

INTERIM REPORT
January-March 2016

THE PERIOD IN BRIEF

FIRST QUARTER, JANUARY-MARCH 2016 COMPARED WITH JANUARY-MARCH 2015

- Total operating income increased 6.8 % to SEK 100.6 million
- The loan portfolio on 31 March 2016 amounted to SEK 2,012 million corresponding to an increase of 20.8% compared with 31 March 2015 and an increase of 9.5% during the first quarter 2016.
- Operating profit declined 9.1 % to SEK 28.0 million
- Adjusted¹ operating profit increased 10.7 % and was SEK 34.1 million
- Net profit declined 1.8 % to SEK 22.7 million
- Adjusted¹ net profit increased 18.8 % and was SEK 27.5 million
- The cost/income ratio was 38.3 % (35.2 %)
- CET1 capital ratio was 14.9 % and total capital ratio was 19.3 %
- Earnings per share amounted to SEK 1.13 (1.10)
- Adjusted¹ earnings per share was SEK 1.35 (1.10)
- Adjusted return on equity was 33.5 % (37.6 %)

SIGNIFICANT EVENTS, JANUARY-MARCH 2016

- Listing of TF Bank's subordinated tier 2 loan of SEK 100 million on Nasdaq Stockholm
- In December 2015, TF Bank AB (publ) successfully issued subordinated tier 2 loan totalling SEK 100 million, for the purpose of strengthening the Company's capital structure. The subordinated loan was listed on Nasdaq Stockholm in February 2016.

We currently have over a million active customers in seven countries, a loan portfolio that has passed SEK 2 billion and operating income of over SEK 100 million which means that further milestones in TF Bank's history have been reached in the first quarter.

TOTAL OPERATING INCOME

JAN-MAR 2016 COMPARED WITH JAN-MAR 2015

SEK **101** MILLION **+7** %

LOAN PORTFOLIO

31 MARCH 2016 COMPARED WITH 31 DECEMBER 2015

SEK **2** BILLION **+10** %

ADJUSTED¹ OPERATING PROFIT

JAN-MAR 2016 COMPARED WITH JAN-MAR 2015

SEK **34** MILLION **+11** %

ADJUSTED¹ EARNINGS PER SHARE

JAN-MAR 2016 COMPARED WITH JAN-MAR 2015

SEK **1.35** **+23** %

¹ Adjustments have been for items affecting comparability in connection with preparations for a potential IPO.

CEO'S COMMENTS

After a year spent executing growth strategies, including the establishment of a branch in Poland, an acquisition in Norway and the launch of our consumer credit institution Avarda, in cooperation with Intrum Justitia, it is rewarding to see that our initiatives are already producing results in line with TF Bank's historically successful ability to combine growth and profitability.

TF Bank's markets are characterized by good growth in consumer financing. We currently have just over a million active customers in seven countries and for the first time the loan portfolio exceeded SEK 2 billion during the first quarter. These represent further milestones for TF Bank and it is positive to see that the growth is also driven by our endeavors in Poland and our acquisition of BB Finans in Norway. This stable development is a validation of our strategy and business model. Lending increased by SEK 175 million in the first quarter of 2016, an increase of almost 10 percent since the end of last year. Compared with 31st March 2015, the loan portfolio increased by almost 21 percent. Lending in our largest segment, Direct to Consumer, increased organically by 9.5 percent during the quarter, and the growth was particularly strong in Norway, Finland and Poland. Loan receivables in our other segment, Sales Finance, increased by 9.3 percent and it is especially positive to see that the increase was mainly attributable to volumes coming through Avarda. At the same time, operating income was over SEK 100 million and a cost/income ratio of 38 percent shows that we continue to grow with rigid cost control. Furthermore, declining loan losses are testimony to the fact that we are continuously improving our credit scoring in both segments and in all countries. Operating profit, excluding items affecting comparability, increased by 11 percent. If we also exclude start-up costs in Avarda, then operating profit increased by 18 percent.

In summary, I can conclude that the Group has grown in terms of products and services, income and geographical presence in recent years. Our consumer banking services are offered through two segments with significant synergies, where an in-house developed IT platform with a high degree of automation and scalability gives us a very competitive offering. While maintaining cost control, we will continue to grow in existing markets and at the same time evaluate new markets.

Declan Mac Guinness
CEO & Group CEO



THE GROUP

TF Bank was founded in Sweden in 1987 for the purpose of offering financing solutions to customers ordering goods from mail-order catalogues. Over time, the Group has grown in terms of product offering, income and geographical presence. TF Bank currently offers consumer banking services through a highly automated in-house developed IT platform designed for scalability and adaptability to different products, countries, currencies and digital banking solutions. TF Bank conducts banking operations, which include deposits and lending to retail customers in Sweden and Finland, lending to retail customers in Norway and Poland, and cross-border lending in Denmark, Estonia and Latvia.

The Group's main business consists of lending to the public through two segments: Direct to Consumer and Sales Finance. Direct to Consumer deals primarily with loans to retail customers. Sales Finance provides financing solutions for handling invoice and instalment payments.

KEY FIGURES, GROUP

TSEK	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Income statement			
Operating income	100,604	94,168	388,013
Operating income margin, %	21.5	22.8	22.4
Operating profit after net loan losses	27,970	30,780	118,315
Net profit for the period	22,743	23,157	89,409
Earnings per share, SEK	1.13	1.10	4.34
Items affecting comparability ¹	-6,102	-	-18,232
Adjusted operating profit after net loan losses	34,072	30,780	136,547
Adjusted income tax expense	-6,569	-7,623	-32,917
Adjusted net profit for the period	27,503	23,157	103,630
Adjusted net profit attributable to the shareholders of the Parent company	29,015	23,715	107,456
Adjusted earnings per share ² , SEK	1.35	1.10	5.00
Balance sheet			
Loans to the public	2,012,186	1,665,618	1,837,578
Deposits from the public	2,368,305	1,967,859	2,229,562
Credit volume	574,479	429,841	1,675,309
Key figures			
Adjusted return on equity, %	33.5	37.6	34.5
Net loan loss ratio, %	5.8	7.3	6.2
Cost/income ratio, %	38.3	35.2	37.0
CET1 capital ratio (%)	14.9	13.5	13.9
Total capital ratio, %	19.3	13.5	18.2
Average number of employees	94	64	78

¹ Items affecting comparability in 2015 relate to transaction costs associated with the cancelled stock exchange listing in Frankfurt. In the first quarter, earnings were affected by additional costs related to preparations for a potential IPO, which are presented under items affecting comparability.

² SEK 0.08 of the increase compared with Jan-Mar 2015 relates to tax effects of currency derivatives used for hedging purposes.

Definitions, see page 26.

EARNINGS AND FINANCIAL POSITION

JANUARY-MARCH 2016

Adjusted operating profit for the quarter was SEK 34.1 (30.8) million, an increase of 10.7 %. The improvement compared with the first quarter of 2015 is mainly due to lower net loan losses. Operating profit declined by 9.1 % to SEK 28.0 (30.8) million, largely as a result of non-recurring items. Adjusted earnings per share increased by 22.7 % to SEK 1.35 (1.10). The Group's adjusted return on equity remains at a high level and was 33.5 % (37.6 %) at the end of the interim period.

Operating income

The Group's operating income increased by 6.8 % to SEK 100.6 (94.2) million. BB Finans, which was acquired in Q3 2015, had an impact of SEK 7.4 million on operating income. Operating income in Direct to Consumer increased by 10.9 % to SEK 85.1 (76.7) million and growth was particularly strong in the Norwegian market following the acquisition of the financial institution BB Finans in July 2015. Operating income also continues to rise in Poland, and the Polish market showed 72 % growth in new lending in the first quarter of 2016. Operating income in Sales Finance fell by 11.1 % to SEK 15.5 (17.4) million, largely due to a lower customer balance for the segment's largest retailers.

