ANNUAL REPORT 2017

TFBank

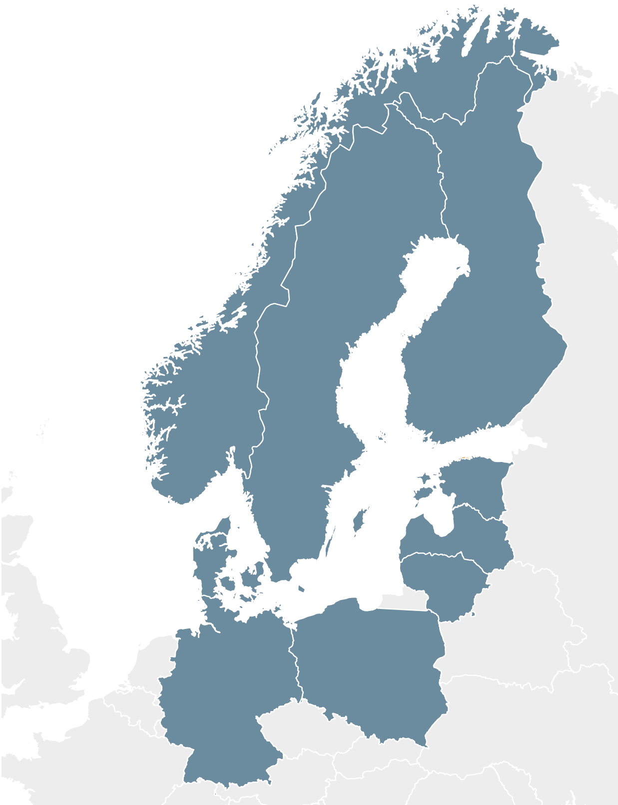
THE YEAR IN BRIEF

DEVELOPMENT IN 2017

- Total operating income increased by 16.1 % to SEK 511.6 million
- The loan portfolio amounted to SEK 3,156 million on 31 December 2017, an increase of 26.8 % during the year
- Operating profit increased by 38.0 % to SEK 192.9 million
- Adjusted operating profit increased by 21.3 % to SEK 192.9 million [1]
- Net profit increased by 35.3 % to SEK 147.8 million
- Adjusted net profit increased by 18.9 % to SEK 147.8 million [1]
- The cost/income ratio was 37.0 % (38.6)
- CET1 capital ratio was 13.2 % and the total capital ratio was 16.2 %
- Earnings per share amounted to SEK 7.04 (5.47)
- Adjusted earnings per share amounted to SEK 7.04 (6.16) [1]
- The Board of Directors proposes to the Annual General Meeting a dividend of SEK 2.25 (2.20) per share for 2017

SIGNIFICANT EVENTS

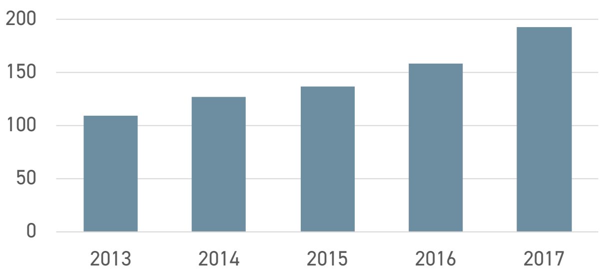
- The subsidiary Avarda has signed a number of agreements, one of which is with a major Finnish player, Hobby Hall.
- TF Bank started to offer deposits in Norway and Germany.
- The subsidiary BB Finans received approval in August to provide banking services in Norway and in connection with the approval changed its name to BB Bank ASA.



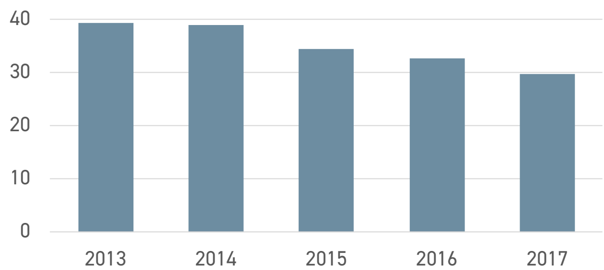
- In November, TF Bank acquired Intrum Justitia's 49 percent stake in Avarda AB. The subsidiary is now wholly owned.
- Mattias Carlsson, former Chairman of the Board, was appointed acting CEO in November when Declan Mac Guiness left the post as CEO.

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.

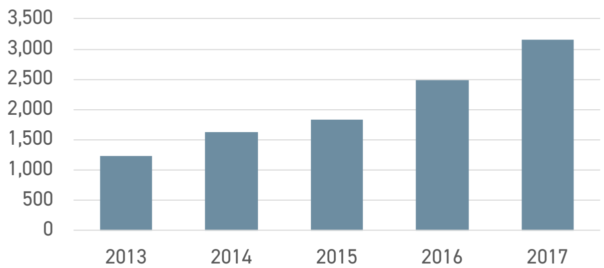
ADJUSTED OPERATING PROFIT (SEK MILLION) [1]



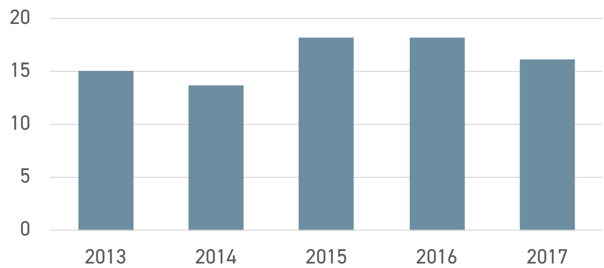
ADJUSTED RETURN ON EQUITY (%) [1]



LOANS TO THE PUBLIC (SEK MILLION) 2013-2017



TOTAL CAPITAL RATIO (%) 2013-2017



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

See separate section with definitions, page 82.

FINANCIAL CALENDAR

2018 Annual General Meeting	2 May 2018
Interim report January-March 2018	26 April 2018
Interim report January-June 2018	13 July 2018
Interim report January-September 2018	25 October 2018
Year-end report January-December 2018	7 February 2019

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

The Annual General Meeting 2018 will be held on Wednesday 2 May 2018 at 16:00 (CET) at Roschier Advokatbyrå, Brunkebergstorg 2 in Stockholm.

KEY FIGURES, GROUP

SEK million	2017	2016
Operating income	512	441
Operating income margin, %	17.9	20.2
Adjusted operating profit	193	159
Adjusted earnings per share, SEK	7.04	6.16
Loans to the public	3,156	2,489
Credit volume	2,969	2,392
Adjusted return on equity, %	29.7	32.8
Cost/income ratio, %	37.0	38.6
Total capital ratio, %	16.2	18.2
Employees (FTE)	110	98

See seperate section with definitions, page 82.

CEO'S COMMENTS

A historic year

TF Bank's 30th fiscal year has been successful in many ways and we continue our growth. The loan portfolio increased by 27 % and the geographical expansion in carefully selected segments in Europe continues. During 2017, Norway and the Baltic countries have seen strong growth. In fact, the Swedish loan portfoli only accounts for 20 % of the Group's total lending and more than half of the staff in the bank are currently in one of our offices outside Sweden. The decentralized organization gives us many advantages and we have local expertise in all the markets in which we operate.

Diversification is one of the key concepts for the bank and during the year we have launched deposits in Norway and Germany. There are many advantages to the new deposit products; we get more options to finance lending growth in the coming years, an increased geographical risk spread and a lower funding cost for the Group. The new deposit products in Norway and Germany also mean that a smaller proportion of the Group's foreign assets depend on financing through currency derivatives. Our deposit offerings are a key part of the journey towards becoming a major player in the market.

Responsible growth

We strive for growth in a controlled and responsible manner. Neither our shareholders nor customers benefit from credits based on insufficient decision-making and considerations. The central part of the business model as a bank is to take calculated risks. As we enter a new market, it takes time to build up a well-functioning credit framework. Our growth in new markets can therefore be compared to a staircase model; when we feel confident that the concept works, we will take the next step and increase lending volumes.

TF Bank's loans have relatively low amounts and short payback times, increasing the likelihood that our customers will be able to repay their loans even when the macro-economic conditions change. In order to protect the customer from changing conditions in his own economy, for example in terms of unemployment, we also offer customers the opportunity to subscribe to a payment protection insurance.

Focus on IT development

Without a secure, well-functioning, cost-effective and flexible IT solution, it would be significantly more difficult to conduct our banking operations. Being able to move from decision to action without unnecessary costs and long lead times is and has long been one of the key goals of the business. In order to ensure continued high capabilities in IT, the area is highly prioritized in the bank. During the year, we continued to focus on our development centres in Gdansk and Borås and further develop our nearshoring strategy.

Significant events during the year

Let me also briefly comment on some of the more prominent news we have presented in 2017. In November, we acquired Intrum Justitia's 49 percent stake in Avarda. The acquisition gives us good opportunities to continue growing within the Sales Finance segment and we see significant volume increases ahead of us in 2018. In August, our Norwegian subsidiary received approval to conduct banking operations in Norway. This means, among other things, that BB Bank's deposit customers in Norway are covered by the Norwegian government deposit insurance guarantee of NOK 2 million. Our acquisition of BB Finans in July 2015 has been very successful and Norway passed Finland in early 2018 as our largest market.

