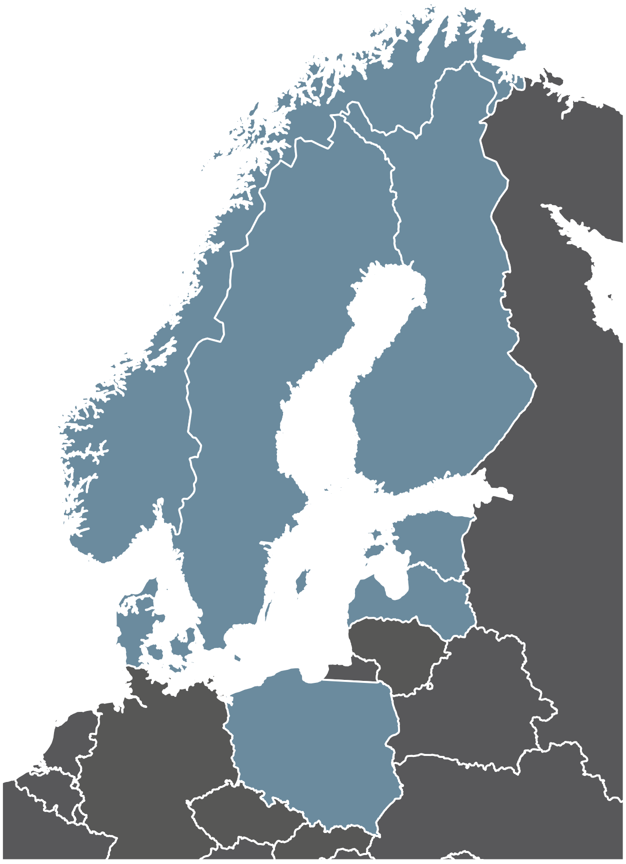
ANNUAL REPORT 2016

TFBank

THE YEAR IN BRIEF



DEVELOPMENT IN 2016

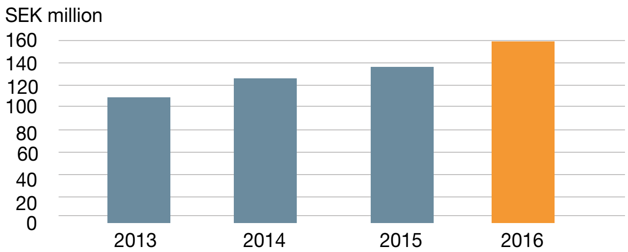
- Total operating income increased by 13.6 % to SEK 440.8 million
- The loan portfolio amounted to SEK 2,489 million on 31 December 2016, an increase of 35,5 % during the year
- Operating profit increased by 18.2 % to SEK 139.8 million
- Adjusted operating profit increased by 16.5 % to SEK 159.1 million [1]
- Net profit increased by 22.2 % to SEK 109.3 million
- Adjusted net profit increased by 19.9 % to SEK 124.3 million [1]
- The cost/income ratio was 38.6 % (37.0)
- CET1 capital ratio was 14.5 % (13.9) and the total capital ratio was 18.2 % (18.2)
- Earnings per share amounted to SEK 5.47 (4.34)
- Adjusted earnings per share amounted to SEK 6.16 (5.00) [1]
- The Board of Directors proposes to the Annual General Meeting a dividend of SEK 2.20 per share for 2016

SIGNIFICANT EVENTS

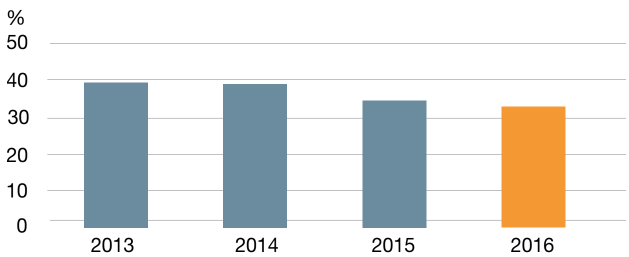
- On 14 June TF Bank listed its shares on the Nasdaq Stockholm. The offer was well received by the market. In total 5,661,553 shares (26.3 %) were offered at SEK 77 per share. Moreover, part of the option that the selling shareholders issued was exercised, which means that a total of 6,474,472 shares (30.1 %) were sold.
- During the third quarter TF Bank opened an office in Latvia. New lending in the Direct to Consumer segment started in October.
- In December the Norwegian FSA determined that TF Bank meets the requirements for a banking license in Norway through its subsidiary BB Finans.

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.

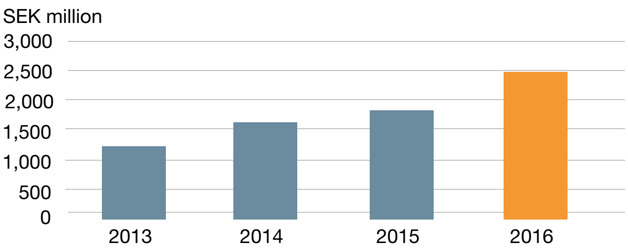
ADJUSTED OPERATING PROFIT [1], 2013-2016



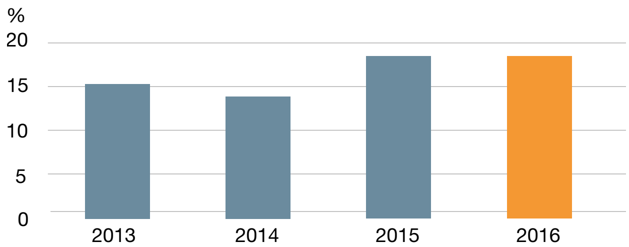
ADJUSTED RETURN ON EQUITY [1], 2013-2016



LOANS TO THE PUBLIC, 2013-2016



TOTAL CAPITAL RATIO, 2013-2016



[1] Adjustments were made for costs affecting comparability attributable to the IPO.

See separate section with definitions, page 74.

FINANCIAL CALENDAR

2017 Annual General Meeting	3 May 2017
Interim report January-March 2017	27 April 2017
Interim report January-June 2017	18 July 2017
Interim report January-September 2017	26 October 2017
Year-end report January-December 2017	8 February 2018

For further information www.tfbankgroup.com
or Investor Relations at ir@tfbank.se.

The Annual General Meeting 2017 will be held on Wednesday 3 May 2017 at 16:00 (CET) in Spårvagnshallarna, Birger Jarlsgatan 57A, Stockholm.

KEY FIGURES, GROUP

SEK million	2016	2015
Operating income	441	388
Operating income margin, %	20.2 %	22.4 %
Adjusted operating profit	159	137
Adjusted earnings per share, SEK	6.16	5.00
Loans to the public	2 489	1 838
Credit volume	2 392	1 675
Adjusted return on equity, %	32.8 %	34.5 %
Cost/income ratio, %	38.6 %	37.0 %
Total capital ratio, %	18.2 %	18.2 %
Employees (FTE)	98	78

See seperate section with definitions, page 74.

CEO'S COMMENTS

An historic year

TF Bank's 2016 results were the strongest in the company's long history. The listing of the company's shares on the Nasdaq in June was of course also a major milestone. To take a company through an IPO process is always a challenge but also an extremely valuable assessment. TF Bank was reviewed and analysed by several external, independent parties simultaneously and to receive an approval after that level of detailed review was not only a confirmation for the prospective new owners, but also for the Board, the management and all employees.

At the same time as we welcomed hundreds of new owners this year, the growth in the loan book reached 35 %. This was mainly driven by strong organic growth in Norway and Finland, but also by our continued expansion in Poland and the Baltics, which contribute increasingly to the company's broadening customer base. In addition to loan book development, growth in adjusted earnings per share reached 23 %, which is a clear demonstration of the robust business model that characterises the business.

Customers choose digital solutions

A number of niche banks have now taken their seats on the stock exchange in Sweden and in other countries, which is a clear sign of the banking industry's ongoing digitisation. TF Bank is proud to be a part of what is now called ”Diversified Financials” in an international context. The reduced need for personal bankers or physical branches for simpler bank services has never been more evident, even though the traditional banks obviously still have a major role to play.

The interaction between niche and traditional banks creates a win-win situation; customers receive a wider choice of services, better prices, for example on deposits, a higher level of availability and the ability to choose different institutions for their different financial needs. At the same time, the financial institutions get to focus on their respective segments, making product development possible, which ultimately benefits customers. That these two banking sectors can coexist has already been proven and the legitimacy of the niche banks' is no longer questioned, especially as one stop shopping is no longer relevant when it comes to banking.

Geographical diversification

The ongoing digitisation of banking has also made it possible for European banks to cross-border their businesses. On several occasions over the past year we have talked about our strategy to improve operational efficiency and increase the geographical diversification of the Group, which is evident when we sum up the year. We can now say that we have three stable core markets in Sweden, Finland and Norway and growing markets in the Baltics and Poland, which is a testament to the strength of the business model and the organisational flexibility within the Group. It is also a testament to the efficiency and growth capabilities inherent in digitisation. The strategy to utilise local expertise combined with core resources has facilitated a reduction in the Group's macroeconomic exposure to individual markets. The goal of increased geographic diversification is also reflected in the Group's financing as we now have deposits in Sweden, Finland and since early 2017 in Norway. The latter means that the Group's future financing needs will be met in other currencies, which we see as a further reduction of macroeconomic risk in the group.

Credit risk, social responsibility and corporate governance

With expansion comes increased responsibility. Responsible lending characterises our business regardless of segment, product or country. We continued to strengthen our credit-risk department during the year which gave results. The increasing use of our growing database for each country as well as our local presence provides opportunities for enhanced credit models resulting in lower risk for the Group and a better deal for our customers.

Risk and compliance are of course an integral part of our culture and we have strengthened both areas during the year. Furthermore, it is important that we in our daily work increase focus on issues related to the environment, social responsibility and corporate governance. Implementing the Swedish Corporate Governance Code has been ongoing during the year and has led to an increased focus on, amongst other things, sustainability. TF Bank's intention has been to implement the entire code as fast as possible from the time of listing but that it would be fully applied from the first Annual General Meeting the year after the listing.

We continue to build

On the first trading day on 14 June 2016, I spoke about the first day of the next phase of TF Bank's history. We are proud of all that has been accomplished during the year and we are excited about the next phase, when we will continue to develop existing products and markets and seek growth in new markets. That TF Bank has been characterised by growth combined with profitability for a long period of time is both positive and a sign of the professional pride that is central to our business processes, our employees and our customers' satisfaction. The focus for the coming year is to continue the strong growth while maintaining profitability, further develop our proprietary IT platform and credit models and work on product innovation.

Declan Mac Guinness
CEO

"TF Bank has established a strong position in the ongoing digitalisation of the banking industry, which has made it possible for us to effectively operate in several countries."

STABLE PLATFORM FOR GROWTH

In recent years, the Group has grown in terms of product offering, income and geographical presence. TF Bank currently offers consumer banking services through an in-house developed IT platform with a high level of automation designed for scalability and adaptability to different digital banking solutions.

Fast-growing North European niche bank
- Niche bank providing unsecured loans and credit cards to creditworthy retail customers in Northern Europe
- Product range that makes consumption and temporary financing possible
- Business model whereby a significant proportion of loans are applied for and processed online

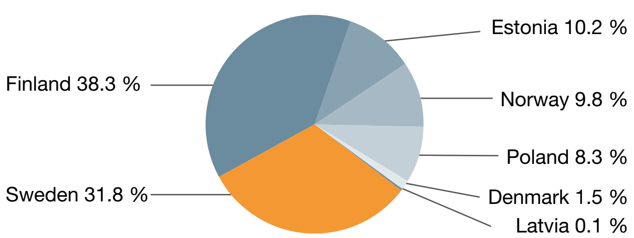
Proven ability to expand into new geographic markets – from the Swedish base to a broad North European presence
- Focus on consumer loans since the establishment in Sweden
- The Nordic region offers attractive markets for credit products based on access to information necessary to ensure a correct lending process and creditor protection tools
- Nordic expansion into Finland (1998), Norway (2003) and Denmark (2013)
- Nordic heritage and proven ability to grow geographically in the Baltic region and Poland
- Geographic distribution of the portfolio provides better diversification due to Norway's new position.

Focused initiatives directed towards clear market niches
- TF Bank's target group has traditionally been disadvantaged in obtaining finance, as traditional banks have had little interest in unsecured lending

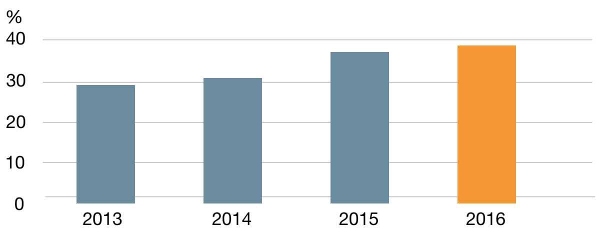
Operates through two complementary and synergistic segments, made possible by a strong IT platform
- TF Bank's business is lending to the public through two segments: Direct to Consumer and Sales Finance
- Direct to Consumer comprises loans to retail customers
- Sales Finance enables retailers to offer their customers financing options such as invoices and instalment plans
- 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

Stable business model with a high return
- The return is driven by (2013-2016 average):
  - High growth: CAGR 26.3 % in the loan portfolio
  - Cost efficiency: 33.8 % cost/income ratio
- High return enables significant reinvestments in the business and high attractive returns to shareholders

GEOGRAPHIC DISTRIBUTION OF INTEREST INCOME



COST/INCOME RATIO, 2013-2016



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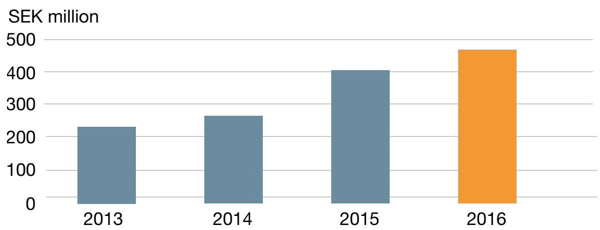
OWN FUNDS, 2013-2016



ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2016

The Board of Directors and Chief Executive Officer present the following annual report and consolidated financial statements for TF Bank, corporate identity number 556158-1041.

CONTENTS

Unless otherwise stated, all amounts refer to thousands of Swedish kronor (SEK thousand). Amounts in brackets refer to the previous year.

BOARD OF DIRECTORS' REPORT

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 whilst Sales Finance provides financing solutions to traders in e-commerce and retail for handling consumer invoice and instalment payments.

SIGNIFICANT EVENTS AND COMMENTS ON DEVELOPMENTS DURING THE YEAR

During the year, TF Bank has listed both a subordinated loan of SEK 100 million and the company's shares on the Nasdaq, Stockholm. The listing of the Company's shares was an historical event and concurrently a huge step for the Company. The offering comprised 5,661,553 existing

KEY FIGURES, GROUP

SEK thousand	2016	2015	2014	2013	2012
Income statement					
Operating income	440,799	388,013	347,360	292,379	272,117
Operating profit	139,824	118,315	127,322	109,939	96,663
Net profit for the year	109,268	89,409	99,543	86,324	67,222
Earnings per share, SEK	5.47	4.34	4.63	4.02	3.13
Balance sheet					
Loans to the public	2,489,283	1,837,578	1,633,820	1,234,158	1,221,426
Deposits from the public	2,284,645	2,229,562	1,953,403	1,522,288	1,263,376
Credit volume	2,391,729	1,675,309	1,190,859	662,072	694,324
Key figures					
Operating income margin, %	20.2	22.4	24.2	23.8	23.2
Net loan loss ratio, %	5.1	6.2	7.9	8.0	7.8
Cost/Income ratio, %	38.6	37.0	30.7	29.0	30.8
Return on equity, %	29.1	29.9	39.0	39.4	34.3
CET1 capital ratio, %	14.5	13.9	13.7	15.1	13.1
Total capital ratio, %	18.2	18.2	13.7	15.1	13.1
Employees (FTE)	98	78	51	36	31

ADJUSTED KEY FIGURES, GROUP

SEK thousand	2016	2015	2014	2013	2012
Operating profit	139,824	118,315	127,322	109,939	96,663
Items affecting comparability [1]	19,275	18,232	-	-	-
Adjusted operating profit	159,099	136,547	127,322	109,939	96,663
Adjusted income tax expense	– 34,797	– 32,917	– 27,779	– 23,615	– 29,441
Adjusted net profit for the year	124,302	103,630	99,543	86,324	67,222
Adjusted net profit attributable to the shareholders of the Parent company	132,538	107,456	99,543	86,324	67,222
Adjusted earnings per share, SEK [1]	6.16	5.00	4.63	4.02	3.13
Adjusted return on equity, %	32.8	34.5	39.0	39.4	34.3

[1] Items affecting comparability in 2015 relate to transaction costs associated with the cancelled initial public offering at the Frankfurt Stock Exchange. During 2016 earnings were adversely affected by costs related to the initial public offering at the Nasdaq Stockholm. All costs related to the initial public offering are reported as items affecting comparability.

[2] The tax effect related to the change in the value of unrealised currency derivatives affects the change in adjusted earnings per share of SEK 0.14 for the full year 2016 compared with the full year 2015.

See separate section with definitions, page 74.

shares (26.3 %) at SEK 77 per share. No new shares were issued. In addition, a large portion of the option granted by the selling shareholders (“Green Shoe”) was issued, meaning that a total of 6,474,472 shares (30.1 %) were sold. Earnings for 2016 were accounted for with costs related to the share listing at an amount totalling SEK 19.3 million. All costs related to the IPO are presented as items affecting comparability in this report.

The AGM was held in Borås on 12 April 2016. It was decided, inter alia, that with reference to the SEK 206 million at the AGM’s disposal, SEK 9.7 million would be distributed to shareholders and that SEK 197 million would be carried forward. The dividend was equivalent to SEK 0.45 per share. The AGM resolved to adopt the Board’s proposal for three personal options (2016: 1-3) covering a total of 775,772 stock options. The warrants were assigned to the CEO and senior executives. For the majority of the options, a payment equivalent to the market value was paid, which was reported as other capital within shareholders’ equity. Each option allows the holder to subscribe for one new share in the company and the full exercise of the options would lead to a maximum dilution of approximately 3.6 % of the total number of shares and votes in the company.

TF Bank’s financial performance continued in a positive trend with strong growth combined with increased earnings. Adjusted operating profit was SEK 159 million, an increase of 16.5 %. Operating income increased by 13.6 % to SEK 441 million. The Group’s lending to the public increased by 35.5 % to SEK 2,489 million and deposits from the public increased by SEK 55 million to SEK 2,285 million.

The Direct to Consumer segment accounted for an increase in lending of 39.6 % to SEK 2,076 million during the year. The segment represented 83.4 % of total loans and 84.4 % of total operating revenues. Lending in Norway, through the subsidiary BB Finans, continued in the same positive direction as it has done since the acquisition in the third quarter of 2015. Norway now represents 21 % of the Group’s total loans (+302 million) and the geographical diversification of the Group’s loan portfolio continues. In December, BB Finans received a decision from the Norwegian Financial Supervisory Authority that the company complies with the requirements for obtaining a Norwegian banking license. The Group will now evaluate the terms of the decision, which is valid for 12 months. Furthermore, lending in Latvia started during the year and a further subsidiary (TFB Service SIA) was established to deal with customer service.

The Sales Finance segment accounted in 2016 for 16.6 % of total loans and 15.6 % of total operating revenues. Lending to the public increased by SEK 63 million (+18.0 %) to SEK 413 million (350). The loan portfolio of the subsidiary Avarda, where TF Bank owns 51.0 %, showed particularly strong growth in the second quarter of 2016, but after the Finnish department store chain Antilla filed for bankruptcy in July 2016, the loan portfolio for Avarda stagnated. The bankruptcy affected the Group’s results only marginally, but it has had an effect on the growth rate of Avarda and thus the segment. Furthermore, the segment’s largest individual partner, Consortio Fashion Group (”CFG”), announced it would open negotiations to phase out sales under the brand name Halens, in part to focus on a long-term strategy to strengthen CFG’s overall competitiveness. The proposed measures aim to expand investment in CFG’s two stronger and more niched brands, thereby creating better conditions for future growth. The change will occur gradually in 2017 but TF Bank assesses that the impact on the Group as a whole is very limited as the Sales Finance segment accounts for a smaller part of the business.

The cost/income ratio increased during the year to 38.6 % (37). The average number of employees increased from 78 to 98. The development of BB Finans, the build-up of Avarda, IT staff and strengthening of core resources, including compliance and risk functions, explain the increase in the number of employees and the increased cost/income ratio. The composition of the Bank’s management and Board of Directors has not changed in 2016.

In conclusion, the bank is now very well positioned to continue to generate profitable growth with sustained cost control.

SIGNIFICANT EVENTS AFTER THE YEAR-END

On 25 January 2017 the Nomination Committee of Nordea Bank AB (publ) announced that Lars Wollung is nominated as new board member. Lars decided to retire from his role as director of TF Bank in order to comply with the maximum number of directorships. Withdrawal from the board took effect as of 1 March 2017.

RESULTS AND FINANCIAL POSITION

Operating profit increased by 18.2 % to SEK 139.8 million (118.3). Items affecting comparability related to the IPO impacted the net profit with SEK 19.3 million (18.2). Adjusted operating profit amounted to SEK 159.1 million (136.5), an increase of 16.5 %. Adjusted earnings per share increased to SEK 6.16 (5.00) and adjusted return on equity was 32.8 % (34.5).

Operating income

The Group’s operating income increased by 13.6 % to SEK 440.8 million (388.0) in 2016. The growth comes mainly from an increased loan balance in the Direct to Consumer segment. Operating income margin decreased to 20.2 % (22.4), mainly due to a change in the product mix as a result of lower margins in the acquired Norwegian company BB Finans.