Interest expenses

Interest expenses increased by 30.9 % to SEK 12.2 (9.3) million. The increase is due to the subordinated loan issued in December 2015 and the Group's growing financing needs in markets where interest rates are somewhat higher. However, the low interest rates in Sweden and Finland have pushed down interest expenses for the Group's deposits from the public compared with the corresponding quarter of 2015. Higher interest expenses are the main contributory factor to the operating income margin decline to 21.5 % (22.8 %).

Net fee and commission income

Net fee and commission income increased by 7.0 % to SEK 10.5 (9.8) million. Income from insurance premiums in Direct to Consumer contributed to the increase from the first quarter of 2015. Net fee and commission income in Sales Finance declined to SEK 4.8 (6.1) million, mainly due to lower income from reminder fees.

Operating expenses

The Group's operating expenses increased by 16.3 % to SEK 38.6 (33.2) million, while the cost/income ratio rose to 38.3 % (35.2 %). The increased cost/income ratio was mainly attributable to costs associated with the Group's geographical expansion, where, for example, BB Finans has a business model with a relatively high cost/income ratio, and an increase of SEK 2.5 million in Avarda-related costs for the quarter compared with the same period in 2015. Avarda has strengthened its organisation with new employees in 2016 and also incurred IT development costs associated with managing increased volumes in the future. The level of the Parent Company's operating expenses compared with 2015 has been maintained, despite the geographical expansion.

Loan losses

Credit quality has improved compared with the same period in 2015, and the Group's loan loss ratio fell significantly to 5.8 % (7.3 %). Overall net loan losses declined by 7.4 % to SEK 28.0 (30.2) million. Compared with the first quarter of 2015, the Group has also obtained a higher price for the ongoing sale of non-performing loans to debt collection agencies in the Swedish and Finnish markets. Direct to Consumer's loan losses declined by SEK 1.1 million, while loan losses for Sales Finance fell by SEK 1.2 million compared with the first three months of 2015.

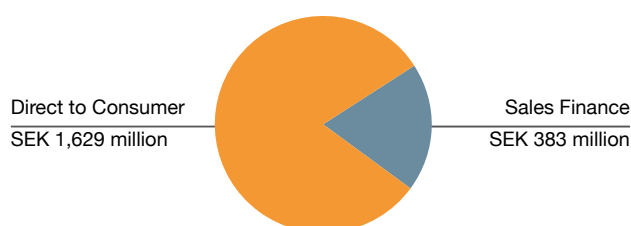
Tax expenses

The Group's tax expenses totalled SEK 5.3 (7.6) million. The decline in operating profit reduces tax expenses by SEK 0.6 million, while tax effects of changes in the value of unrealised currency derivatives for hedge purposes accounted for SEK 1.6 million of the reduction.

Lending

The Group's loans to the public increased by 9.5 % to SEK 2,012 (1,838) million during the first quarter of 2016. The growth is organic, and currency effects only had a marginal impact on the development. Loans to the public in Direct to Consumer increased by 9.5 % to 1,629 (1,487) million. The segment's growth during the quarter was particularly strong in Norway, Finland and Poland.

LENDING BY SEGMENT



Loan receivables in Sales Finance increased by 9.3 % to SEK 383.1 (350.3) million, mainly due to higher volumes from Avarda in the latter part of the interim period.

Deposits

The Group's deposits from the public increased by 6.2 % to SEK 2,368 (2,230) million during the first quarter of 2016. The attractive offering in the Finnish market, with a savings rate of 1.60 %, has generated a significant inflow from private individuals in Finland during the first quarter of 2016. The deposit rate in Sweden remained unchanged at 0.90 % during the first quarter of 2016, which is a level that has generated a stable inflow from Swedish retail customers.

Investments

Investments in the first quarter of 2016 amounted to SEK 1.6 (3.2) million and were mainly attributable to the Group's proprietary ledger system Titan, which is used for managing loan receivables.

Cash and cash equivalents

The Group's cash and cash equivalents declined by SEK 21.7 million to SEK 845.6 (867.3) million at the end of the first quarter of 2016. Strong growth in loans to the public has been funded by increased deposits from the public. The Group also has undrawn credit facilities of SEK 327 million.

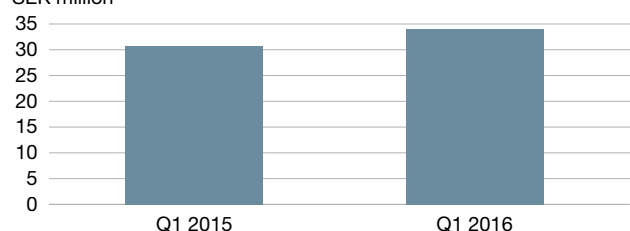
Capital adequacy

TF Bank's capital ratios continue to be significantly higher than the regulatory requirements. At the end of the quarter, the CET1 capital ratio was 14.9 % (13.9 %) and the total capital ratio was 19.3 % (18.2 %). This means that the Group is well equipped to meet both increased regulatory capital requirements and higher capital requirements resulting from the Group's expected future growth.

Capital adequacy ratios are positively affected by the Group having changed the operational risk calculation method from the basic indicator approach to the standardised approach during the first quarter of 2016.

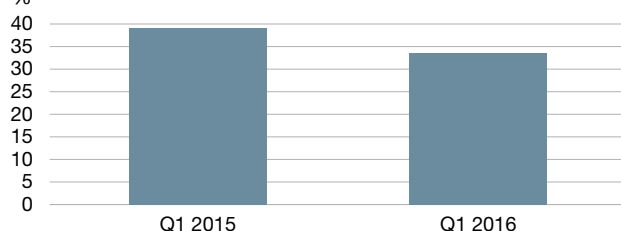
ADJUSTED OPERATING PROFIT¹

SEK million



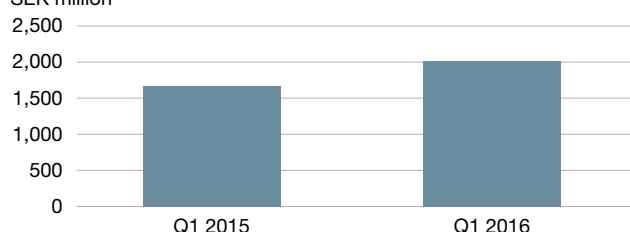
ADJUSTED RETURN ON EQUITY¹

%



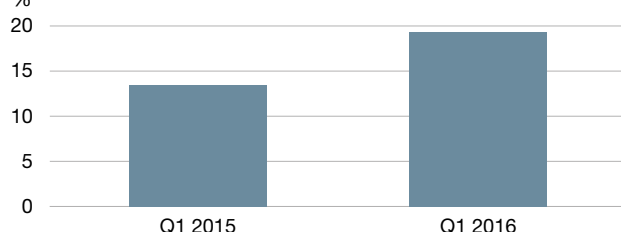
LOANS TO THE PUBLIC

SEK million



TOTAL CAPITAL RATIO

%



¹ Adjustments have been for items affecting comparability in connection with preparations for a potential IPO.

Definitions, see page 26.

OTHER

TF Bank has shown strong profit growth in recent years through organic growth, successful acquisitions and entering new markets. To support the continuing growth and operational development, TF Bank and its owners are assessing different strategic options, including a possible future listing of TF Bank.

Risks and uncertainties

TF Bank faces various types of risks, such as credit risk, market risk, liquidity risk and operational risk. In order to limit and control risk-taking in the business, the Board, which is ultimately responsible for internal controls, has defined policies and instructions for lending and other activities. For a more detailed description of financial risks and the use of financial instruments, and capital adequacy, see notes 2 and 7. Further information can be found in notes 3 and 34 of the 2015 annual report.

Subordinated tier 2 loan

In December, TF Bank issued a subordinated tier 2 loan with a value of SEK 100 million. The issue strengthens and diversifies the bank's capital structure and supports continuing growth. The loan issue was well received by the market and the order book closed within a day. The stronger capital and liquidity situation creates a good platform for the bank's expected future growth. The subordinated loan was listed on Nasdaq Stockholm in February 2016.