We have had changes in the organization during the year. In November, Declan Mac Guinness left the post as CEO and in December, the management team was strengthened with Espen Johannessen and Mikael Johansson. Espen is CEO of our subsidiary BB Bank, while Mikael is the CEO of the now wholly owned subsidiary Avarda. Espen and Mikael add many years of banking experience to the management team. The last news that I want to highlight is that during the year we have been granted permission from the Swedish FSA to conduct cross-border operations in Germany, Austria and Lithuania, which opens up new opportunities in the coming years.

Continued growth 2018

The stock acquisition in Avarda, strong business in the Baltics and Norway, as well as new deposit products in Norway and Germany have created a platform for continued growth in 2018. At the same time, the conditions for combining high growth and dividends have to some extent been changed through the new accounting rules IFRS 9.

In conclusion, I would like to thank all the employees of the bank for the efforts during TF Bank's 30th fiscal year. Together with the shareholders, customers, partners and other stakeholders, we continue our growth.

Mattias Carlsson
President & CEO

”TF Bank’s 30th fiscal year has been successful in many ways and we continue our growth. The loan portfolio increased and the geographical expansion in carefully selected segments in Europe continues. ”

THIS IS TF BANK

Diversified portfolio

- Diversificatio is one of the key concepts both in terms of deposits and lending
- TF Bank is currently in Sweden, Norway, Finland, Poland and the Baltic countries, and has received a license to conduct cross-border operations in Germany and Austria

Flexible IT-platform

- Short lead times from decision to action pervade our IT business
- High degree of automation designed for scalability and adaptation to different digital banking solutions

Cost-effective organization

- Efficiency and cost control are key terms within the bank
- Our flexible IT-platform makes it possible to expand with economies of scale
- Flat organization also allows for short lead times in decision making

Sale of non-performing loans

- TF Bank sells its non-performing loans to minimize the risks in the balance sheet and to obtain liquidity

New opportunities in Sales Finance

- Sales Finance enables retailers to offer financing options, such as invoices and installment plans, to their customers
- The Avarda share acquisition enables further expansion and diversification opportunities
- Access to a significant amount of customer data, which can be utilized for the Group's other products through cross sales

Direct to Consumer

- TF Bank has been focusing on consumer credit since its establishment in Sweden 30 years ago
- The Nordic region offers attractive markets for credit products based on the availability of information necessary for proper credit analysis and tools for protecting creditors
- Nordic heritage and a proven ability to grow geographically within the Baltics and Poland

Stable business model with high returns

- The return is driven by (2013-2017 average):
  - High growth: CAGR 20.7 % in the loan portfolio
  - Cost Efficiency: 34.5 % in C/I ratio
- High return enables significant reinvestments in operations and high attractive returns to shareholders

GEOGRAPHICAL PRESENCE

Norway

Loan portfolio SEK 900 million (28 %)

Change 2017: +70 %

Strong growth in both segments

Finland

Loan Portfolio SEK 911 million (29 %)

Change 2017: +7 %

Profitability and stable growth

Sweden

Loan portfolio SEK 626 million (20 %)

Change 2017: -6 %

Focus on profitability

Baltics

Loan portfolio SEK 400 million (13 %)

Change 2017: +61 %

Stable growth and profitability

Poland

Loan portfolio SEK 281 million (9 %)

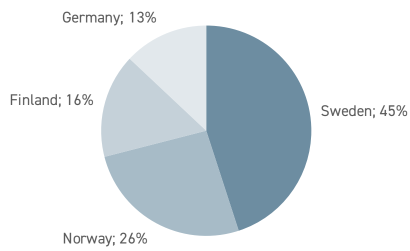
Change 2017: +71 %

Strong growth in both segments

Geographical presence

TF Bank conducts banking operations, which include deposits and lending to retail customers in Sweden, Finland, Norway, Denmark, Poland, Germany, Estonia, and Lativa through subsidiary, branch or cross-border banking.

Geographical split of deposits



ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2017

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, Finland, Norway, Denmark, Poland, Germany, Estonia, and Latvia through subsidiary, branch or cross-border banking.

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. As of 1 January 2017 credit cards are also included in the segment.

KEY FIGURES, GROUP

SEK thousand	2017	2016	2015	2014	2013
Income statement in summary					
Operating income	511,570	440,799	388,013	347,360	292,379
Operating profit	192,938	139,824	118,315	127,322	109,939
Net profit for the year	147,836	109,268	89,409	99,543	86,324
Earnings per share, SEK	7.04	5.47	4.34	4.63	4.02
Balance sheet selected items					
Loans to the public	3,156,289	2,489,283	1,837,578	1,633,820	1,234,158
Deposits from the public	3,754,030	2,284,645	2,229,562	1,953,403	1,522,288
Credit volume	2,968,611	2,391,729	1,675,309	1,190,859	662,072
Key figures					
Operating income margin, %	17.9	20.2	22.4	24.2	23.8
Net loan loss ratio, %	4.5	5.1	6.2	7.9	8.0
Cost/Income ratio, %	37.0	38.6	37.0	30.7	29.0
Return on equity, %	29.7	29.1	29.9	39.0	39.4
Return on loans to the public, %	5.3	5.4	5.3	6.6	7.0
CET1 capital ratio, %	13.2	14.5	13.9	13.7	15.1
Total capital ratio, %	16.2	18.2	18.2	13.7	15.1
Employees (FTE)	110	98	78	51	36

ADJUSTED KEY FIGURES, GROUP

SEK thousand	2017	2016	2015	2014	2013
Operating profit	192,938	139,824	118,315	127,322	109,939
Items affecting comparability [1]	-	19,275	18,232	-	-
Adjusted operating profit	192,938	159,099	136,547	127,322	109,939
Adjusted income tax expense	-45,102	-34,797	-32,917	-27,779	-23,615
Adjusted net profit for the year	147,836	124,302	103,630	99,543	86,324
Adjusted net profit attributable to the shareholders of the Parent company	151,459	132,538	107,456	99,543	86,324
Adjusted earnings per share, SEK	7.04	6.16	5.00	4.63	4.02
Adjusted return on equity, %	29.7	32.8	34.5	39.0	39.4
Adjusted return on loans to the public, %	5.3	6.1	6.2	6.6	7.0

[1] Items affecting comparability in 2016 relate to transaction costs attributable to the listing on the Nasdaq Stockholm. Items affecting comparability in 2015 relate to transaction costs associated with the cancelled initial public offering at the Frankfurt Stock Exchange. All costs related to the IPO are presented as items affecting comparability.

See separate section with definitions, page 82.

TF Bank has its headquarter in Borås, Sweden. The Parent company TF Bank AB, consists of its Swedish operations and branches in Finland, Poland and Estonia. The Group has two subgroups: Avarda, with operations in Sweden and Finland, and BB Bank with operations in Norway. There are also two service subsidiaries in Estonia and Latvia. The Estonian service subsidiary is being wound up.

SIGNIFICANT EVENTS DURING THE YEAR

Quarter 1

In January, TF Bank started to offer deposits in Norway. During the first quarter of 2017, the bank also increased its focus on credit cards in Norway through, among other things, more marketing. Lars Wollung resigned from the Board on 1 March 2017, following the election to become board member in Nordea.

Quarter 2

On 3 May 2017, the Annual General Meeting was held and it was decided to pay a dividend to the shareholders of SEK 2.20 per share. Two new Board members were elected at the Annual General Meeting, Charlotta Björnberg-Paul and Mari Thjømøe. At the same time Paul Källenius and Thomas Grahn left.

In June, the subsidiary Avarda, which is active in Sales Finance, signed an agreement with a major Finnish company, Hobby Hall. In the same month, TF Bank also signed an agreement to sell non-performing loans in Estonia through a forward flow contract.

Quarter 3

In July, the Financial Supervisory Authority's decision was made that TF Bank may conduct cross-border operations in Germany and Austria. During the quarter, the bank also applied for a cross-border license in Lithuania, which was registered by the Swedish Financial Supervisory Authority in November.

The subsidiary BB Finans received approval in August to conduct banking activities in Norway and in connection change its name to BB Bank ASA. During the third quarter, TF Bank changed its cross-border business in Estonia into a branch and launched deposits in Germany.

Quarter 4

On 6 November TF Bank acquired Intrum Justitia's 49 percent stake in Avarda AB and the subsidiary is now wholly owned. The purchase price for the shares, including transaction costs, amounted to SEK 31 million.

In November, Declan Mac Guinness left the post as CEO and Mattias Carlsson was appointed acting CEO. The Board appointed Bertil Larsson as acting Chairman until a permanent CEO has been appointed or until the 2018 AGM.

In 2017, TF Bank celebrated its 30th anniversary.

On 22 December 2017, TF Bank added Espen Johannesen and Mikael Johansson to its management team. The changes were made to strengthen the Group's strategic priorities.

EVENTS AFTER THE YEAR END

No significant events have occurred after the end of the reporting period.