Interest income
Interest income increased by 16.3 % to SEK 448.9 million (385.8) during the year. Strong organic growth during the year, particularly in Norway and Finland. Interest income for BB Finans amounted to SEK 38.7 million (9.4). Operations in Poland and Estonia are growing rapidly and also contributes to the Group's rising interest income.

Interest expenses
Interest expenses increased by 32.6 % to SEK 49.9 million (37.6) during the year. TF Bank issued a subordinated loan in December 2015, which affects the 2016 interest expense by SEK 6.3 million (0.3). In the past year lending growth occurred primarily in foreign markets where interest rates are slightly higher, which also contributes to the Group's increased interest expenses.

Net fee and commission income
Net fee and commission income increased by 3.7 % to SEK 41.1 million (39.9) during 2016. The Group's net fee and commission income consists primarily of reminder fees and income from insurance premiums. Growth reduced somewhat due to improved credit quality and an adjustment of the product mix in Poland, where new sales of insurance products has been discontinued due to legal requirements.

Operating expenses
The Group's operating expenses increased by 18.6 % to SEK 170.1 million (143.4). The average number of employees increased by 25.6 % to 98, which is mainly attributable to more staff in Norway, Poland and Finland. The cost/income ratio was 38.6 % (37.0) in 2016 with the increase largely related to the subsidiary Avarda. Operating expenses in Avarda rose by SEK 11.5 million in 2016, primarily due to higher personnel and IT costs.

Loan losses
The net loan losses increased by 3.3 % to SEK 111.6 million (108.0) whilst the net loan loss ratio reduced to 5.1 % (6.2). The changed product mix, as a result of the acquisition of BB Finans, had a positive impact on the loan loss ratio. The credit quality of the Group's loan portfolio has also generally improved compared to 2015.

Tax expenses
The Group's tax expenses totalled SEK 30.6 million (28.9). The average tax rate for the Group was 21.9 % (24.4). The comparative figure includes a significant tax effect relating to changes in the value of unrealised currency derivatives.

Lending
The Group's loans to the public increased by 35.5 % to SEK 2,489 million (1,838) during 2016. Currency effects had a positive impact on growth with 5.0 %. Norway and Finland accounted for most of the increase in the loans to the public, but increasingly the Group's operations in Estonia and Poland will also contribute to the growth. Credit volume amounted to SEK 2,392 million (1,675) during the year.

Deposits
The Group's deposits from the public decreased by 2.5 % to SEK 2,285 million (2,230). Deposits in Sweden decreased slightly during the year, while deposits in Finland continues to grow. A fixed interest account was launched in the Swedish market in December 2016 and during the first quarter of 2017 the bank started offering deposits in Norway.

Investments
Investments during the year amounted to SEK 12.0 million (82.4) and relates mainly to improvements in the Group's proprietary ledger system. The adjustments are made to meet the expected future growth in Sales Finance. The comparative figure takes into account the acquisition of BB Finans in 2015.

Cash and cash equivalents
The Group's cash and cash equivalents amounted to SEK 380.9 million (867.3) at the end of the year. The decline, due to the high lending growth for the Group, is in line with expectations to reduce the costs of holding liquidity when the interest rates to hold cash is negative. The Group's total available cash and cash equivalents, including undrawn credit facilities of approximately SEK 332 million, amounted to 31 % of deposits from the public. The bank sees this as a satisfactory level.

Capital adequacy
TF Bank's capital ratios continue to be significantly higher than the regulatory requirements. At the end of the interim period, the CET1 capital ratio was 14.5 % (13.9) and the total capital ratio was 18.2 % (18.2). Accordingly, the Group is well equipped to meet both increased regulatory capital requirements and higher capital requirements resulting from the Group's expected future growth.

RESULTS AND FINANCIAL POSITION FOR THE PARENT COMPANY

The Parent company's operating income for 2016 amounted to SEK 391.6 million (384.5). Net result from financial transactions charged to operating income of SEK -7.0 million (5.8), which is related to currency effects on shares in foreign subsidiaries.

The company's total operating expenses amounted to SEK 150.9 million (144.3), of which items affecting comparability related to the IPO of SEK 19.3 million (18.2). Operating profit amounted to SEK 135.3 million (133.0) during in 2016.

Loans to the public increased by 20.8 % to SEK 1,981 million (1,639) during the year. The amount includes loans to the subsidiary Avarda of SEK 44 million (0). Deposits from the public amounted to SEK 2,285 million (2,230) at year-end.

Loans to credit institutions decreased during the year and at year-end amounted to SEK 690 million (906). The amount includes loans to the subsidiary BB Finans of SEK 420 million (140).

The capital adequacy of the company remains at a stable level with a Tier 1 capital ratio of 17.0 % as at 31 December 2016 (15.4). The total capital ratio at year-end was 21.2 % (19.9), which is significantly higher than the legally required levels.

DIRECT TO CONSUMER

In the Direct to Consumer segment TF Bank provides consumer loans without collateral to creditworthy individuals. The loans range between SEK 45,000 and SEK 300,000 depending on the geographic market, with maturities of one to ten years. Norway distinguishes itself by offering the higher amount, although the average loan in Norway and other markets is significantly lower than the maximum offered. The average loan amount per customer for the Group amounted to approximately SEK 28,000 on 31 December 2016, with an average maturity of approximately 22 months. The most common use of the unsecured loans is to meet short-term financing needs such as holidays, home appliances, car repair and more.

The segment is the cornerstone of TF Bank's operations and accounted in 2016 for 83.4 % of total loans and 84.4 % of total operating revenues. Lending increased by 39.6 % to SEK 2,076 million during the year. This is a result of TF Bank's strategy to combine activities in more established markets, such as Finland and Sweden, with the recent acquisition of Norway and the expansion in the Baltic countries and Poland. Currency effects were positive at 5.5 %. New lending for the segment amounted to SEK 1,477 million (845) during the year.

Growth has been strong in most markets, but especially in Norway. The Norwegian company, BB Finans, which was acquired in Q3 2015, increased its loan portfolio by SEK 302 million (+160 %). The increase has however occurred with a high level of focus on credit quality.

Portfolio Growth in Finland ended at SEK 140 million (+24 %) and Estonia increased its portfolio by SEK 73 million (+46 %). Poland continued its stable development with improved credit quality and a portfolio increase of SEK 54 million (+63 %). The segment has thus delivered strong, broad and solid growth during the year.

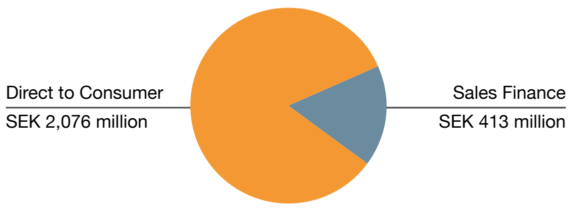
The segment's operating income, which comes with a lag compared to portfolio growth, rose by 15.8 % to SEK 372.2 million (321.5) and net interest income increased by 15.1 %. Net commission income increased by 23.5 % to SEK 22.6 million (18.3).

The segment's operating expenses rose during the year by 13.5 % to SEK 119.7 million (105.5). The ongoing expansion in Norway and Poland as well as higher personnel costs in central functions which have been allocated to the segment, explain the vast majority of the increase over the previous year. The segment's cost/income ratio was 32.2 % (32.8).

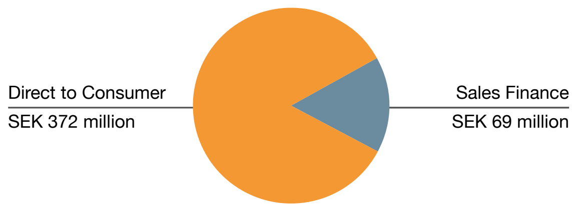
The segment's loan losses fell by 0.6 % to SEK 85.1 million (85.6). The decrease is primarily explained by improved credit quality and higher prices for the ongoing sale of non-performing loans in the Finnish market. Loan losses in BB Finans were lower than the average for the segment, which is increasingly important as the Norwegian portfolio grows in size.

The segment's operating profit increased by 28.3 % to SEK 167.3 million (130.4) during the year. The increase in operating income was affected not only by the growth but also by the improved credit quality. Costs related to the IPO have not been allocated to the respective segments.

LENDING BY SEGMENT



OPERATING INCOME BY SEGMENT



SALES FINANCE

In the Sales Finance segment TF Bank offers online payment solutions, invoices and instalment payments for merchants in e-commerce and retail. TF Bank's credit risk exposure is mainly to private individuals. As at 31 December, 2016, the average amount per outstanding loan was approximately SEK 1,500 and the average duration per loan was approximately 13 months.

Within Sales Finance segment TF Bank conducts operations in-house and through Avarda, a subsidiary with minority interests (see also Note 31). TF Bank manages its own existing customer base in the Nordic region. Outside this region, the bank is in the process of developing the service either in-house, through cross-border activities or through branches. Avarda, which is in the start-up phase, has its own staff and sales organisation, and focuses its activities exclusively on the Nordic markets, where the ambition is to grow and further establish itself. During the year we have seen that TF Bank's own Sales Finance operations in Poland and Estonia have been competitive and thereby able to sign numerous new merchants. Even Avarda has received confirmation that its business model is appreciated by larger merchants in e-commerce and retail. In cooperation with existing and prospective merchants, the company continued to develop its consumer and merchant-friendly platform, enabling all parties to get a digital solution that is smooth, easy to use and focusing on STP (Straight Through Processing).

The segment accounted for approximately 16.6 % of total loans and 15.6 % of total operating revenues in 2016. Lending to the public increased by SEK 63 million (+18.0 %) to SEK 413 million (350). Growth in Avarda and an increase in the Polish lending segment contributed to portfolio growth. Currency effects were positive at 2.7 %. New lending for the segment amounted to SEK 915 million (830) during the year.

The loan portfolio in Avarda showed particularly strong growth in the second quarter of 2016, but after the Finnish merchant Anttila filed for bankruptcy in July 2016, the loan portfolio for Avarda stagnated. The bankruptcy only marginally affected the Group's results, but it has had effects on the growth rate of Avarda. Both owners feel however confident in the growth plan in the business area where Avarda operates.

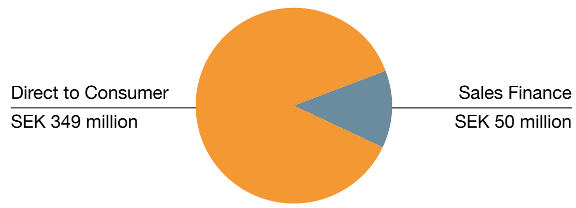
The segment's operating income increased by 3.2 % to SEK 68.6 million (66.5). Net interest income increased by 11.3 %, mainly due to increased interest income from Avarda. Net commission income decreased by 13.0 % to SEK 18.8 million (21.6), mainly due to a lower proportion of reminder fees from customers to the segment's largest retailers.

Operating expenses rose by 32.7 % to SEK 50.4 million (38.0), mainly due to more employees and IT development costs in Avarda as well as higher staff costs for central functions, which have been allocated to the segment. The segment's cost/income ratio was 73.4 % (57.1) for the full year in 2016.

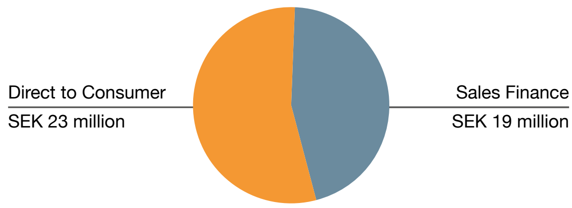
The segment's loan losses increased by 18.2 % to SEK 26.5 million (22.4). The increase is mainly attributable to the new volumes from Avarda in the second quarter in 2016.

The segment's operating profit attributable to shareholders of the parent company amounted to SEK 2.2 million (11.0) during the year. The decline in income is mainly due to the investment and operating costs relating to the start-up of operations in Avarda, but also in part to lower operating income from TF Bank's largest retailers. Costs related to the IPO have not been allocated to the segments.

NET INTEREST INCOME BY SEGMENT



NET FEE AND COMMISSION INCOME BY SEGMENT

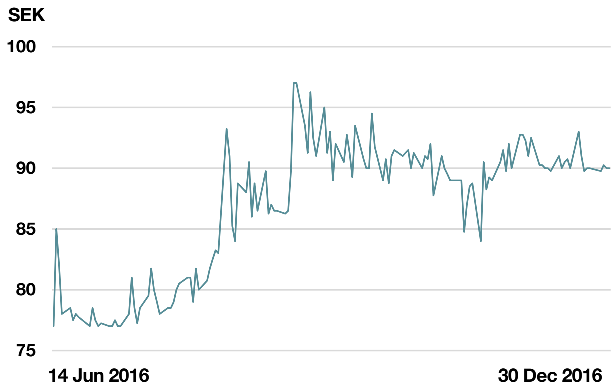


OTHER

THE SHARE (TFBANK)

TF Bank listed 14 June 2016 on the NASDAQ Stockholm Mid Cap list with a price per share of SEK 77 and a total number of shares of 21,500,000. The share price has developed positively during 2016 and at the end of the year it closed at SEK 90, an increase of approximately 17 %. During the period 14 June 2016 to 30 December 2016 the share's turnover on the Nasdaq Stockholm exchange amounted to 4.1 million shares at a value of about SEK 340 million. The share's ticker symbol is TFBANK and the ISIN code is SE0007331608.

TF BANK SHARE PRICE DURING 2016



ANNUAL GENERAL MEETING 2017

The Annual General Meeting 2017 will be held on Wednesday 3 May 2017 at 16:00 (CET) in Spårvagnshallarna, Birger Jarlsgatan 57A, Stockholm. Notice of the AGM is published on TF Bank's website, www.tfbankgroup.com.

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/income ratio of below 35 %.

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

PROPOSED DIVIDEND

The Board proposes to the AGM a dividend of SEK 2.20 per share for 2016. The total dividend payment to shareholders will be SEK 47.3 million.

DIVIDEND POLICY

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

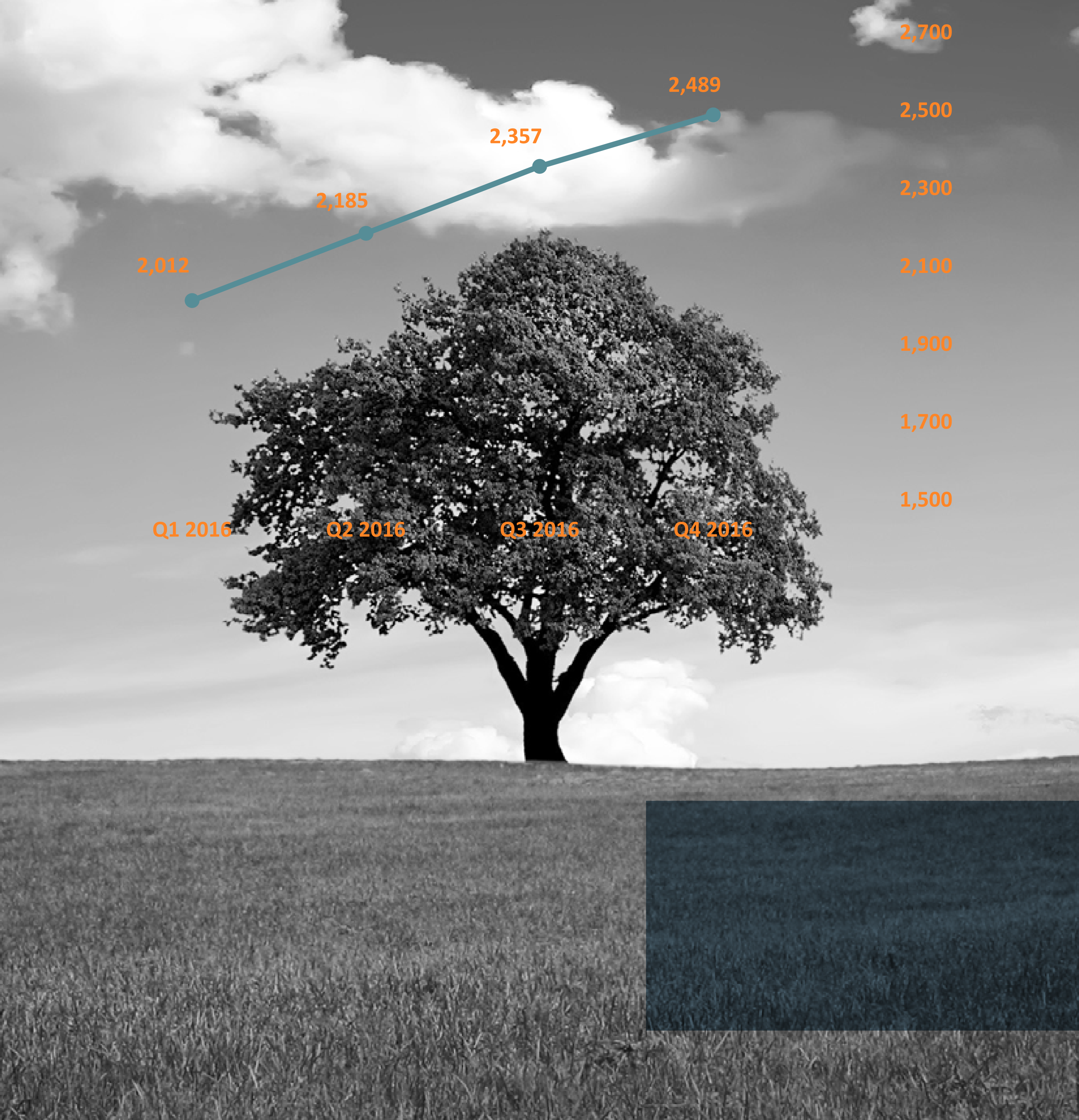
The payment of dividends, if any, by the Company and the amounts and timing thereof will depend on a number of factors, including TF Bank's future income, financial condition, capital requirements and the general economic environment. If TF Bank, as a result of its profit and dividend policy, generates 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.

RISKS AND UNCERTAINTIES

The Group is exposed to different types of risks such as: credit, market, liquidity and operational risk. In order to limit and control the risk in the business, the Board of Directors, which is ultimately responsible for internal control, establishes policies and instructions for lending and other activities within the Group. For a more detailed description of financial risks, the use of financial instruments and capital adequacy, see notes 3 and 33.

The Group's and Company's result and financial position at year-end is shown in the subsequent income statement, balance sheet, statement of changes in equity and cash flow statement together with accompanying notes.

