement date of the contract.

Subsequently the lease liability is measured at amortized cost using the effective interest method. The interest cost is reported in note 8. It is remeasured when there is a change in future lease payments arising from change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee or if the company changes its assessment of whether it will exercise a purchase, extension or termination option. When a lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in proft or loss if the carrying amount of the right-of-use asset has been reduced to zero. Lease liabilities are reported in note 8.

2.19 Taxation
The tax expense for the period comprises current and deferred tax.

Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Notes to the Financial Statements - continued

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Statement of cash flow
The cash flow statement presents cash flows from operating and financing activities for the year, cash and cash equivalents at the beginning and end of the year.

Cash flow from operating activities is calculated using the indirect method based on profit after tax adjusted for non-cash operating items, changes in working capital, interest received and paid and paid company tax.
Cash flows from financing activities comprise changes in the size or composition of share capital and related costs as well as borrowing, repayment of interest-bearing debt, purchase and sale of own shares and payment of dividends to shareholders.

Cash flows from finance leases are recognized under financing activities as payment of interest and repayment of debt.

Cash and cash equivalent comprises of funds deposited on bank accounts.

2.21 Financial risk management
The company activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Where applicable, any significant changes in the Company's exposure to financial risks or the manner in which the Company manages and measures these risks are disclosed below.

Currency risk
The Company operates mainly in Denmark however has some international connection mainly in Norway and is exposed to foreign exchange risk arising from various currency exposures. Transaction risk arises from future commercial transactions, recognised assets and liabilities. The Company's treasury's risk management policy is to hedge the main FX exposures in non-euro currencies. Management has set up a policy to manage their foreign exchange risk against their functional currency. At the reporting date, the Company mainly had transactions in it's functional currency, and accordingly, the transaction risk in the Company was minimal.

Intra-group loans between the company and other Group companies are usually denominated in the company's functional currency and accordingly there is no currency risk for the company. Currency exposure arising from the monetary transactions in foreign currencies are managed primarily through foreign exchange swaps and forward contracts.

Interest rate risk
The Company's main interest rate risk arises from loan-facilities to customers and borrowing to Group companies. These expose the Company to cash flow interest rate risk. During the year ended 31 december 2020 all the Company's trade receivables and borrowings was with a fixed rate and were denominated in DKK.

	31 Dec 2020 DKK	31 Dec 2019 DKK
Fixed interest rate trade receivables	-	-
Variable interest rate trade receivables	-	-
Non-interest bearing trade receivables	**2,181,347**	-
Total trade receivables	**2,181,347**	-

Notes to the Financial Statements - continued

The Company has rendered a loan facility to the parent company as disclosed in note 11 and 14. The interest rates thereon and the terms of such borrowings are disclosed accordingly. The effective interest rate on the loan measured at amortised cost is disclosed in note 11 and 14.

	31 Dec 2020 DKK	31 Dec 2019 DKK
Fixed interest rate borrowings	**1,215,181**	74,630,881
Variable interest rate borrowings	**-**	-
Total borrowings	**1,215,181**	74,630,881

The company is exposed to cash flow interest rate risk on trade receivables, borrowings and debt instruments carrying a floating interest rate and to fair value interest rate risk on lending, borrowings and debt instruments carrying a fixed interest rate. Investments in equity instruments are not exposed to interest rate risk.

Credit risk
The Company's principal credit risk exposure relating to on-balance sheet financial assets, reflecting the maximum exposure to credit risk before collateral held or other credit enhancements, are as follows:

	2020 DKK	2019 DKK
Loans and receivables:		
Cash and cash equivalents	**3,174,061**	10,133,716
Prepayments	**78,350**	641,119
Receivables from Group related parties	**35,432,247**	151,618,744
Trade receivables	**2,181,347**	0
Other receivables	**98,441**	209,767
	40,964,446	162,603,346

The exposures set out in the table above are based on carrying amounts as reported in the statement of financial position for on-balance sheet financial assets. The table represents a worst case scenario of credit risk exposure to the Company on 31 December 2020 and 2019.

Prepayments consists usually of prepayments from services, e.g. IT maintenance, IT hosting, licence, and insurance prepayments etc.

Receivables from Group related parties relates to sale of portfolio to another Group entity in the end of 2019 as well as intercompany loans to Group related parties.

Cash and cash equivalents is placed with a reliable financial institution in Denmark with a Fitch rating of "A".

Trade receivables are presented net of an allowance for doubtful debt. An allowance for doubtful debt is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flow. Credit risk with respect to receivables is limited due to credit control procedures and the large number of customers comprising the Company's debtor base.

Credit decisions are always based on the ethical principles set by the central risk team and the business credit policy as well as being in accordance with the rules of crediting set in the legislation for Denmark. Every lending agreement requires an individually shaped decision.

The measurement of credit exposure for risk management purposes depends on the fact that the exposure may vary with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The company measures expected credit losses using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The company uses internal credit risk gradings to reflect its assessment of the probability of default of individual customers. Internal credit risk gradings are based on payment behaviour, loan specifc information and expert judgement. Information considered by the company when determining the internal credit risk grades include the

Notes to the Financial Statements - continued

payment behaviour of the customer and other information about customers which impact their creditworthiness, including level of income and/or fnancial performance.

At onboarding stage, any known information about a borrower which impacts their creditworthiness - such as unemployment and previous delinquency history as well as affordability to service the loan - are assessed during the initial credit assessment. After the date of initial recognition, for short-term consumer lending facilities, the payment behaviour of borrowers is monitored on an ongoing basis at a collective portfolio level.