RESULT AND FINANCIAL POSITION - THE GROUP

Operating profit increased by 38.0 % to SEK 192.9 million (139.8). Items affecting comparability related to the stock market listing affected the previous year's profit by SEK 19.3 million. Adjusted operating profit increased by 21.3 % and was positively affected by the Group's lending growth and improved the C/I ratio. Adjusted earnings per share increased to SEK 7.04 (6.16) and adjusted return on equity amounted to 29.7 % (32.8).

Operating income

Operating revenues increased by 16.1 % to SEK 511.6 million (440.8) in 2017. Operating income margin decreased to 17.9 % (20.2), mainly due to the change in the product mix in new lending as consumer loans in Norway constitute a larger part of the group's lending.

Interest income

Interest income increased by 18.8 % to 533.2 MSEK (448.9) in 2017. The strong organic growth in the loan balance, mainly in Norway but also the Baltic countries and Poland, has a positive effect on the Group's interest income. In Norway, both consumer loans and credit cards have significantly higher interest income compared with the previous year.

Interest expense

The Group's interest expenses amounted to SEK 64.6 million (49.9). The increase in interest expenses is mainly due to the growing deposit balances and a larger financing requirement in foreign markets where interest rates are somewhat higher. The Group's interest expenses in relation to interest-bearing liabilities have nevertheless decreased during the year due to a lower funding cost for the new deposit products.

Net fee and commission income
Net fee and commission income increased by 3.5 % to SEK 42.8 million (41.4). Net fee and commission income includes mainly reminders and insurance-related income and expenses. Net fee and commission income has been adversely affected by an adjustment of the product mix in Poland in 2017, where the bank is no longer selling insurance products due to a legal requirement.

Operating expenses
The Group's operating expenses amounted to SEK 189.3 million (170.1), an increase of 11.3 %. The increase is mainly related to more employees in the Group, IT expenses and expenses attributable to increased new lending. Costs increased less than operating income, and the C/I ratio improved during the year to 37.0 % (38.6).

Net loan losses
Loan losses increased by 15.9 % to SEK 129.3 million (111.6). Loan loss levels, on the other hand, decreased to 4.5 % (5.1), mainly due to lower loan loss levels in the growing Norwegian operations. New agreements concerning the sale of non-performing loans in the Swedish and Finnish markets, among other things, have also had a positive effect on the loan loss level in 2017.

Tax expenses
The Group's tax expense amounted to SEK 45.1 million (30.6). The average tax rate increased to 23.4 % (21.9). The tax rate will be affected in 2017 by the fact that the interest expense on the bank's subordinated loan is no longer tax-deductible. In addition, the somewhat higher Norwegian corporation tax has a greater impact on the Group's tax rate as BB Bank's operations are developing positively.

Loans to the public
Lending to the public increased by 26.8 % to SEK 3,156 million (2,489) in 2017. Currency effects have had a positive impact on growth of 0.8 %. The loan portfolio in Norway has increased by 70 % during the year, with growth coming from BB Bank's consumer loans and credit cards. Customer balances in the Baltic countries and Poland have also had strong growth, but from lower levels. The loan portfolio in Finland increased by 7.5 % while Swedish loans decreased by 5.6 % in 2017. The Group's new lending amounted to SEK 2,969 million (2,392).

Deposits
Deposits from the public increased by 64.3 % to SEK 3,754 million (2,285). New deposit products in Sweden, Norway and Germany explain the strong growth during the year. The new products lead to increased geographical risk spread and lower funding costs for the Group. The new deposit products in Norway and Germany also mean that a smaller proportion of the Group's foreign assets depend on financing through currency derivatives.

Investments
The Group's investments increased to SEK 48.4 million (12.0) in 2017. The year's investments primarily concern the acquisition of Intrum Justitia's shares in Avarda and product development within Sales Finance. During the year, the subsidiary Avarda developed a custom checkout solution offered to merchants in the Nordic region.

Liquidity reserve
The Group has a liquidity reserve of SEK 1,264 million (380,9) at the end of 2017. The increase during the year is mainly related to the high growth in deposits. The Group's total available liquidity, including an undrawn credit facility of SEK 30 million, amounted to 34 % (31) of deposits at the end of the year. The strong liquidity position resulted in the Parent company terminating in advance its credit facility agreement of SEK 300 million.

Capital adequacy
TF Bank's capital ratios continue to be at levels with a good margin against the statutory requirements. However, the ratios decreased compared to the previous year and the CET1 capital ratio was 13.2 % (14.5), while the total capital ratio was 16.2 % (18.2). The continued growth in lending and adjustment of the operating risk for operating income for the year was partly offset by the recognition of the interim profit and taking into account of the Board's proposed dividend of SEK 2.25 per share. The Group is positioned to meet both increased regulatory capital requirements and higher capital requirements through the Group's expected future growth.

RESULT AND FINANCIAL POSITION - PARENT COMPANY

Operating income
The Parent company's operating income for 2017 amounted to SEK 437.6 million (391.6). Net income from financial transactions affects operating income by SEK 6.6 million (-7.0), which is related to currency effects on shares in foreign subsidiaries, which are not recalculated at the current exchange rates.

Operating expenses

The company's total operating expenses amounted to SEK 140.2 million (150.9) for the year. In the comparative year's figures, items affecting comparability related to the stock market listing of SEK 19.3 million are included in the general administrative expenses. Operating profit amounted to SEK 175.8 million (135.3) in 2017.

Loans to the public

Lending to the public increased by 13.7 % to SEK 2,253 million (1,981) during the year. The amount includes loans to the subsidiary Avarda of SEK 33 million (44). Deposits from the public amounted to SEK 3,017 million (2,285) at year-end.

Loans to credit institutions

Lending to credit institutions increased during the year and amounted to SEK 1,047 million (690) at year-end. The amount includes loans to the subsidiary BB Bank of SEK 50 million (420).

Shares in Group companies

Shares in Group companies increased by SEK 150 million during the year and amounted to SEK 251 million at year-end. The increase is explained by the purchase of shares in Avarda (SEK 31 million), shareholders' contribution to Avarda (SEK 37 million) and new shares in BB Bank (SEK 82 million). The capital contribution to BB Bank has been made due to the subsidiary's conversion to bank.

Capital adequacy

The company's capital adequacy ratio remains stable, with a CET1 capital ratio of 16.9 % as at 31 December 2017 (17.0). The total capital ratio at year-end was 20.4 % (21.2), which is significantly higher than the statutory levels require.

DIRECT TO CONSUMER SEGMENT

Background

In the segment Direct to Consumer, TF Bank offers unsecured loans to creditworthy individuals. The average loan amount per customer on 31 December 2017 was approximately SEK 33 thousand with an average maturity of approximately 23 months. The most common use of the unsecured loan is to meet short-term financing needs, such as vacation, appliances, car repair and the like.

Operations are conducted in six countries and the established core markets are Sweden, Finland and Norway. In recent years, the consumer credit market has grown steadily in these countries and growth has been higher than the GDP growth. The operations are also conducted in Estonia, Latvia and Poland. The Bank has also received approval from the Swedish FSA to conduct cross-border operations in Lithuania, which means that the segment will be available in all the Baltic countries in 2018.

The loan portfolio

Lending to the public increased by 23.4 % to SEK 2,561 million (2,076) during 2017. Currency effects have positively affected growth by 0.7 %. New lending for the segment amounted to SEK 1,810 million (1,477) in 2017.

Developments have been strong in Norway with organic growth of 49.7 % to SEK 748 million (500). [1] The new regulatory guidelines effective from 1 October 2017 have not affected the Norwegian operations to any significant extent, mainly due to a lower average loan amount than other market participants offer. The loan portfolio in Finland increased by 8.0 % to SEK 786 million (728) in 2017. Increased competition from Norwegian banks has an impact in Finland where growth has slowed during the second half of 2017. The loan portfolios in Sweden decreased by SEK 20 million to SEK 457 million (477), mainly due to increased price competition where the bank chose not to participate but instead sees better opportunities to use its capital.

The loan portfolios in the Baltics and Poland have grown strongly in 2017. In Estonia, the portfolio increased by 35.7 % to SEK 314 million (231). The customer balance in Latvia continues to develop according to plan and has increased by SEK 60 million to SEK 61 million (1) during the year. Growth in Poland was 40.9 % and the loan portfolio amounted to SEK 195 million (139) at the end of the year. However, increased competition in the Polish market had a negative effect on volumes in local currency during the fourth quarter.

Result

Operating profit for the segment increased by 12.0 % to SEK 187.4 million (167.3). The strong growth for the loan portfolio combined with low cost increases has a positive impact on earnings for 2017.

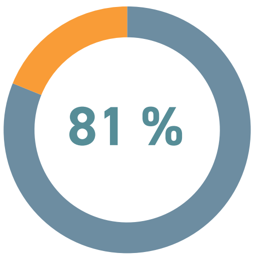
Operating income increased by 12.1 % to SEK 417.2 million (372.2). Growth has been organic and comes mainly from consumer loans in Norway, but rising interest income in the Baltic countries and Poland has also contributed to boosting the segment's operating income in 2017.

Operating expenses increased by 5.9 % to SEK 126.8 million (119.7). The increase is mainly attributable to higher operating expenses in Norway as well as costs attributable to rising new lending volumes in the Baltic countries and Poland. Lower marketing costs have had a positive impact on operating expenses in 2017.