LOAN PORTFOLIO DEVELOPMENT DURING 2016 IN SEK MILLION



INCOME STATEMENT, GROUP

SEK thousand	Note	2016	2015
Operating income			
Interest income	4, 5	448,870	385,846
Interest expense	6	– 49,870	– 37,602
Net interest income		**399,000**	**348,244**
Fee and commission income		49,045	45,882
Fee and commission expenses		– 7,654	– 5,960
Net fee and commission income	7	**41,391**	**39,922**
Net results from financial transactions		408	– 153
Total operating income		**440,799**	**388,013**
General administrative expenses	8, 9, 10	– 149,786	– 118,272
Depreciation, amortisation and impairment charges of tangible and intangible assets	11, 12	– 4,744	– 4,568
Other operating expenses	13	– 15,601	– 20,579
Total operating expenses		**– 170,131**	**– 143,419**
Profit before loan losses		**270,668**	**244,594**
Net loan losses	14	– 111,569	– 108,047
Items affecting comparability		– 19,275	– 18,232
Operating profit		**139,824**	**118,315**
Income tax expense	15	– 30,556	– 28,906
Net profit for the year		**109,268**	**89,409**
Attributable to:			
Shareholders of the Parent company		*117,504*	*93,235*
Non-controlling interests		*– 8,236*	*– 3,826*
Basic earnings per share (SEK)		*5.47*	*4.34*
Diluted earnings per share (SEK)		*5.47*	*4.34*

STATEMENT OF COMPREHENSIVE INCOME, GROUP

SEK thousand	2016	2015
Net profit for the year	109,268	89,409
Other comprehensive income:		
Gross fair value gains/losses on available for sale financial assets	228	-
Tax on fair value gains/losses during the year	-	-
Currency translation differences	609	– 1,278
Tax on currency translation differences during the year	1,576	– 1,339
Other comprehensive income, net of tax	**2,413**	**– 2,617**
Total comprehensive income for the year	**111,681**	**86,792**
Attributable to:		
Shareholders of the Parent company	*119,663*	*90,674*
Non-controlling interests	*– 7,982*	*– 3,882*

BALANCE SHEET, GROUP

SEK thousand	Note	31 Dec 2016	31 Dec 2015
Assets			
Cash and balances with central banks		30,510	29,445
Treasury bills eligible for refinancing		60,211	60,075
Loans to credit institutions	16, 17, 18	290,152	777,811
Loans to the public	16, 17, 19	2,489,283	1,837,578
Shares		263	-
Goodwill	20	12,673	11,536
Intangible assets	11	18,414	12,406
Tangible assets	12	1,610	1,516
Other assets	21	9,509	9,582
Current tax assets		11,697	1,288
Deferred tax assets	26	6,830	2,235
Prepaid expenses and accrued income	22	10,973	34,297
Total assets		**2,942,125**	**2,777,769**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	23	-	516
Deposits and borrowings from the public	17, 24	2,284,645	2,229,562
Other liabilities	25	17,853	25,925
Current tax liabilities		5,213	-
Deferred tax liabilities	26	14,597	14,253
Accrued expenses and prepaid income	27	53,490	59,280
Subordinated liabilities	28	97,040	97,000
Total liabilities		**2,472,838**	**2,426,536**
Equity			
Share capital (21,500,000 shares of SEK 5 each)		107,500	107,500
Accumulated other comprehensive income		1,486	– 673
Other reserves		1,934	-
Retained earnings		228,428	144,868
Net profit for the year attributable to the shareholders of the Parent company		117,504	93,235
Total equity attributable to the shareholders of the Parent company		**456,852**	**344,930**
Non-controlling interests		12,435	6,303
Total equity		**469,287**	**351,233**
Total liabilities and equity		**2,942,125**	**2,777,769**

STATEMENT OF CHANGES IN EQUITY, GROUP

SEK thousand	Attributable to the shareholders of the Parent company					Non-control-ling interests	Total equity
	Share capital	Other compre-hensive income	Other reserves	Retained earnings	Net profit for the year		
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 year	-	– 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	-
Dividend	-	-	-	– 18,105	-	-	– 18,105
Bonus issue	102,500	-	-	– 102,500	-	-	-
New share issue	-	-	-	39	-	980	1,019
Shareholders’ 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	-	-	-	-	117,504	– 8,236	109,268
Gross fair value gains/losses on available for sale financial assets	-	228	-	-	-	-	228
Tax on fair value gains/losses during the year	-	-	-	-	-	-	-
Gross currency translation differences	-	355	-	-	-	254	609
Tax on currency translation differences during the year	-	1,576	-	-	-	-	1,576
Total comprehensive income for the year, net of tax	**-**	**2,159**	**-**	**-**	**117,504**	**– 7,982**	**111,681**
Transfer from retained earnings	-	-	-	93,235	– 93,235	-	-
Dividend	-	-	-	– 9,675	-	-	– 9,675
Option premium	-	-	1,934	-	-	-	1,934
Shareholders’ contribution	-	-	-	-	-	14,114	14,114
Balance as at 31 Dec 2016	**107,500**	**1,486**	**1,934**	**228,428**	**117,504**	**12,435**	**469,287**

CASH FLOW STATEMENT, GROUP

SEK thousand	2016	2015
Operating activities		
Operating profit	139,824	118,315
Adjustment for items not included in cash flow:		
Depreciation of tangible assets	4,744	4,568
Accrued interest income and expense	– 4,097	– 8,198
Other non-cash items	4,029	– 1,240
Paid income tax	– 37,328	– 12,074
	107,172	**101,371**
Increase/decrease in loans to the public	– 651,705	– 42,081
Increase/decrease in other short-term claims	19,325	1,462
Increase/decrease in deposits and borrowings from the public	55,083	240,019
Increase/decrease in other short-term liabilities	– 10,207	– 34,701
Cash flow from operating activities	**– 480,332**	**266,070**
Investing activities		
Investments in tangible assets	– 921	– 630
Investments in intangible assets	– 11,062	– 7,999
Acquisition of associated undertakings	-	– 73,741
Cash flow from investing activities	**– 11,983**	**– 82,370**
Financing activities		
New share issue	-	1,019
Shareholders' contribution	14,114	9,310
Change in liabilities to credit institutions	– 516	516
Issue of subordinated Tier 2 loan	-	97,000
Group contributions paid	-	– 56,840
Dividends paid	– 9,675	– 18,105
Option premium	1,934	-
Cash flow from financing activities	**5,857**	**32,900**
Cash flow for the year	**– 486,458**	**216,600**
Cash and cash equivalents at the beginning of year	**867,331**	**650,731**
Cash and cash equivalents at the end of year	**380,873**	**867,331**
Cash flow from operating activities includes interest expenses paid and interest payments received with the following amounts:		
Interest expenses paid	53,181	45,176
Interest payments received	423,817	388,957

INCOME STATEMENT, PARENT COMPANY

SEK thousand	Note	2016	2015
	2, 3, 30		
Operating income			
Interest income	5	411,993	377,540
Interest expense	6	– 49,209	– 37,153
Net interest income		**362,784**	**340,387**
Fee and commission income		40,245	43,161
Fee and commission expenses		– 4,527	– 4,844
Net fee and commission income	7	**35,718**	**38,317**
Net results from financial transactions		– 6,950	5,826
Total operating income		**391,552**	**384,530**
General administrative expenses	8, 9, 10	– 132,789	– 120,285
Depreciation, amortisation and impairment charges of tangible and intangible assets	11, 12	– 3,327	– 4,011
Other operating expenses	13	– 14,771	– 19,980
Total operating expenses		**– 150,887**	**– 144,276**
Profit before loan losses		**240,665**	**240,254**
Net loan losses	14	– 105,371	– 107,207
Operating profit		**135,294**	**133,047**
Appropriations	29	-	171
Income tax expense	15	– 29,251	– 31,659
Net profit for the year		**106,043**	**101,559**

STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY

SEK thousand	2016	2015
Net profit for the year	106,043	101,559
Other comprehensive income		
Items that may be reclassified subsequently to the income statement		
Currency valuation differences during the year, net of tax	-	-
Other comprehensive income, net of tax	**-**	**-**
Total comprehensive income for the year	**106,043**	**101,559**

BALANCE SHEET, PARENT COMPANY

SEK thousand	Note	31 Dec 2016	31 Dec 2015
	2, 3, 30		
Assets			
Cash and balances with central banks		30,510	29,445
Treasury bills eligible for refinancing		60,211	60,076
Loans to credit institutions	16, 17, 18	690,360	905,711
Loans to the public	16, 17, 19	1,980,558	1,639,150
Shares in group companies	31	100,862	86,145
Intangible assets	11	15,137	9,131
Tangible assets	12	1,100	1,362
Other assets	21	7,740	8,778
Current tax assets		12,413	2,004
Prepaid expenses and accrued income	22	8,680	28,533
TOTAL ASSETS		**2,907,571**	**2,770,335**
Liabilities and equity			
Liabilities			
Deposits and borrowings from the public	23	-	-
Other liabilities	17, 24	2,284,645	2,229,562
Deferred tax liabilities	25	14,062	21,594
Accrued expenses and prepaid income		783	-
Subordinated liabilities	27	44,844	54,281
Total liabilities	28	97,040	97,000
Summa skulder		**2,441,374**	**2,402,437**
Untaxed reserves	32	52,621	52,621
Equity			
Restricted equity			
Share capital (21,500,000 shares of SEK 5 each)		107,500	107,500
Other restricted reserve		9,313	1,000
Share premium reserve		1,931	-
Total restricted equity		**118,744**	**108,500**
Non-restricted equity			
Retained earnings		188,789	105,218
Net profit for the year		106,043	101,559
Total non-restricted equity		**294,832**	**206,777**
Total equity		**413,576**	**315,277**
TOTAL EQUITY, UNTAXED RESERVES AND LIABILITIES		**2,907,571**	**2,770,335**

STATEMENT OF CHANGES IN EQUITY, PARENT COMPANY

SEK thousand	Restricted capital				
	Share capital	Other restricted reserve	Share premium reserve	Non-restricted equity	Total equity
Balance as at 1 Jan 2015	**5,000**	**1,000**	**-**	**225,789**	**231,789**
Net profit for the year	-	-	-	101,559	101,559
Other comprehensive income					
Currency translation differences, net of tax	-	-	-	-	-
Total comprehensive income for the year, net of tax	**-**	**-**	**-**	**101,559**	**101,559**
Bonus issue	102,500	-	-	– 102,500	-
Dividend	-	-	-	– 18,105	– 18,105
Translation difference	-	-	-	34	34
Balance as at 31 Dec 2015	**107,500**	**1,000**	**-**	**206,777**	**315,277**
Balance as at 1 Jan 2016	**107,500**	**1,000**	**-**	**206,777**	**315,277**
Net profit for the year	-	-	-	106,043	106,043
Other comprehensive income					
Currency translation differences, net of tax	-	-	-	-	-
Total comprehensive income for the year, net of tax	**-**	**-**	**-**	**106,043**	**106,043**
Dividend	-	-	-	– 9,675	– 9,675
Capitalisation of development costs	-	8,745	-	– 8,745	-
Amortisation of capitalised development costs	-	– 432	-	432	-
Option premium	-	-	1,931	-	1,931
Balance as at 31 Dec 2016	**107,500**	**9,313**	**1,931**	**294,832**	**413,576**

CASH FLOW STATEMENT, PARENT COMPANY

SEK thousand	2016	2015
Operating activities		
Operating profit	135,294	133,047
Adjustment for items not included in cash flow:		
Depreciation of tangible assets	3,327	4,011
Accrued interest income and expense	– 2,845	– 7,256
Other non-cash items	40	34
Paid income tax	– 39,660	– 14,042
	96,156	**115,794**
Increase/decrease in loans to the public	– 341,408	– 5,330
Increase/decrease in other short-term claims	20,425	4,159
Increase/decrease in deposits and borrowings from the public	55,083	276,159
Increase/decrease in other short-term liabilities	– 12,875	– 30,978
Cash flow from operating activities	**– 182,619**	**359,804**
Investing activities		
Investments in tangible assets	– 325	– 496
Investments in intangible assets	– 8,746	– 7,757
Acquisition of associated undertakings	– 14,717	– 85,101
Cash flow from investing activities	**– 23,788**	**– 93,354**
Financing activities		
Issue of subordinated Tier 2 loan	-	97,000
Group contributions paid	-	-
Dividends paid	– 9,675	– 18,105
Option premium	1,931	-
Cash flow from financing activities	**– 7,744**	**78,895**
Cash flow for the year	**– 214,151**	**345,345**
Cash and cash equivalents at the beginning of year	**995,232**	**649,887**
Cash and cash equivalents at the end of year [1]	**781,081**	**995,232**
Cash flow from operating activities includes interest expenses paid and interest payments received with the following amounts:		
Interest expenses paid	45,898	29,579
Interest payments received	404,792	480,446

[1] Cash and cash equivalents is made up of loans to credit institutions. The amount includes loans to the subsidiary BB Finans of SEK 420 million (140).

NOTES

PARENT COMPANY AND GROUP

NOTE 1 General information

TF Bank AB, corporate identity number 556158-1041, has a bank license.

TF Bank AB is a limited liability company with registered office in Sweden. The address of the head office is Box 947, SE-501 10 Borås, Sweden.

OWNERSHIP IN TF BANK AB AS AT 31 DECEMBER 2016 (ACCORDING TO THE SHAREHOLDERS' REGISTER):

Shareholder	
TFB Holding AB	47.03 %
Merizole Holding LTD	7.01 %
Erik Selin Fastigheter AB	6.97 %
Swedbank Robur fonder	6.00 %
SEB Life International	3.90 %
Danica Pension Försäkrings AB	3.43 %
Proventus Aktiebolag	3.00 %
Pareto Nordic Return	2.35 %
Clearstream Banking S.A.	1.56 %
Gurrfinans AB	1.56 %
Other shareholders	17.19 %
Total	**100 %**

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

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

Subsidiaries
- TFB Service OÜ (12676808) 100 %
- TFB Service SIA (40203015782) 100 %
- Avarda AB (556986-5560) 51 %
- Avarda Oy (2619111-6) 51 %
- BB Finans AS (935590221) 100 %
- Confide AS (948063603) 100 %

The annual report for the financial year 2016 was approved for publication by the Board of Directors on 4 April 2017 and will be presented for adoption at the 2017 AGM.

NOTE 2 Accounting policies and valuation principles

The principal accounting policies applied in preparing this annual report are set out below. Unless otherwise stated, these policies have been applied consistently for all the years presented.

The Group's consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations of these standards adopted by the European Union (EU). The accounting follows the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), Supplementary Accounting Rules for groups RFR 1, issued by the Swedish Financial Reporting Board, as well as the regulation and general guidelines issued by the Swedish Financial Supervisory Authority (Swedish FSA), Annual Reports in Credit Institutions and Securities Companies (FFFS 2008:25).

The Parent company's accounts have been prepared in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and the regulation and general guidelines issued by the Swedish FSA, Annual Reports in Credit Institutions and Securities Companies (FFFS 2008:25). The Parent company applies statutory IFRS, which implies IFRS as approved by the European Union and taking into account the limitations and additions that follows from the Swedish Financial Reporting Board's recommendation RFR 2 and FFFS 2008:25. As a result, the Parent company's accounts are prepared using the same accounting principles and valuation adjustments as the Group, except as stated below.

Accounting estimates and judgements
Preparing the financial statements in accordance with IFRS requires the use of important accounting estimates. Estimates and judgements are evaluated continuously and based on historical experience and other factors, including expectations of future events that are deemed reasonable under existing circumstances. The Group makes forward-looking estimates and assumptions, and accounting estimates resulting from these will, by definition, rarely agree with the actual outcomes. The main area involving a high degree of judgement, where assumptions and estimates have a material impact on the financial report, is provisions for loan losses. The Group's approach is described in notes 2, 3 and 20.

GROUP
New and amended standards, as well as interpretations applied by the Group
None of the IFRS or IFRS Interpretations Committee (IFRIC) interpretations, which are mandatory for the first time for the financial year beginning 1 January 2016 have had any material impact on the Group's earnings or financial position.

New standards, amendments and interpretations of existing standards which have not been adopted nor been applied in advance by the Group
IFRS 9 Financial instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains, but simplifies, the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income, and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual characteristics of the financial asset. There will be three business models for debt instruments that are financial assets which govern the valuation category to be applied. To report a financial asset at amortised cost it is required, apart from being consistent with the business model, that the asset's contractual terms and conditions at any given time only gives rise to cash flows related to the payments of principal and interest. Even if the financial asset meets the definition in terms of business model and the cash flows are solely payments of principal and interest the company can, similarly to IAS 39, choose to apply at fair value through the profit or loss. Debt instruments that are financial assets and meets the definition of SPPI but whose business model does not lead to recognition at amortised cost are recognised at fair value through other comprehensive income or income statement, depending on the business model. Investments in equity are required to be measured at fair value through profit or loss with the option at inception to present changes in fair value in other comprehensive income. No reclassification to the income statement will then be made when the instrument is disposed of. Stand-alone derivative instruments are recognised at fair value through profit or loss.

IFRS 9 also introduces a new model for calculating provisions for loan losses based on expected losses. This means that the recognition of credit losses should be based on expected loss events and not incurred loss events. Financial assets that are subject to amortisation are divided into three categories based on the risk of default. The first category includes assets with no substantial increase in the credit risk at the time of reporting, the second includes assets with substantial increase in credit risk, and the third category includes assets where there is objective evidence of impairment. For assets

Note 2 cont.

in the first category, the impairment losses are recognised based on expected losses over the next twelve months, while for the second and third categories the expected losses over the life of the asset are recognised. This means that write-downs for anticipated losses shall be reported at initial recognition.

For financial liabilities there is no change in the classification and valuation except in cases where a liability is recognised at fair value through profit or loss based on the fair value option. Changes in the value attributable to changes in credit risk are then reported in other comprehensive income.

IFRS 9 changes the requirements for the application of hedge accounting whereby criteria 80-125 are replaced with the requirement for economic relationships between hedging instruments and hedged items and the hedge ratio should be the same as used in risk management. Similarly, there are some changes of the hedge documentation compared with those under IAS 39. The standard is effective for fiscal years beginning 1 January 2018 and it has been adopted by the EU. Earlier application is permitted. TF Bank will not apply IFRS 9 early.

TF Bank is at the time of the publication of the Annual Report evaluating the effects of IFRS 9 relating to classification and valuation. A project is carried out where all financial assets are evaluated based on the business model and the characteristics. In this regard, the Bank does not expect the adoption of IFRS 9 will have any significant impact on either the bank's balance sheet and income statement or equity, although some effect cannot be ruled out. Nor is any significant impact expected from the classification and valuation of the bank's capital adequacy, large exposures and risk management. Furthermore, the bank is carrying out a project to adapt the company's recognition of impairment losses on financial assets to IFRS 9 and feel confident with the quality of the data that forms the basis for further modelling. The bank is not yet able to quantify the effects of the transition but believes that the impairments will increase as a result of the inclusion fully performing assets in the calculation of expected credit losses. The Basel Committee is expected to issue new rules for the transition to IFRS 9 regarding the capital adequacy rules, probably with a phasing-in over three to five years, but as yet no final rules presented. In terms of hedge accounting the bank does not believe that the introduction of IFRS 9 will have a significant impact.

IFRS 15 ”Revenue from contracts with customers”. IFRS 15 is the new standard for revenue recognition. IFRS 15 supersedes IAS 18 “Revenue” and IAS 11 “Construction contracts” and all related interpretations (IFRIC and SIC). IFRS 15 recognises revenue when the customer takes control over the sold goods or services, a principle which replaces the previous principle where revenue is recognised when the risks and benefits have been transferred to the buyer. The basic principle of IFRS 15 is that a company recognises revenue in the manner that best reflects the transfer of the promised goods or services to the customer. A company can choose between ”full retroactivity” or forward application with additional information. The standard is effective for fiscal years beginning 1 January 2018 and has been adopted by the EU. Earlier application is permitted. TF Bank does not intend to adopt IFRS 15 early. The Group has not yet assessed the impact of IFRS 15.

IFRS 16 ”Leases” mainly affects the accounting for lessees and will lead to nearly all leases being recognised in the balance sheet. The standard removes the distinction between operating and finance leases in IAS 17 and requires that the right to use the leased asset is recognised as an asset in the balance sheet and a financial liability equal to the leasing payments is reported. A voluntary exception can be made for short-term contracts and agreements with low value. The income statement is also affected by higher costs at the beginning of the contract and lower costs at the end. Operating profit is affected by the replacement of rental expenses by interest expenses and depreciation. Cash flow from operating activities will be higher because the payment of the principal amount of the lease liability is accounted for as cash flow from financing activities and only the portion of the payment relating to the interest rate will be reported as cash flow from operating activities.

The accounting of the lessor will not be materially affected. Differences from the current standard may arise as a result of the new definition of a lease. IFRS 16 is, or contains, an agreement a lease if it entails a right to control an identified asset over a period of time in exchange for payment. The standard, which is not adopted by the EU, is effective for fiscal years beginning 1 January 2019. Earlier application is permitted if IFRS 15 is applied from the same reporting date. TF Bank has not yet evaluated the impact of IFRS.

There are no other IFRS or IFRIC interpretations, which are not yet effective, that are expected to have a material impact on the Group.

Consolidation
The consolidated financial statements include subsidiaries over which the Group has control. The Group controls an entity when it is exposed to or has the rights to a variable return from its involvement with the entity and has the ability to affect those returns through its control over the entity. Subsidiaries are fully consolidated from the date when the controlling interest is transferred to the Group. Subsidiaries are excluded from the consolidated financial statements as of the date when the controlling interest ceases to exist.

The acquisition method is applied to account for business combinations, which means that the subsidiary's equity is fully eliminated upon acquisition. Consequently, consolidated equity only includes the portion of the subsidiary's equity which has accrued since the acquisition.

When the Group ceases to have control over a subsidiary any retained interest is measured at fair value as of the date when control is lost, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount with the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. Any amounts relating to the disposed asset previously recognised in other comprehensive income are presented as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified and accounted for in the income statement.

Foreign currency translation
Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are reported in Swedish kronor (SEK), which is the Group's presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement. Exceptions are made when the transactions constitute hedges that qualify for hedge accounting of cash flows or net investments, where gains/losses are recognised in other comprehensive income.

Group companies
The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet are translated at the balance sheet date closing rate;

Note 2 cont.

- Income and expenses for each income statement are translated using the average exchange rate for the year, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions; and
- All resulting currency exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange rate differences arising from the acquisition are recognised in other comprehensive income.

Segmental reporting
Operating segments are accounted for in a way that is consistent with the internal reports submitted to the function that is responsible for allocating resources and assessing the results of operating segments. The CEO has been identified to have this function within the Group.

Tangible assets
Tangible assets are stated at historical cost less depreciation. The carrying amount of an asset is increased if there are expenditures that improve an asset's efficiency above the original level. Expenditure for repairs and maintenance is expensed.

Tangible assets are systematically depreciated over the asset's estimated useful life. Any residual value is taken into account when calculating the depreciable amount of the asset. All types of tangible assets are depreciated on a straight-line basis using the following depreciable lives:

IT equipment	36 months
Other equipment	60 months

Intangible assets
Development costs directly attributable to the development and testing of identifiable and custom software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it can be used;
- The company intends to complete the software for use or to sell it;
- Conditions are such that the software can be used or sold;
- It can be shown how the software will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- The development expenditure attributable to the software can be measured reliably.

Intangible assets are stated at cost less amortisation. Intangible assets are amortised on a straight-line basis over their useful lives, subject to a limit of 60 months, from the time the asset is ready for use.

Goodwill
Goodwill arises through the acquisition of subsidiaries and refers to the amount by which the purchase price, any non-controlling interest in the acquired company and the fair value at the acquisition date of previous equity in the acquired company, exceed the fair value of the identifiable net assets acquired. If the amount is less than the fair value of the acquired subsidiary's net assets, in the event of an acquisition at a low price, the difference is recognised directly in the income statement.

Goodwill is tested for impairment annually, or more frequently, if events or a change in the circumstances indicate a possible impairment. The carrying value of the cash-generating unit to which the goodwill is assigned is compared with the recoverable amount, which is the higher of value in use and fair value less selling costs. Any impairment is recognised immediately as an expense and not reversed.

Financial instruments – Recognition and measurement
Financial assets
The classification of financial assets depends on the purpose for which the asset was acquired. The Board of Directors decides on the classification upon initial recognition of the assets. TF Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available for sale financial assets. In accordance with IFRS 7, the Group discloses information on fair value measurement and liquidity risk. The disclosure includes information on fair value measurement by fair value hierarchy levels, see note 3.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets that are held for trading. A financial asset is classified in this category if it is acquired primarily for the purpose of selling it in the short-term. Assets in this category are classified as current assets and recognised in other assets.