Accounting policies

The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). In addition, amendments to the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), RFR 1 Supplementary Accounting Rules for Groups issued by the Swedish Financial Reporting Board, and the Swedish Financial Supervisory Authority's regulations (FFFS 2008:25) have also been applied.

The Parent Company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), RFR 2 Accounting for Legal Entities issued by the Swedish Financial Reporting Board, and the Swedish Financial Supervisory Authority's regulations (FFFS 2008:25).

The accounting policies, computation methods and presentation used for the Group and Parent Company are essentially unchanged from the 2015 Annual Report. The interim information on pages 2-24 is an integral part of this financial report.

Events after the end of the reporting period

In April 2016, TF Bank paid SEK 9.7 million in shareholder contributions to Avarda AB.

On 12 April 2016, the AGM decided on a dividend corresponding to 0.45 SEK per share.

The AGM also adopted the issue of 775,772 warrants to senior executives, entitling the holders to subscribe for a total of 775,772 new shares in the Company. If all warrants are exercised, the Company's share capital will increase by SEK 3,878,860. Full exercise of the warrants will result in dilution of about 3.5% of the total number of shares and votes in the Company.

From 2 May 2016, the deposit rate in Sweden was lowered by 0.2 pp to 0.7 %.

Financial targets

The Board of Directors of TF Bank has adopted the following medium-term targets:

Growth

Over the medium-term, TF Bank aims to achieve annual EPS growth of at least 20 %.

Efficiency

Over the medium-term, TF Bank aims to reach a cost to income ratio of below 35 %.

Capital structure

TF Bank's objective is to maintain a total capital ratio of at least 14.5 %.

Dividend policy

TF Bank's Board of Directors has adopted a dividend policy according to which TF Bank aims to distribute around 50 % of net profit for the year.

The payment of dividends, if any, by the Company and the amounts and timing thereof will depend on a number of factors, including TF Bank's future income, financial condition, capital requirements and the general economic environment. If TF Bank, as a result of its profit and dividend policy, generates a substantial surplus, it is TF Bank's intention to use such surplus either to finance a higher organic growth rate and/or future acquisitions, or to pay out the surplus to its shareholders as dividend.

INCOME STATEMENT, GROUP

SEK thousand	Note	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
	1, 2, 3, 9			
Operating income				
Interest income		102,001	93,653	385,846
Interest expense		-12,154	-9,285	-37,602
Net interest income		89,847	84,368	348,244
Fee and commission income		12,492	10,938	45,882
Fee and commission expenses		-1,971	-1,104	-5,960
Net fee and commission income		10,521	9,834	39,922
Net results from financial transactions		236	-34	-153
Total operating income		100,604	94,168	388,013
General administrative expenses		-33,426	-26,457	-118,272
Depreciation, amortisation and impairment charges of tangible and intangible assets		-1,034	-1,013	-4,568
Other operating expenses		-4,093	-5,689	-20,579
Total operating expenses		-38,553	-33,159	-143,419
Profit before loan losses		62,051	61,009	244,594
Net loan losses		-27,979	-30,229	-108,047
Items affecting comparability		-6,102	-	-18,232
Operating profit		27,970	30,780	118,315
Income tax expense		-5,227	-7,623	-28,906
Net profit for the period		22,743	23,157	89,409
<i>Attributable to:</i>				
<i>Shareholders of the Parent company</i>		24,255	23,715	93,235
<i>Non-controlling interests</i>		-1,512	-558	-3,826
<i>Basic earnings per share (SEK)</i>		1.13	1.10	4.34
<i>Diluted earnings per share (SEK)</i>		1.13	1.10	4.34

STATEMENT OF COMPREHENSIVE INCOME, GROUP

SEK thousand	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Net profit for the period	22,743	23,157	89,409
Other comprehensive income:			
Items that may be reclassified subsequently to the income statement			
Gross fair value gains/losses on available for sale financial assets	939	-	-
Tax on fair value gains/losses during the period	-235	-	-
Gross currency translation differences	-5	2	-1,278
Tax on currency translation differences during the period	369	-	-1,339
Other comprehensive income, net of tax	1,068	2	-2,617
Total comprehensive income for the period	23,811	23,159	86,792
<i>Attributable to:</i>			
<i>Shareholders of the Parent company</i>	25,317	23,717	90,674
<i>Non-controlling interests</i>	-1,506	-558	-3,882

BALANCE SHEET, GROUP

SEK thousand	Note	31 Mar 2016	31 Dec 2015
	1, 2, 3, 4, 5, 9		
ASSETS			
Cash and balances with central banks		29,560	29,445
Treasury bills eligible for refinancing		60,193	60,075
Loans to credit institutions		755,867	777,811
Loans to the public	6	2,012,186	1,837,578
Shares		1,086	-
Goodwill		11,812	11,536
Intangible assets		12,791	12,406
Tangible assets		1,420	1,516
Other assets		2,811	9,582
Current tax assets		8,573	1,288
Deferred tax assets		3,105	2,235
Prepaid expenses and accrued income		24,649	34,297
Total assets		2,924,053	2,777,769
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions		1,917	516
Deposits and borrowings from the public		2,368,305	2,229,562
Other liabilities		17,211	25,925
Current tax liabilities		2,102	-
Deferred tax liabilities		14,242	14,253
Accrued expenses and prepaid income		47,740	59,280
Subordinated liabilities		97,150	97,000
Total liabilities		2,548,667	2,426,536
Equity	7		
Share capital (21,500,000 shares of SEK 5 each)		107,500	107,500
Other reserves		389	-673
Retained earnings		238,445	144,868
Net profit for the period attributable to the shareholders of the Parent company		24,255	93,235
Total equity attributable to the shareholders of the Parent company		370,589	344,930
Non-controlling interests		4,797	6,303
Total equity		375,386	351,233
TOTAL LIABILITIES AND EQUITY		2,924,053	2,777,769

CASH FLOW STATEMENT, GROUP

SEK thousand	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Operating activities			
Operating profit	27,970	30,780	118,315
<i>Adjustment for items not included in cash flow:</i>			
Depreciation and amortisation	1,034	1,013	4,568
Accrued interest income and expense	-19,497	-25,929	-8,198
Other non-cash items	1,191	2	-1,240
Paid income tax	-10,041	-7,108	-12,074
	657	-1,242	101,371
Increase/decrease in loans to the public	-174,608	-31,798	-42,081
Increase/decrease in other short-term claims	14,699	4,804	1,462
Increase/decrease in deposits and borrowings from the public	138,743	14,456	240,019
Increase/decrease in other short-term liabilities	-1,004	12,519	-34,701
Cash flow from operating activities	-21,513	-1,261	266,070
Investing activities			
Investments in tangible assets	-86	-215	-630
Investments in intangible assets	-1,513	-2,968	-7,999
Acquisition of associated undertakings	-	-	-73,741
Cash flow from investing activities	-1,599	-3,183	-82,370
Financing activities			
New share issue	-	1,011	1,019
Shareholder's contribution	-	1,960	9,310
Change in liabilities to credit institutions	1,401	-	516
Issue of subordinated tier 2 loan	-	-	97,000
Group contributions paid	-	-56,840	-56,840
Dividends paid	-	-905	-18,105
Cash flow from financing activities	1,401	-54,774	32,900
Cash flow for the period	-21,711	-59,218	216,600
Cash and cash equivalents at the beginning of period	867,331	650,731	650,731
Cash and cash equivalents at the end of period	845,620	591,513	867,331
<i>Cash flow from operating activities includes interest expenses paid and interest payments received with the following amounts:</i>			
Interest expenses paid	31,415	34,893	45,176
Interest payments received	100,865	99,403	388,957