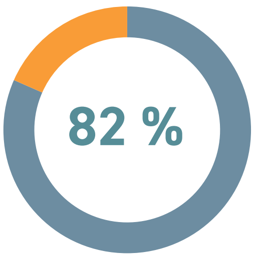
Loan losses have increased by 21.1 % to SEK 103.0 million (85.1). The increase is mainly related to the growth in the loan portfolio and somewhat worse credit quality in Sweden and Finland. In addition, the consumer loans in Poland have higher credit loss levels than the average for the segment, and as this customer balance grows, the segment's credit losses are affected to a greater extent.

For further information about the segment's loan portfolio and results, see note 4 Operating segments.

SHARE OF THE GROUP'S LOANS TO THE PUBLIC



SHARE OF THE GROUP'S OPERATING INCOME



[1] In 2016, the Norwegian credit card business was included in the Direct to Consumer segment. The reclassification to the Sales Finance segment was made on 1 January, 2017, and the portfolio amounted at that time to SEK 36 million. Comparative figures for the segments of 2016 have not been recalculated.

SALES FINANCE SEGMENT

Background

In the Sales Finance segment, TF Bank offers financing solutions to e-commerce and retailers for handling invoice payments and instalment purchases. The sales finance business is carried out through the now wholly owned subsidiary Avarda and on its own. TF Bank acquired the remaining 49 % of Avarda shares from Intrum Justitia on 6 November 2017. From 1 January 2017, credit cards are also included in the segment, which is conducted by the Norwegian subsidiary BB Bank. [1]

Avarda focuses on the Nordic markets, where the ambition is to grow and establish itself. During the year Avarda signed a total of over 20 new agreements in Finland and Sweden, some of which have significant volumes. The largest new partner is Hobby Hall where the implementation of the cooperation, as communicated in June, is proceeding according to plan and Avarda's volumes are expected to increase significantly in 2018.

TF Bank also has its own customer base in the Nordic region and develops services outside the Nordic countries through branches in Estonia and Poland. The development in Poland, where TF Bank offers a solution to local traders, indicates that the financing solution is competitive even outside the Nordic countries. In Estonia, several agreements have been signed with different traders during the year, but volumes have so far been relatively small.

BB Bank's credit card offer continues to take market shares in Norway. Growth in this part of the Sales Finance segment has resulted in a significantly higher balance sheet total, increased revenues and an increase in operating profit in 2017. In 2018, credit cards will be offered in Germany and one or more additional markets.

The loan portfolio

Lending to the public increased by 44.0 % to SEK 595 million (413) in 2017. Currency effects positively affected growth by 1.2 %. New lending for the segment amounted to SEK 1,159 million (915).

The sales finance loan portfolio increased by 14 % to SEK 471 million (413) during the year. Growth comes mainly from operations in Poland, which increased lending volume by 232 % to SEK 85 million at year-end.

The credit card portfolio in Norway amounted to SEK 124 million (0) at the end of 2017. [1] In 2018, a gold card offering will be launched in the Norwegian market.

Result

Operating profit for the segment amounted to SEK 5.6 million (-8.3) in 2017. The improvement in profits is primarily attributable to the Norwegian credit card business and improved result in Avarda.

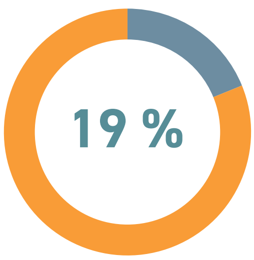
Operating revenues increased by 37.5 % to SEK 94.4 million (68.6). Organic growth in Norway and Poland, as well as higher revenues in Avarda, are the main reasons for the increase during the year.

Operating expenses increased by 24.0 % to SEK 62.5 million (50.4), primarily related to the credit card business in Norway and sales finance in Poland. BB Bank has invested significant amounts in marketing during the first nine months of 2017.

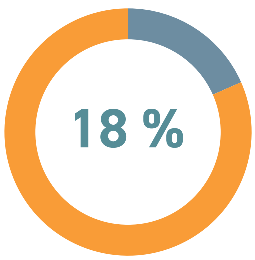
Loan losses decreased by 0.6 % to SEK 26.3 million (26.5). The decline is mainly due to the fact that several markets in the segment have received higher prices for current sales of non-performing loans compared to 2016. The credit loss level for the credit cards in Norway, as well as the growing sales finance business in Poland, have been lower than the average for the segment in 2017.

For further information about the segment's loan portfolio and results, see Note 4 Operating segments.

SHARE OF THE GROUP'S LOANS TO THE PUBLIC



SHARE OF THE GROUP'S OPERATING INCOME



[1] In 2016, the Norwegian credit card business was included in the Direct to Consumer segment. The reclassification to the Sales Finance segment was made on 1 January, 2017, and the portfolio amounted at that time to SEK 36 million. Comparative figures for the segments of 2016 have not been recalculated.

OTHER FINANCIAL INFORMATION

ANNUAL GENERAL MEETING 2018

The Annual General Meeting 2018 will be held on Wednesday 2 May 2018 at 16:00 (CET) at Roschier Advokatbyrå, Brunkebergstorg 2 in Stockholm. Notice of the AGM will be 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 %.

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 34.

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

TF BANK SHARE

TF BANK WAS LISTED ON 14 JUNE 2016 ON THE MID CAP LIST ON THE NASDAQ STOCKHOLM. THE TF BANK SHARE IS TRADED UNDER THE NAME TFBANK (ISIN CODE IS SE0007331608). SINCE THE IPO, THE VALUE OF THE SHARE HAS INCREASED BY 15 PERCENT. EARNINGS PER SHARE WERE SEK 7.04 (6.16). THE BOARD PROPOSES A DIVIDEND TO THE ANNUAL GENERAL MEETING OF SEK 2.25 PER SHARE (2.20).

TURNOVER AND TRADE

TF Bank was listed on the stock exchange at SEK 77. As at 31 December 2017, the share price closed at SEK 88.50, an increase of about 15 % since the IPO. In total, 7.0 million shares have been traded on the Nasdaq Stockholm during the period 14 June 2016 to 31 December 2017, valued at approximately SEK 619 million.

PROPOSED DIVIDEND

The Board proposes to the AGM a dividend of SEK 2.25 per share for 2017. The total dividend payment to shareholders will be SEK 48.4 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.

INSTITUTIONS AND ANALYSTS COVERING TF BANK

ABG Sundal Collier, Carnegie, Danske Bank and SEB.

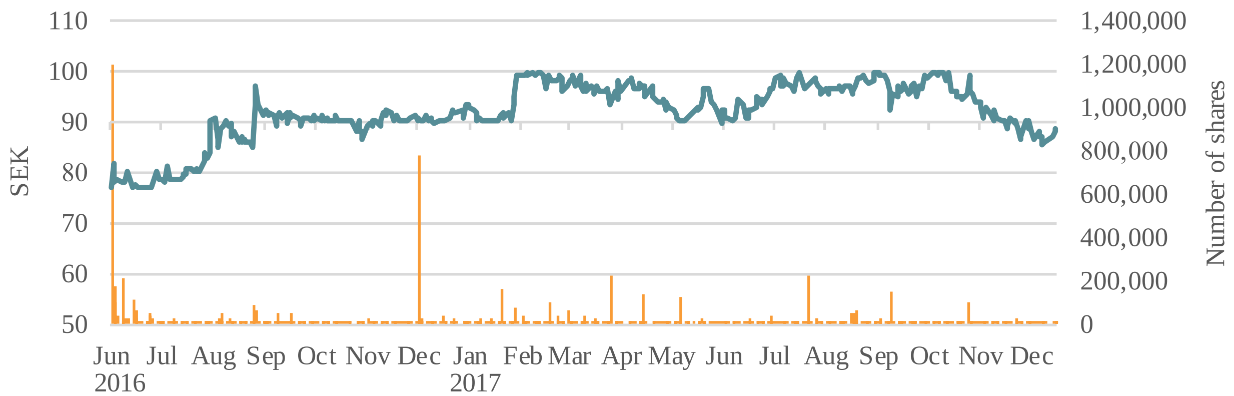
At the end of 2017, three institutions had a BUY recommendation and one institute had a HOLD recommendation regarding the TF Bank share.