Loans and receivables
Loans and receivables are non-derivative financial assets which are not listed on an active market and have fixed or determinable payments. The Group's holdings in this category are classified in the balance sheet in Cash and balances with central banks, Loans to credit institutions, Loans to the public and Other assets. Loans and receivables are stated at amortised cost less any impairment.

Available for sale financial assets
Available for sale financial assets are non-derivatives which have been identified as available for sale or not been classified in any of the other categories. The Group's available for sale financial assets consist of Treasury bills eligible for refinancing.

Financial liabilities
The Group classifies its financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities. In accordance with IFRS 7, the Group discloses information on fair value measurement. The disclosure includes information on fair value measurement by fair value hierarchy levels, see note 3.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss are financial liabilities that are held for trading. A financial liability is classified in this category if it is acquired primarily for the purpose of selling it in the short-term. Derivatives are classified as held for trading unless the Group applies hedge accounting. The change in fair value is recognised in the income statement in Net results from financial transactions. Liabilities in this category are recognised in Other liabilities.

Other financial liabilities
Other financial liabilities are accounted for in Liabilities to credit institutions and Deposits and borrowings from the public. They are measured at amortised cost.

Financial instruments – Other accounting policies
Purchases and sales of financial instruments are recognised at the trade date with the exception of loans and deposits, which are recognised at the settlement date. Financial instruments are initially recognised at fair value plus transaction costs except for financial

Note 2 cont.

instruments measured at fair value through profit or loss, which are initially measured at fair value. Financial instruments are derecognised when the rights to receive cash flows from the instruments have expired.

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 provision 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; and
- 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 difference 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, see note 14.

Derivative instruments and hedging
Derivatives are recognised in the balance sheet on the contract date and measured at fair value, initially as well as in subsequent revaluations. The method of recognising the resulting gain or loss arising from the revaluation depends on whether the derivative is designated as a hedging instrument, and if so, the characteristics of the item being hedged. The Group designates certain derivatives as hedges of a net investment in a foreign entity (net investment hedges).

At the time of the transaction, the Group documents the relationship between the hedging instruments and the hedged items, as well as the Group’s risk management objectives and strategy for undertaking the hedge. Furthermore, the Group documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the derivatives used to hedge the transactions are effective in offsetting changes in fair value or cash flows attributable to the hedged items.

Information on the fair value of various derivative instruments used for hedging are presented in note 3. The full fair value of a derivative designated as a hedging instrument is classified as a current asset or liability when the hedged item’s remaining maturity is less than 12 months. Derivatives held for trading are always classified as current assets or current liabilities.

The effective portion of changes in fair value of derivatives designated as a hedge of the net investment in foreign entities and which meet the conditions for hedge accounting are recognised in other comprehensive income. The portion of the gain or loss of the hedging instrument relating to the effective hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement.

Accumulated gains and losses in equity are recognised in the income statement when the foreign entity is disposed of in whole or in part.

Income taxes
The current income tax expense is calculated on the basis of the enacted tax laws, or substantially enacted tax laws at the balance sheet date in the country in which the Group operates and generates taxable income. Management periodically evaluates positions taken with respect to situations in which applicable tax regulations are subject to interpretation and, when deemed appropriate, provisions for amounts expected to be paid to the tax authorities.

Reported income tax expense comprise tax that is payable or due in respect of the current year and adjustments relating to the current tax for previous years. Items reported in the income statement and items reported directly in equity includes the associated tax effects.

Deferred income tax is calculated by applying tax rates (and laws) that have been enacted or substantially enacted at the balance sheet date and that are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

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

Employee benefits
Pension plans are funded through payments to insurance companies. The Group only has defined contribution pension plans. Defined contribution pension plans are post-employment benefit plans under which the Group pays fixed contributions into a separate legal entity. The Group has no legal or other obligations to pay further contributions if the fund does not have sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

Provisions
Provisions are recognised when the Group has a legal or informal obligation arising from past events, it is more probable than not

Note 2 cont.

that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Restructuring provisions are recognised when a detailed formal plan exists and a well-founded expectation among those affected. Provisions for future guarantee claims refer to the next few years and are based on historical information on guarantee claims as well as current trends which could indicate that future claims will differ from past claims. No provisions are made for future operating losses.

The class of obligations as a whole is considered when determining the likelihood of the requirement of an outflow of resources where there are a number of similar obligations. A provision is recognised even if the likelihood of an outflow with respect to any one item in the same class of obligations is small.

Interest income
Interest income is recognised over the term of the loan by applying the effective interest rate method. Transaction costs in connection with borrowing and lending are thus accounted for as part of the loan. Transaction costs refer brokerage commissions. Transaction costs and origination fees are amortised over the expected life of the loan. Billing and notification fees are also included in interest income using the effective interest rate method.

Fee and commission income and fee and commission expenses
The Group recognises fees for insurance premiums, reminder fees and other fees in Fee and commission income. Fee income and commission income is recognised as income in the period in which it is earned. Fee and commission expenses are expenses which are attributable to commissions, services and fees relating to the earning of fees and commissions for insurance premiums.

Net results from financial transactions
The line item refers to foreign exchange revaluation of assets and liabilities in a foreign currency as well as changes in the fair value of derivatives related to foreign currency derivative hedges.

Cash flow statement
The cash flow statement has been prepared using the indirect method. The reported cash flow only includes transactions involving incoming or outgoing payments. Cash and cash equivalents include Cash and balances with central banks, Treasury bills eligible for refinancing, and Loans to credit institutions.

THE PARENT COMPANY HAS APPLIED THE SAME ACCOUNTING PRINCIPLES WITH THE ADDITIONS BELOW
Shares in group companies
Shares in group companies are recognised at cost plus transaction costs less any impairments. An estimate of the recoverable amount is performed when there is an indication that investments in the subsidiaries have decreased in value. An impairment is taken if the estimated amount is lower than the carrying amount. Impairments are recognised in the line item Income from shares in group companies and Income from participations in associated companies.

Income taxes
The current income tax expense is calculated on the basis of the enacted tax laws, or substantially enacted tax laws in the country in which the company operates and generates taxable income, i.e., Sweden. Management periodically evaluates the claims made in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and, when deemed appropriate, provisions for amounts expected to be paid to the tax authorities.

Reported income taxes comprise tax that is payable or due in respect of the current year and adjustments relating to the current tax for previous years. Items reported in the income statement and items reported directly in equity includes the associated tax effects.

The amounts allocated to untaxed reserves for the Parent company consists of taxable temporary differences. The deferred tax liability attributable to untaxed reserves is not reported separately because of the relationship between accounting and taxation. The gross amounts are reported in the balance sheet. The gross amounts for appropriations are reported in the income statement.

Dividend
Dividend to TF Bank's shareholders is recognised as a liability in the company's financial statements in the period in which the dividend is approved by TF Bank's shareholders.

Group contributions
Both received and paid group contributions are reported as appropriations in accordance with the alternative rule in RFR 2. The tax effect of received and paid group contributions are reported in the income statement in accordance with IAS 12.

NOTE 3 Financial risks and financial risk management

Financial risk factors
The Group is, through its activities, exposed to several types of financial risk: market risk (including significant currency risk 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 derivatives to hedge certain currency exposures and applies hedge accounting for certain net investments of its foreign entities.

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.

Market risk
(i) Currency risk
The Group's currency risk is partly of a structural (translation risk) nature and partly of an operational (transaction risk) nature.

Translation risk refers to currency risk which arises because the Group holds positions in foreign entities whose net assets are exposed to currency risk when these are translated into SEK in the Group's accounts. TF Bank has a subsidiary in Estonia, TFB Service OÜ (EUR), a subsidiary in Latvia, TFB Service SIA (EUR), a subsidiary in Finland, Avarda Oy, and two subsidiaries in Norway, BB Finans AS and Confide AS (NOK). Currency exposure arising from the net assets of the Group's foreign entities should, according to the internal finance policy adopted by the Board of Directors, be hedged as far as possible. As of July 2015 TF Bank applies hedge accounting for its holdings in BB Finans AS (NOK) using currency futures. As at 31 December 2016 SEK – 5,586 thousand (– 4,747) (net of tax effect) was recognised in other comprehensive income and a hedge reserve of SEK – 10,333 thousand (– 4,747).

Operational currency risk refers to currency risk that arises when the Group holds positions in financial instruments denominated in a foreign currency. Currency risk exists for the following currencies: EUR, NOK, DKK and PLN. Currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the company's functional currency. The Company manages the currency risk in the balance sheet in accordance with the Company's finance policy. The Company uses forward contracts in EUR, NOK, DKK and PLN. The forward contracts generally matures within 1-3 months to minimise the impact on income following changes in the exchange rates.

Note 3 cont.

TF Bank estimates the additional capital requirement related to currency risk under Pillar 2 by stressing the net positions by 10 %. Other variables are held constant. TF Bank has chosen the 10 % level by analysing the major currency movements between individual days during years 2006-2016 for the currencies in which the bank has the greatest exposure. The largest movements for all the currencies to which TF Bank is exposed were seen during the financial crisis of 2008-2009. TF Bank chooses to calculate a worst case scenario with 99.9 % confidence based on the largest movement in each currency. The stress test gives the following results on the positions as at 31 Dec 2016 (excl. tax effect):

CURRENCY

SEK thousand	2016	2015
EUR	+/– 674	+/– 657
NOK	+/– 1,597	+/– 77
DKK	+/– 27	+/– 26
PLN	+/– 192	+/– 100

As a result of a formal capital requirement under Pillar 1 as at 31 Dec 2016 the Pillar 2 capital requirement is replaced with a capital requirement of 8 % according to the standardised method.

(ii) Interest rate risk in respect of cash flows
The Group's assets and liabilities are financed at a variable rate, which results in minimal interest rate risk for the company.

The internal finance policy and internal liquidity policy allow for holdings of securities with a remaining maturity of up to 12 months. No more than 30 % of the Group's available liquidity may have a remaining maturity of more than six months. As the Group's holdings of Treasury bills at the balance sheet date totalled SEK 60.2 million (60.1) the interest rate risk would also be negligible in terms of its impact on earnings in the above scenario. Other assets in the liquidity portfolio refer to various bank deposits and central bank assets held at variable interest rates, leading to limited interest rate risk.

(iii) Classification of financial assets and liabilities

Group, 31 Dec 2016 SEK thousand	Financial instruments at fair value through profit or loss		Available for sale financial assets	Loans and receivables	Derivatives included in hedge accounting	Other financial assets/ liabilities	Total
	Held for trading	*Identified on initial recognition*					
Assets							
Cash and balances with central banks	-	-	-	30,510	-	-	30,510
Treasury bills eligible for refinancing	-	-	60,211	-	-	-	60,211
Loans to credit institutions	-	-	-	290,152	-	-	290,152
Loans to the public	-	-	-	2,489,283	-	-	2,489,283
Shares	-	-	263	-	-	-	263
Derivatives	3,450	-	-	-	265	-	3,715
Total assets	**3,450**	**-**	**60,474**	**2,809,945**	**265**	**-**	**2,874,134**
Liabilities							
Liabilities to credit institutions	-	-	-	-	-	-	-
Deposits and borrowings from the public	-	-	-	-	-	2,284,645	2,284,645
Subordinated liabilities	-	-	-	-	-	97,040	97,040
Derivatives	-	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**2,381,685**	**2,381,685**

Note 3 cont.

Group, 31 Dec 2015 **SEK thousand**	Financial instruments at fair value through profit or loss		Available for sale financial assets	Loans and receiva-bles	Derivatives included in hedge accounting	Other financial assets/ liabilities	Total
	Held for trading	*Identified on initial recognition*					
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**

Parent company, 31 Dec 2016 **SEK thousand**	Financial instruments at fair value through profit or loss		Available for sale financial assets	Loans and receivables	Other financial assets/ liabilities	Total
	Held for trading	*Identified on initial recognition*				
Assets						
Cash and balances with central banks	-	-	-	30,510	-	30,510
Treasury bills eligible for refinancing	-	-	60,211	-	-	60,211
Loans to credit institutions	-	-	-	690,360	-	690,360
Loans to the public	-	-	-	1,980,558	-	1,980,558
Derivatives	3,558	-	-	-	-	3,558
Total assets	**3,558**	**-**	**60,211**	**2,701,428**	**-**	**2,765,197**
Liabilities						
Deposits and borrowings from the public	-	-	-	-	2,284,645	2,284,645
Subordinated liabilities	-	-	-	-	97,040	97,040
Derivatives	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**2,381,685**	**2,381,685**

Note 3 cont.

Parent company, 31 Dec 2015 SEK thousand	Financial instruments at fair value through profit or loss		Available for sale financial assets	Loans and receivables	Other financial assets/ liabilities	Total
	Held for trading	*Identified on initial recognition*				
Assets						
Cash and balances with central banks	-	-	-	29,445	-	29,445
Treasury bills eligible for refinancing	-	-	60,076	-	-	60,076
Loans to credit institutions	-	-	-	905,711	-	905,711
Loans to the public	-	-	-	1,639,150	-	1,639,150
Derivatives	-	-	-	-	-	-
Total assets	**-**	**-**	**60,076**	**2,574,306**	**-**	**2,634,382**
Liabilities						
Deposits and borrowings from the public	-	-	-	-	2,229,562	2,229,562
Subordinated liabilities	-	-	-	-	97,000	97,000
Derivatives	3,069	-	-	-	-	3,069
Total liabilities	**3,069**	**-**	**-**	**-**	**2,326,562**	**2,329,631**

(iv) Financial assets and liabilities measured at 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 Dec 2016 SEK thousand	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills eligible for refinancing	-	60,211	-	60,211
Shares	-	263	-	263
Derivatives	-	3,715	-	3,715
Total assets	**-**	**64,189**	**-**	**64,189**

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**

Parent company, 31 Dec 2016 SEK thousand	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills eligible for refinancing	-	60,211	-	60,211
Derivatives	-	3,558	-	3,558
Total assets	**-**	**63,769**	**-**	**63,769**

Note 3 cont.

Parent company, 31 Dec 2015 SEK thousand	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills eligible for refinancing	-	60,076	-	60,076
Derivatives	-	-	-	-
Total assets	**-**	**60,076**	**-**	**60,076**

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.

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 22.02 % as at 31 December 2016 and 25.47 % as at 31 December 2015. For the corporate sector the fair value is based on the discounted cash flows using an interest rate based on the bank's deposit rate as well as a profit margin.

Group, 31 Dec 2016 SEK thousand	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
Assets			
Cash and balances with central banks	30,510	30,510	-
Treasury bills eligible for refinancing	60,211	60,211	-
Loans to credit institutions	290,152	290,152	-
Loans to the public	2,489,283	2,489,283	-
Shares	263	263	-
Derivatives	3,715	3,715	-
Total assets	**2,874,134**	**2,874,134**	**-**
Liabilities			
Liabilities to credit institutions	-	-	-
Deposits and borrowings from the public	2,284,645	2,284,645	-
Subordinated liabilities	97,040	97,040	-
Derivatives	-	-	-
Total liabilities	**2,381,685**	**2,381,685**	**-**

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 3 cont.

Parent company, 31 Dec 2016 SEK thousand	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
Assets			
Cash and balances with central banks	30,510	30,510	-
Treasury bills eligible for refinancing	60,211	60,211	-
Loans to credit institutions	690,360	690,360	-
Loans to the public	1,980,558	1,980,558	-
Derivatives	3,558	3,558	-
Total assets	**2,765,197**	**2,765,197**	**-**
Liabilities			
Deposits and borrowings from the public	2,284,645	2,284,645	-
Subordinated liabilities	97,040	97,040	-
Derivatives	-	-	-
Total liabilities	**2,381,685**	**2,381,685**	**-**

Parent company, 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	60,076	60,076	-
Loans to credit institutions	905,711	905,711	-
Loans to the public	1,639,150	1,639,150	-
Derivatives	-	-	-
Total assets	**2,634,382**	**2,634,382**	**-**
Liabilities			
Deposits and borrowings from the public	2,229,562	2,229,562	-
Subordinated liabilities	97,000	97,000	-
Derivatives	3,069	3,069	-
Total liabilities	**2,329,631**	**2,329,631**	**-**

Credit risk

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 has a claim and debt collection group that works with existing customers who have payment problems. There is also a credit department which assesses prospective customers and performs ongoing investigations of collateral and credit limits as set by the Board of Directors.

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 19). 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 Group's objective in terms of process for 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.

Note 3 cont.

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		Parent company	
SEK thousand	**2016**	2015	**2016**	2015
Loans, not past due	2,113,837	1,569,993	1,707,453	1,404,555
Loans past due, 1-10 days	194,437	137,389	161,949	130,875
Loans past due, 11-69 days	109,270	81,983	64,113	63,298
Non-performing loans	129,346	88,860	94,855	74,871
Total	**2,546,890**	**1,878,225**	**2,028,370**	**1,673,599**
Provision for expected loan losses	– 57,607	– 40,647	– 47,812	– 34,449
Total loans to the public	**2,489,283**	**1,837,578**	**1,980,558**	**1,639,150**

For a reconciliation of the change in the provision for expected loan losses, see note 19.

CREDIT QUALITY OF FULLY PERFORMING LOANS

	Group		Parent company	
SEK thousand	**2016**	2015	**2016**	2015
Household sector				
Low risk	1,515,744	1,000,104	1,072,688	1,004,777
Medium risk	542,420	297,385	506,718	112,538
High risk	359,380	424,697	354,109	414,234
Unrated	-	67,179	-	67,179
Total	**2,417,544**	**1,789,365**	**1,933,515**	**1,598,728**

The credit quality of the fully performing loans have been assessed based on a model that is classified based on low, medium or high risk. This classification is based primarily on the number of reminders sent to each customer, the number of months the customer has had an active loan with the Group and the borrower's individual credit status at the time the loan is given, taking into account both internal and external sources of information. The risk assessment is also made with respect to various parameters depending on the type of product type (segments) and the country, taking into consideration, inter alia, historical information taken from our own database.

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

	Group		Parent company	
SEK thousand	**2016**	2015	**2016**	2015
Cash and balances with central banks				
AA+	30,510	29,445	30,510	29,445
Treasury bills eligible for refinancing				
AAA	60,211	60,075	60,211	60,075
Loans to credit institutions				
A-1+	172,312	206,642	159,275	194,402
A-1	115,372	568,478	108,041	567,111
A-2	2,468	4,124	2,468	4,124
Unrated	-	-	420,576	140,302
Other assets				
A-1+	3,715	-	3,558	-
Unrated	3,960	5,770	3,960	8,778
Total	**388,548**	**874,534**	**788,599**	**1,004,237**

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

Liquidity risk
The guidelines for liquidity risk are defined by the Board of Directors. Most of the liquidity risk arises from the ability to meet withdrawals of deposits by Swedish and Finnish households. The ability to make payments relating to new loans is deemed to be a business risk. At the balance sheet date the Group had total deposits of SEK 2,284.6 million (2,229.6), which are accounted for under the heading Deposits and borrowing from the public. No limits are applied on households' withdrawals of deposited money. The Board of Directors' instructions state that the Group is required to maintain a generally low liquidity risk in the operations.

To prevent a liquidity crisis, the Group is required at all times, in accordance with the bank's liquidity policy, to maintain a liquidity reserve and other liquidity-creating measures such as, in addition to the normal operating credit, a credit facility, directly or indirectly, from another credit institution or cash equivalent assets.

The maximum holding with the Group's permitted counterparties is 25 % of eligible capital, with the exception of institutions, for which the limit is 100 % of eligible capital. [1] Treasury bills and central bank assets are excluded from the 25 % limit.

Management closely monitors the Group's liquidity reserve, which consists of cash and cash equivalents and other liquidity creating measures, and monitors rolling forecasts of the liquidity situation based on expected cash flows.

All financing in addition to deposits from the public come from liabilities to credit institutions, issued securities and equity.

[1] Article 4, point 71 of the Regulation (EU) No 575/2013 states that eligible capital consists of the sum of Tier 1 capital and Tier 2 capital equal to or less than a third of Tier 1 capital. Furthermore, article 494 of the Regulation (EU) No 575/2013 states that during a transition period eligible capital may include Tier 2 capital up to 50 % in 2016.

Note 3 cont.

As at 31 December 2015 the Group had a liquidity reserve of SEK 375.5 million (858.7), of which other liquidity creating measures of SEK 707.0 million (1,187.5), which represents 31 % (53 %) of the Group's deposits from the public. The Group's Liquidity Coverage Ratio (LCR) was 147 % (150 %) and the ratio of deposits from the public to loans to the public was 0.92 (1.21). [1]

As at 31 December 2015 the Parent company had a liquidity reserve of SEK 355.1 million (846.3), of which other liquidity creating measures of SEK 655.1 million (1,146.3), which represents 29 % (51 %) of the company's deposits from the public. The Parent company's LCR was 147 % (149 %) and the ratio of deposits from the public to loans to the public was 1.15 (1.36). [1]

For contractual maturities of liabilities, see note 17.

[1] Article 4 of the Commission Delegated Regulation (EU) 2015/61 states that LCR is calculated by dividing the liquidity buffer with the net liquidity outflows over a 30 calendar day stress period. The bank's internal liquidity policy stipulates that LCR should be greater than 100 %. Furthermore, article 38 of the Commission Delegated Regulation (EU) 2015/61 states that during a transition period the legally required level of LCR shall be 70 % as at 31 December 2016 and increasing to 80 % as of January 1 2017.

NOTE 4 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.