The company's expected credit loss allowances on loans and advances to customers are modelled on collective basis. As a result, a grouping of exposures are performed on the basis of shared risk characteristics, such that risk exposures within a group of financial assets are homogenous. In performing this grouping, the company ensures that there is sufficient information for the group of financial assets to be statistically credible. In this respect, the company considers the following categories for ECL measurement of loans and advances to customers:

I. Short-term credit portfolios which are subject to bullet repayment characteristics; and

II. Short to mid-term credit portfolios or business loans with instalment repayment features and revolving credit facilities.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

I. A financial instrument that is not credit-impaired on initial recognition is classifed in 'Stage 1'.

II. If a significant increase in credit risk ('SICR') since initial recognition is identifed, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to the following pages for a description of how the company determines when a significant increase in credit risk has occurred.

III. If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to the following pages for a description of how the company defines credit-impaired and default.

Financial instruments in 'Stage 1' have their ECL measured at an amount equal to the portion of expected credit losses that result from default events possible within the next 12 months. Instruments in 'Stages 2' or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to the following pages for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information. The following pages includes an explanation of how the company has incorporated this in its ECL models.

Further explanation is also provided in respect of how the company determines appropriate groupings of loans and advances to customers for ECL measurement (refer to the following pages).

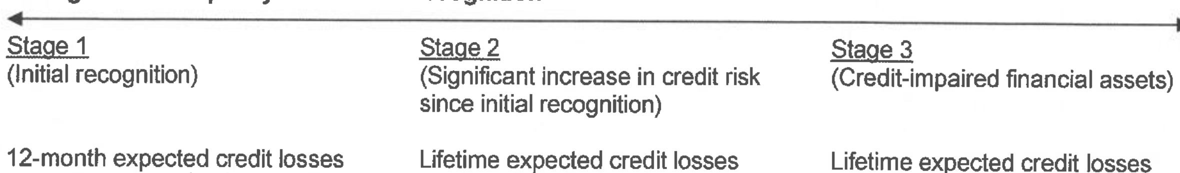
The expected credit loss requirements apply to financial assets measured at amortised cost and FVOCI. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for ECL resulting from default events that are possible within the next 12 months ("12-month ECL"). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ("lifetime ECL"). Financial assets where 12-month ECL is recognised are considered 'stage 1'. Financial assets which are considered to have experienced a significant increase in credit risk would be classified as 'stage 2' and financial assets for which there is objective evidence of impairment, thus considered to be in default or otherwise credit-impaired, would be classifed as 'stage 3'.

The Company recognizes loss allowances at an amount equal to 12-month ECL for debt investment securities that are determined to have a low credit risk at the reporting date. The Company considers a debt security to have low credit risk when it is considered "investment-grade", defined by recognized external rating agencies as a rating between AAA to BBB- (Standard & Poor's and Fitch) and Aaa-Baa3 (Moody's).

Notes to the Financial Statements - continued

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition



To determine whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the company considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information. Such analysis is based on the company's historical experience, credit assessment and forward-looking information.

The company's short-term consumer lending exposures are not managed on a credit-by-credit basis due to the high volume of relatively low value and homogeneous exposures. As a result, it is not feasible to include qualitative information based on an expert credit assessment performed on an individual credit basis. On this basis, the company adopts a retail portfolio methodology which takes into account the nature of the short-term consumer lending exposures and the underlying credit risk management practices of the company.

The short-term consumer lending portfolio comprises of credit facilities with bullet repayment or instalment loan characteristics, as well as, revolving credit facilities. The business lending portfolio comprises of credit facilities with instalment loan characteristics. Given how such retail facilities are originated and managed for internal risk management purposes, short-term consumer and business loans within a particular portfolio are expected to have similar credit risk characteristics.

As a result, for loans and advances to customers, which are managed on a portfolio basis for credit risk purposes, the company measures a signifcant increase in credit risk based on a quantitative assessment driven by the delinquency status of borrowers (days past due). The company presumptively considers that a signifcant increase in credit risk occurs when an asset is more than 30 days past due, in line with the backstop indicator established under IFRS 9. The company determines days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

In the case of other financial assets (cash and cash equivalents and investments in debt securities), the company applies the low credit risk simplifcation to all its exposures considered 'investment-grade', thus they are not subject to the SICR assessment. Moving from 'investment-grade' to 'non-investment grade' does not automatically mean that there has been a SICR.

The company's assessment to determine the extent of increase in credit risk of a financial asset since initial recognition is performed by considering the change in the risk of default occurring over the remaining life of the financial asset.

IFRS 9 does not specifically define default, but requires it to be applied on a consistent basis with internal credit risk management practice for the relevant instruments and requires consideration of qualitative factors where appropriate. In addition, IFRS 9 also introduces a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless there is reasonable and supportable information to demonstrate that a later default criterion is more appropriate.

In this respect, the company defines a financial asset as in default, when it meets one or more of the criteria below.

I. with respect to credit facilities with bullet repayment characteristics, exposures are considered defaulted where the borrower is more than 90 days past due on any material credit obligation to the company; and

II. with respect to credit facilities with instalment loan characteristics or revolving credit facilities, exposures are considered defaulted once the customer is overdue on minimum monthly payments by more than 60 days.

Therefore, the definitions of credit-impaired and default are aligned so that stage 3 represents all loans which are considered defaulted or credit-impaired.

Notes to the Financial Statements - continued

An instrument is considered to no longer be in default (i.e. to have been cured) when it no longer meets any of the default criteria for a consecutive period of three months. This period has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

The company considers other financial assets, mainly cash and cash equivalents and investments in debt securities respectively, to be in default when a payment due (including a coupon payment) is not affected.