21.5 million
Number of shares

SEK 86
Lowest closing price during the period 1 January 2017 to 31 December 2017

806
Number of shareholders 31 december 2017

SEK 100
Highest closing price during the period 1 January 2017 to 31 December 2017




LOAN PORTFOLIO DEVELOPMENT DURING 2016-2017 IN SEK MILLION
2,012
2,185
2,357
2,489
2,755
2,836
2,950
3,156
3,300
3,100
2,900
2,700
2,500
2,300
2,100
1,900
1,700
1,500
Q1 2016
Q2 2016
Q3 2016
Q4 2016
Q1 2017
Q2 2017
Q3 2017
Q4 2017

INCOME STATEMENT, GROUP

SEK thousand	Note	2017	2016
	4		
Operating income			
Interest income	5	533,198	448,870
Interest expense	6	-64,557	-49,870
Net interest income		**468,641**	**399,000**
Fee and commission income		51,237	49,045
Fee and commission expenses		-8,401	-7,654
Net fee and commission income	7	**42,836**	**41,391**
Net results from financial transactions	8	93	408
Total operating income		**511,570**	**440,799**
Operating expenses			
General administrative expenses	9, 10, 11	-169,048	-149,786
Depreciation, amortisation and impairment charges of tangible and intangible assets	12,13	-6,890	-4,744
Other operating expenses	14	-13,351	-15,601
Total operating expenses		**-189,289**	**-170,131**
Profit before loan losses		**322,281**	**270,668**
Net loan losses	15	-129,343	-111,569
Items affecting comparability		-	-19,275
Operating profit		**192,938**	**139,824**
Income tax expense	16	-45,102	-30,556
Net profit for the year		**147,836**	**109,268**
Attributable to:			
Shareholders of the Parent company		*151,459*	*117,504*
Non-controlling interests		*-3,623*	*-8,236*
Basic earnings per share (SEK)		*7.04*	*5.47*
Diluted earnings per share (SEK)		*7.04*	*5.47*

STATEMENT OF COMPREHENSIVE INCOME, GROUP

SEK thousand	2017	2016
Net profit for the year	**147,836**	**109,268**
Other comprehensive income:		
Items that may be reclassified subsequently to the income statement		
Gross fair value gains/losses on available for sale financial assets	22	228
Tax on fair value gains/losses during the year	-	-
Gross currency translation differences	-1,281	609
Tax on currency translation differences during the year	-1,325	1,576
Other comprehensive income, net of tax	**-2,584**	**2,413**
Total comprehensive income for the year	**145,252**	**111,681**
Attributable to:		
Shareholders of the Parent company	*148,829*	*119,663*
Non-controlling interests	*-3,577*	*-7,982*

BALANCE SHEET, GROUP

SEK thousand	Note	31 Dec 2017	31 Dec 2016
	17, 18		
ASSETS			
Cash and balances with central banks		65,999	30,510
Treasury bills eligible for refinancing	19	60,096	60,211
Loans to credit institutions	20	1,062,294	290,152
Loans to the public	4, 21	3,156,289	2,489,283
Shares		75,654	263
Goodwill	22	12,068	12,673
Intangible assets	12	29,369	18,414
Tangible assets	13	1,657	1,610
Other assets	23	12,194	9,509
Current tax assets		870	11,697
Deferred tax assets	27	9,864	6,830
Prepaid expenses and accrued income		8,196	10,973
TOTAL ASSETS		**4,494,550**	**2,942,125**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	24	-	-
Deposits and borrowings from the public	25	3,754,030	2,284,645
Other liabilities	26	33,557	17,853
Current tax liabilities		11,229	5,213
Deferred tax liabilities	27	7,579	14,597
Accrued expenses and prepaid income	28	49,569	53,490
Subordinated liabilities	29	97,780	97,040
Total liabilities		**3,953,744**	**2,472,838**
Equity			
Share capital (21,500,000 shares of SEK 5 each)		107,500	107,500
Other contributed capital		1,500	1,934
Reserves		-1,144	1,486
Retained earnings including the net profit for the year		432,950	345,932
Total equity attributable to the shareholders of the Parent company		**540,806**	**456,852**
Non-controlling interests		-	12,435
Total equity		**540,806**	**469,287**
TOTAL LIABILITIES AND EQUITY		**4,494,550**	**2,942,125**

STATEMENT OF CHANGES IN EQUITY, GROUP

SEK thousand	Share capital	Other contributed capital	Reserves	Retained earning including the net profit for the year	Non-controlling interests	Total equity
Balance as at 1 Jan 2016	**107,500**	**-**	**-673**	**238,103**	**6,303**	**351,233**
Net profit for the year	-	-	-	117,504	-8,236	109,268
Gross fair value gains/losses on available for sale financial assets	-	-	228	-	-	228
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**
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**	**1,934**	**1,486**	**345,932**	**12,435**	**469,287**
Balance as at 1 Jan 2017	**107,500**	**1,934**	**1,486**	**345,932**	**12,435**	**469,287**
Net profit for the year	-	-	-	151,459	-3,623	147,836
Gross fair value gains/losses on available for sale financial assets	-	-	22	-	-	22
Gross currency translation differences	-	-	-1,327	-	46	-1,281
Tax on currency translation differences during the year	-	-	-1,325	-	-	-1,325
Total comprehensive income for the year, net of tax	**-**	**-**	**-2,630**	**151,459**	**-3,577**	**145,252**
Shareholder contributions	-	-	-	-	6,860	6,860
Dividend	-	-	-	-47,300	-	-47,300
Acquisition of minority	-	-	-	-14,282	-15,718	-30,000
Transaction costs attributable to minority acquisition	-	-	-	-1,085	-	-1,085
Share-based compensation	-	-434	-	-1,774	-	-2,208
Balance as at 31 Dec 2017	**107,500**	**1,500**	**-1,144**	**432,950**	**-**	**540,806**

CASH FLOW STATEMENT, GROUP

SEK thousand	2017	2016
Operating activities		
Operating profit	192,938	139,824
Adjustment for items not included in cash flow:		
Depreciation and amortisation of tangible assets and intangible assets	6,890	4,744
Accrued interest income and expense	1,256	-4,097
Other non-cash items	-3,319	4,029
Paid income tax	-29,584	-37,328
	168,181	**107,172**
Increase/decrease in loans to the public	-667,006	-651,705
Increase/decrease in other short-term claims	-76,863	19,325
Increase/decrease in deposits and borrowings from the public	1,469,385	55,083
Increase/decrease in other short-term liabilities	2,039	-10,207
Cash flow from operating activities	**895,736**	**-480,332**
Investing activities		
Investments in tangible assets	-942	-921
Investments in intangible assets	-16,345	-11,062
Acquisition of associated undertakings	-31,085	-
Cash flow from investing activities	**-48,372**	**-11,983**
Financing activities		
Shareholder contributions	6,860	14,114
Change in borrowing from credit institutions	-	-516
Dividend paid	-47,300	-9,675
Option premium	-	1,934
Share-based compensation	-2,208	-
Cash flow from financing activities	**-42,648**	**5,857**
Cash flow for the year	**804,716**	**-486,458**
Cash and cash equivalents at the beginning of year	**380,873**	**867,331**
Currency differences in cash and cash equivalents	2,800	-
Cash and cash equivalents at the end of year	**1,188,389**	**380,873**
Cash flow from operating activities includes interest expenses paid and interest payments received with the following amounts:		
Interest expenses paid	61,831	53,181
Interest payments received	530,441	423,817
Composition of cash and cash equivalents		
Cash and balances with central banks	65,999	30,510
Treasury bills eligible for refinancing	60,096	60,211
Loans to credit institutions	1,062,294	290,152
Total cash and cash equivalents	**1,188,389**	**380,873**

INCOME STATEMENT, PARENT COMPANY

SEK thousand	Note	2017	2016
	4		
Operating income			
Interest income	5	458,380	411,993
Interest expense	6	-60,158	-49,209
Net interest income		**398,222**	**362,784**
Fee and commission income		36,701	40,245
Fee and commission expenses		-3,960	-4,527
Net fee and commission income	7	**32,741**	**35,718**
Net results from financial transactions	8	6,605	-6,950
Total operating income		**437,568**	**391,552**
Operating expenses			
General administrative expenses	9, 10, 11	-124,774	-132,789
Depreciation, amortisation and impairment charges of tangible and intangible assets	12,13	-5,030	-3,327
Other operating expenses	14	-10,373	-14,771
Total operating expenses		**-140,177**	**-150,887**
Profit before loan losses		**297,391**	**240,665**
Net loan losses	15	-121,579	-105,371
Operating profit		**175,812**	**135,294**
Appropriations		18,812	-
Income tax expense	16	-44,251	-29,251
Net profit for the year		**150,373**	**106,043**

STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY

SEK thousand	2017	2016
Net profit for the year	**150,373**	**106,043**
Other comprehensive income		
Items that may be reclassified subsequently to the income statement		
Currency valuation differences, net of tax	-	-
Other comprehensive income, net of tax	**-**	**-**
Total comprehensive income for the year	**150,373**	**106,043**

BALANCE SHEET, PARENT COMPANY

SEK thousand	Note	31 Dec 2017	31 Dec 2016
	17, 18		
ASSETS			
Cash and balances with central banks		65,999	30,510
Treasury bills eligible for refinancing	19	60,096	60,211
Loans to credit institutions	20	1,046,773	690,360
Loans to the public	21	2,252,638	1,980,558
Shares		20,295	-
Shares in group companies	32	250,705	100,862
Intangible assets	12	19,371	15,137
Tangible assets	13	1,269	1,100
Other assets	23	6,099	7,740
Current tax assets		1,584	12,413
Prepaid expenses and accrued income		4,334	8,680
TOTAL ASSETS		**3,729,163**	**2,907,571**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	24	-	-
Deposits and borrowings from the public	25	3,017,287	2,284,645
Other liabilities	26	25,346	14,062
Deferred tax liabilities		96	783
Accrued expenses and prepaid income	28	40,396	44,844
Subordinated liabilities	29	97,780	97,040
Total liabilities		**3,180,905**	**2,441,374**
Untaxed reserves	33	33,809	52,621
Equity			
Restricted equity			
Share capital (21,500,000 shares of SEK 5 each)		107,500	107,500
Statutory reserve		1,000	1,000
Development costs fund		14,739	8,313
Other contributed capital		1,500	1,931
Total restricted equity		**124,739**	**118,744**
Non-restricted equity			
Retained earnings		239,337	188,789
Net profit for the year		150,373	106,043
Total non-restricted equity		**389,710**	**294,832**
Total equity		**514,449**	**413,576**
TOTAL EQUITY, UNTAXED RESERVES AND LIABILITIES		**3,729,163**	**2,907,571**