STATEMENT OF CHANGES IN EQUITY, GROUP

SEK thousand	Share capital	Other reserves	Retained earnings	Net profit for the period	Non-controlling interests	Total equity
Balance as at 1 Jan 2015	5,000	1,887	165,787	99,543	-	272,217
Net profit for the year	-	-	-	93,235	-3,826	89,409
Gross currency translation differences	-	-1,221	-	-	-57	-1,278
Tax on currency translation differences during the period	-	-1,339	-	-	-	-1,339
Total comprehensive income for the period, net of tax	-	-2,560	-	93,235	-3,883	86,792
Transfer to retained earnings	-	-	99,647	-99,543	-104	-
Dividends	-	-	-18,105	-	-	-18,105
Bonus issue	102,500	-	-102,500	-	-	-
New share issue	-	-	39	-	980	1,019
Shareholder's contribution	-	-	-	-	9,310	9,310
Balance as at 31 Dec 2015	107,500	-673	144,868	93,235	6,303	351,233
Balance as at 1 Jan 2016	107,500	-673	144,868	93,235	6,303	351,233
Net profit for the period	-	-	-	24,255	-1,512	22,743
Gross fair value gains/losses on available for sale financial assets	-	939	-	-	-	939
Tax on fair value gains/losses during the period	-	-235	-	-	-	-235
Gross currency translation differences	-	-11	-	-	6	-5
Tax on currency translation differences during the period	-	369	-	-	-	369
Total comprehensive income for the period, net of tax	-	1,062	-	24,255	-1,506	23,811
Transfer to retained earnings	-	-	93,235	-93,235	-	-
Transfer from equity	-	-	342	-	-	342
Balance as at 31 Mar 2016	107,500	389	238,445	24,255	4,797	375,386

NOTES

NOTE 1 General information

Ownership in TF Bank AB is divided between TFB Holding AB (556705-2997), which owns 79.35 %, and private investors who own 20.65 %.

The term "Group" refers to TF Bank AB together with its branches and subsidiaries:

Branches

- TF Bank AB, branch Finland (2594352-3)
- TF Bank AB, branch Poland (PL9571076774)

Subsidiaries

- TFB Service OÜ (12676808) 100 %
- Avarda AB (556986-5560) 51 %
- Avarda Oy (2619111-6) 51 %
- BB Finans AS (935590221) 100 %
- Confide AS (948063603) 100 %

NOTE 2 Credit risk

Financial risks

The Group's activities are exposed to a variety of financial risks: market risk (considerable currency and interest rate risk in the cash flow), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial results. TF Bank uses derivative instruments to hedge certain foreign currency exposure and applies hedge accounting for some net investments in its foreign operations.

The Board of Directors establishes written policies and control documents. Compliance with the governing documents as well as the level of the Group's credit risk are measured and reported to the Group's management and Board of Directors on an ongoing basis.

Credit risk is the risk that a counterparty causes the Group a financial loss by not fulfilling its contractual obligations. Credit risk arises primarily through loans to the public but also through cash and cash equivalents and derivatives with a positive value. Credit risk is the most significant risk in the Group and is monitored closely by the relevant functions and by the Board of Directors, who has the ultimate responsibility for managing credit risk. The Board of Directors has issued a credit policy which sets the guidelines for the Group's lending activities. A credit committee monitors the development of the levels of credit risk in the loan portfolios and determines changes and suggests updates in the Group's lending within the set credit policy. The performance of the credit portfolio is regularly reported to the Board of Directors.

Before a loan is issued, a risk assessment is made of the customer's creditworthiness, taking into account the customer's financial position, previous experiences and other factors. Individual risk limits are defined based on internal or external credit assessments in accordance with the limits set by the Board of Directors. The use of credit limits is regularly monitored. The Group cannot grant any loans or credits to legal entities without the approval by the Board of Directors. By only approving counterparties with an investment grade credit rating and by setting limits for the maximum exposure to each counterparty the Board of Directors also limits the credit risk arising from cash management activities.

The Group's credit approval process has high standards regarding ethics, quality and control. Despite credit risk being the largest risk exposure for the Group, the provision for loan losses is small in proportion to the outstanding loan volume (see below and note 6). This is because the Group regularly sells non-performing loans to debt collection specialist entities when the Board of Directors

considers the price level to be favourable, when compared to keeping the non-performing receivables on the balance sheet. This is currently the case for most of the markets. This implies that the Group continuously realises actual loan losses through sales of non-performing loans. The remaining portfolio has a limited number of non-performing loans and consequently relatively low level of provisions.

The objective for the Group's process of monitoring overdue payments and unsettled loans and receivables is to minimise loan losses by detecting payment issues early and following up with customers where needed. The monitoring is supported by a separate "pre-collection" system for overdue payments with automatic functions and reminders.

The Group's loans to the public consists primarily of unsecured consumer loans. For this reason the Group does not list credit risk exposures in a separate table, as there are limited assets pledged as security, while the at the same time the size of the reserves in relation to the credit volume is low. At the balance sheet date, the composition of the credit portfolio for loans to the public is as follows:

Group SEK thousand	31 Mar 2016	31 Dec 2015
Loans, not past due	1,719,267	1,569,993
Loans past due, 1 - 10 days	161,163	137,389
Loans past due, 11 - 69 days	72,488	81,983
Non-performing loans	102,084	88,860
Total	2,055,002	1,878,225
Provision for expected loan losses	-42,816	-40,647
Total loans to the public	2,012,186	1,837,578

For a reconciliation of the change in the provision for expected loan losses, see note 6.

CREDIT QUALITY OF FULLY PERFORMING LOANS

Group SEK thousand	31 Mar 2016	31 Dec 2015
Household sector		
Low risk	962,643	1,000,104
Medium risk	593,760	297,385
High risk	320,388	424,697
Unrated	76,127	67,179
Total household sector	1,952,918	1,789,365

The approval of a loan application from a new customer is primarily based on information provided by the customer, information inferred from customers in the same socio demographic group and other variables regarding the individual customer retrieved from external sources. How the information is used and weighted in the model is determined from a risk perspective by an in-depth analysis of the individual customer and the Group's existing customer data base. The Group can use both internal ratings and ratings provided by external providers (credit bureaus in the respective markets) to ensure that the risk assessment is as cost effective, accurate and precise as possible. Both ratings are performed independently but can be used together in the Group's credit assessment. This rating model is primarily applied to new customers, whilst existing customers with a payment history and updated variables have proven to be good sources for a renewed credit assessment.

Note 2 cont.

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

Group SEK thousand	31 Mar 2016	31 Dec 2015
Cash and balances with central banks		
AA+	29,560	29,445
Treasury bills eligible for refinancing		
AAA	60,193	60,075
Loans to credit institutions		
A-1+	193,636	206,642
A-1	562,113	568,478
A-2	2,629	4,124
Other assets		
A-1+	905	-
Unrated	1,656	5,770
Total	850,692	874,534

Other assets within A-1+ relate to derivatives with a positive value.

Impairment of financial assets

The Group assesses on a monthly basis whether there is objective evidence of impairment of a financial asset or group of financial assets. A financial asset or group of assets is impaired, and an impairment loss is recognised, only if there is objective evidence of impairment as a result of one or several events occurring after the initial recognition of the asset ("a loss event") and this event, or events, affect the estimated cash flows of the financial asset or group of financial assets and this effect can be accurately estimated.

An impairment loss on loans and receivables is recognised when there is objective evidence that the Group will not be able to recover overdue amounts in accordance with the original terms and conditions for the receivables. The Group applies a collective impairment approach since the portfolio consists of loans of limited amounts and receivables where an individual assessment is not required. The Group uses a statistical approach in two steps to determine the provisions:

- Loans and receivables where a loss event occurred for a single receivable or for a group of receivables.
- Loans and receivables which are more than 69 days overdue and where the loan has been cancelled (non-performing loans).

When a loss event has occurred, a provision is made by assessing the present value of future cash flows based on the probability that the loan will be terminated using historical data. The expected future cash flow is based on calculations which take into account historical redemption rates and other historical data. Historical data is used to estimate future cash flows in the markets where the Group has decided not to sell the non-performing loans.

Provisions for non-performing loans are calculated as the differ-

ence between the carrying amount of the asset and the present value of future cash flows, discounted using the original interest rate of the loan. The expected future cash flow is based on calculations which take into account historical redemption rates, which are applied to each generation of non-performing loans.