The ECL is measured on either a 12-month (12M) or on a lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the PD, EAD, and LGD.

The ECL is determined by projecting the PD, EAD and LGD at a collective portfolio level as allowable under IFRS 9 in the case of retail portfolios comprising individually insignifcant exposures that are homogenous in nature. These three components are multiplied together effectively calculating the forward-looking ECL, which is then discounted back to the reporting date. The discount rate used in the ECL calculation is the originated effective interest rate or an approximation thereof.

The 12-month ECL is calculated by multiplying the 12-month PD, LGD, and EAD. Lifetime ECL is calculated on a similar basis for the residual life of the exposure. The PD, EAD and LGD parameters are derived from internally developed statistical models and other historical data, adjusted to reflect forward-looking information as described below.

The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. Accordingly, the 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument, respectively.

In the case of credit facilities with bullet repayment characteristics, the company utilises roll-rate methodology in order to estimate its unconditional PDs. This methodology employs statistical analysis of historical data and experience of delinquency and default to estimate the amount of loans that will eventually be written off as unrecoverable. This methodology is applied at country level with adaptations to reflect the nature of the markets in which the company operates. Under this methodology, loans are grouped into ranges according to the number of days past due and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency, and ultimately prove irrecoverable (PD).

In the case of credit facilities with characteristics similar to instalment loans or revolving facilities, the company utilises curve-stitching methodology in order to estimate its unconditional PDs. Under this approach, an analysis of historical default data is carried out in order to estimate cumulative monthly loss rates at various snapshot dates. Subsequently, statistical analysis is employed in order to combine curves with different historical performance windows into a single PD curve over the expected lifetime of the short-term credit exposures. This methodology is also applied at country level in order to incorporate adaptations to reflect the nature of the markets in which the company operates. Under this approach, loans are also grouped into ranges according to the number of days past due, with an individual lifetime PD curve being calculated for each range.

The unconditional PD is adjusted to consider forward-looking information through macroeconomic modelling, which then constitutes the conditional PD.

EAD is based on the amounts the company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). EAD represents the expected exposure in the event of a default.

The 12-month and lifetime EADs are determined based on the total balance of loan receivables at the reporting date, taking into account the total amount receivable from borrowers inclusive of principal and interest. This is deemed an adequate representation of the expected balance at default in the case of the company's credit facilities given that the company models its ECLs on a collective portfolio level with the modelling of the EAD for each future month at an individual loan-by-loan basis not being deemed practical. Additionally, in the case of revolving credit facilities the company also factors in expected drawdowns of committed facilities.

Notes to the Financial Statements - continued

The Loss Given Default (LGD) represents the company's expectation of the extent of loss on a defaulted exposure. Hence, the LGD represents expected credit losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral values (if any) at the time it is expected to be realised and the time value of money. The 12-month and lifetime LGD are determined based on the factors which impact the recoveries made post default.

Given that its short-term credit facilities are unsecured in nature, the company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties which are highly influenced by collective debt recovery strategies. Moreover, the company's LGD incorporates elements in relation to the company's ability to dispose of overdue loan facilities to third parties at a price that is dependant on the credit quality of the portfolio, current investor appetite in the market and the economic trends in Denmark. Recoveries from loan portfolio sales are calculated on a discounted cash flow basis using the contractual interest rate as the discounting factor.

The ECL is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which the company is exposed to credit risk. With respect to non-revolving credit facilities, the contractual life of the facility is considered. In the case of revolving credit facilities, provided that such facilities do not have a fixed term or repayment structure, the company defines the lifetime of such exposures as 24 months in line with observed borrower behaviour in specifc territories. The lifetime of revolving credit facilities is re-assessed by the company at a country level based on more recent borrower behaviour patterns on a periodic basis.

Forward-looking economic information is also included in determining the 12-month and lifetime PD and LGD.

There have been no significant changes in estimation techniques or signifcant assumptions made during the reporting period.

The calculation of ECL incorporates forward-looking information. The company performs a historical analysis to identify the key economic variables affecting credit risk and expected credit losses for each product portfolio at a territory level. These economic variables and their associated impact on the PD, EAD and LGD may vary by portfolio or territory.

The IFRS 9 standard requires institutions to estimate the ECL by taking into account "reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions". In the current context of heightened uncertainty and very limited availability of reasonable and supportable forward-looking information on the impact of COVID-19, the company has in accordance with ECB guidance on IFRS 9 in the context of COVID-19, critically assessed the use of macro-economic forecasts on expected credit loss calculations to avoid excessively procyclical assumptions in the estimation of ECL during the pandemic.

In this respect, the company has identifed key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has analysed relationships between macro-economic variables, credit risk and credit losses. This analysis was conducted at a territory and sub portfolio level in order to take into consideration possible differences in customer behaviour and default experience arising from different product characteristics. The key driver is predominantly Eurozone unemployment.

The impact of these economic variables on the PD have been determined by performing statistical regression analysis to understand the impact that the changes in these variables have had historically on default rates.

In those territories were due to certain risk data limitations, statistical relationships to macroeconomic variables were not deemed to be statistically signifcant (e.g. in those territories where the company has recently launched new products resulting in limited available historical default experience), the company has utilised proxy statistical data available in other territories with close geographical and demographic similarities.