DIRECT TO CONSUMER

SEK thousand	Group	
	2016	2015
INCOME STATEMENT		
Net interest income	349,127	303,454
Net fee and commission income	22,564	18,275
Net results from financial transactions	501	– 195
Total operating income	**372,192**	**321,534**
General administrative expenses	– 101,046	– 82,026
Depreciation, amortisation and impairment charges of tangible and of intangible assets	– 3,752	– 3,460
Other operating expenses	– 14,943	– 19,967
Total operating expenses	**– 119,741**	**– 105,453**
Profit before loan losses	**252,451**	**216,082**
Net loan losses	– 85,103	– 85,648
Operating profit	**167,348**	**130,434**
Attributable to:		
Shareholders of the Parent company	*167,348*	*130,434*
Non-controlling interests	-	-

SEK thousand	Group	
	31 Dec 2016	31 Dec 2015
BALANCE SHEET		
Loans to the public		
Household sector	2,075,880	1,487,235
Total loans to the public	**2,075,880**	**1,487,235**
Household sector		
Net performing loans	2,005,712	1,418,419
Net non-performing loans	70,168	68,816
Total household sector	**2,075,880**	**1,487,235**

SALES FINANCE

SEK thousand	Group	
	2016	2015
INCOME STATEMENT		
Net interest income	49,873	44,790
Net fee and commission income	18,827	21,647
Net results from financial transactions	– 93	42
Total operating income	**68,607**	**66,479**
General administrative expenses	– 48 740	– 36,246
Depreciation, amortisation and impairment charges of tangible and of intangible assets	– 992	– 1,108
Other operating expenses	– 658	– 613
Total operating expenses	**– 50,390**	**– 37,967**
Profit before loan losses	**18,217**	**28,512**
Net loan losses	– 26,466	– 22,399
Operating profit	**– 8,249**	**6,113**
Attributable to:		
Shareholders of the Parent company	*2,214*	*11,005*
Non-controlling interests	*– 10,463*	*– 4,892*

SEK thousand	Group	
	31 Dec 2016	31 Dec 2015
BALANCE SHEET		
Loans to the public		
Household sector	413,403	350,343
Total loans to the public	**413,403**	**350,343**
Household sector		
Net performing loans	405,528	347,565
Net non-performing loans	7,875	2,778
Total household sector	**413,403**	**350,343**

Note 4 cont.

GROUP

SEK thousand	Group 2016	Group 2015
Operating income		
Operating income, Direct to Consumer	372,192	321,534
Operating income, Sales Finance	68,607	66,479
Total operating income for the Group	**440,799**	**388,013**
Operating profit		
Operating profit, Direct to Consumer	167,348	130,434
Operating profit, Sales Finance	– 8,249	6,113
Items affecting comparability	– 19,275	– 18,232
Total operating profit for the Group	**139,824**	**118,315**

GROUP

SEK thousand	Group 31 Dec 2016	Group 31 Dec 2015
Loans to the public		
Loans to the public, Direct to Consumer	2,075,880	1,487,235
Loans to the public, Sales Finance	413,403	350,343
Total loans to the public for the Group	**2,489,283**	**1,837,578**

For information of the geographic distribution of interest income and fee income, see notes 5 and 7, respectively.

NOTE 5 Interest income

SEK thousand	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Interest income on loans to the public	448,274	385,591	404,058	376,302
Other interest income	596	255	7,935	1,238
Total interest income	**448,870**	**385,846**	**411,993**	**377,540**
- of which interest income from loans and receivables	448,870	385,846	411,993	377,540
- of which interest income from non-performing loans	*8,258*	*8,160*	*8,083*	*7,638*
Geographic distribution of interest income:				
Sweden	142,269	152,826	142,267	152,827
Finland	172,026	158,065	166,350	158,065
Estonia	45,894	38,373	45,894	38,373
Norway	44,132	15,639	12,933	7,332
Poland	37,351	14,359	37,351	14,359
Denmark	6,716	6,207	6,716	6,207
Latvia	482	377	482	377
Total interest income	**448,870**	**385,846**	**411,993**	**377,540**

NOTE 6 Interest expense

SEK thousand	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Interest expense credit institutions	– 2,253	– 1,948	– 2,185	– 1,817
Interest expense public	– 23,151	– 26,312	– 23,151	– 26,239
Other financial expenses	– 24,466	– 9,342	– 23,873	– 9,097
Total interest expense	**– 49,870**	**– 37,602**	**– 49,209**	**– 37,153**

NOTE 7 Net fee and commission income

SEK thousand	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Fee and commission income				
Insurance premiums	24,638	20,432	19,966	19,235
Reminder fees	21,611	24,219	20,189	23,912
Other fee and commission income	2,796	1,231	90	14
Total fee and commission income	**49,045**	**45,882**	**40,245**	**43,161**
Fee and commission expenses				
Insurance commission expenses	– 6,710	– 5,494	– 4,527	– 4,844
Other expenses	– 944	– 466	-	-
Total fee and commission expenses	**– 7,654**	**– 5,960**	**– 4,527**	**– 4,844**
Net fee and commission income	**41,391**	**39,922**	**35,718**	**38,317**
Geographic distribution of fee and commission income:				
Sweden	19,946	22,273	19,943	22,273
Finland	8,354	6,496	7,835	6,496
Estonia	801	1,010	801	1,010
Norway	10,099	4,742	1,821	2,021
Poland	7,015	8,279	7,015	8,279
Denmark	2,753	2,992	2,753	2,992
Latvia	77	90	77	90
	49,045	**45,882**	**40,245**	**43,161**

NOTE 8 General administrative expenses

SEK thousand	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Staff costs				
Salaries and remuneration	– 47,965	– 32,054	– 34,278	– 27,647
Social security costs	– 13,349	– 9,712	– 10,071	– 8,620
Pension costs	– 4,463	– 2,642	– 3,394	– 2,497
Other staff costs	– 1,375	– 783	– 1,180	– 783
Total staff costs	**– 67,152**	**– 45,191**	**– 48,923**	**– 39,547**
Other general administrative expenses				
Postage and telephone expenses	– 10,257	– 9,150	– 8,288	– 8,844
IT costs	– 18,988	– 18,909	– 10,865	– 13,947
External debt collection costs	– 4,828	– 4,280	– 4,334	– 4,280
Information services and customer communication	– 18,583	– 15,028	– 15,791	– 14,593
Rents and premises	– 4,876	– 4,175	– 3,439	– 3,233
Items affecting comparability	-	-	– 19,275	– 18,232
Other	– 25,102	– 21,539	– 21,874	– 17,609
Total other general administrative expenses	**– 82,634**	**– 73,081**	**– 83,866**	**– 80,738**
Total general administrative expenses	**– 149,786**	**– 118,272**	**– 132,789**	**– 120,285**

NOTE 9 Audit fee

SEK thousand	Group 2016	Group 2015	Parent company 2016	Parent company 2015
PricewaterhouseCoopers AB				
Auditing assignment	1,735	778	1,409	693
Audit-related services	783	140	674	127
Tax advisory services	316	96	316	81
Other services	2,157	2,913	2,138	2,850
Total	**4,991**	**3,927**	**4,537**	**3,751**

NOTE 10 Average number of employees, salaries, other remuneration and social security contributions

AVERAGE NUMBER OF EMPLOYEES BROKEN DOWN BY WOMEN AND MEN

	Group		Parent company	
SEK thousand	**2016**	2015	**2016**	2015
Women	55	45	39	36
Men	43	33	34	29
Total	**98**	**78**	**73**	**65**

SALARIES AND REMUNERATION

	Group		Parent company	
SEK thousand	**2016**	2015	**2016**	2015
Board of Directors and CEO	4,430	4,085	4,169	3,562
Other staff	43,535	28,473	30,109	24,585
Total salaries and remuneration	**47,965**	**32,558**	**34,278**	**28,147**
Social security costs as per agreement	13,349	9,712	10,071	8,620
Pension costs	4,463	2,637	3,394	2,497
Total salaries, remuneration, social security costs, and pension costs	**65,777**	**44,907**	**47,743**	**39,264**

SALARIES AND REMUNERATION TO THE MEMBERS OF THE BOARD OF DIRECTORS AND OTHER SENIOR EXECUTIVES

	Group		Parent company	
SEK thousand	**2016**	2015	**2016**	2015
Chairman: Mattias Carlsson				
Base salary	1,740	1,354	1,740	1,354
Other compensation	93	8	93	8
Pension costs	413	298	413	298
Total	**2,246**	**1,660**	**2,246**	**1,660**

Total remuneration to the Chairman is contained in the total agreed amount.

	Group		Parent company	
SEK thousand	**2016**	2015	**2016**	2015
Other members of the Board of Directors:				
Thomas Grahn, base salary	250	150	250	150
Paul Källenius, base salary	200	-	200	-
John Brehmer, base salary	200	-	200	-
Bertil Larsson, base salary	251	167	251	167
Lars Wollung, base salary	333	-	333	-
Tone Bjørnov, base salary	375	-	375	-
Members of the Board of Directors in subsidiaries	261	56	-	-
Total	**1,870**	**373**	**1,609**	**317**
CEO: [1]				
Base salary	1,650	1,342	1,650	1,342
Variable remuneration	-	500	-	500
Other compensation	61	41	61	41
Pension costs	418	291	418	291
Total	**2,129**	**2,174**	**2,129**	**2,174**
Deputy CEO: [1]				
Base salary	1,454	1,158	1,454	1,158
Variable remuneration	-	460	-	460
Other compensation	84	73	84	73
Pension costs	379	283	379	283
Total	**1,917**	**1,974**	**1,917**	**1,974**
Other senior executives: [1]				
Base salary	5,047	2,516	5,047	2,516
Variable remuneration	431	-	431	-
Other compensation	9	-	9	-
Pension costs	673	512	673	512
Total	**6,160**	**3,028**	**6,160**	**3,028**

[1] These amounts include remuneration to the Group CEO and Deputy CEO. Senior executives refers to the group management team. Remuneration to the CEO and other senior executives of TF Bank's subsidiaries are not included. In 2016 the senior management team consisted of four people, in 2015 three people.

Note 10 cont.

Remuneration to senior executives
In accordance with the disclosure requirements in FFFS 2014:12, information regarding, e.g., remuneration policies, is provided on the Group's website www.tfbankgroup.com. Salaries and other remuneration to the CEO and other senior executives consists of: base salary, variable remuneration, commission-based remuneration, other compensation and pension contribution. The external members of the Board of Directors are paid in accordance with the Annual General Meeting (AGM).

Commission-based remuneration
No commission-based remuneration was paid in 2015 and 2016.

Pensions
The Group's pension obligations are covered by payments to the ITP plan (individual pension plan funded through payments to insurance companies).

The retirement age for the Chief Executive Officer is 65, for whom supplementary payments to a defined contribution plan are made annually. The retirement age is 65 for other senior executives, for whom supplementary payments to a defined contribution plan, the ITP plan, are made annually. An additional pension premium is paid on the remuneration if variable remuneration is paid.

For the Chairman of the Board the Company also makes annual supplemental payments to a defined contribution plan.

Termination and severance pay
According to an agreement between TF Bank AB and the CEO the notice period of the CEO is six months (12 months' notice in case of termination by the Group). If the termination is initiated by the Group the base salary is paid during the notice period, but no variable remuneration is paid if such remuneration has been agreed before the termination takes effect. Severance pay is reduced by any new salary which the Chief Executive Officer receives from a new employer.

MEMBERS OF THE BOARD OF DIRECTORS FOR THE PARENT COMPANY

	2016		2015	
SEK thousand	Numbers as at the balance sheet date	Of which males	Numbers as at the balance sheet date	Of which males
Members of the Board of Directors	7	86 %	7	86 %
Of which the CEO and other senior executives	-	-	-	-

NOTE 11 Intangible assets

	Group		Parent company	
SEK thousand	**31 Dec 2016**	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
Acquisition value at beginning of year	26,979	15,582	23,339	15,582
Changes during the year				
- acquisitions	8,499	10,025	8,746	7,757
- acquisitions at cost	-	1,640	-	-
- exchange rate effect	472	– 268	-	-
Acquisition value at end of year	**35,950**	**26,979**	**32,085**	**23,339**
Accumulated amortisation at beginning of year according to plan	– 14,573	– 10,833	– 14,208	– 10,833
Changes during the year				
- amortisation according to plan	– 2,669	– 3,901	– 2,740	– 3,375
- exchange rate effect	– 294	161	-	-
Accumulated amortisation at end of year according to plan	**– 17,536**	**– 14,573**	**– 16,948**	**– 14,208**
Carrying amount at end of year	**18,414**	**12,406**	**15,137**	**9,131**

All intangible assets relate to in-house developed software.

NOTE 12 Tangible assets

SEK thousand	Group		Parent company	
	31 Dec 2016	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
Acquisition value at beginning of year	5,283	4,657	5,095	4,602
Changes during the year				
- acquisitions	2,203	624	315	489
- disposal	– 746	-	– 746	-
- exchange rate effect	18	2	15	4
Acquisition value at end of year	**6,758**	**5,283**	**4,679**	**5,095**
Accumulated depreciation at beginning of year according to plan	– 3,767	– 3,104	– 3,733	– 3,100
Changes during the year				
- depreciation according to plan	– 2,075	– 667	– 587	– 636
- disposal	746	-	746	-
- exchange rate effect	– 52	4	– 5	3
Accumulated depreciation at end of year according to plan	**– 5,148**	**– 3,767**	**– 3,579**	**– 3,733**
Carrying amount at end of year	**1,610**	**1,516**	**1,100**	**1,362**

NOTE 13 Other operating expenses

SEK thousand	Group		Parent company	
	2016	2015	**2016**	2015
Marketing	– 15,601	– 20,579	– 14,771	– 19,980
Other	-	-	-	-
Total	**– 15,601**	**– 20,579**	**– 14,771**	**– 19,980**

NOTE 14 Net loan losses

SEK thousand	Group		Parent company	
	2016	2015	**2016**	2015
Change in the provision for sold non-performing loans	– 85,429	– 96,394	– 85,429	– 96,394
Realised loan losses	– 18,572	– 17,149	– 15,103	– 15,635
Recovered from previous write-offs	7,662	8,293	7,439	7,527
Change in provision for other expected loan losses	– 15,230	– 2,797	– 12,278	– 2,705
Net loan losses	**– 111,569**	**– 108,047**	**– 105,371**	**– 107,207**

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

NOTE 15 Income tax expense

SEK thousand	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Tax for the year	– 33,323	– 32,592	– 28,322	– 31,659
Tax due to changed tax for previous years	– 89	-	– 89	-
Other tax	– 57	-	– 57	-
Deferred tax	– 2,913	3,686	– 783	-
Income tax expense [1]	**– 30,556**	**– 28,906**	**– 29,251**	**– 31,659**
Reconciliation of tax on profit for the year				
Operating profit	139,824	118,315	135,294	133,218
Tax at applicable tax rate	– 30,377	– 26,194	– 29,765	– 29,308
Tax effect of non-deductible expenses	– 116	– 2,305	– 84	– 2,295
Tax effect of revenue that is recognised but not included in reported profit	– 1,630	– 75	– 54	– 75
Tax effect of non-taxable income	1,817	35	1,581	19
Tax effect of transaction costs on ac-quisition of subsidiaries	-	– 367	-	-
Tax due to changed tax for previous years	– 89	-	– 89	-
Other tax	– 57	-	– 57	-
Deferred tax	– 104	-	– 783	-
Income tax expense according to in-come statement	**– 30,556**	**– 28,906**	**– 29,251**	**– 31,659**

[1] The weighted average tax rate for the Group was 21.9 % (24.4 %) and for the Parent company it was 21.6 % (23.8 %).

In 2016 the Swedish Tax Agency conducted an audit of TF Bank regarding income tax for 2014. The Tax Agency decided after the completion of the audit to increase the company's income by SEK 275 thousand relating to legal fees which were not considered to be tax deductible. In all other respects TF Bank was considered to have handled the business in accordance with the prevailing tax laws.

NOTE 16 Foreign currencies

THE FOLLOWING CURRENCY EXPOSURES ARE TO THE FUNCTIONAL CURRENCY

SEK thousand	Group 31 Dec 2016	Group 31 Dec 2015	Parent company 31 Dec 2016	Parent company 31 Dec 2015
Assets in EUR:				
Cash and balances with central banks	30,510	29,445	30,510	29,445
Loans to credit institutions	59,124	67,092	54,846	63,314
Loans to the public	1,095,841	835,761	1,042,943	835,761
Other assets	5,714	11,027	2,067	10,728
Less assets in Eurozone	– 828,476	– 645,868	– 767,725	– 641,768
Total assets	**362,713**	**297,457**	**362,641**	**297,480**
Liabilities in EUR:				
Deposits and borrowings from the public	– 634,762	– 496,728	– 634,762	– 496,728
Other liabilities	– 24,491	– 17,585	– 20,198	– 16,808
Less liabilities in Eurozone	657,974	508,691	653,804	507,920
Total liabilities	**– 1,279**	**– 5,622**	**– 1,156**	**– 5,616**
Foreign exchange derivatives	– 538,679	– 435,582	– 477,625	– 431,907
Net exposure in EUR	– 177,245	– 143,747	– 116,140	– 140,043
Net assets in Eurozone	170,502	137,177	113,921	133,848
	– 6,743	**– 6,570**	**– 2,219**	**– 6,195**

Note 16 cont.

SEK thousand	Group		Parent company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Assets in NOK:				
Loans to credit institutions	36,314	7,519	450,045	146,337
Loans to the public	530,533	227,847	30,550	29,373
Other assets	17,490	19,636	74,672	68,643
Less assets in Norway	– 503,057	-	-	-
Total assets	**81,280**	**56,472**	**555,267**	**244,353**
Liabilities in NOK:				
Liabilities to credit institutions	-	– 1,122	-	-
Other liabilities	– 13,810	– 10,527	– 617	– 978
Less liabilities in Norway	10,832	8,146	-	-
Total liabilities	**– 2,978**	**– 3,503**	**– 617**	**– 978**
Foreign exchange derivatives	– 554,561	– 242,584	– 554,561	– 242,584
Net exposure NOK	– 476,259	– 189,615	89	791
Net assets in Norway	492,225	190,384	-	-
	15,966	**769**	**89**	**791**
Assets in PLN:				
Loans to credit institutions	11,496	9,024	11,496	9,024
Loans to the public	164,386	84,878	164,386	84,878
Other assets	132	3,918	132	3,918
Less assets in Poland	– 185,188	– 90,481	– 185,188	– 90,481
Total assets	**– 9,174**	**7,339**	**– 9,174**	**7,339**
Liabilities in PLN:				
Other liabilities	– 4,654	– 12,611	– 4,654	– 12,611
Less liabilities in Poland	24,948	12,003	24,948	12,003
Total liabilities	**20,294**	**– 607**	**20,294**	**– 607**
Foreign exchange derivatives	– 173,280	– 86,207	– 173,280	– 86,207
Net exposure in PLN	– 162,160	– 79,475	– 162,160	– 79,475
Net assets in Poland	160,240	78,478	160,240	78,478
	– 1,920	– 998	– 1,920	– 998
Assets in DKK:				
Loans to credit institutions	4,532	3,777	4,532	3,777
Loans to the public	35,969	34,002	35,969	34,002
Other assets	30	335	30	335
Total assets	**40,531**	**38,114**	**40,531**	**38,114**
Liabilities in DKK:				
Other liabilities	– 430	– 911	– 430	– 911
Total liabilities	**– 430**	**– 911**	**– 430**	**– 911**
Foreign exchange derivatives	– 39,832	– 36,942	– 39,832	– 36,942
Net exposure DKK	269	261	269	261

Note 16 cont.

THE TABLE BELOW PRESENTS THE OUTSTANDING FOREIGN EXCHANGE DERIVATIVES AT MARKET VALUE IN MILLIONS IN THE RESPECTIVE CURRENCIES:

	Group		Parent company	
	31 Dec 2016	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
EUR	56.4	47.4	50.0	47.0
NOK	527.5	253.5	527.5	253.5
PLN	80.0	40.0	80.0	40.0
DKK	31.0	30.0	31.0	30.0

NOTE 17 Maturity information

	Group		Parent company	
SEK thousand	**31 Dec 2016**	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
Payable on demand	30,510	29,445	30,510	29,445
Cash and balances with central bank	**30,510**	**29,445**	**30,510**	**29,445**
Remaining maturity of less than 3 months	12,000	60,075	12,000	60,075
Remaining maturity of more than 3 months but less than 1 year	48,211	-	48,211	-
Treasury bills eligible for refinancing	**60,211**	**60,075**	**60,211**	**60,075**
Payable on demand	290,152	777,811	269,785	765,409
More than 1 year but less than 5 years	-	-	420,575	140,302
Loans to credit institutions	**290,152**	**777,811**	**690,360**	**905,711**
Remaining maturity of less than 3 months	255,415	164,263	182,559	152,168
Remaining maturity of more than 3 months but less than 1 year	527,979	342,852	432,686	305,359
More than 1 year but less than 5 years	2,512,913	1,982,656	2,080,305	1,775,736
Loans to the public	**3,296,307**	**2,489,771**	**2,695,550**	**2,233,263**
Payable on demand	2,284,645	2,229,562	2,284,645	2,229,562
Deposits and borrowings from the public	**2,284,645**	**2,229,562**	**2,284,645**	**2,229,562**
More than 5 years	151,625	162,500	151,625	162,500
Issued securities	**151,625**	**162,500**	**151,625**	**162,500**
Remaining maturity of less than 3 months	70,407	54,459	38,944	35,899
Remaining maturity of more than 3 months but less than 1 year	16,719	-	16,719	-
More than 1 year but less than 5 years	4,026	-	15,603	-
Other liabilities	**91,152**	**54,459**	**71,266**	**35,899**

The amounts shown are the contractual undiscounted cash flows and include both interest and principal payments so the amounts are not directly linked to the balance sheet.