All loans and receivables that neither have a loss event nor are more than 69 days overdue are assessed whether they should be collectively impaired. The loans and receivables are reviewed to find loss events that could lead to a financial loss for the Group, e.g. increased unemployment rate. Events preceding this might be, e.g. large notices and financial instability, which could have a negative impact on the solvency of the customers after the event occurred. Management makes quarterly qualitative assessments to assess the change since the last quarter to determine whether to increase or decrease the collective provision. Management assesses each market where the Group has operations.

Loans and receivables that are sold are removed from the collective provision and the difference between the carrying amount of the asset and the present value are recognised as a loss. Non-performing loans are recognised as an actual loss when they have been reported by the debt collection agency as being assigned to long-term monitoring, when it has been established that the customer is deceased or when another loss event has been identified. Amounts received relating to previous actual losses are recognised through profit or loss.

NET LOAN LOSSES

Group SEK thousand	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Change in the provision for sold non-performing loans	-23,673	-27,791	-96,394
Realised loan losses	-3,821	-5,035	-17,149
Recovered from previous write-offs	1,404	1,947	8,293
Change in provision for other expected loan losses	-1,889	650	-2,797
Net loan losses	-27,979	-30,229	-108,047

Net loan losses are attributable to Loans to the public and categorised as loans and receivables.

NOTE 3 Operating segments

The CEO has the ultimate responsibility for the decisions being taken by the Group. Management has defined the operating segments based on the information determined by the CEO and used as a basis for decisions on the allocation of resources and evaluation of results.

The Board of Directors evaluates the operating segments' performance based on their operating profits.

DIRECT TO CONSUMER

Income statement SEK thousand	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Net interest income	79,229	73,066	303,454
Net fee and commission income	5,710	3,699	18,275
Net results from financial transactions	177	-26	-195
Total operating income	85,115	76,739	321,534
General administrative expenses	-23,308	-18,386	-82,026
Depreciation, amortisation and impairment charges of tangible and of intangible assets	-809	-771	-3,460
Other operating expenses	-3,891	-5,295	-19,967
Total operating expenses	-28,008	-24,452	-105,453
Profit before loan losses	57,107	52,287	216,082
Net loan losses	-22,746	-23,846	-85,648
Operating profit	34,361	28,441	130,434
<i>Attributable to:</i>			
<i>The shareholders of the Parent company</i>	34,361	28,441	130,434
<i>Non-controlling interests</i>	-	-	-

SALES FINANCE

Income statement SEK thousand	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Net interest income	10,618	11,302	44,790
Net fee and commission income	4,811	6,135	21,647
Net results from financial transactions	59	-8	42
Total operating income	15,489	17,429	66,479
General administrative expenses	-10,118	-8,071	-36,246
Depreciation, amortisation and impairment charges of tangible and of intangible assets	-225	-242	-1,108
Other operating expenses	-202	-394	-613
Total operating expenses	-10,545	-8,707	-37,967
Profit before loan losses	4,943	8,722	28,512
Net loan losses	-5,233	-6,383	-22,399
Operating profit	-289	2,339	6,113
<i>Attributable to:</i>			
<i>The shareholders of the Parent company</i>	1,649	3,055	11,055
<i>Non-controlling interests</i>	-1,938	-716	-4,892

Balance sheet SEK thousand	31 Mar 2016	31 Dec 2015
Loans to the public		
Household sector	1,629,106	1,487,235
Corporate sector	-	-
Total loans to the public	1,629,106	1,487,235
Household sector		
Net performing loans	1,563,681	1,418,419
Net non-performing loans	65,425	68,816
Total household sector	1,629,106	1,487,235

Balance sheet SEK thousand	31 Mar 2016	31 Dec 2015
Loans to the public		
Household sector	383,080	350,343
Corporate sector	-	-
Total loans to the public	383,080	350,343
Household sector		
Net performing loans	378,588	347,565
Net non-performing loans	4,492	2,778
Total household sector	383,080	350,343

Note 3 cont.

GROUP

Income statement SEK thousand	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015	Balance sheet SEK thousand	31 Mar 2016	31 Dec 2015
Operating income				Loans to the public		
Operating income, Direct to Consumer	85,115	76,739	321,534	Loans to the public, Direct to Consumer	1,629,106	1,487,235
Operating income, Sales Finance	15,489	17,429	66,479	Loans to the public, Sales Finance	383,080	350,343
Total operating income for the Group	100,604	94,168	388,013	Total loans to the public for the Group	2,012,186	1,837,578
Operating profit						
Operating profit, Direct to Consumer	34,361	28,441	130,434			
Operating profit, Sales Finance	-289	2,339	6,113			
Items affecting comparability	-6,102	-	-18,232			
Total operating profit for the Group	27,970	30,780	118,315			

NOTE 4 Classification of financial assets and liabilities

Group, 31 Mar 2016 SEK thousand	Financial instruments at fair value through profit or loss		Available for sale finan- cial assets	Loans and receivables	Derivatives used for hedging	Other financial assets/ liabilities	Total
	Held for trading	Designated at fair value through profit or loss					
Assets							
Cash and balances with central banks	-	-	-	29,560	-	-	29,560
Treasury bills eligible for refinancing	-	-	60,193	-	-	-	60,193
Loans to credit institutions	-	-	-	755,867	-	-	755,867
Loans to the public	-	-	-	2,012,186	-	-	2,012,186
Shares	-	-	1,086	-	-	-	1,086
Derivatives	905	-	-	-	-	-	905
Total assets	905	-	61,279	2,797,613	-	-	2,859,797
Liabilities							
Liabilities to credit institutions	-	-	-	-	-	1,917	1,917
Deposits and borrowings from the public	-	-	-	-	-	2,368,305	2,368,305
Subordinated liabilities	-	-	-	-	-	97,150	97,150
Derivatives	-	-	-	-	177	-	177
Total liabilities	-	-	-	-	177	2,467,372	2,467,549

Note 4 cont.

Group, 31 Dec 2015 SEK thousand	Financial instruments at fair value through profit or loss		Available for sale finan- cial assets	Loans and receivables	Derivatives used for hedging	Other financial assets/ liabilities	Total
	Held for trading	Designated at fair value through profit or loss					
Assets							
Cash and balances with central banks	-	-	-	29,445	-	-	29,445
Treasury bills eligible for refinancing	-	-	60,075	-	-	-	60,075
Loans to credit institutions	-	-	-	777,811	-	-	777,811
Loans to the public	-	-	-	1,837,578	-	-	1,837,578
Shares	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-
Total assets	-	-	60,075	2,644,834	-	-	2,704,909
Liabilities							
Liabilities to credit institutions	-	-	-	-	-	516	516
Deposits and borrowings from the public	-	-	-	-	-	2,229,562	2,229,562
Subordinated liabilities	-	-	-	-	-	97,000	97,000
Derivatives	3,090	-	-	-	-	-	3,090
Total liabilities	3,090	-	-	-	-	2,327,078	2,330,168

NOTE 5 Financial assets and liabilities measured at fair value

Fair value

Disclosures are required on fair value measurement by level in fair value hierarchy for financial instruments measured at fair value in the balance sheet:

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

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

Group, 31 Mar 2016 SEK thousand	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills eligible for refinancing	-	60,193	-	60,193
Shares	-	1,086	-	1,086
Derivatives	-	905	-	905
Total assets	-	62,184	-	62,184

Group, 31 Dec 2015 SEK thousand	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills eligible for refinancing	-	60,075	-	60,075
Derivatives	-	-	-	-
Total assets	-	60,075	-	60,075

Financial instruments in Level 2

The fair value of financial instruments not traded in an active market (e.g. OTC derivatives) is determined using various valuation techniques. These valuation techniques use observable market data where available and rely as little as possible on entity specific estimates. An instrument is classified as Level 2 if all significant inputs required to value an instrument are observable.

An instrument is classified as Level 3 in cases where one or more of the significant inputs are not based on observable market data.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Fair value of currency swap contracts is determined using forward exchange rates at the balance sheet date.