STATEMENT OF CHANGES IN EQUITY, PARENT COMPANY

SEK thousand	Restricted capital				Non-restricted capital		
	Share capital	Statutory reserve	Development costs fund	Other contri-buted capital	Retained earnings	Net profit for the year	Total equity
Balance as at 1 Jan 2016	**107,500**	**1,000**	**-**	**-**	**105,218**	**101,559**	**315,277**
Net profit for the year	-	-	-	-	-	106,043	106,043
Currency translation differences, net of tax	-	-	-	-	-	-	-
Tax on currency differences during the year	-	-	-	-	-	-	-
Total comprehensive income for the year, net of tax	**-**	**-**	**-**	**-**	**-**	**106,043**	**106,043**
Reversal of previous year's results	-	-	-	-	101,559	-101,559	-
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**	**1,000**	**8,313**	**1,931**	**188,789**	**106,043**	**413,576**
Balance as at 1 Jan 2017	**107,500**	**1,000**	**8,313**	**1,931**	**188,789**	**106,043**	**413,576**
Net profit for the year	-	-	-	-	-	150,373	150,373
Currency translation differences, net of tax	-	-	-	-	-	-	-
Tax on currency differences during the year	-	-	-	-	-	-	-
Total comprehensive income for the year, net of tax	**-**	**-**	**-**	**-**	**-**	**150,373**	**150,373**
Reversal of previous year's results	-	-	-	-	106,043	-106,043	-
Dividend	-	-	-	-	-47,300	-	-47,300
Capitalisation of development costs	-	-	8,722	-	-8,722	-	-
Amortisation of capitalised development costs	-	-	-2,296	-	2,296	-	-
Option premium	-	-	-	-431	-1,769	-	-2,200
Balance as at 31 Dec 2017	**107,500**	**1,000**	**14,739**	**1,500**	**239,337**	**150,373**	**514,449**

CASH FLOW STATEMENT, PARENT COMPANY

SEK thousand	2017	2016
Operating activities		
Operating profit	175,812	135,294
Adjustment for items not included in cash flow:		
Depreciation and amortisation of tangible assets and intangible assets	5,030	3,327
Accrued interest income and expense	2,691	-2,845
Other non-cash items	8,056	40
Paid income tax	-33,422	-39,660
	158,167	**96,156**
Increase/decrease in loans to the public	-272,080	-341,408
Increase/decrease in other short-term claims	-14,273	20,425
Increase/decrease in deposits and borrowings from the public	732,642	55,083
Increase/decrease in other short-term liabilities	3,423	-12,875
Cash flow from operating activities	**607,879**	**-182,619**
Investing activities		
Investments in tangible assets	-711	-325
Investments in intangible assets	-8,722	-8,746
Acquisition of associated undertakings	-149,843	-14,717
Cash flow from investing activities	**-159,276**	**-23,788**
Financing activities		
Dividends paid	-47,300	-9,675
Option premium	-2,200	1,931
Cash flow from financing activities	**-49,500**	**-7,744**
Cash flow for the year	**399,103**	**-214,151**
Cash and cash equivalents at the beginning of year	**781,081**	**995,232**
Currency differences in cash and cash equivalents	-7,316	-
Cash and cash equivalents at the end of year	**1,172,868**	**781,081**
Cash flow from operating activities includes interest expenses paid and interest payments received with the following amounts:		
Interest expenses paid	62,884	45,898
Interest payments received	466,481	404,792
Composition of cash and cash equivalents		
Cash and balances with central banks	65,999	30,510
Treasury bills eligible for refinancing	60,096	60,211
Loans to credit institutions [1]	1,046,773	690,360
Total cash and cash equivalents	**1,172,868**	**781,081**

[1] The amount includes loans to the subsidiary BB Bank of SEK 50 million (420).

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 2017 (ACCORDING TO THE SHAREHOLDERS' REGISTER):

Shareholder	
TFB Holding AB	47.03 %
Erik Selin Fastigheter AB	11.63 %
Danica Pension Försäkrings AB	8.74 %
Merizole Holding LTD	7.01 %
Swedbank Robur fonder	5.03 %
Proventus Aktiebolag	3.00 %
Pareto Nordic Return	1.68 %
Skandia fond småbolag Sverige	1.28 %
Clearstream Banking S.A.	1.22 %
KAAX Investment AB	1.04 %
Other shareholders	12.34 %
Total	**100 %**

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

Branches
- TF Bank AB, Finnish branch (2594352-3)
- TF Bank AB, Polish branch (PL9571076774)
- TF Bank AB, Estonian branch (14304235)

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

The annual report for the financial year 2017 was approved for publication by the Board of Directors on 22 March 2018 and will be presented for adoption at the 2018 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 22.

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 2017 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 handle classification and valuation including impairment of financial liabilities and assets and hedge accounting. The full version of IFRS 9 was released in July 2014 and is adopted by the EU. The standard is applicable for fiscal years beginning 1 January 2018. Previous application is allowed but the bank has not applied IFRS 9 in advance.

Classification and valuation of financial instruments
IFRS 9 replaces those parts of IAS 39 that deal with the classification and valuation of financial instruments. IFRS 9 retains a mixed valuation effort but simplifies this approach in some respects. There will be three valuation categories for financial assets, accrued acquisition value, fair value over comprehensive income and fair value through profit or loss. How an instrument is to be classified depends on the company's business model and the instrument's characteristics. There will be three business models for debt instruments that are financial assets that control which valuation category to apply. To report a financial asset at amortised cost, apart from conforming to the business model, the asset's agreed terms at any given time require only cash flows that are payments of capital and interest. Although the financial asset meets the definition of business model and cash flows, solely payments of capital and interest, the company, like IAS 39, may choose to apply fair value recognition through profit or loss. Debt instruments that are financial assets and meet the definition of SPPI but whose business model does not result in accounting for accrued acquisition value are reported at fair value through other comprehensive income or income statement depending on the business model. Investments in equity instruments shall be reported at fair value through profit or loss, but it is also possible to report the instrument at fair value at the earliest reporting date in other comprehensive income. No reclassification to the income statement will then occur upon disposal of the instrument. Non-current derivative instruments are reported at fair value through profit or loss. For financial liabilities, the classification and valuation are not changed except in cases where a liability is recognised at fair value through profit or loss based on the fair value option. Changes in value attributable to changes in own credit risk shall then be reported in other comprehensive income.

Note 2 cont.

Impairment of financial instruments
IFRS 9 also introduces a new model for calculating credit loss reserves based on expected loan losses. This means that the recognition of loan losses should be based on expected loss events and no loss of events. Financial assets that are subject to impairment losses are divided into three categories based on the risk of default. The first category includes assets where no significant increase in credit risk has occurred at the reporting date, in the other, a significant increase in credit risk has occurred, and in the third case there is objective proof of impairment. For assets in the first category, write-downs should be reported based on expected losses over the next twelve months, while in category two and three, expected losses over the entire asset's maturity will be reported. This means that impairment losses for deferred losses should be reported at the first reporting date.

Hedge accounting
IFRS 9 changes the requirements for applying hedge accounting by replacing the 80-125 criterion with the requirement for an economic relationship between hedging instruments and hedged items and the hedging ratio should be the same as used in risk management. The hedging documentation also changes slightly compared to that made under IAS 39.

TF Bank: Application and effects
IFRS 9 is applied retroactively but the bank will not apply retroactive translation of comparative figures in accordance with the transitional provisions in IFRS 9. All adjustments of the opening balance of financial assets and liabilities on the date of transition are reported against the opening balance sheet earnings and other reserves as at 1 January 2018. The Bank has chosen to continue to apply the rules for hedge accounting under IAS 39.

The transition to IFRS 9 has resulted in changes in the Bank's accounting policies, classification and valuation of financial assets and impairment of financial assets. The transition will furthermore lead to changes in financial instruments because of changes in IFRS 7 in future financial reports.

The transition to IFRS 9 resulted in the following effects for the bank:

Classification and valuation of financial instruments
TF Bank has conducted a detailed analysis of business model for the management of financial assets and an analysis of the cash flows characteristic i.e. whether they constitute only capital and interest. The transition did not have any impact on the valuation of financial assets and liabilities but could lead to a change in the classification of valuation categories in future financial reports.

Impairment of financial instruments
The provisions under IFRS 9 are calculated by multiplying exposure on default with the probability of default and loss in case of default. TF Bank's model for calculating provisions according to IFRS 9 is based on historical probability of default on each market. The model is complemented by the company's assumptions about the future based on the current loan portfolio and adjustments due to the expected macroeconomic scenario.