The company is exploring the use of alternative statistical methodologies that are mathematically more enhanced than linear regression analysis in order to find more statistically significant relationships between default and unemployment in each of its territories of operation and hence, improve the reliability of its macroeconomic modelling approach. The company advanced significantly in terms of development of alternative statistical methodology during 2020. A particular model, which is still in testing phase and is being run in parallel to the current ECL model, analyses the relationship between the time series of defaults observed at country and/or product level with multiple macroeconomic variables. This other model takes into account both the short-term effect, that is, the

FE-Classification: General\Anyone

Notes to the Financial Statements - continued

effect of unemployment as well as the long-term effect. In simple terms, it means that this other model has an inbuilt error correction term that provides for observed deviations from a long-run equilibrium which in turn influences its short-run dynamics. It also takes into account the speed at which defaults return to equilibrium after a change in other variables namely unemployment given the longer-term equilibrium. Other than the enhanced statistical methodology, this other model uses the country specifc macroeconomic variable that is most relevant as opposed to the Eurozone unemployment rates used by the current linear model, given the huge variability across countries particularly due to COVID-19 and differing government furloughs and fiscal measures.

In determining the ECL under both models, three possible scenarios are considered to capture non-linearity across credit portfolios. The 'base line' scenario represents the most-likely outcome. It is based on authoritative sources forecasting economic variables referred to above and providing the best estimate view of the European economy. Apart from the 'base line' scenario, the company considers two other macro-economic scenarios – Upside and Downside scenarios – which respectively represent a more optimistic and a more pessimistic outcome. Such scenarios reflect the current top and emergent risks and opportunities. The more optimistic and more pessimistic scenarios are economically plausible and will not necessarily be as severe as scenarios used in stress testing.

Each scenario is weighted by a probability of occurrence, determined by a combination of macroeconomic research and expert credit judgment, taking account the range of possible outcomes each chosen scenario represents. The Group measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any macroeconomic forecasts, the projections and likelihoods of occurrence are subject to a high degree of uncertainty particularly during a year with heightened uncertainty due to COVID-19, and therefore, the actual outcomes may be significantly different to those projected. The company considers these forecasts to represent its best estimate of the possible outcomes.

The weightings assigned to each economic scenario were 60% for the 'Base' scenario, 20% for the 'Downside' scenario and 20% for the 'Upside' scenario. The number of scenarios used is based on the analysis of each major product type to ensure that non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. The probability weightings assigned to the respective scenarios reflect an unbiased evaluation of range of possible outcomes.

On the basis of macroeconomic forecasts and data available at the reporting date, the weightings applied take into account the following:

For baseline Scenario, the recent vaccine news points to a faster vaccination rollout than previously assumed. As a result, Oxford Economics raised world GDP growth forecast for 2021 to 5.2% from 4.9%, after an estimated 4.0% decline in 2020, and now judge the risks around the companys baseline forecast to be more broadly balanced on expectations that advanced economies to begin a meaningful and sustained lifting of restrictions around March/April time, triggering a mid-year mini-boom in these economies. Although the chances of a stronger recovery have risen, a medium-term economic scarring impact from the pandemic remains.

For the downturn scenario, management has adopted the global second wave scenario being more severe in terms of outlook. It envisages a "W-shaped" scenario in which a global second wave of coronavirus infections prompts introduction of restrictions in some countries and the extension of existing lockdowns in others. Cases surge in Q1 2021, and demand falters as lockdowns and social distancing measures are introduced. The shock unwinds around 70% of the recovery from the first wave, with world GDP contracting to nearly 6% below baseline levels in Q1 2021. After restrictions are lifted in Q2, an initially sharp rebound is followed by sluggish growth amid increased risk aversion among households and business as well as more permanent damage to potential output, with world GDP ending 3.5% below baseline levels.

An upside scenario is modelled for global economy in which restrictions are shorter in duration, all countries experience a faster recovery and permanent damage to the global economy from the pandemic proves minimal. In the scenario, widely available medical advancements – such as a vaccine, therapeutics or robust track and trace networks – allow a faster return to normal, with restrictions eased three months earlier than in the baseline. The global economy rebounds strongly in the first half of 2021 and robust output of 2.7% above baseline is seen in 2021. Global GDP marginally above our pre-coronavirus baseline in 2022 and 2023, staying above the pre-coronavirus trend until the end of the scenario at which point world GDP lies 2.5% above the current baseline.

Notes to the Financial Statements - continued

The Eurozone unemployment rate inputs used in the current linear model were taken from Oxford Economics and are as follows:

				As of 31 December 2020	
	2021	**2022**	**2023**	**2024**	**2025**
Eurozone-Av. Unemployment					
Base	9.1	8.3	7.8	7.5	7.3
Upside	8.1	7.3	7.1	6.9	6.8
Downside	11.0	10.0	10.0	8.9	8.5

				As of 31 December 2019	
	2021	**2022**	**2023**	**2024**	**2025**
Eurozone-Av. Unemployment					
Base	7.3	7.2	7.2	7.1	7.0
Upside	7.0	6.6	6.5	6.4	6.3
Downside	7.7	7.8	7.8	7.7	7.5

*YoY = year on year % change

On the basis of the above the company's model assessing the macro-economic impact on ECL as at 31 December 2020 continues to provide an adequate determination of the ECL based on the inputs as disclosed above and on the basis of its management judgement and hence no additional credit loss reserve is deemed to be required other than those booked during 2020. Also under the current heightened uncertainty it was deemed prudent not to release any credit loss reserves whenever the models prescribed so, throughout the year 2020 to avoid volatility in reserves also notwithstanding that clients' payment behaviour remained robust during 2020. Management will continue to closely monitor the economic forecasts releases and adjust its model inputs and assess its' outcomes in the light of revised macroeconomic data and other quantitative and qualitative information.