Note 5 cont.

For loans to the public the fair value is based on the discounted cash flows using an interest rate based on the market interest rate at the balance sheet date, which was 25.10 % as at 31 March 2016 and 25.47 % as at 31 December 2015.

Group, 31 Mar 2016 SEK thousand	Carrying amount	Fair value	Fair value gain (+)/Fair value loss (-)
Assets			
Cash and balances with central banks	29,560	29,560	-
Treasury bills eligible for refinancing	60,193	60,193	-
Loans to credit institutions	755,867	755,867	-
Loans to the public	2,012,186	2,012,186	-
Shares	1,086	1,086	-
Derivatives	905	905	-
Total assets	2,859,797	2,859,797	-
Liabilities			
Liabilities to credit institutions	1,917	1,917	-
Deposits and borrowings from the public	2,368,305	2,368,305	-
Subordinated liabilities	97,150	97,150	-
Derivatives	177	177	-
Total liabilities	2,467,549	2,467,549	-

Group, 31 Dec 2015 SEK thousand	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
Assets			
Cash and balances with central banks	29,445	29,445	-
Treasury bills eligible for refinancing	60,075	60,075	-
Loans to credit institutions	777,811	777,811	-
Loans to the public	1,837,578	1,837,578	-
Derivatives	-	-	-
Total assets	2,704,909	2,704,909	-
Liabilities			
Liabilities to credit institutions	516	516	-
Deposits and borrowings from the public	2,229,562	2,229,562	-
Subordinated liabilities	97,000	97,000	-
Derivatives	3,090	3,090	-
Total liabilities	2,330,168	2,330,168	-

NOTE 6 Loans to the public

Group SEK thousand	31 Mar 2016	31 Dec 2015
Loans to the household sector	2,012,186	1,837,578
Loans to the corporate sector	-	-
Total loans to the public	2,012,186	1,837,578
Loans to the household sector		
Gross loans	2,055,002	1,878,225
Provision for expected loan losses	-42,816	-40,647
Loans, net book value	2,012,186	1,837,578
<i>Geographic distribution of net loans</i>		
Sweden	659,428	654,684
Finland	726,005	659,977
Norway	311,631	227,813
Estonia	179,766	174,297
Poland	96,943	85,278
Denmark	36,703	34,007
Latvia	1,710	1,522
Total loans, net book value	2,012,186	1,837,578

CHANGE IN PROVISION FOR ACTUAL AND EXPECTED LOAN LOSSES

Group SEK thousand	31 Mar 2016	31 Dec 2015
Opening balance	-40,647	-32,737
Change in provision for sold non-performing loans	-23,673	-96,394
Reversal in provision for sold non-performing loans	23,673	96,394
Change in provision for other loan losses	-1,889	-2,797
Acquired provisions	-	-6,106
Other adjustments ¹	-280	993
Closing balance	-42,816	-40,647

¹ Other adjustments consist of currency translation differences.

NOTE 7 Capital adequacy analysis

Background

Information about the Group's capital adequacy includes information in accordance with chapter 6, 3-4 §§, Swedish Financial Supervisory Authority's regulations (FFFS 2008:25) on annual accounts of credit institutions and securities companies and related information contained in Articles 92.3 d and f, 436 b and 438 of the Regulation (EU) No 575/2013, commonly referred to as the Capital Requirements Regulation ("CRR"), chapter 8, 7 §, of the Swedish FSA's regulations and general guidelines on regulatory requirements and capital buffers (FFFS 2014:12) and column A of Annex 6 of the Commission Implementing Regulation (EU) No 1423/2013. Other information required by FFFS 2014:12 and CRR is provided on the Parent company's website www.tfbankgroup.com.

Own funds and capital requirements

The Group and Parent company's statutory capital requirements is governed by the Swedish Special Supervision of Credit Institutions and Investment Firms Act (2014:968), CRR, regulation on capital buffers (2014:966) and the Swedish Financial Supervisory Authority's regulations and general recommendations on regulatory requirements and capital buffers (FFFS 2014:12).

The purpose of the regulations is to ensure that the Group and Parent company manage their risks and protect its customers. The regulations state that the Group's own funds must cover the capital requirements including the minimum capital requirements (capital requirement for credit risk, market risk and operational risk).

The Group's consolidated situation, with TF Bank AB as responsible institute, was established during the third quarter of 2014. The Group is currently not under supervision and the numbers below have been calculated for presentation in this interim report.¹ The capital situation of the Group has been calculated using the full IFRS consolidated accounts. The aim is to change the legal structure in 2016 and as a result the Group with TF Bank AB as the parent company would become the consolidated situation required to report to the Swedish FSA.

¹ The basis for the current consolidated situation reporting to the Swedish FSA includes the parent holding company TFB Holding AB.

THE GROUP'S CAPITAL SITUATION CAN BE SUMMARISED AS FOLLOWS:

SEK thousand	31 Mar 2016	31 Dec 2015
Common Equity Tier 1 (CET 1) capital after deductions	333,206	309,078
Additional Tier 1 (AT 1) capital after deductions	-	-
Tier 2 capital after deductions	97,150	97,000
Own funds	430,356	406,078
Risk exposure amount	2,230,697	2,229,621
- of which: credit risk	1,714,705	1,585,690
- of which: credit valuation adjustment	2,116	1,587
- of which: market risk	-	-
- of which: operational risk	513,876	642,344
CET 1 capital ratio, %	14,94, %	13,86, %
Tier 1 capital ratio, %	14,94, %	13,86, %
Total capital ratio, %	19,29, %	18,21, %
Total CET 1 capital requirement inclusive of capital buffer requirements	168,195	168,113
- of which: capital conservation buffer	55,767	55,741
- of which: countercyclical capital buffer	12,046	12,040
CET 1 capital available to use as buffer	232,824	208,745

OWN FUNDS

SEK thousand	31 Mar 2016	31 Dec 2015
<i>CET 1 capital</i>		
Share capital	107,500	107,500
Retained earnings	238,445	144,868
Audited annual profits net of any foreseeable expenses and dividends	14,581	83,560
Other reserves	-	-
Accumulated other comprehensive income	389	-673
Minority interests	4,797	6,304
Less:		
- Intangible assets	-24,603	-23,942
- Deferred tax assets that rely on future profitability	-3,105	-2,235
- Minority interests not qualified for inclusion in own funds	-4,797	-6,304
<i>Total CET 1 capital</i>	<i>333,206</i>	<i>309,078</i>
<i>Tier 2 capital</i>		
Dated subordinated loan	97,150	97,000
Total own funds	430,356	406,078

Own funds include the Board of Director's proposal for the distribution of profit decided at the Annual General Meeting 12 April. The Group's CET 1 comply with the requirements of Regulation (EU) No 575/2013.

SPECIFICATION RISK EXPOSURE AMOUNTS

SEK thousand	31 Mar 2016	31 Dec 2015
Credit risk under the standardised approach		
Corporate exposures	193	432
Retail exposures	1,457,493	1,324,620
Exposures secured by mortgage	502	502
Exposures in default	68,307	60,565
Exposures to institutions with short-term credit assessment	153,284	156,992
Other items	34,926	42,579
Total risk-weighted exposure amount credit risk	1,714,705	1,585,690
Credit valuation adjustment		
Standardised method	2,116	1,586
Total risk exposure amount credit valuation adjustment	2,116	1,586
Operational risk		
Standardised approach	513,876	642,344
Total risk exposure amount operational risk	513,876	642,344
Total risk exposure amount	2,230,697	2,229,621

The Group changed the method for calculating operational risk from the basic indicator approach to the standardised approach in the first quarter of 2016. The standardised approach was used for the first time as at the reporting 31 March 2016.

NOTE 8 Assets pledged as security

Group SEK thousand	31 Mar 2016	31 Dec 2015
Group liabilities		
<i>Relating to borrowing from credit institutions</i>		
Loans	564,520	594,559
Other assets	539	22,010
Total	565,059	616,569

The Group continuously pledges part of its Swedish and Norwegian loans to the public as security. The assets are pledged as security for the Group's credit facilities of SEK 329 million. As at 31 March 2016 SEK 1.9 million was drawn from the credit facilities.