The quantitative non-recurring effect of the new impairment requirements for TF Bank increases the provision for customer losses of SEK 71 million, corresponding to 2.3 % of the loan book. The reduction in equity amounts to SEK 55 million net after tax as of 1 January 2018. Most of the additional provisions concern loans in category 1, where no prior provision has been made in accordance with previous accounting rules.

The increase in the loan loss reserve between IAS 39 and IFRS 9 is as follows:

SEK million	Loan loss reserve
Closing reserve 31 December 2017 according to IAS 39	**60**
Increase attributable to reserve in Stage 1	64
Increase attributable to reserve in Stage 2	7
Increase of reserve in Stage 3 attributable to forward looking information	-
Reserve attributable to financial assets recognised at fair value through other comprehensive income	-
Opening reserve 1 January 2018 according to IFRS 9	**131**

TF Bank has chosen to apply the transitional rules set out in the EU Prudential Regulation as amended by Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December 2017 amending Regulation (EU) No 575/2013. Under the transitional rules, a gradual phasing-in of the effect as per IFRS 9 on capital adequacy is permitted both in terms of the effect as of 1 January 2018 and the effect per reporting date, which exceeds the amount when IFRS 9 is first applied.

IFRS 15 ”Revenue from contracts with customers”. IFRS 15 is the new standard for revenue recognition. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and all related interpretations (IFRIC and SIC). In IFRS 15, an income is recognised when the customer receives control of the goods or services sold, a principle that replaces the previous principle that revenue is reported when risks and benefits have passed to the buyer. The basic principle of IFRS 15 is that a company reports an income in the manner that best reflects the transfer of the promised product or service to the customer. A company can choose between ”full retroactivity” or forward-looking application with additional information. The standard is to be applied for fiscal years beginning 1 January 2018 and is accepted by the EU. Previous application is allowed but TF Bank has not applied IFRS 15 in advance. The bank has reviewed all revenue flows and related contracts where the income statement is not governed by another standard, which for the bank relates to IAS 39 / IFRS 9 for income from financial instruments and IAS 17 / IFRS 16 regarding leasing. The bank has analysed the contract based on the five steps in IFRS 15 and concluded that the standard has no impact on the bank's income statement. However, the standard will lead to increased disclosure requirements in future annual reports.

IFRS 16 ”Leases” primarily affect the reporting of lessees and will result in almost all leases being reported in the balance sheet. The standard removes the distinction between operating and finance leases in IAS 17 and requires a right to use the leased asset is recognised as an asset and a financial liability equal to the leasing payments are reported. A voluntary exemption can be made for short-term and low-value contracts. The income statement is also affected by higher costs at the beginning of the contract and lower at the end. Operating income is affected by the replacement of rental costs with interest expenses and depreciation. Cash flow from operating activities will be higher as payments of the capital amount in the lease liability are reported as cash flow in the financing business and only the part of the payment relating to interest will be reported as cash flow from operating activities.

The lease accountant's report will not be significantly affected. Differences to the current standard may arise because of the new definition of a lease. In IFRS 16, a contract is a lease if it entails a right to control an identified asset over a period in exchange for payment. The standard is to be applied for fiscal years commencing 1 January 2019 and is accepted by the EU. Earlier application is permitted if IFRS 15 is applied from the same reporting date. TF Bank

Note 2 cont.

has not yet completed a full evaluation of the effects of IFRS 16 but estimates that the effects will not be significant as the corresponding exceptions in RFR 2 for reporting financial leases as operational as applied under current rules will continue to apply under IFRS 16.

No other IFRS or IFRIC interpretations that have not yet come into force are expected to have a significant 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;
- 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.

Note 2 cont.

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 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 15.

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).

Note 2 cont.

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 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.

Note 2 cont.

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 the holding in BB Bank ASA (NOK) using currency swaps. As at 31 December 2017 SEK 5,099 thousand (-5,586) net after tax effect was reported in other comprehensive income and the hedging reserve totaled SEK -5,234 thousand (-10,333).

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.

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 2017 (excl. tax effect):

CURRENCY

SEK thousand	2017	2016
EUR	+/- 399	+/- 674
NOK	+/- 4,067	+/- 1,597
DKK	+/- 10	+/- 27
PLN	+/- 14	+/- 192

As a result of a formal capital requirement under Pillar 1 as at 31 Dec 2017 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 60.1 million (60.2) 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.

Note 3 cont.

(iii) Classification of financial assets and liabilities

Group, 31 Dec 2017 **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	-	-	-	65,999	-	-	65,999
Treasury bills eligible for refinancing	-	-	60,096	-	-	-	60,096
Loans to credit institutions	-	-	-	1,062,294	-	-	1,062,294
Loans to the public	-	-	-	3,156,289	-	-	3,156,289
Shares	-	-	75,654	-	-	-	75,654
Derivatives	2,321	-	-	-	143	-	2,464
Total assets	**2,321**	**-**	**135,750**	**4,284,582**	**143**	**-**	**4,422,796**
Liabilities							
Deposits and borrowings from the public	-	-	-	-	-	3,754,030	3,754,030
Subordinated liabilities	-	-	-	-	-	97,780	97,780
Derivatives	1,854	-	-	-	-	-	1,854
Total liabilities	**1,854**	**-**	**-**	**-**	**-**	**3,851,810**	**3,853,664**

Group, 31 Dec 2016 **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	-	-	-	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							
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 2017 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	-	-	-	65,999	-	65,999
Treasury bills eligible for refinancing	-	-	60,096	-	-	60,096
Loans to credit institutions	-	-	-	1,046,773	-	1,046,773
Loans to the public	-	-	-	2,252,638	-	2,252,638
Derivatives	2,290	-	-	-	-	2,290
Total assets	**2,290**	**-**	**60,096**	**3,365,410**	**-**	**3,427,796**
Liabilities						
Deposits and borrowings from the public	-	-	-	-	3,017,287	3,017,287
Subordinated liabilities	-	-	-	-	97,780	97,780
Derivatives	1,854	-	-	-	-	1,854
Total liabilities	**1,854**	**-**	**-**	**-**	**3,115,067**	**3,116,921**

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.

(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 2017 SEK thousand	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills eligible for refinancing	60,096	-	-	60,096
Shares	75,403	251	-	75,654
Derivatives	-	2,464	-	2,464
Total assets	**135,499**	**2,715**	**-**	**138,214**
Liabilities				
Subordinated liabilities	97,780	-	-	97,780
Derivatives	-	1,854	-	1,854
Total liabilities	**97,780**	**1,854**	**-**	**99,634**

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**
Liabilities				
Subordinated liabilities	97,040	-	-	97,040
Derivatives	-	-	-	-
Total liabilities	**97,040**	**-**	**-**	**97,040**

Parent company, 31 Dec 2017 SEK thousand	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills eligible for refinancing	60,096	-	-	60,096
Shares	20,295	-	-	20,295
Derivatives	-	2,290	-	2,290
Total assets	**80,391**	**2,290**	**-**	**82,681**
Liabilities				
Subordinated liabilities	97,780	-	-	97,780
Derivatives	-	1,854	-	1,854
Total liabilities	**97,780**	**1,854**	**-**	**99,634**

Note 3 cont.

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**
Liabilities				
Subordinated liabilities	97,040	-	-	97,040
Derivatives	-	-	-	-
Total liabilities	**97,040**	**-**	**-**	**97,040**

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 20.21 % as at 31 December 2017 and 22.02 % as at 31 December 2016. 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 2017 SEK thousand	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
Assets			
Cash and balances with central banks	65,999	65,999	-
Treasury bills eligible for refinancing	60,096	60,096	-
Loans to credit institutions	1,062,294	1,062,294	-
Loans to the public	3,156,289	3,156,289	-
Shares	75,654	75654	-
Derivatives	2,464	2,464	-
Total assets	**4,422,796**	**4,422,796**	**-**
Liabilities			
Deposits and borrowings from the public	3,754,030	3,754,030	-
Subordinated liabilities	97,780	97,780	-
Derivatives	1,854	1,854	-
Total liabilities	**3,853,664**	**3,853,664**	**-**

Note 3 cont.

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**	**-**

Parent company, 31 Dec 2017 SEK thousand	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
Assets			
Cash and balances with central banks	65,999	65,999	-
Treasury bills eligible for refinancing	60,096	60,096	-
Loans to credit institutions	1,046,773	1,046,773	-
Loans to the public	2,252,638	2,252,638	-
Derivatives	2,290	2,290	-
Total assets	**3,427,796**	**3,427,796**	**-**
Liabilities			
Deposits and borrowings from the public	3,017,287	3,017,287	-
Subordinated liabilities	97,780	97,780	-
Derivatives	1,854	1,854	-
Total liabilities	**3,116,921**	**3,116,921**	**-**

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**	**-**

Note 3 cont.

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 21). 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.