The Company's credit risk exposures relating to on-balance sheet items and off-balance sheet instruments, reflecting the maximum exposure to credit risk before collateral held or other credit enhancements include the following:

	31 December 2020 Gross exposure	**ECL allowance**	1 January 2020 Gross exposure	ECL allowance
	DKK	**DKK**	DKK	DKK
Credit risk exposures relating to on-balance sheet assets:				
Subject to IFRS 9 impairment allowances.				
Financial assets measured at amortised cost:				
Cash and cash equivalents	**3,174,061**	-	10,133,716	-
Prepayments	**78,350**	-	641,119	-
Receivables from Group related parties	**35,432,247**		151,618,744	-
Trade receivables	**2,181,347**	-	-	-
Trade receivables - loans	**9,390,958**	**9,390,958**	10,886,367	10,886,367
Other receivables	**98,441**	-	209,767	
Credit risk exposure	**50,355,404**	**9,390,958**	173,489,713	10,886,367

The Company manages the credit quality of its trade receivables by use of internal risk grades, which provide a progressively increasing risk profile ranging from "Regular" (best quality, less risky) to "Loss". These risk grades are an essential tool for the Company to identify both non-performing exposures and better-performing customers. The internal risk grades used by the Company are as follows:

- Performing: Internal grade "Regular".
- Under performing: Internal grades "Watch" and "Substandard"; and
- Non-performing: Internal grades "Doubtful" and "Loss".

Notes to the Financial Statements - continued

Regular
Customers catergorised as "Regular" are principally debts where payment is not overdue by 30 days and where no recent history of default exists. Management does not expect any losses from non-perfomance by these customers, which are considered fully performing.

Watch
Loans that attract this category principally comprise those where payment becomes overdue by 30 days, but does not exceed 60 days for micro loans, and does not exceed 45 days for plus loans and credit limits.

Substandard
Exposures that are categorised within this category comprise those where payment becomes overdue by 61 days and over but not exceeding 90 days for micro loans, and where payment becomes overdue by 46 days but does not exceeed 60 days for plus loans and credit limits.

Doubtful
Loans which attract a "Doubtful" grading are principally those assets in respect of which repayment becomes overdue by 61 days and over but not exceeding 180 days for plus loans and credit limits, and 91 days over but not exceeding 180 days for micro loans.

Loss
Loans in respect of which payment becomes overdue by 180 days.

The company does not have a material amount of individually impaired loan receivables. The ageing analysis of loan receivables which are collectively assessed for impairment is as follows:

	2020			
	Stage 1 12-mnth ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	DKK	**DKK**	**DKK**	**DKK**
Trade receivables:				
Regular	-	-	-	-
Watch	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	9,390,958	9,390,958
Gross carrying amount	-	-	9,390,958	9,390,958
Loss Allowance	-	-	9,390,958	9,390,958
Carrying amount	-	-	-	-
Impaired Loan Coverage Ratio (ICLR)	-	-	100%	100%

	2019			
	Stage 1 12-mnth ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	DKK	**DKK**	**DKK**	**DKK**
Trade receivables:				
Regular	-	-	-	-
Watch	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	10,886,367	10,886,367
Gross carrying amount	-	-	10,886,367	10,886,367
Loss Allowance	-	-	10,886,367	10,886,367
Carrying amount	-	-	-	-
Impaired Loan Coverage Ratio (ICLR)	-	-	100%	100%

The company sometimes modifes the terms of loans provided to customers with a view to maximimising recovery. As explained previously, restructuring of loans granted by the company is not deemed to constitute a forbearance measure in relation to customers experiencing dificulties in repaying the loan.

Notes to the Financial Statements - continued

More specifically, loan rescheduling is a concession which could be granted by the company, in certain circumstances, in response to a customer's request. Under certain specified conditions, the company provides loan rescheduling to borrowers by agreeing to modify the contractual payment terms of loans in order to improve the management of customer relationships, maximise collection opportunities and, if possible, avoid default. Rescheduling occurs when a customer applies to extend the loan repayment date, subject to the immediate payment of a rescheduling fee.

Rescheduling is only granted in situations where the customer has showed a willingness to repay the loan and is expected to be able to meet the obligation following the extension of the credit period. The company's credit policy sets out restrictions on the number of rescheduling measures together with the minimum period of the company's relationship with the customer before a rescheduling measure can be considered. Rescheduling usually takes place before due date, but the rescheduling option is also available after the due date.

The company monitors the subsequent performance of modifed assets. Given that the company's rescheduling of facilities is not deemed to constitute a forbearance measure, this is not deemed to represent a qualitative indicator of a signifcant increase in credit risk.

The risk of default of modified assets is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modifcation is not substantial it does not result in derecognition of the original asset (refer to Note 2.2.4).

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between 'Stage 1' and 'Stages 2' or '3' due to financial instruments experiencing significant increase (or decreases) in credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised during the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

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Notes to the Financial Statements - continued

The following tables explain the changes in the loss allowance between beginning and end of the annual period:

	Stage 1 12-mnth ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Trade receivables:				
Loss allowance as at 1 January 2020	-	-	10,886,367	10,886,367
Transfer of financial instruments	-	-	-	-
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Other transfers – Ageing change	-	-	-	-
Total remeasurement of loss allowance arising from transfers in stages	-	-	-	-
New financial assets originated or purchased	-	-	469,007	469,007
Changes to risk parameters (model inputs PDs/LGDss/EADs)	-	-	-	-
Financial assets derecognised during the year	-	-	-	-
Write-offs	-	-	(1,964,416)	(1,964,416)
Unwind of discount	-	-	-	-
FX and Other movements	-	-	-	-
Total net change in loss allowance during the year	-	-	(1,495,409	(1,495,409)
Loss allowance as at 31 December 2020	-	-	9.390.958	9.390.958