NOTE 9 Transactions with related parties

Consortio Fashion Holding AB (CFH), corporate identity number 556925-2819, has largely the same owners as the TF Bank's parent company TFB Holding AB (556705-2997). Transactions with other related parties as shown in the table below refer to transactions between TF Bank and the companies that are part of the CFH Group. All transactions are market priced.

Group SEK thousand	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
<i>The following transactions have been made with related companies within the Group:</i>			
General administrative expenses	-89	-79	-343
Total	-89	-79	-343
<i>The following transactions have been made with other related parties:</i>			
Interest income (transaction costs)	-16,946	-18,518	-71,634
General administrative expenses	-1,372	-1,724	-6,326
Total	-18,319	-20,242	-77,960
<i>Acquisition of assets and liabilities from other related parties:</i>			
Sales Finance	172,924	199,220	677,466
Total	172,924	199,220	677,466

Group SEK thousand	31 Mar 2016	31 Dec 2015
<i>Assets at the end of the period as a result of transactions with related parties within the Group:</i>		
Loans to TFB Holding AB	-	3,000
Total	-	3,000
<i>Assets at the end of the period as a result of transactions with other related parties:</i>		
Other assets	-	91
Total	-	91
<i>Liabilities at the end of the period as a result of transactions with other related parties:</i>		
Other liabilities	3,222	2,139
Total	3,222	2,139

PARENT COMPANY

TF Bank AB, corporate identity number 556158-1041, is a limited liability company with registered office in Sweden.

The bank has a license to provide banking services with operations in Sweden, Finland, Norway, Denmark, Estonia, Latvia, and Poland. Its activities include lending to the public in all markets and taking deposits from the public in Sweden and Finland.

The bank's operating income in the first quarter of 2016 amounted to SEK 92 million (94). Total operating expenses amounted to SEK 37 million (32) during the period. General administrative expenses include items affecting comparability of approximately SEK 6 million. Adjusted operating profit excluding items affecting comparability increased by 2 % compared to the first quarter 2015.

Loans to the public in the first quarter 2016 increased by SEK 93 million to SEK 1,732 million (1,639). Deposits and borrowings from the public increased by SEK 138 million to SEK 2,368 million (2,230) during the first three months of the year.

Loans to credit institutions increased during the quarter and amounted to SEK 959 million (906) at the end of the period. The amount includes loans to the subsidiary BB Finans of SEK 212 million (140).

Capital adequacy of the company remains at a stable level with common equity tier 1 capital ratio of 16.9 % as at 31 March 2016 (15.4 %). The total capital ratio was 21.4 % (19.9 %) at the end of the quarter, which is significantly higher than the legally required levels.

Capital adequacy ratios are positively affected by the Group having changed the operational risk calculation method from the basic indicator approach to the standardised approach in the first quarter in 2016.

TF Bank's subordinated tier 2 loan of SEK 100 million was listed on Nasdaq Stockholm in February 2016.

INCOME STATEMENT, PARENT COMPANY

SEK thousand	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Operating income			
Interest income	95,875	93,653	377,540
Interest expense	-12,122	-9,285	-37,153
Net interest income	83,753	84,368	340,387
Fee and commission income	10,559	10,938	43,161
Fee and commission expenses	-1,318	-1,104	-4,844
Net fee and commission income	9,241	9,834	38,317
Net results from financial transactions	-1,419	-33	5,826
Total operating income	91,575	94,169	384,530
General administrative expenses	-32,535	-25,401	-120,285
Depreciation, amortisation and impairment charges of tangible and intangible assets	-723	-996	-4,011
Other operating expenses	-3,919	-5,307	-19,980
Total operating expenses	-37,177	31,704	-144,276
Profit before loan losses	54,398	62,465	240,254
Net loan losses	-27,509	-30,229	-107,207
Operating profit	26,889	32,236	133,047
Appropriations	-	-	171
Income tax expense	-5,092	-7,945	-31,659
Net profit for the period	21,797	24,291	101,559

STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY

SEK thousand	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015
Net profit for the period	21,797	24,291	101,559
Other comprehensive income			
Items that may be reclassified subsequently to the income statement			
Currency translation differences during the period, net of tax	-	-	-
Other comprehensive income, net of tax	-	-	-
Total comprehensive income for the period	21,797	24,291	101,559

BALANCE SHEET, PARENT COMPANY

SEK thousand	31 Mar 2016	31 Dec 2015
ASSETS		
Cash and balances with central banks	29,560	29,445
Treasury bills eligible for refinancing	60,193	60,076
Loans to credit institutions	959,380	905,711
Loans to the public	1,732,056	1,639,150
Shares in group companies	86,145	86,145
Intangible assets	9,514	9,131
Tangible assets	1,277	1,362
Other assets	2,616	8,778
Current tax assets	9,289	2,004
Prepaid expenses and accrued income	23,390	28,533
Total assets	2,913,420	2,770,335
LIABILITIES AND EQUITY		
Liabilities		
Deposits and borrowings from the public	2,368,305	2,229,562
Other liabilities	15,264	21,594
Accrued expenses and prepaid income	43,006	54,281
Subordinated liabilities	97,150	97,000
Total liabilities	2,523,725	2,402,437
Untaxed reserves	52,621	52,621
Equity		
Share capital (21,500,000 shares of SEK 5 each)	107,500	107,500
Other reserves	1,000	1,000
Retained earnings	206,777	105,218
Total comprehensive income for the period	21,797	101,559
Total equity	337,074	315,277
TOTAL LIABILITIES AND EQUITY	2,913,420	2,770,335

CAPITAL ADEQUACY ANALYSIS, PARENT COMPANY

SEK thousand	31 Mar 2016	31 Dec 2015
Common Equity Tier 1 (CET 1) capital after deductions	358,930	337,515
Additional Tier 1 (AT 1) capital after deductions	-	-
Tier 2 capital after deductions	97,150	97,000
Own funds	456,080	434,515
Risk exposure amount	2,130,739	2,188,257
- of which: credit risk	1,616,499	1,546,511
- of which: credit valuation adjustment	2,107	1,579
- of which: market risk	-	-
- of which: operational risk	512,133	640,167
CET 1 capital ratio, %	16,85 %	15,42 %
Tier 1 capital ratio, %	16,85 %	15,42 %
Total capital ratio, %	21,40 %	19,86 %
Total CET 1 capital requirement inclusive of capital buffer requirements	159,592	164,338
- of which: capital conservation buffer	53,268	54,706
- of which: countercyclical capital buffer	10,441	11,160
CET 1 capital available to use as buffer	263,047	239,043

OWN FUNDS

SEK thousand	31 Mar 2016	31 Dec 2015
<i>CET 1 capital</i>		
Share capital	107,500	107,500
Retained earnings	206,777	105,218
Audited annual profits net of any foreseeable expenses and dividends	12,122	91,884
Other reserves	42,044	42,044
Less:		
- Intangible assets	-9,514	-9,131
<i>Total CET 1 capital</i>	<i>358,929</i>	<i>337,515</i>
<i>Tier 2 capital</i>		
Dated subordinated loan	97,150	97,000
Total own funds	456,079	434,515

Own funds include the Board of Director's proposal for the distribution of profit decided at the Annual General Meeting 12 April. The Group's CET 1 complies with the requirements of Regulation (EU) No 575/2013.