NOTE 18 Loans to credit institutions

	Group		Parent company	
SEK thousand	**31 Dec 2016**	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
Loans in SEK	270,550	751,614	261,769	744,186
Loans in foreign currency	19,602	26,197	428,591	161,525
Total loans to credit institutions	**290,152**	**777,811**	**690,360**	**905,711**

NOTE 19 Loans to the public

SEK thousand	Group		Parent company	
	31 Dec 2016	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
Loans to the household sector	2,489,283	1,837,578	1,936,458	1,639,150
Loans to the corporate sector	-	-	44,100	-
Total loans to the public	**2,489,283**	**1,837,578**	**1,980,558**	**1,639,150**
Loans to the household sector				
Gross loans	2,546,890	1,878,225	1,984,270	1,673,599
Provision for expected loan losses	– 57,607	– 40,647	– 47,812	– 34,449
Loans, net book value	**2,489,283**	**1,837,578**	**1,936,458**	**1,639,150**
Geographic distribution of net loans:				
Sweden	662,767	654,684	662,767	654,684
Finland	847,067	659,977	838,109	659,977
Norway	530,315	227,813	30,548	29,385
Estonia	245,801	174,297	245,801	174,297
Poland	164,389	85,278	164,389	85,278
Denmark	35,969	34,007	35,969	34,007
Latvia	2,975	1,522	2,975	1,522
Total loans, net book value	**2,489,283**	**1,837,578**	**1,980,558**	**1,639,150**

CHANGE IN PROVISION FOR ACTUAL AND EXPECTED LOAN LOSSES

SEK thousand	Group		Parent company	
	31 Dec 2016	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
Opening balance	– 40,647	– 32,737	– 34,449	– 32,737
Change in provision for sold non-performing loans	– 85,429	– 96,394	– 85,429	– 96,394
Reversal in provision for sold non-performing loans	85,429	96,394	85,429	96,394
Change in provision for other loan losses	– 15,230	– 2,797	– 12,279	– 2,705
Acquired provisions	-	– 6,106	-	-
Other adjustments [1]	– 1,730	993	– 1,084	993
Closing balance	**– 57,607**	**– 40,647**	**– 47,812**	**– 34,449**

[1] Other adjustments consist of currency translation differences.

LOANS TO THE CORPORATE SECTOR

SEK thousand	Group		Parent company	
	31 Dec 2016	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
Gross loans	-	-	44,100	-
Total loans, net book value	**-**	**-**	**44,100**	**-**

There have been no provisions for loans to corporates as there are no circumstances which make provision an issue.

Loans to the corporate sector relates solely to loans to the subsidiary Avarda Oy.

NOTE 20 Goodwill

	Group	
SEK thousand	**31 Dec 2016**	31 Dec 2015
Acquisition value at beginning of year	**11,536**	**-**
Movements in goodwill		
Acquisitions during the year	-	12,772
Currency translation differences	1,137	– 1,236
Acquisition value at end of year	**12,673**	**11,536**

The Group's goodwill arose from the acquisition of the subsidiary BB Finans in Norway, which was the cash flow generating entity during 2015.

Impairment testing of goodwill for the cash-generating entity was carried out before the year-end. Calculations are based on estimated future cash flows after tax based on financial forecasts approved by the management and covers a three-year period, in line with the Group's business plan. The more important assumptions underlying the forecasts include the average loan portfolio, credit volume and margins. The average growth rate used in the calculations is based on the company's own plans and expected future development. For the period after the forecast period, growth has been estimated to correspond with the Swedish central bank's inflation target. Estimated cash flows have been discounted using an interest rate based on the risk-free rate and the risk adjustment corresponding to the market's average return. The calculation of the recoverable amount is based on the value in use.

No impairment arises when there is a change of assumptions concerning the growth rate and the discount rate of +/- 1 percentage point. It is therefore TF Bank's opinion that there is room for a reasonable change in both the growth assumption and the discount rate.

NOTE 21 Other assets

	Group		Parent company	
SEK thousand	**31 Dec 2016**	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
Derivatives	3,715	-	3,558	-
Other assets	5,794	9,582	4,182	8,778
Total other assets	**9,509**	**9,582**	**7,740**	**8,778**

NOTE 22 Prepaid expenses and accrued income

	Group		Parent company	
SEK thousand	**31 Dec 2016**	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
Accrued interest income	835	1,290	-	348
Other items	10,138	33,007	8,680	28,185
Total prepaid expenses and accrued income	**10,973**	**34,297**	**8,680**	**28,533**

NOTE 23 Liabilities to credit institutions

The Parent company has an undrawn credit facility of SEK 300 million (300) and the current agreement runs out 29 June 2017.

BB Finans AS has a credit facility of NOK 30 million (the equivalent of SEK 32 million), of which nothing was drawn as at 31 December 2016.

NOTE 24 Deposits and borrowings from the public

SEK thousand	Group		Parent company	
	31 Dec 2016	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
Deposits from the public - Sweden [1]	1,649,883	1,732,834	1,649,883	1,732,834
Deposits from the public - Finland [1]	634,762	496,728	634,762	496,728
Total deposits and borrowings from the public	**2,284,645**	**2,229,562**	**2,284,645**	**2,229,562**

[1] Deposits from the public relates only to the household sector.

All liabilities have indefinite maturity.

NOTE 25 Other liabilities

SEK thousand	Group		Parent company	
	31 Dec 2016	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
Derivatives	-	3,090	-	3,069
Trade payables	11,489	10,730	9,506	9,437
Other liabilities	6,364	12,105	4,556	9,088
Total other liabilities	**17,853**	**25,925**	**14,062**	**21,594**

NOTE 26 Deferred tax

SEK thousand	Group 31 Dec 2016	Group 31 Dec 2015
Deferred tax assets		
Deferred tax assets attributable to loss carry forward	6,830	2,235
Deferred tax assets	**6,830**	**2,235**
Deferred tax liabilities		
The difference between the income tax reported in the income statement and the income tax on operations consists of:		
Deferred tax on untaxed reserves	– 11,577	– 11,577
Deferred tax on acquired surplus value [1]	– 2,047	– 2,512
Deferred tax on assets (BB Finans)	– 104	– 106
Deferred tax on profit account (BB Finans)	– 54	– 58
Deferred tax on unrealised currency derivatives	– 815	-
Deferred tax due to temporary differences	**– 14,597**	**– 14,253**
The deferred taxes are expected to be settled as follows:		
Within 12 months	511	502
More than 12 months	14,086	13,751
	14,597	**14,253**
Change in gross deferred taxes is as follows:		
Gross deferred tax at beginning of year	– 12,018	– 12,146
Reported in the income statement	2,675	3,686
Reported in total comprehensive income	1,576	– 1,339
Deferred tax following the acquisition of subsidiary	-	– 2,219
Deferred tax at end of year	**– 7,767**	**– 12,018**

[1] The surplus value consists of the expected recovery of past actual losses based on historical data in the subsidiary BB Finans that was acquired in 2015.

NOTE 27 Accrued expenses and prepaid income

SEK thousand	Group 31 Dec 2016	Group 31 Dec 2015	Parent company 31 Dec 2016	Parent company 31 Dec 2015
Accrued salaries and holiday pay	7,743	5,843	5,421	4,805
Accrued social security	4,311	3,349	3,261	2,945
Accrued interest on loans to the public	118	-	118	-
Accrued interest on deposits from the public	22,028	25,339	22,028	25,339
Other accrued expenses	19,290	24,749	14,016	21,192
Total accrued expenses	**53,490**	**59,280**	**44,844**	**54,281**

NOTE 28 Subordinated liabilities

SEK thousand	Group		Parent company	
	31 Dec 2016	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
Dated subordinated loan	97,040	97,000	97,040	97,000
Total	**97,040**	**97,000**	**97,040**	**97,000**

Subordinated loans are subordinated to other liabilities. Nominal value is SEK 100 million. The interest rate on the subordinated loan is STIBOR 3 months plus 6.25 %. The maturity date is 14 December 2025.

NOTE 29 Appropriations

SEK thousand	Parent company	
	31 Dec 2016	31 Dec 2015
Accelerated depreciation	-	171
Total	**-**	**171**

NOTE 30 Transactions with related parties

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

SEK thousand	Group		Parent company	
	31 Dec 2016	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
The following transactions have been made with related parties in the Group:				
Interest income	-	-	7,947	1,132
Other income	-	-	208	35
General administrative expenses	– 422	– 343	– 2,129	– 1,718
	– 422	**– 343**	**6,026**	**– 551**

SEK thousand	Group		Parent company	
	31 Dec 2016	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
The following transactions have been made with other related parties:				
Interest income (transaction costs)	– 66,035	– 71,634	– 66 035	71,634
General administrative expenses	– 5,670	– 6,326	– 5 670	6,326
	– 71,705	**– 77,960**	**– 71 705**	**77,960**
Acquisition of assets and liabilities from other related parties:				
Sales Finance	636,879	677,466	636,879	677,466
	636,879	**677,466**	**636,879**	**677,466**

Note 30 cont.

SEK thousand	Group		Parent company	
	31 Dec 2016	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
Assets at year-end as a result of transactions between Group companies:				
Loans to credit institutions	-	-	420,575	140,302
Loans to the public	-	-	44,100	-
Loans to TFB Holding AB	-	3,000	-	3,000
	-	**3,000**	**464,675**	**143,302**
Assets at year-end as a result of transactions with other related parties:				
Other assets	663	91	663	91
	663	**91**	**663**	**91**
Liabilities at year-end as a result of transactions with other related parties:				
Other liabilities	-	2,139	-	2,139
	-	**2,139**	**-**	**2,139**

For information about remuneration to senior executives, see note 10.

NOTE 31 Shares in group companies

	TFB Service OÜ	TFB Service SIA	Avarda AB - group	BB Finans AS - group
Registration and country of operation	Estonia	Latvia	Sweden	Norway
Operation	Administration	Administration	Financial	Financial
Number of shares	25	1	1,020	42,000,000
Percentage of shares owned by TF Bank	100 %	100 %	51 %	100 %
Book value as at 31 Dec 2016	24	27	25,400	75,411
Operating income in 2016	1,519	185	5,009	37,076
Operating profit in 2016	– 5	39	– 21,353	20,670
Income tax in 2016	-	-	4,544	– 4,983
Average number of employees in 2016	6	1	5	13

In 2014 the Group signed a shareholders' agreement relating Avarda AB. TF Bank owns 51 % of the votes and capital and Intrum Justitia AB (publ) the remaining 49 %. The shareholder agreement deals with their respective commitment in this business. The Group has evaluated the shareholders' agreement and concluded that it is not facing any significant limitations for the Group to exercise its controlling interest as a majority shareholder in the company and thus Avarda AB is consolidated as a subsidiary.

The basis for assessment is based on the Group's majority of votes in the company as well as its right to appoint the CEO, whom makes decisions regarding the relevant activities of the company. The decisions that will be made jointly, according to the agreement, are limited to issues relating to the protection of the partners' investment, e.g., modification of articles of association and dividends, rather than agreeing on the relevant activities of the business. As a result of this assessment Avarda AB is consolidated as a subsidiary.

In 2016, Avarda AB received SEK 28.8 million in shareholders' contributions, of which SEK 14.7 million was from TF Bank AB. In total Avarda AB has received SEK 47.8 million in shareholders' contributions, of which SEK 24.4 million was from TF Bank AB.

Note 31 cont.

The following summarises the financial information for Avarda Group, which has a significant non-controlling interest. Avarda Group consists of Avarda AB and its wholly owned Finnish subsidiary Avarda Oy.

INCOME STATEMENT – AVARDA GROUP

SEK thousand	2016	2015
Net interest income	5,086	-
Net fee and commission income	522	-
Net results from financial transactions	– 599	107
Total operating income	**5,009**	**107**
General administrative expenses	– 20,698	– 9,315
Depreciation, amortisation and impairment charges of tangible and intangible assets	– 354	– 206
Other operating expenses	– 499	– 571
Total operating expenses	**– 21,551**	**– 10,092**
Profit before loan losses	**– 16,542**	**– 9,985**
Net loan losses	– 4,811	-
Operating profit	**– 21,353**	**– 9,985**
Income tax expense	4,544	2,177
Net profit for the year	**– 16,809**	**– 7,807**
Other comprehensive income	518	– 116
Total comprehensive income for the year	**– 16,291**	**– 7,923**

BALANCE SHEET – AVARDA GROUP

SEK thousand	31 Dec 2016	31 Dec 2015
Assets		
Loans to credit institutions	12,853	11,115
Loans to the public	53,131	-
Intangible assets	1,214	1,240
Tangible assets	83	115
Other assets	1,509	5
Deferred tax assets	6,830	2,235
Prepaid expenses and accrued income	585	254
Total assets	**76,205**	**14,964**
LIABILITIES AND EQUITY		
Liabilities		
Liabilities to credit institutions	44,098	-
Other liabilities	1,678	272
Deferred tax liabilities	32	-
Current tax liabilities	58	-
Accrued expenses and prepaid income	4,961	1,828
Total liabilities	**50,827**	**2,100**
Equity		
Share capital	2,000	2,000
Retained earnings	39,669	18,787
Net profit for the year	– 16,809	– 7,807
Other comprehensive income for the year	518	– 116
Total equity	**25,378**	**12,864**
TOTAL LIABILITITES AND EQUITY	**76,205**	**14,964**

CASH FLOW STATEMENT – AVARDA GROUP

SEK thousand	2016	2015
Cash flow from operating activities	– 70,869	– 8,053
Cash flow from investing activities	– 295	– 1,559
Cash flow from financing activities	72,902	19,980
Cash flow for the year	**1,738**	**10,368**
Cash and cash equivalents at the beginning of year	11,115	747
Cash and cash equivalents at the end of year	12,853	11,115

NOTE 32 Untaxed reserves

SEK thousand	Parent company 31 Dec 2016	31 Dec 2015
Tax allocation reserve		
Provision for the 2012 tax assessment	18,812	18,812
Provision for the 2013 tax assessment	13,150	13,150
Provision for the 2014 tax assessment	20,659	20,659
Total tax allocation reserve	**52,621**	**52,621**
Accumulated depreciation in excess over plan	-	-
Total untaxed reserves	**52,621**	**52,621**
Deferred tax of 22 % of untaxed reserves, which are not recognised, amounts to	11,577	11,577

NOTE 33 Capital adequacy analysis

Background
Information about the Group's capital adequacy includes information in accordance with chapter 6, 3-4 §§, Swedish FSA's regulations (FFFS 2008:25) on annual accounts of credit institutions and securities companies and related information contained in Articles 92(3)(d, f) 436(b) and 438 of the Regulation (EU) No 575/2013, 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 Regulation (EU) No 575/2013 is provided on the company's website www.tfbankgroup.com.

TF Bank is the responsible institution which is under the supervision of the Swedish FSA. As a result, the company is covered by the rules governing credit institutions in Sweden. TF Bank AB listed on the stock exchange in 2016, which means that the stock exchange rules are also applicable.

Information on 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), Regulation (EU) No 575/2013, regulation on capital buffers (2014:966) and the Swedish FSA'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 own funds must cover the capital requirements including the minimum capital requirements according to Pillar 1.

The bank reports to the Swedish FSA both on an individual basis for TF Bank AB and on a consolidated basis with TF Bank AB as the Parent company. TF Bank AB as the Parent company became the consolidated situation required to report to the Swedish FSA following the initial public offering 14 June 2016. Comparative figures are presented according to the current consolidated situation.

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

SEK thousand	Group 31 Dec 2016	31 Dec 2015
Common Equity Tier 1 (CET1) capital after deductions	371,933	309,078
Additional Tier 1 (AT1) capital after deductions	-	-
Tier 2 capital after deductions	97,040	97,000
Own funds	**468,973**	**406,078**
Risk exposure amounts	2,573,532	2,229,621
- *of which:* credit risk	1,965,888	1,585,690
- *of which:* credit valuation adjustment	3,322	1,587
- *of which:* market risk	16,236	-
- *of which:* operational risk	588,086	642,344
CET1 capital ratio, %	14.45 %	13.86 %
Tier 1 capital ratio, %	14.45 %	13.86 %
Total capital ratio, %	18.22 %	18.21 %
Total CET1 capital requirement inclusive of capital buffer requirements	199,191	168,113
- *of which:* capital conservation buffer	64,338	55,741
- *of which:* countercyclical capital buffer	19,044	12,040
CET1 capital available to use as buffer [1]	256,124	208,745

[1] CET1 capital ratio less the statutory minimum requirement of 4.5 % excluding the buffer requirements. A total capital requirement of a further 3.5 % is also applicable.

Note 33 cont.

OWN FUNDS

SEK thousand	Group	
	31 Dec 2016	31 Dec 2015
CET1 capital		
Share capital	107,500	107,500
Accumulated other comprehensive income	1,486	– 673
Other reserves	1,934	-
Retained earnings	228,428	144,868
Audited annual profits net of any foreseeable expenses and dividends	70,502	83,560
Minority interests	12,435	6,304
Less:		
- Intangible assets	– 31,087	– 23,942
- Deferred tax assets that rely on future profitability	– 6,830	– 2,235
- Minority interests not qualified for inclusion in own funds	– 12,435	– 6,304
Total CET1 capital	*371,933*	*309,078*
Tier 2 capital		
Dated subordinated loan	97,040	97,000
Total own funds	**468,973**	**406,078**

Own funds include the Board of Directors' proposal for the distribution of profit. The Group's CET1 capital comply with the requirements of Regulation (EU) No 575/2013.

SPECIFICATION RISK EXPOSURE AMOUNTS

SEK thousand	Group	
	31 Dec 2016	31 Dec 2015
Credit risk according to the standardised approach		
Corporate exposures	-	432
Retail exposures	1,807,836	1,324,620
Exposures secured by mortgage	452	502
Exposures in default	81,155	60,565
Exposures to institutions with short-term credit assessment	62,008	156,992
Other items	14,437	42,579
Total risk-weighted exposure amount credit risk	**1,965,888**	**1,585,690**
Credit valuation adjustment		
Standardised method	3,322	1,587
Total risk exposure amount	**3,322**	**1,587**
Market risk [1]		
Foreign exchange risk	16,236	-
Total risk exposure amount market risk	**16,236**	**-**
Operational risk [2]		
Standardised approach	588,086	642,344
Total risk exposure amount operational risk	**588,086**	**642,344**
Total risk exposure amount	**2,573,532**	**2,229,621**

[1] The capital requirement for foreign exchange risk, which is calculated in accordance with Article 351 of Regulation (EU) 575/2013, has largely arisen at group level due to reported profits in NOK for the subsidiary BB Finans in Norway.

[2] 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 33 cont.

THE PARENT COMPANY'S CAPITAL SITUATION CAN BE SUMMARISED AS FOLLOWS:

SEK thousand	Parent company 31 Dec 2016	Parent company 31 Dec 2015
Common Equity Tier 1 (CET1) capital after deductions	397,066	337,515
Additional Tier 1 (AT1) capital after deductions	-	-
Tier 2 capital after deductions	97,040	97,000
Own funds	**494,106**	**434,515**
Risk exposure amounts	2,329,785	2,188,257
- *of which:* credit risk	1,764,877	1,546,511
- *of which:* credit valuation adjustment	3,188	1,579
- *of which:* market risk	-	-
- *of which:* operational risk	561,720	640,167
CET1 capital ratio, %	17.04 %	15.42 %
Tier 1 capital ratio, %	17.04 %	15.42 %
Total capital ratio, %	21.21 %	19.86 %
Total CET1 capital requirement inclusive of capital buffer requirements	178,229	164,338
- *of which:* capital conservation buffer	58,245	54,706
- *of which:* countercyclical capital buffer	15,144	11,160
CET1 capital available to use as buffer [1]	292,226	239,043

[1] CET1 capital ratio less the statutory minimum requirement of 4.5 % excluding the buffer requirements. A total capital requirement of a further 3.5 % is also applicable.

OWN FUNDS

SEK thousand	Parent company 31 Dec 2016	Parent company 31 Dec 2015
CET1 capital		
Share capital	107,500	107,500
Other reserves	50,358	42,044
Share premium reserve	1,931	-
Retained earnings	188,789	105,218
Audited annual profits net of any fore-seeable ex-penses and dividends	63,626	91,884
Less:		
- Intangible assets	– 15,137	– 9,131
Total CET1 capital	*397,067*	*337,515*
Tier 2 capital		
Dated subordinated loan	97,040	97,000
Total own funds	**494,107**	**434,515**

Own funds include the Board of Directors' proposal for the distribution of profit. The Parent company's CET1 capital comply with the requirements of Regulation (EU) No 575/2013.

SPECIFICATION RISK EXPOSURE AMOUNTS

SEK thousand	Parent company 31 Dec 2016	Parent company 31 Dec 2015
Credit risk according to the standardised approach		
Institute exposures	84,115	28,060
Corporate exposures	44,357	3,213
Retail exposures	1,410,463	1,192,552
Exposures in default	55,841	49,082
Exposures to institutions with short-term credit assessment	57,904	154,670
Equity exposures	100,861	86,145
Other items	11,336	32,789
Total risk-weighted exposure amount credit risk	**1,764,877**	**1,546,511**
Credit valuation adjustment		
Standardised method	3,188	1,579
Total risk exposure amount	**3,188**	**1,579**
Operational risk [1]		
Standardised approach	561,720	640,167
Total risk exposure amount operational risk	**561,720**	**640,167**
Total risk exposure amount	**2,329,785**	**2,188,257**

[1] 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.