	Stage 1 12-mnth ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Trade receivables:				
Loss allowance as at 1 January 2019	-	-	14,032,163	14,032,163
Transfer of financial instruments	-	-	-	-
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Other transfers – Ageing change	-	-	-	-
Total remeasurement of loss allowance arising from transfers in stages	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Changes to risk parameters (model inputs PDs/LGDss/EADs)	-	-	-	-
Financial assets derecognised during the year	-	-	-	-
Write-offs	-	-	(3,145,796)	(3,145,796)
Unwind of discount	-	-	-	-
FX and Other movements	-	-	-	-
Total net change in loss allowance during the year	-	-	(3,145,796)	(3,145,796)
Loss allowance as at 31 December 2019	-	-	10,886,367	10,886,367

Notes to the Financial Statements - continued

	Stage 1 12-mnth ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Trade receivables:				
Gross carrying amount as at 1 January 2020	-	-	**10,886,367**	**10,886,367**
Transfer of financial instruments	-	-	-	-
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Total changes in gross carrying amounts arising from transfers in stages	-	-	-	-
New financial assets originated or purchased	-	-	**469,007**	**469,007**
Financial assets derecognised during the year	-	-	-	-
Write-offs	-	-	**(1,964,416)**	**(1,964,416)**
FX and Other movements	-	-	-	-
Total net change in loss allowance during the year	-	-	-	-
Gross carrying amount as at 31 December 2020	-	-	**9,390,958**	**9.390.958**

	Stage 1 12-mnth ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Trade receivables:				
Gross carrying amount as at 1 January 2019	-	-	**150,592,481**	**150,592,481**
Transfer of financial instruments	-	-	-	-
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Total changes in gross carrying amounts arising from transfers in stages	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Financial assets derecognised during the year	-	-	-	-
Write-offs	-	-	**14,032,163**	**14,032,163**
FX and Other movements	-	-	**(153,738,277)**	**(153,738,277)**
Total net change in loss allowance during the year	-	-	**(139,706,114)**	**(139,706,114)**
Gross carrying amount as at 31 December 2019	-	-	**10,886,367**	**10,886,367**

The company writes off loans and advances to customers when it determines that these are uncollectible and it has exhausted all practical recovery efforts. This is generally the case when the company has applied debt recovery strategies for a signifcant period of time and has concluded there is no reasonable expectation of recovery.

In those cases where it has no reasonable expectation of full or partial recovery from overdue credit facilities, the company may opt to conduct one-off loan portfolio sales with third parties. Subsequent to the conduct of such sales, the company writes-off any unrecovered amounts (after taking into account expected credit losses originally reserved against the portfolio).

Notes to the Financial Statements - continued

Liquidity risk
The Company monitors and manages its risk to a shortage of funds by monitoring forecast and actual cash flows and by matching the maturity of both its financial assets and financial liabilities. Any surplus cash above the required for working capital management is transferred to Group companies as increase of intercompany balances.

Capital risk management
The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximise the return to stakeholders through the optimisation of the debt and equity balance.

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders or sell assets to reduce debt.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 11 and 14 and cash and cash equivalents as disclosed in note 15 and items presented within equity in the statement of financial position.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents.

Net interest bearing debt to equity ratio	**31 Dec 2020 DKK**	31 Dec 2019 DKK
Cash and cash equivalents	**3,174,061**	10,133,716
Receivables from Group related parties	**35,432,247**	151,618,744
Borrowings due within 1 year	**(1,215,181)**	(74,630,881)
Borrowings due after 1 year	**-**	-
Lease liability within 1 year	**(395,136)**	-
Lease liability due after 1 year	**-**	-
Net debt	**36,995,991**	87,121,579
Share capital	**200.000**	200.000
Retained earnings	**37.660.726**	37.660.726
Proposed dividend	**730,233**	33,163,360
Total equity	**38,590,959**	71,024,086
Actual calculated capital ratio	**0.96**	1.23

3. Personel costs	**31 Dec 2020 DKK**	31 Dec 2019 DKK
Wages and Salaries	**1,880,210**	3,799,360
Employee benefits	**312,658**	515,720
Taxes and statutory contributions	**27,688**	274.358
Directors salaries:		
- Salaries	**1.113,723**	1.225.020
	3,334,279	5,814,458

	Number of employees		**Costs of employees**	
	2020	2019	**2020**	2019
Selling and distribution	**3**	8	**1,006,952**	2,517,660
Administration	**3**	3	**1,074,305**	1,671,075
Directors	**1**	1	**1,253,022**	1,625,723

Notes to the Financial Statements - continued

	7	12	**3,334,279**	5,814.458

4. Depreciations	**31 Dec 2020 DKK**	31 Dec 2019 DKK
Right-of-use assets	**370,560**	646,963

5. Finance income	**31 Dec 2020 DKK**	31 Dec 2019 DKK
Other interests	**3,027,972**	-
Forex gains	**-**	3,448
	3,027,972	3,448

6. Finance costs	**31 Dec 2020 DKK**	31 Dec 2019 DKK
Interest expenses on leases	**31,548**	90,591
Other interests	**29,974**	231,494
Forex losses	**4,050**	14,491
	65,572	336,576

7. Income tax	**31 Dec 2020 DKK**	31 Dec 2019 DKK
Current tax (expense) for the year	**(201,672)**	(6,328,817)
Deferred tax benefit / (expense) for the year	**85,229**	(3,087,076)
	(116,443)	(9,415,893)

Tax charge for the year	**31 Dec 2020 DKK**	31 Dec 2019 DKK
Profit before tax	**846,676**	42,579,253
Tax calculated at the applicable rate	**(186,269)**	(9,367,436)
The taxable effect of expenses not deductible for tax purposes	**(15,403)**	3,038,619
Deferred tax (expense) / benefit	**85,229**	(3,087,076)
	(116,443)	(9,415,893)

Differences between IFRS and statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax basis.