SPECIFICATION RISK EXPOSURE AMOUNTS

SEK thousand	31 Mar 2016	31 Dec 2015
Credit risk under the standardised approach		
Institute exposures	42,427	28,060
Corporate exposures	190	3,213
Retail exposures	1,261,796	1,192,552
Exposures in default	49,661	49,082
Exposures to institutions with short-term credit assessment	151,568	154,670
Equity exposures	86,145	86,145
Other items	24,711	32,789
Total risk-weighted exposure amount credit risk	1,616,498	1,546,511
Credit valuation adjustment		
Standardised method	2,107	1,579
Total risk exposure amount credit valuation adjustment	2,107	1,579
Operational risk		
Standardised approach	512,133	640,167
Total risk exposure amount operational risk	512,133	640,167
Total risk exposure amount	2,130,738	2,188,257

The Group changed the method for calculating operational risk from the basic indicator approach to the standardised approach in the first quarter of 2016. The standardised approach was used for the first time as at the reporting 31 March 2016.

BOARD OF DIRECTORS AND CEO AFFIRMATION

The Board of Directors and the CEO certify that the interim report gives a true and fair overview of the development of the operations, financial position and result of the Parent company and the Group and describes the material risks and uncertainties that the Parent company and the Group face.

Borås 10 May 2016

Mattias Carlsson
Chairman

Tone Bjørnov

John Brehmer

Thomas Grahn

Paul Källenius

Bertil Larsson

Lars Wollung

Declan Mac Guinness
CEO & Group CEO

REPORT OF REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the condensed interim financial information (interim report) of TF Bank AB (publ) as of 31 mars 2016 and the three-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act for Credit institutions and Securities Companies, regarding the Group, and with the Swedish Annual Accounts Act for Credit institutions and Securities Companies, regarding the Parent Company.

Stockholm, 10 May 2016
PricewaterhouseCoopers AB

Martin By
Authorized Public Accountant

DEFINITIONS

ADJUSTED EARNINGS PER SHARE

Net profit for the period excluding non-controlling interests and items affecting comparability divided by average number of outstanding shares.

ADJUSTED OPERATING PROFIT

Operating profit excluding items affecting comparability.

ADJUSTED RETURN ON EQUITY

Net profit for the period excluding non-controlling interests and items affecting comparability as a percentage of total equity. Rolling 12 month.

CET 1 CAPITAL RATIO

CET 1 capital as a percentage of total risk exposure amount.

COST/INCOME RATIO

Operating expenses as a percentage of operating income.

CREDIT VOLUME

The paid-out credit (the cash flow) in the period, for Sales Finance the volume is reduced by product returns.

EARNINGS PER SHARE

Net profit for the period excluding non-controlling interests divided by average number of outstanding shares.

EMPLOYEES (FTE)

Average number of full time employees, including employees on parental leave.

NET LOAN LOSS RATIO

Net loan losses as a percentage of average loan portfolio. Rolling 12 months.

OPERATING INCOME MARGIN

Total operating income as a percentage of average loans to the public. Rolling 12 months.

TOTAL CAPITAL RATIO

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



FINANCIAL CALENDAR AND CONTACTS

FINANCIAL CALENDAR

19 July 2016	Interim report January-June 2016
8 November 2016	Interim report January-September 2016
14 February 2017	Year-end report January-December 2016

CONTACTS

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CEO

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Investor Relations

Sture Stølen

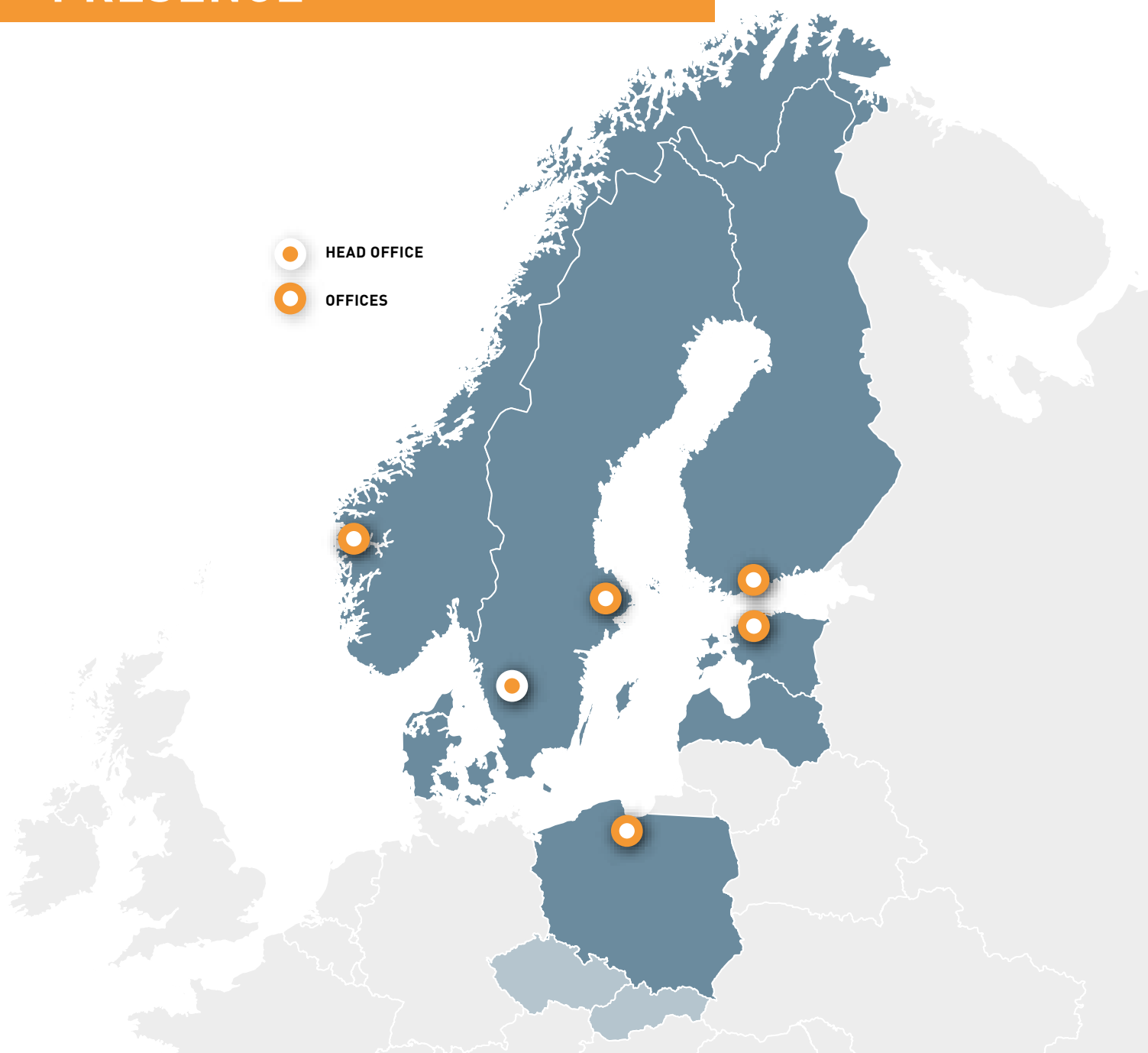
Head of Investor Relations

Phone: +46 723 68 65 07

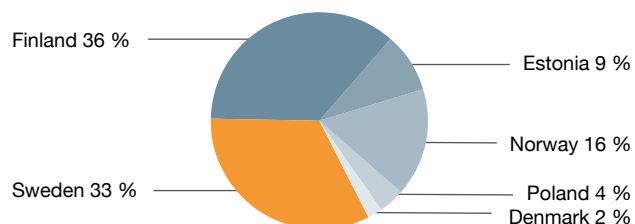
ir@tfbank.se

www.tfbankgroup.com

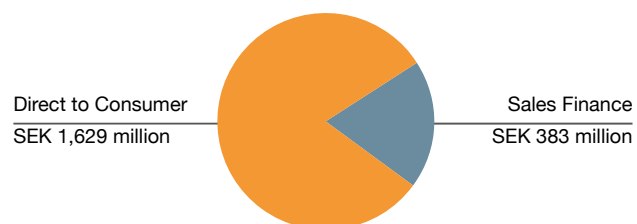
TF BANK'S GEOGRAPHICAL PRESENCE



SHARE OF LOAN PORTFOLIO BY COUNTRY, Q1 2016



LENDING BY SEGMENT, Q1 2016





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