TF Bank complies with the minimum capital requirement which corresponds to own funds equal to at least the total minimum capital requirement.

Capital planning

The Group's strategies and methods for measuring and maintaining the capital requirements according to Regulation (EU) No 575/2013 are based on the bank's risk management. The Group's risk management is designed to identify and analyse the risks which arise in the course of its operations, define appropriate limits for such risks and to ensure that the required controls have been introduced. Risks are monitored and controls are performed on a regular basis to ensure that limits are not exceeded. The Group has a centralised function for independent risk control which reports directly to the CEO and is tasked with analysing changes in risks and, where required, propose amendments to governing documents and processes both for the overall risk management and for specific areas, such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and investment of excess liquidity.

The consolidated situation has its own internal capital adequacy assessment process (ICAAP/ILAAP) to assess whether the internal capital and liquidity is adequate to serve as a basis for current and future activities and to ensure that own funds is of the right size and composition. The process ensures that the consolidated situation correctly identifies, measures and manages all risks to which the consolidated situation is exposed and makes an assessment of its internal capital adequacy requirements. This includes ensuring that the consolidated situation has appropriate governing and control functions and risk management systems in place. The ICAAP/ILAAP is performed at least annually.

Note 33 cont.

The starting point for the consolidated situation's ICAAP/ILAAP is risk identification and self-assessment workshops with senior executives. Using this risk analysis as a basis, each individual risk is analysed and how it will be managed is documented. References are made to applicable governing documents and policies. The risks are quantified based on the method which the consolidated situation deems to be appropriate for each type of risk. An assessment is made for each type of risk with regards to whether additional capital is required to cover the specific risk type. The assessment is based on Pillar 1 capital requirements according to Regulation (EU) No 575/2013 and additional capital is added where necessary for other risks. The ICAAP/ILAAP is then stress-tested to ensure that the consolidated situation's capital and liquidity level can be maintained also in a stressed market situation. The consolidated situation's scenario exercise is forward-looking and based on the consolidated situation's three-year business plan.

NOTE 34 Assets pledged as security

OWN LIABILITIES

	Group		Parent company	
SEK thousand	**31 Dec 2016**	31 Dec 2015	**31 Dec 2016**	31 Dec 2015
Relating to current liabilities to credit institutions				
Loans	528,733	594,559	497,194	565,851
Other assets	356	22,010	-	-
	529,089	**616,569**	**497,194**	**565,851**

TF Bank continuously pledge its Swedish and Norwegians loans to the public as security. The assets are pledged as security for the Group's credit facilities of SEK 332 million. As at 31 December 2016 nothing was drawn from the credit facilities.

NOTE 35 Contingent liabilities

	Parent company	
SEK thousand	**31 Dec 2016**	31 Dec 2015
Guarantee commitment relating to currency trades for Avarda AB and Oy Avarda		
Liabilities according to market valuation of derivatives	-	– 21
Total contingent liabilities	**-**	**– 21**

TF Bank AB has signed a contract of guarantee for the currency derivative contracts that Avarda AB and Avarda Oy enter into.

NOTE 36 Proposed distribution of earnings

The following amount is available for distribution by the Annual General Meeting:

SEK thousand	
Retained earnings	188,789
Net profit for the year	106,043
	294,832
The Board of Directors proposes:	
a dividend of SEK 2.20 per share (21,500,000 shares)	47,300
to be carried forward to retained earnings	247,532
	294,832

The Board of Directors' assessment of the proposed dividend
The proposed dividend will reduce the leverage ratio to 14.2 %. The leverage level is at an adequate level given that the Group continues to operate profitably. Liquidity is expected to remain significantly above the company's policy for managing liquidity risk. Consequently, the Board's opinion for the proposed dividend will not prevent the company from fulfilling its obligations in the short- and long-term, nor from completing any necessary investments. The proposed dividend can therefore be justified with reference to what is stated in the Companies Act, chapter 17, 3 §, sections 2-3.

THE BOARD OF DIRECTORS AND THE CEO AFFIRMATION

The Board of Directors and the CEO certify that the annual report has been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated financial statements have been prepared in accordance with the international accounting standards (IFRS/IAS) referred to in European Parliament and of the Council Regulation (EC) No 1606/2002 of 19 July 2002 on the application of international accounting standards. They give a true and fair view of the Group's financial position and results. The Board of Directors' report for the Group and the Parent company give 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 4 April 2017

Mattias Carlsson
Chairman

Bertil Larsson

John Brehmer

Thomas Grahn

Paul Källenius

Tone Bjørnov

Declan Mac Guinness
CEO & Group CEO

Our audit report was issued 4 April 2017

PricewaterhouseCoopers AB

Martin By
Authorised Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of TF Bank AB (publ), corporate identity number 556158-1041

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of TF Bank AB (publ) for the year 2016, with the exception of the Corporate Governance report on pages 62-69. The annual accounts and consolidated accounts of the company are included on pages 7-61 in this document.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of parent company and the group as at 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as at 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not include the Corporate Governance report on pages 62-69. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Basis for Opinions

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

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

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

Our audit has been based on our risk assessment and materiality calculation. All subsidiaries that has been assessed as significant for the Group has been included in the scope for the audit. The audit has included both local subsidiaries in Sweden, as well as the group's subsidiaries in Norway and Finland. The audits conducted in other territories have been performed by component auditors within the PwC Network. We have trough group audit instructions, communicated to other auditors regarding our risk assessment, the audit procedures we expect to be performed and how their audit should be reported back to us. We also have an ongoing dialogue with the auditors of the subsidiaries regarding risks, work performed and their reporting to us in order to conclude if sufficient audit evidence have been obtain so we can conclude on the Group accounts as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They 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 the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in the aggregate on the financial statements as a whole.

Key audit matters

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

Key audit matter	How our audit responded to key audit matter
Provision for expected loan losses	
Accounting for impairment of loans to customers is based on management assessments over future cash flows and discount rates. This require subjective judgements over the timing of recognition of impairment as well as the size of the impairment to be recognised. TF Bank makes provisions for incurred credit losses for portfolio assessed loans. TF Bank continuously sells non-performing loans in most of the markets where the bank is active. As at 31 December 2016 Loans to the public was SEK 2,489 million, of which the provision for expected loan losses for incurred credit losses was SEK -58 million. Loans to the public is a significant part of the balance sheet for the Group. Refer to the Annual Report Note 19 – Loans to the Public and Note 3 – Financial risks and financial risk management.	Our audit included substantive testing of the recognised provision for loan losses. Our substantive testing has consisted of review and validation of models used and assumptions relating to the calculation of the provision for expected credit losses as well as an assessment of the results of the models. We also tested, compared and assessed previous estimations against actual incurred credit losses to assess the accuracy in TF Bank's models through reviewing potential gains or losses at the sale of the non-performing loans.

Other Information than the annual accounts and consolidated accounts

This document include other information than the annual accounts and consolidated accounts which is found on pages 1-6 and 70-75. The Board of Directors and the Managing Director are responsible for the other information. Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

The Board Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

More information and description of our responsibilities as auditor of annual accounts and consolidated account are to be found at Revisorsnämndens website:

www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf.

This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of TF Bank AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

Auditor's responsibility

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

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

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

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

More information and description of our responsibilities as auditor of the administration of the company's affairs are to be found at Revisorsnämndens website:

www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf.

This description is part of the auditor's report.

Stockholm 4 April 2017
PricewaterhouseCoopers AB

Martin By
Auktoriserad revisor

CORPORATE GOVERNANCE REPORT

TF Bank AB (publ), corporate identity number 556158-1041

INTRODUCTION

Shares in TF Bank AB (publ) (”TF Bank”) have been listed on the Nasdaq Stockholm since 14 June 2016. The Company is the parent company of the TF Bank Group which conducts banking operations and is regulated by the Swedish Financial Supervisory Authority (Finansinspektionen) (“FI”). TF Bank follows a number of laws and regulations regarding good corporate governance and business control, such as the Banking and Financing Business Act (2004:297), Consumer Credit Act (2010: 1846), the Companies Act (2005:551), the Annual Accounts Act (1995:1554), the Credit Institutions and Securities Companies Act (1995:1559), the Swedish Corporate Governance Code, the Nasdaq Stockholm’s rules for issuers and International Financial Reporting Standards. TF Bank also operates under a number of regulations and general guidelines issued by the FI and the European supervisory authority for banks (”EBA”). TF Bank has prepared this Corporate Governance Report in accordance with the Annual Accounts Act and the Swedish Corporate Governance Code (the ”Code”).

TF Bank has its headquarters in Borås and six subsidiaries: Avarda AB, Avarda Oy, TFB Service OÜ, TFB Service SIA, BB Finans AS and Confide AS. TF Bank is authorised by the FI to conduct banking operations. TF Bank conducts banking operations with the permission of FI in Sweden and through bank branches in Finland and Poland. Furthermore, TF Bank conducts cross-border banking operations in Estonia, Denmark, Latvia and Norway. TF Bank also operates through a subsidiary in Norway (BB Finans AS) which has its own license from the Norwegian Financial Supervisory Authority (Finanstilsynet).

THE CODE

In accordance with the prospectus prepared for the listing on the Nasdaq Stockholm, TF Bank intends to comply with the Code from the time of listing. The code will therefore apply with full effect from the first Annual General Meeting (“AGM”) the year after the listing. The description below describes how TF Bank follows the Code or how eventual deviations referred to will be handled in future. For further information about the Code, see www.bolagsstyrning.se. In accordance with the basic rules of a limited company’s management and organisation, TF Bank is governed by the AGM, the Board of Directors, the CEO and the executive management group. The AGM appointed auditor submits an audit report of the company’s Annual accounts including the disposition of results, the work of the Board of Directors and the executive management and its operations.

The Code requires the Board of Directors to annually, through a systematic and structured process, evaluate the Board of Directors’s work with a view to developing the Board of Directors’ efficiency. The results of the evaluation are to be reported to the Nomination Committee. In 2016, a year that included the IPO, 16 Board meetings and a continual adjustment for the Company’s new role as a listed company, this evaluation has not been performed in a systematic and structured way, rather the evaluation has been made continuously. Participation in the work of the Board of Directors has however been high and the Company has established routines including a Remuneration Committee and an Audit Committee, which have held one respectively three meetings.

In 2017 the Company intends to make an assessment through a web-based survey provided by a third party. The goal of the evaluation is to further improve the work of the Board of Directors and the Nomination Committee and to assist in evaluating the composition of the Board of Directors going forward. The goal of the evaluation is also to examine whether Board members actively participate in the Board of Directors and/or Committee work and discussions, if the atmosphere at meetings is conducive to and promotes open discussion, how the Chairman of the Board of Directors carries out his work and whether Board members contribute with independent opinions. The results of the evaluation will be reported to the Nomination Committee.

In addition, the Board of Directors shall regularly evaluate the work of the CEO and at least once a year examine this issue with no members of the executive management group present. A separate evaluation of the CEO’s work was done prior to the listing and will take place again in 2017, in conjunction with a decision on compensation. The results of the evaluation will be reported to the Nomination Committee.

OWNERSHIP

Ownership structure according to the shareholders' register as at 31 December 2016:

	Owner	No. of shares	Ownership
1	TFB Holding AB	10 110 964	47.03 %
2	Merizole Holding LTD	1 507 495	7.01 %
3	Erik Selin Fastigheter AB	1 497 593	6.97 %
4	Swedbank Robur Fonder	1 290 000	6.00 %
5	SEB Life International	839 006	3.90 %
6	Danica Pension Försäkrings AB	737 406	3.43 %
7	Proventus Aktiebolag	645 000	3.00 %
8	Pareto Nordic Return	505 306	2.35 %
9	Clearstream Banking S.A.	334 578	1.56 %
10	Gurrfinans AB	334 526	1.56 %
11	Handelsbanken Fonder	300 000	1.40 %
12	Skandia Fonder	275 000	1.28 %
13	Länsförsäkringar Fonder	241 461	1.12 %
14	Kaax Investment AB	224 521	1.04 %
15	Tiberon AB	224 521	1.04 %
16	Avanza Pension	215 465	1.00 %
17	JP Morgan Europe	174 206	0.81 %
18	Norges Bank	169 616	0.79 %
19	AB Monarda	154 842	0.72 %
20	Mattias Carlsson	154 432	0.72 %

The largest owner, TFB Holding AB, with a total holding of 47.03 % as at 31 December 2016, is represented by Paul Källenius and John Brehmer in the Company's Board of Directors and by the lawyer Björn Wendleby on the Nomination Committee.

ARTICLES OF ASSOCIATION

The Articles of Association are adopted by the AGM and contain obligatory information of the basic nature of TF Bank's operations. The Articles, which are available on the Company's website www.tfbankgroup.com, state, inter alia, what activities the company may conduct, the limits for the share capital, share classes and the number of votes per share allowed. The Articles do not contain any provisions on the appointment or dismissal of Board members or on amendments to the Articles.

SHAREHOLDERS' GENERAL MEETING / AGM

TF Bank's shareholders' decision-making powers are exercised at the General Meeting / AGM. The Shareholders' General Meeting is the Company's highest governing body, including the power to make decisions on issues regarding an amendment of the Articles of Association, the discharge of liability for the members of the Board of Directors and the executive management, the adoption of financial statements including balance sheets and earnings, the distribution of dividends, the election of Board members and auditors as well as fees to Board members and auditors. The Companies Act and the Articles of Association govern the meeting and its agenda.

Notice of an AGM occurs through an announcement in Post- och Inrikes Tidning and by making the notice available on the Company's website www.tfbankgroup.com. At the same time as the Notice is issued, the Company shall post an advertisement in the Swedish newspaper Svenska Dagbladet to inform shareholders that the Notice has been issued. Shareholders who wish to attend the General Meeting must be registered as shareholders in the share register five (5) days before the meeting and must notify the company of intended attendance no later than the date specified in the Notice.

The 2016 AGM was held in Borås on 12 April. In accordance with the Board of Directors' proposal to the AGM and regarding the SEK 206,777,000 at the AGM's disposal, it was resolved, amongst other things, that SEK 9,675,000 would be distributed to shareholders and SEK 197,102,000 would be balanced in the new accounts. The dividend was resolved equivalent to SEK 0.45 per share. The AGM also discharged the members of the Board of Directors and the CEO from liability for the financial year 2015.

The AGM also resolved, in accordance with the submitted proposal that the Board of Directors would consist of seven members. Mattias Carlsson, John Bremer, Thomas Grahn, Paul Källenius, Bertil Larsson, Lars Wollung and Tone Bjørnov were all re-elected. Mattias Carlsson was elected Chairman. The AGM also resolved that a fee of SEK 2,200,000 be paid to the Chairman, SEK 300,000 to Board members who are not employees of TF Bank, SEK 100,000 to the Chairman of the Audit Committee, SEK 50 000 to the other members of the Audit Committee and that the fees to the auditor shall be paid according to approved invoice. It was also resolved that remuneration to Board members can be invoiced, if fiscal conditions allow it and provided it is cost neutral for the Company.

PricewaterhouseCoopers AB was elected as auditor for the period until the AGM in 2017 with the principal auditor Authorised Public Accountant Martin By.

It was also resolved to issue three warrants (2016: 1-3) covering a total of 775,772 warrants. The right to subscribe to series 2016:1 was granted to CEO Declan Mac Guinness (221,649) and CFO Michael Meomuttel (221,649) at market value. Johannes Rintaniemi was granted the right to subscribe to series 2016:2 and 2016:3 (332,474) without payment. Each warrant enables the holder to subscribe for one new share in the company.

No authorisation was given by the General Meeting to the Board to decide on issuing new shares or repurchase shares.

The complete protocol and information on the AGM from 2016 is available on www.tfbankgroup.com.

THE NOMINATION COMMITTEE

The AGM in April 2016 decided that TF Bank's Nomination Committee shall be composed and work as below.

1. The company shall have a Nomination Committee consisting of one representative from each of the three largest shareholders or owner groups, in accordance with paragraph 2 below, who wish to appoint a representative, and the Chairman of the Company. The names of the three owner representatives and the names of the shareholders they represent shall be announced not later than six months before the AGM. The Nomination Committee's term of office extends until a new committee is appointed. The Chairman of the Nomination Committee shall, unless the members agree otherwise, be the member who represents the largest shareholder.

2. The Nomination Committee shall be composed based on shareholder statistics from Euroclear Sweden AB on the last banking day in August the year before the AGM and other reliable shareholder information provided to the Company at the time. In assessing what constitutes the three largest shareholders, a group of shareholders is considered as one owner if they (i) have been grouped in the Euroclear Sweden system or (ii) published and reported to the Company in writing that they have agreed in writing on a lasting common stance with regard to the Company's management. If shareholders with the right to serve on the Nomination Committee decline, then the offer to serve will proceed to the shareholder that is next in line, based on information in accordance with the above.

3. If two months prior to the AGM one (or several) shareholders that have been appointed members of the Nomination Committee is (are) no longer one of the three largest shareholders, these shareholders shall resign and the shareholder or shareholders who have joined the three largest shareholders will, after contact with the Chairman of the Nomination Committee, be entitled to appoint their representative.

Shareholders who have become one of the three largest owners later than two months before the AGM can, instead of being part of the Nomination Committee, be entitled to appoint one representative to be co-opted to the Nomination Committee. Changes in the composition of the committee shall be published as soon as they occur.

4. The Nomination Committee shall prepare the below proposals to be submitted to the AGM to be resolved:

- proposal of the Chairman of the AGM;
- proposal of the Board of Directors;
- proposal of the Chairman of the Board;
- proposal of Board fees and the distribution between the Chairman and other Members of the Board as well as fees for committee work;
- proposal for auditors; and
- proposal for remuneration to the auditors.

5. The Nomination Committee shall, when carrying out its duties, fulfil them in accordance with the Code with regard to the work of a nomination committee and the Company, at the request of the Nomination Committee, shall provide necessary resources such as secretarial functions to facilitate the work of the Nomination Committee. If necessary, the Company will also bear reasonable costs for external consultants that the Nomination Committee deems necessary to fulfil its assignment.

Nomination Committee for the AGM 2017

According to the principles decided at the AGM in 2016, the Nomination Committee shall be appointed from the three largest shareholders or owner groups who wish to appoint a representative. The member representing the largest shareholder shall be appointed Chairman of the Nomination Committee.

The Nomination Committee for the AGM 2017 consists of the following:

- Björn Wendleby - representing TFB Holding AB (Chairman)
- Jonas Weil - representing Merizole Holding Ltd
- Gunnar Ryman - representing Gurrfinans AB and
- Mattias Carlson - Chairman of TF Bank AB (publ)

TF Bank's AGM will be held Wednesday 3 May 2017 in Stockholm.

The Nomination Committee has held several meetings in 2016 and in the interim had contact by telephone and e-mail. The Nomination Committee has developed proposals for remuneration for the Board of Directors in comparison with companies engaged in similar activities and of a similar size and complexity. The Nomination Committee has, in its proposal regarding the composition of the Board of Directors, paid particular attention to the requirement for the diversity and scope of the Board and aiming for gender balance.

THE BOARD OF DIRECTORS

The Board of Directors has the ultimate responsibility for TF Bank's organisation and management. In addition, the Board of Directors shall exercise supervision of the CEO and monitor that the Company's financial circumstances are examined in a secure manner. The Board of Directors' decisions should aim to promote the interests of the shareholders with regard to value, growth and returns. The Board of Directors' duties and working procedures are governed by the Companies Act, the Articles of Association and the Board Rules (see below). The tasks and the work of the Board of Directors of TF Bank, as a regulated company, is further regulated by the Banking and Financing Business Act.

The Board of Directors is responsible for the assessment of TF Bank's risk-taking and has established rules for decision-making, financial reporting and financing. Guidelines are also available for work in other areas, such as; environment, ethics, quality, information, personnel, IT, security monitoring and communications.

The Board of Directors' work follows an annual work plan covering the matters that the Board should deal with at each regular meeting and the division of responsibilities within the Board, with specific responsibilities for the Chairman. The work plan also specifies rules for financial reporting to the Board of Directors and rules regarding the CEO's responsibilities and authorities.

According to the Articles of Association, the Board of Directors shall consist of at least three (3) and a maximum of ten (10) members. On 31 December 2016, the Board of Directors consisted of seven members: Chairman Mattias Carlsson; Members John Brehmer, Thomas Grahn, Paul Källenius, Bertil Larsson, Lars Wollung and Tone Bjørnov. Additional information about the Board of Directors representatives can be found on the Group website: www.tfbankgroup.com and on page 70.

Significant Board items

During 2016, the Board of Directors held sixteen (16) meetings, of which four (4) were ordinary meetings, eight (8) additional / telephone, and four (4) meetings held by correspondence.

Date	Significant items raised at the meeting
25-01-2016	Credit Policy, Credit Facility for BB Finans
01-02-2016	Approval of prospectus for subordinated loan
29-02-2016	Warrants, Notice of AGM, Insider Policy
07-03-2016	Amendment to the Articles of Association, amendment to Notice of AGM
14-03-2016	Board Rules, Instructions for the CEO, Risk Framework, Code of Conduct, IT security, Remuneration Policy, Capital Policy,
08-04-2016	Registration of prospectus with Finansinspektionen, Business Plan, Insider Policy
13-04-2016	Warrants
29-04-2016	Guarantee for derivatives of Avarda Oy
09-05-2016	Interim Report Q1 2016
27-05-2016	Board inaugural meeting, signatory powers, launch of lending in Latvia, Insider Policy, Communication Policy, Remuneration Policy, Remuneration of management
01-06-2016	Listing of the Company's shares on the Nasdaq, Stockholm
13-06-2016	Decision to list, placement agreement, Nasdaq rules
18-07-2016	Interim Report Q2 2016
07-09-2016	Liquidity Policy, non-audit Services
26-10-2016	Interim Report Q3 2016
14-12-2016	Budget, shareholder contributions to BB Finans, credit facility for BB Finans, Avarda, ICAAP/ILAAP, regulatory documents regarding risk control, compliance and internal audit

Board attendance:

Board Member	Independent of the largest shareholder/company	Attendance
Mattias Carlsson (Chairman)	No	16 of 16
Paul Källenius	No	16 of 16
John Brehmer	No	16 of 16
Lars Wollung	Yes	15 of 16
Tone Bjørnov	Yes	16 of 16
Bertil Larsson	Yes	15 of 16
Thomas Grahn	Yes	15 of 16

CEO Declan Mac Guinness and CFO Mikael Meomuttel also attended all meetings.