8. Right-of-use assets

The company acts as a lessee leasing business premises (rental offices). The company recognises a leased asset (right-of-use asset) and a lease liability for all leases, except for short-term leases of which the lease term is less than 12 months.

The company leases office premises with an open ended contract. The lease term for open-ended lease contracts was initially estimated as 36 months and later re-estimated yearly for each contract. The office premises may also include parking spaces. The company assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. Also, the lease agreement include increase to lease payments that are based on index.

	Office premises DKK	**Total DKK**
Cost, opening balance, as at 1 January 2019	**1,940,889**	**1,940,889**
Year ended 31 December 2019		

Notes to the Financial Statements - continued

Disposals of the period	(1,940,889)	(1,940,889)
Cost, closing balance, as of 31 December 2019	-	-
Cumulative depreciation, opening balance, as at 1 January 2019	-	-
Year ended 31 December 2019		
Cumulate depreciation of disposals	646,963	646,963
Depreciations for the period	(646.963)	(646.963)
Cumulative depreciation, closing balance, as of 31 December 2019	-	-
Net book amount, opening balance	**1.940.889**	**1.940.889**
Net book amount, closing balance	-	-
Cost, opening balance, as at 1 January 2020	-	-
Year ended 31 December 2020		
Additions of the period	**882,221**	**882,221**
Disposals of the period	**(198,811)**	**(198,811)**
Cost, closing balance, as of 31 December 2020	**683,410**	**683,410**
Cumulative depreciation, opening balance, as at 1 January 2020	-	-
Year ended 31 December 2020		
Cumulate depreciation of disposals	**74,554**	**74,554**
Depreciations for the period	**(370,560)**	**(370,560)**
Cumulative depreciation, closing balance, as of 31 December 2020	**(296,005)**	**(296,005)**
Net book amount, opening balance	-	-
Net book amount, closing balance	**387,405**	**387,405**

Right-of-use assets are presented as a separate line item in the Statement of Financial Position.

Lease liabilities	**31 Dec 2020 DKK**	31 Dec 2019 DKK
Current	**395,136**	-
Non-current	-	-
Total	**395,136**	-

The above liabilities are presented on the line item Lease liabilities (non-current / current) in the Statement of Financial Position.

The maturity analysis of lease liabilities is disclosed in Note 2.18.

Amounts recognised in Income Statement	**31 Dec 2020 DKK**	31 Dec 2019 DKK
Profit on sale of right-of-use assets	**2,577**	-
Expense relating to short-term leases	**391,800**	-
Depreciation charge for right-of-use assets	**(370,560)**	(646,963)
Interest expense on lease liabilities	**(31,548)**	(90,591)

The depreciation charges for right-of-use assets are included in the line Depreciation and amortisation in the Income Statement. Interest expense on lease liabilities is included in the Finance costs.

Rent expenses related to short-term leases are included in the other operating expenses.

Amounts recognised in the Cash flow Statement	**31 Dec 2020 DKK**	31 Dec 2019 DKK

Notes to the Financial Statements - continued

Transactions without cash flow	**28,971**	-
Increase in lease liabilities	**395,136**	-

9. Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 22% (2019: 22%). Deferred income taxes are included as follows:

	2020	**Movement for year**	2019	Movement for year
	DKK	**DKK**	DKK	DKK
Provisions	**85,229**	**85,229**	-	(3,087,076)
	85,229	**85,229**	-	(3,087,076)

At 31 December 2020 the company had a deferred tax asset of DKK 85,229 (2019: 0) emanating from deductible temporary differences of DKK 387,405 (2019: DKK 0).

10. Trade receivables

	31 Dec 2020	31 Dec 2019
	DKK	DKK
Trade receivables	**2,181,347**	-
Trade receivables – consumer loans gross	**9,390,958**	10,886,367
Less provision for impairment of loan receivables	**(9,390,958)**	(10,886,367)
	2,181,347	-

The carried amount corresponds to the fair value of the receivables.

Movement on the provision for report of trade receivables are as follows:	**31 Dec 2020**	31 Dec 2019
	DKK	DKK
At 1 January	**(9,390,958)**	(10,886,367)
Provision for impairment	**9,390,958**	10,886,367
Amounts fully reserved and booked out	**-**	-
At 31 December	**-**	-

The creation and release of provision for impared receivables have been included in "Credit loss reserves" in the income statement. Amounts charged to the allowed account are generally written off, when there is no expectation of recovering additional cash.

The Company does not have a material amount of individually impaired loan receivables. The aging analysis of loan receivables which are collectively assessed for impairment is presented under IAS 39 ageing structure as follows:

DKK	**31 December 2020**				31 December 2019			
	GBV*	**Provision impairment**	**NVB****	**ILCR*** %**	GBV*	Provision impairment	NVB**	ILCR*** %
Not overdue	-	-	-	-	-	-	-	-
1-90 days due	-	-	-	-	-	-	-	-
91-180 days due	-	-	-	-	-	-	-	-
>180 days due	**9.390.958**	**(9.390.958)**	-	**100%**	10,886,367	(10,886,367)	-	100%
Total	**9.390.958**	**(9.390.958)**	-		10,886,367	(10,886,367)	-	

*GBV = Gross Book Value. **NBV = Net Book Value. ***ILCR = Impaired Loan Coverage Ratio

Notes to the Financial Statements - continued

The Company uses an allowance to recognise impairment losses on loans to customers. Recognition of movements in the allowance account is as follows:

	2020 DKK	2019 DKK
Provision for impairment on 1 January	**(10,886,367)**	(14,032,163)
Impairments on loans	**10,886,367**	14,032,163
At 31 December	**-**	-

The ageing credit loss percentage of loan receivables, which are collectively assessed for impairment, is as follows:

	Micro Loans		Credit Facility	
	2020	2019	**2020**	2019
Period	**Percentage**	Percentage	**Percentage**	Percentage
Current	**0.0%**	0.0%	**0.0%**	0.0%
1-30 days	**0.0%**	0.0%	**0.0%**	0.0%
31-60 days	**0.0%**	0.0%	**0.0%**	0.0%
61-90 days	**0.0%**	0.0%	**0.0%**	0.0%
91-180 days	**0.0%**	0.0%	**0.0%**	0.0%
181-360 days	**0.0%**	0.0%	**0.0%**	0.0%
Over 360	**100.0%**	100.0%	**100%**	100.0%

11. Receivables

	31 Dec 2020 DKK	31 Dec 2019 DKK
Receivables from related companies	**35,432,247**	151,618,744
	35,432,247	151,618,744

Related party receivables are unsecured, interest is charged at 5.50% on the loan. The loan is repayable on demand but will be repaid by 2023. The effective interest rate used to discount the estimated future cash payments through the expected life of the loan to the net carrying amount is 5.50%.

12. Share Capital

	31 Dec 2020 DKK	31 Dec 2019 DKK
Authorised:		
200,000 Ordinary Shares of DKK 1 each	**200,000**	200,000
Issued and fully paid up:		
200,000 Ordinary Shares of DKK 1 each	**200,000**	200,000

13. Other payables

	31 Dec 2020 DKK	31 Dec 2019 DKK
Other payables	**54,480**	605,257
Social Costs and other taxes	**757,662**	2,756,019
Accruals	**1,047,990**	4,291,032
Deferred revenue	**-**	-
	1,860,132	7,652,308

Accruals are related to invoices which were not approved by the closing of the year 2020.

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Notes to the Financial Statements - continued

14. Borrowings

	31 Dec 2020 DKK	31 Dec 2019 DKK
Borrowings from parent company	-	72,949,057
Borrowings from related companies	1,215,181	1,681,824
	1,215,181	74,630,881

Related party loans are unsecured, interest is charged at 5.69% on the loan from the parent company. The loans are repayable on demand but will be repaid by 2021. The effective interest rate used to discount the estimated future cash payments through the expected life of these loans to the net carrying amount is 5.69%.

15. Note to the statement of cash flows

Analysis of the balance of cash and cash equivalents as shown in the statement of cash flows:

	31 Dec 2020 DKK	31 Dec 2019 DKK
Cash at bank and in hand	3,174,061	10,133,716

16. Related party transactions

The Directors consider the ultimate controlling party to be Ferratum Oyj, who owns 100% of the issued share capital of Ferratum Denmark ApS, a company quoted on the Frankfurt stock exchange.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director.

The related party P&L transactions in question were:

	2020 DKK	2019 DKK
Sale of services to related parties	2,142,979	-
Purchase of services from related parties	14,172	13,884,268
Finance income	3,027,972	-
Finance costs	132,752	837,635

The Company has business relationships with parent company and related party companies. The issued services relates to marketing services. The acquired services include administrative services, IT-services, project management, advisory and consulting services.

The related party Balance Sheet transactions in question were:

	31 Dec 2020 DKK	31 Dec 2019 DKK
Intragroup trade receivables	2,181,347	-
Intragroup receivables	35,432,247	-
Intragroup trade payables	-	2,540,874
Intragroup borrowings	1,215,181	74,630,881

Related party transactions have been carried out on generally accepted market terms and they have been based on the market price of goods and services.

Notes to the Financial Statements - continued

Key management compensation for members of the Board of Directors and CEO were:

	2020 **DKK**	2019 DKK
Salaries and other short-term employee benefits	**1,113,723**	1,225,020
Termination benefits	**-**	-
Statutory pension costs	**105,300**	106,704
Total	**1,219,023**	1,331,724

	2020 **DKK**	2019 DKK
Jesper Hammer, CEO, Member of the Board of Directors		
Salaries and other short-term employee benefits	**1,113,723**	1,225,020
Statutory pension costs	**105,300**	106,704
Total	**1,219,023**	1,331,724

17. Capital commitments

	2020 **DKK**	2019 DKK
Authorised and contracted for:		
Office rent	**86,906**	116,250
Authorised and contracted for	**86,906**	116,250

Should the company want to terminate the new rental contract entered into at 1 January 2020, then a 3 months' notice is required amounting to DKK 86,906.

18. Contingent liabilities

The Company had no claims for contingent liabilities during the year.

19. Events after the reporting period

The company expects that the ongoing COVID-19 pandemic may have a material impact on its earnings during 2021. Although the more recent, and more contagious virus mutations, will continue to cast a shadow of uncertainty throughout 2021, the company believes that by utilising the experience it gained during 2020 it will be able to continue as a going concern. In addition, the company remains confident that there are no critical risks associated with the organisation or the liquidity of its operations.

Besides the above there were no other material events after the year-end, up to the date of issuing these financial statements, which would have a bearing on the understanding of these financial statements.

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