The responsibilities and duties of the Board of Directors include, inter alia, to establish objectives and strategies for the Company's operations, to strive to ensure that the organisation and operation of the Company's operations are characterised by internal control, to establish internal rules on risk management and risk control and regularly monitor compliance of these rules, to ensure that the there is an internal audit function and to monitor the company's financial position. Furthermore, the Board of Directors' task is to appoint the CEO, to adopt instructions for the CEO's work and to monitor the results of that work.

Reporting to the Board of Directors and Board Committees

The Board of Directors receives a monthly financial report including balance sheet and income statements as well as key ratios regarding the capital and liquidity situation of the company. At each regular Board meeting, the CEO, the CFO, the Chief Risk Officer and the Compliance Officer report, directly to the Board.

The overall responsibilities of the Board of Directors cannot be delegated. However, in 2016 the Board of Directors established committees to deal with certain issues and to prepare such issues for decisions by the Board.

The Board of Directors has two committees: the audit committee and remuneration committee (see below).

Remuneration Committee

The duties of the Remuneration Committee are dealt with by the Board of Directors in its entirety. The Remuneration Committee's task is to meet two (2) times a year to support the Board in its work to ensure that the risks associated with TF Bank's remuneration system are measured, managed and reported. The Remuneration Committee is also responsible for assisting the Board of Directors in setting norms and principles for decision on compensation to TF Bank's employees and management team and to ensure that compensation schemes are consistent with applicable laws and regulations. The Board of Directors decides on remuneration to the CEO, Vice President, Compliance Officer and Chief Risk Officer after the preparatory work of the Remuneration Committee.

The Remuneration Committee shall prepare a remuneration policy for the Company and submit it to the Board of Directors for approval. The Board of Directors reviews and approves at least once (1) a year a remuneration policy in accordance with FI's regulations on remuneration in financial institutions covering all TF Bank employees. The adoption of the remuneration policy is based on an analysis that is performed annually in order to identify employees whose work has a significant impact on the TF Bank's risk profile.

The remuneration policy states, inter alia, that remuneration and other benefits shall be competitive in order to promote TF Bank's long-term interests and to combat excessive risk-taking. A more detailed description of remuneration and benefits paid in 2016 can be found on TF Bank Group's website (www.tfbankgroup.com).

The Remuneration Committee met once in 2016, when all members were in attendance.

Audit Committee

The Audit Committee is responsible for preparing the Board of Directors' work to assure the quality of the Company's financial reporting, internal control and risk management. The Audit Committee deals with critical accounting issues and the Company's financial reports. The Audit Committee has, for example, reviewed all interim reports during the year as well as the risk analysis carried out by the accounting department regarding the Company's financial reporting and received a presentation by the CFO and Head of Accounting of the working procedures of the monitoring of the risk analysis.

The Audit Committee shall additionally meet regularly with the Company's auditor to control adherence to accounting principles, obtain information about changes in current regulations, consider the scope of the audit and discuss coordination between external and internal audit regarding the Company's risks. The Committee shall also review and monitor the impartiality and independence of the auditor and pay particular attention if the auditor provides the Company with services other than audit services.

The Audit Committee shall also evaluate the work carried out by the auditor and inform the Nomination Committee of the outcome of the evaluation, thus assisting the Nomination Committee in producing proposals for auditors and audit fees. The Audit Committee shall meet at least four times per fiscal year and otherwise as required. Minutes shall be prepared for each meeting and shall be sent to all Board members.

During the financial year the Audit Committee consisted of three (3) members of the Board: Tone Bjørnov, Lars Wollung and Mattias Carlsson. Tone Bjørnov is an independent Board Member, has auditing experience and is Chairman of the Audit Committee.

In 2016, the Audit Committee held three (3) meetings. Attendance:

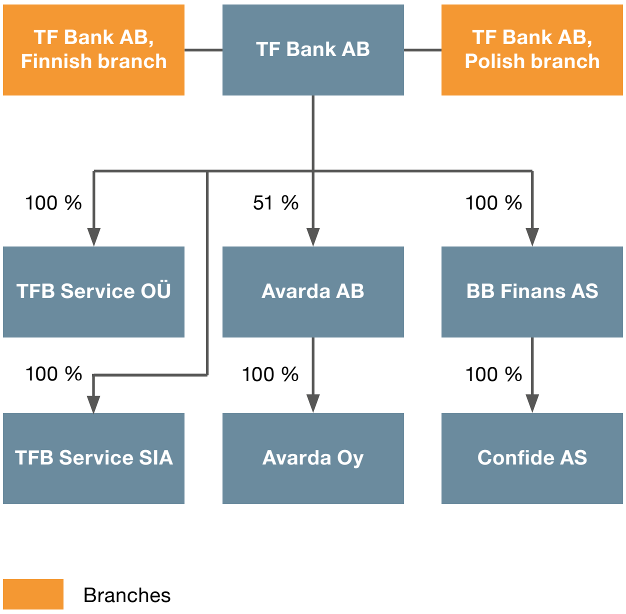
Board Member	Attendance
Tone Bjørnov (Chairman)	2 of 3
Lars Wollung	3 of 3
Mattias Carlsson	3 of 3

The Company's CEO, CFO and Head of Accounting attended all meetings, as did the Company's auditor Martin By.

Remuneration to Board Members
In accordance with the decision made at the 2016 AGM, the following remuneration was paid to the Board Members:

- Chairman: SEK 2,200,000
- Board Members not employed by the Company: SEK 300,000
- Chairman of the Audit Committee: SEK 100,000
- Members of the Audit Committee: SEK 50,000

GROUP STRUCTURE



List of companies included for accounting and regulatory consolidation purposes:

Parent	Subsidiary	Corporate ID	Ownership	Consolid. (reg. / acc.)
TF Bank AB (publ.)		556158-1041		
	Avarda AB	556986-5560	51 %	Full/Full
	Avarda Oy	2619111-6	51 %	Full/Full
	BB Finans AS	935590221	100 %	Full/Full
	Confide AS	948063603	100 %	Full/Full
	TFB Service OÜ	12676808	100 %	Full/Full
	TFB Service SIA	40203015782	100 %	Full/Full

INTERNAL CONTROL DOCUMENTS

In addition to laws, ordinances, regulations, etc. TF Bank has a number of internal control documents relating to the daily management. These have been adopted by the Board of Directors, the CEO or other officers and include the Articles of Association, Rules of Procedure for the Board of Directors, instructions for the Audit Committee and Remuneration Committee, instructions to the CEO and with regard to financial reporting to the Board, an insider policy, risk management policy, credit policy, remuneration policy, handling of ethical issues and conflicts of interest (code of conduct), outsourcing policy, business continuity plan, liquidity management instruction, a financial policy, a capital policy, policy on risk control, compliance and internal audit, the handling of complaints and a policy regarding measures against money laundering and terrorist financing. All policy documents are available through the intranet.

EXTERNAL AUDITORS

The Company's external auditors are appointed by the AGM. The external auditors' responsibility is to review the Annual Report and the financial statements, the management team and the CEO. In 2016, PwC was elected as the Company's auditor, with the Authorised Public Accountant Martin By as auditor.

Details of the fees and expenses of the auditors is presented in note 9.

CEO AND MANAGEMENT

The CEO is responsible for the daily management of the Company in accordance with the Companies Act and the Board's instructions. The CEO is responsible for keeping the Board of Directors informed of the Company's operations and to ensure that the Board has as true and accurate a basis for decision as possible.

As at 31 December 2016 the management group consisted of: Declan Mac Guinness (CEO), Michael Meomuttel (CFO), Bjorn Skytt (CIO), John Rintaniemi (Head of Direct to Consumer), Jonas Wedin (Head of Sales Finance) and Sture Stölen (Investor Relations).

Additional information about the Group's management representatives can be found on the Group's website (www.tfbankgroup.com) and on page 72.

Variable compensation (bonus) to members of management
In 2015 it was agreed to pay variable remuneration to the bank's CEO and CFO, as compensation for the work done in connection with the company's first IPO process. The variable compensation was accounted for in 2015, to be paid out over a period of three years. The entire amount was the result of a unique project and has no connection with the company's future risk.

In 2016, after a decision taken at the AGM, the Company's Head of Direct to Consumer received personal options without consideration in two different series (2016: 2 and

2016: 3), each representing 166,237 share options. The assessed value of the options was SEK 562,000 and SEK 459,000, respectively. The decision was resolved by the AGM 3 April 2016.

INTERNAL CONTROL AND RISK MANAGEMENT

First line of defence

The activities of TF Bank consist primarily of three business areas (deposits, loans and sales finance) and three supporting functions (IT, finance and back-office). First line risk-management is based on the business and support units and includes all employees. The respective department responsible for the first line of defence is responsible for daily risk management and compliance and for taking the appropriate action if unwanted exposure or inadequate routines occur within the area. Reporting lines are to the immediate supervisor, the Compliance function, the Risk Control function or the CEO.

Second line of defence - Compliance and Risk Control

The independent control functions within compliance and risk control examine, evaluate and report to executive management and the Board of Directors regarding risk and compliance within the Group. The work of both functions is governed by instructions established by the Board of Directors. The control functions in the second line of defence are responsible for reviewing risk management and compliance carried out in the first line of defence but should also serve as a support for the same.

An independent review of compliance with external and internal rules is made by the compliance function in accordance with FI's regulations and general recommendations on governance, risk management and control of credit institutions as well as the guidelines and recommendations issued by EBA. The compliance function is subordinate to the CEO, reports directly to the Board of Directors and is regularly reviewed by internal audit. TF Bank's Head of Compliance is Karin Sandberg. Compliance is independent of all business units and support functions.

Independent risk control and monitoring of risk management within TF Bank is performed by an internal independent risk control function in accordance with FI's regulations and general recommendations on governance, risk management and control of credit institutions. The risk control function is subordinate to the CEO, reports directly to the Board of Directors and is regularly reviewed by internal audit. Reporting to the Board of Directors includes the Company's capital position, liquidity risk, credit risk, market risk and operational risk (including any incidents). TF Bank's Chief Risk Officer is Magnus Löfgren. The function's responsibilities include an independent monitoring and analysis of how risks at an aggregate level evolve over time and subsequently reporting these to the Board of Directors and management. The function's responsibility is also to contribute to the further development of risk management processes including providing methods for the identification, measurement, analysis and reporting of risks. The risk control function works independently of all business units and support functions.

Third line of defence - Internal Audit

TF Bank's third line of defence is an independent audit function, reporting to the Board of Directors. The internal audit is mainly responsible for providing the Board with a reliable and objective evaluation of risk management, financial reporting, risk control and governance processes in order to reduce the occurrence of threats and improve the control structure. TF Bank's internal audit carried out by KPMG AB and the head of internal control is Henrik Auoja. The audits are carried out according to an audit plan adopted by the Board.

The internal audit function examines and assesses whether the system for internal controls and procedures are adequate and effective, issues recommendations if they are not, and make sure the recommendations are followed. During 2016 internal audits were performed, inter alia, on the Company's internal processes regarding capital and liquidity evaluation as well as financial reporting.

The Board of Directors issues and revises at least annually all policies that constitute the framework for the business.

FURTHER INFORMATION

Further information on corporate governance is available on www.tfbankgroup.com. As of 2016 among other information from TF Bank's AGMs including:

- Notice
- Minutes
- Detailed proposals for the meeting
- CEO's presentation
- Interim reports
- Information on the management and the Board of Directors, including shareholdings
- This Corporate Governance Report

INFORMATION IN ACCORDANCE WITH CHAPTER 6, 2 § OF THE ACT (2014: 968) ON SPECIAL SUPERVISION OF CREDIT INSTITUTIONS AND SECURITIES COMPANIES AND CHAPTER 8, 2 § FINANCIAL SUPERVISORY AUTHORITY ON REGULATORY REQUIREMENTS AND CAPITAL BUFFERS (FFFS 2014: 12)

TFB Service OÜ, TFB Service SIA and BB Finans AS is owned 100 % by TF Bank. Confide AS is owned 100 % by BB Finans. TF Bank owns 51 % of Avarda AB, whilst Avarda AB owns 100 % of Avarda Oy. All companies are wholly or majority-owned subsidiaries and as the sole or majority shareholder is the TF Bank to control the companies through the exercise of TF Bank's voting rights at general meetings. TF Bank can also through its shareholding determine the Board of Directors elected at each company's general meeting.

THE BOARD OF DIRECTORS' DESCRIPTION OF INTERNAL CONTROL AND RISK MANAGEMENT RELATED TO FINANCIAL REPORTING FOR FISCAL YEAR 2016

The Board of Directors is responsible for the internal control of both TF Bank Group and TF Bank AB (publ) through the Companies Act and the Swedish Annual Accounts Act.

Internal control over the financial reporting is a process designed to provide reasonable assurances regarding the reliability of external financial reporting and whether the financial statements are prepared in accordance with GAAP, applicable laws and regulations and other requirements for companies whose transferable debt securities are admitted to trading on a regulated market. The internal regulatory framework with policies, instructions and the routine and process descriptions constitute the primary tool to ensure accurate financial reporting. The efficiency and effectiveness of the control mechanisms are reviewed annually by the control functions and internal audit.

The internal control activities are included in TF Bank's administrative procedures. The internal control of TF Bank is based on a control environment that includes values and management culture, follow-up, a clear and transparent organisational structure, segregation of duties, the duality principle and the quality and efficiency of internal communications. The basis for internal control of financial reporting consists of a control environment with organisation, decision making, duties and responsibilities which are documented and communicated in governing documents with job descriptions for the control functions.

TF Bank's risk management is proactive and based on proper follow-ups with the main focus on ongoing controls and internal training. Risk management is an integral part of the business. The control activities include both general and detailed controls intended to prevent and detect errors and discrepancies so that these can be corrected. Control activities are designed and documented at the corporate and departmental level, based on a reasonable level related to the risk of errors and the effect of such errors. Each functional manager is primarily responsible for managing the risks related to the respective department's operations and financial reporting processes (the "first line of defence").

Control of procedures and processes regarding, inter alia, financial reporting is also performed by TF Bank's risk unit (the "second line of defence"). The control consists of assessing, including spot checks, that existing procedures and processes are adequate and followed.

Monthly financial reports are submitted to the Board of Directors and each meeting of the Board of Directors deals with the Company's and the Group's financial situation. The Board of Directors receives a report from the risk control and compliance functions prior to each regular meeting.

The Board of Directors also reviews the quarterly and annual financial reports as well as the reports from the external and internal auditors.

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the annual meeting of the shareholders of TF Bank AB (publ), corporate identity number 556158-1041

Engagement and responsibility

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2016 on pages 62-69 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm 4 April 2017
PricewaterhouseCoopers AB

Martin By
Authorised Public Accountant

BOARD OF DIRECTORS

MATTIAS CARLSSON
Chairman of the Board since 2015, Board member since 2008.

Born: 1972

Education: MEng., engineering physics, Uppsala University.

Current commitments: TFB Service OÜ, board member, BB Finans AS, board member, Avarda AB, board member, and Avarda Oy, board member.

Dependent of the company and its management.

TONE BJØRNOV
Board member since 2015.

Born: 1961

Education: Bachelor of Business Administration, BI Norwegian Business School.

Current commitments: Filmparken AS, chairman, BB Finans AS, board member, ABG Sundal Collier ASA, board member, ABG Sundal Collier Holding ASA, board member, Bank 1 Oslo Akershus AS, board member, Valutacorp AS, board member, Norsk Film Kostyme AS, chairman, Aqua Bio Technology ASA, board member, and Storyline Studios AS, chairman.

Independent of the company, its management and of major shareholders.

JOHN BREHMER
Board member since 2010.

Born: 1965

Education: MSc in Business and Economics, industrial marketing, Stockholm School of Economics.

Current commitments: TFB Holding AB, board member, Zebware AB, chairman, Tiberon AB, chairman, Mederion AB, chairman, and Consortio Fashion Holding AB, board member.

Independent of the company and its management. Dependent of major shareholders.

PAUL KÄLLENIUS
Board member since 2007.

Born: 1966

Education: MEng., industrial economics, Royal Institute of Technology (KTH) in Stockholm.

Current commitments: TFB Holding AB, chairman, Consortio Fashion Group AB, chairman, Halens AB, board member, Cellbes AB, board member, New Bubbleroom Sweden AB, board member, Urbanista AB, board member, Nordisk Hypoteksförmedling AB, board member, and Consortio Fashion Holding AB, chairman.

Independent of the company and its management. Dependent of major shareholders.

THOMAS GRAHN
Board member since 2010.

Born: 1947

Education: Master of Laws, Uppsala University.

Previous appointments include the Swedish Financial Supervisory Authority.

Independent of the company, its management and of major shareholders.

BERTIL LARSSON
Board member since 2007.

Born: 1946

Current commitments: LåsTeam Sverige AB, chairman, Minso Solutions AB, chairman, Conpera AB, board member, Minso Holding AB, chairman, Aktiebolaget Borås Tidning, chairman, Tore G Wärenstams stiftelse, board member, Swedebridge AB, chairman, Gota Media AB, board member, and AB Effektiv, chairman.

Independent of the company, its management and of major shareholders.

AUDITOR

AUDITOR

MARTIN BY
Authorised Public Accountant

PricewaterhouseCoopers

SENIOR MANAGEMENT

DECLAN MAC GUINNESS
CEO

Born: 1966

Education: Master of Laws, Stockholm University.

Previously CEO of Carlson Fonder AB and Compliance Officer for DNB Asset Management. Also a guest lecturer at Stockholm University for the last fifteen years.

Current commitments: TFB Service OÜ, board member, TFB Service SIA, board member, BB Finans AS, board member, Avarda AB, board member, and Avarda Oy, board member.

MIKAEL MEOMUTTEL
CFO and Deputy CEO

Born: 1976

Education: MSc, Business/Economics and Finance, University of Borås/University of Gothenburg.

Joined TF Bank in 2009 and has been an integral part of the company's transition from a credit market company to a bank. Also responsible for the implementation of new financial directives, such as CRR and CRD IV. Formerly Financial Controller at Consortio Fashion Group AB (CFG), one of the Nordic region's leading groups in distance commerce and e-commerce.

BJÖRN SKYTT
CIO

Born: 1974

Education: Information Technology degree, University of Gothenburg.

Joined TF Bank in 2010 and currently holds the position of CIO. Before joining TF Bank, worked as integration manager for ICA Banken and prior to that as project manager and system manager for SKF's financial and treasury systems.

STURE STØLEN
Head of Investor Relations

Born: 1967

Education: MSc, Finance, BI Norwegian Business School in Oslo.

Previously Head of Investor Relations at SAS Group, senior advisor at Fogel & Partners, senior advisor and partner at Wildeco and a director of Forex Bank AB. Appointed Head of TF Bank's Investor Relations in 2016.

Current commitments: Wildeco Ekonomisk Information Aktiebolag, board member.

JOHANNES RINTANIEMI
Director of TF Bank's Finnish branch and Head of Direct to Consumer

Born: 1977

Education: MSc, Economics, Helsinki School of Economics.

Appointed director of the finnish branch in 2014. Prior to TF Bank, worked in consumer credit more than ten years experience mainly in credit risk management and portfolio quality at Ferratum Oyj Group, GE Money Oy (Finland), Santander Consumer Finance Oy (Finland) and Citibank Oy (Finland).

Current commitments: Studio Amfora Ky, partner, Rinvestor Oy, board member and CEO, and ThumbsApp Oy, board member.

JONAS WEDIN
Head of Sales Finance

Born: 1973

Education: MSc, Information Technology, University of Borås.

Previously worked at ICA Banken, ICA AB and SP Technical Research Institute of Sweden as project leader and team leader. These assignments involved responsibility for numerous IT projects within the banking sector. Joined TF Bank in 2011 and was appointed Head of Sales Finance in 2015.

DEFINITIONS

TF Bank Group makes use of the alternative key figures: adjusted operating income, adjusted net profit, adjusted earnings per share and adjusted return on equity. Items affecting comparability relate to the IPO. The bank uses these alternative key figures to better understand the underlying earning generation of the bank. The Group defines the key figures as per below. The definitions remain unchanged from previous periods.

ADJUSTED EARNINGS PER SHARE
Net profit for the year 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 year excluding non-controlling interests and items affecting comparability as a percentage of average total equity.

CET1 CAPITAL RATIO
CET1 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) during the year. For Sales Finance the volume is reduced by product returns.

EARNINGS PER SHARE
Net profit for the year excluding non-controlling interests divided by average number of outstanding shares.

EMPLOYEES (FTE)
Average number of full time employees during the year, including employees on parental leave.

NET LOAN LOSS RATIO
Net loan losses as a percentage of average loan portfolio.

OPERATING INCOME MARGIN
Operating income as a percentage of average loans to the public.

RETURN ON EQUITY
Net profit for the year excluding non-controlling interests as a percentage of average total equity.

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

CONTACT INFORMATION

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