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	**2017**	2016	**2017**	2016
Loans, not past due	2,691,382	2,113,837	1,955,269	1,707,453
Loans past due, 1-10 days	215,853	194,437	190,516	161,949
Loans past due, 11-69 days	193,588	109,270	79,076	64,113
Non-performing loans	115,912	129,346	83,214	94,855
Total	**3,216,735**	**2,546,890**	**2,308,075**	**2,028,370**
Provision for expected loan losses	-60,446	-57,607	-55,437	-47,812
Total loans to the public	**3,156,289**	**2,489,283**	**2,252,638**	**1,980,558**

For a reconciliation of the change in the provision for expected loan losses, see note 21.

CREDIT QUALITY OF FULLY PERFORMING LOANS

	Group		Parent company	
SEK thousand	**2017**	2016	**2017**	2016
Household sector				
Low risk	2,066,557	1,515,744	1,312,985	1,072,688
Medium risk	638,761	542,420	534,640	506,718
High risk	395,505	359,380	377,236	354,109
Total	**3,100,823**	**2,417,544**	**2,224,861**	**1,933,515**

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.

Note 3 cont.

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

SEK thousand	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Cash and balances with central banks				
AA+	60,873	30,510	60,873	30,510
BBB+	5,127	-	5,127	-
Treasury bills eligible for refinancing				
AAA	60,096	60,211	60,096	60,211
Loans to credit institutions				
A-1+	299,297	172,312	280,363	159,275
A-1	745,606	115,372	698,981	108,041
A-2	17,327	2,468	17,267	2,468
Unrated	64	-	50,162	420,576
Other assets				
A-1+	2,464	3,715	2,290	3,558
A-1	75,404	-	20,295	-
Unrated	9,463	3,960	3,809	3,960
Total	**1,275,721**	**388,548**	**1,199,263**	**788,599**

Other assets include derivatives with a positive value and level 1 liquid asset consisting of investment in the DNB Global Treasury Fund.

There are also concentration risks related to the credit portfolio. Concentration risks relates to exposure to individual counterparties/customers, industries and regions.

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, Finnish, Norwegian and German 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 3,754.0 million (2,284.6), 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.

[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.

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

As at 31 December 2017 the Group had a liquidity reserve of SEK 1,247.8 million (375.5), of which other liquidity creating measures of SEK 1,277,8 million (707.0), which represents 34 % (31 %) of the Group's deposits from the public. The Group's Liquidity Coverage Ratio (LCR) was 192 % (147 %) and the ratio of deposits from the public to loans to the public was 1.19 (0.92). [1]

As at 31 December 2017 the Parent company had a liquidity reserve of SEK 1,127.0 million (355.1), of which other liquidity creating measures of SEK 1,127.0 million (655.1), which represents 37 % (29 %) of the company's deposits from the public. The Parent company's LCR was 149 % (147 %) and the ratio of deposits from the public to loans to the public was 1.34 (1.15). [1]

For contractual maturities of liabilities, see note 18.

[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 legally required level of LCR is 100% as of 31 December 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 2017	Group 2016
INCOME STATEMENT		
Net interest income	395,027	349,127
Net fee and commission income	22,103	22,564
Net results from financial transactions	79	501
Total operating income	**417,209**	**372,192**
General administrative expenses	-112,028	-101,046
Depreciation, amortisation and impairment charges of tangible and of intangible assets	-4,442	-3,752
Other operating expenses	-10,314	-14,943
Total operating expenses	**-126,784**	**-119,741**
Profit before loan losses	**290,425**	**252,451**
Net loan losses	-103,048	-85,103
Operating profit	**187,377**	**167,348**
Attributable to:		
Shareholders of the Parent company	*187,377*	*167,348*
Non-controlling interests	-	-

Note 4 cont.

SEK thousand	Group	
	31 Dec 2017	31 Dec 2016
BALANCE SHEET		
Loans to the public		
Household sector	2,560,945	2,075,880
Total loans to the public	**2,560,945**	**2,075,880**
Household sector		
Net performing loans	2,514,991	2,005,712
Net non-performing loans	45,954	70,168
Total household sector	**2,560,945**	**2,075,880**

SALES FINANCE

SEK thousand	Group	
	2017	2016
INCOME STATEMENT		
Net interest income	73,614	49,873
Net fee and commission income	20,733	18,827
Net results from financial transactions	14	-93
Total operating income	**94,361**	**68,607**
General administrative expenses	-57,020	-48,740
Depreciation, amortisation and impairment charges of tangible and of intangible assets	-2,448	-992
Other operating expenses	-3,037	-658
Total operating expenses	**-62,505**	**-50,390**
Profit before loan losses	**31,856**	**18,217**
Net loan losses	-26,295	-26,466
Operating profit	**5,561**	**-8,249**
Attributable to:		
Shareholders of the Parent company	*10,242*	*2,214*
Non-controlling interests	*-4,681*	*-10,463*

SEK thousand	Group	
	31 Dec 2017	31 Dec 2016
BALANCE SHEET		
Loans to the public		
Household sector	595,344	413,403
Total loans to the public	**595,344**	**413,403**
Household sector		
Net performing loans	581,555	405,528
Net non-performing loans	13,789	7,875
Total household sector	**595,344**	**413,403**

GROUP

SEK thousand	Group	
	2017	2016
Operating income		
Operating income, Direct to Consumer	417,209	372,192
Operating income, Sales Finance	94,361	68,607
Total operating income for the Group	**511,570**	**440,799**
Operating profit		
Operating profit, Direct to Consumer	187,377	167,348
Operating profit, Sales Finance	5,561	-8,249
Items affecting comparability	-	-19,275
Total operating profit for the Group	**192,938**	**139,824**

GROUP

SEK thousand	Group	
	31 Dec 2017	31 Dec 2016
Loans to the public		
Loans to the public, Direct to Consumer	2,560,945	2,075,880
Loans to the public, Sales Finance	595,344	413,403
Total loans to the public for the Group	**3,156,289**	**2,489,283**

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 2017	Group 2016	Parent company 2017	Parent company 2016
Interest income on loans to the public	532,263	448,274	447,466	404,058
Other interest income	935	596	10,914	7,935
Total interest income	**533,198**	**448,870**	**458,380**	**411,993**
- of which interest income from loans and receivables	533,198	448,870	458,380	411,993
- of which interest income from non-performing loans	*7,981*	*8,258*	*6,350*	*8,083*
Geographic distribution of interest income:				
Sweden	139,941	142,269	139,299	142,267
Finland	184,100	172,026	171,618	166,350
Estonia	61,277	45,894	61,277	45,894
Norway	76,448	44,132	14,754	12,933
Poland	59,827	37,351	59,827	37,351
Denmark	6,712	6,716	6,712	6,716
Latvia	4,893	482	4,893	482
Total interest income	**533,198**	**448,870**	**458,380**	**411,993**

NOTE 6 Interest expense

SEK thousand	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Interest expense credit institutions	-1,886	-2,253	-1,876	-2,185
Interest expense public	-38,132	-23,151	-33,987	-23,151
Other financial expenses	-24,539	-24,466	-24,295	-23,873
Total interest expense	**-64,557**	**-49,870**	**-60,158**	**-49,209**

NOTE 7 Net fee and commission income

SEK thousand	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Fee and commission income				
Insurance premiums	25,196	24,638	16,581	19,966
Reminder fees	23,225	21,611	20,087	20,189
Other fee and commission income	2,816	2,796	33	90
Total fee and commission income	**51,237**	**49,045**	**36,701**	**40,245**
Fee and commission expenses				
Insurance commission expenses	-6,857	-6,710	-3,960	-4,527
Other expenses	-1,544	-944	-	-
Total fee and commission expenses	**-8,401**	**-7,654**	**-3,960**	**-4,527**
Net fee and commission income	**42,836**	**41,391**	**32,741**	**35,718**
Geographic distribution of fee and commission income:				
Sweden	19,981	19,946	19,473	19,943
Finland	9,833	8,354	8,873	7,835
Estonia	841	801	841	801
Norway	14,907	10,099	1,839	1,821
Poland	2,991	7,015	2,991	7,015
Denmark	2,550	2,753	2,550	2,753
Latvia	134	77	134	77
	51,237	**49,045**	**36,701**	**40,245**

NOTE 8 Net result of financial transactions

SEK thousand	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Currency fluctuations	-241	-388	6,322	-6,950
Result of investments in mutual funds and other securities	334	796	283	-
Total net result of financial transactions	**93**	**408**	**6,605**	**-6,950**

NOTE 9 General administrative expenses

SEK thousand	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Staff costs				
Salaries and remuneration	-55,075	-47,965	-36,937	-34,278
Social security costs	-15,354	-13,349	-10,529	-10,071
Pension costs	-4,548	-4,463	-3,522	-3,394
Other staff costs	-1,891	-1,375	-1,534	-1,180
Total staff costs	**-76,868**	**-67,152**	**-52,522**	**-48,923**
Other general administrative expenses				
Postage and telephone expenses	-10,635	-10,257	-7,867	-8,288
IT costs	-21,965	-18,988	-15,372	-10,865
External debt collection costs	-4,319	-4,828	-3,884	-4,334
Information services and customer communication	-20,636	-18,583	-17,080	-15,791
Rents and premises	-5,985	-4,876	-3,953	-3,439
Items affecting comparability	-	-	-	-19,275
Other	-28,640	-25,102	-24,096	-21,874
Total other general administrative expenses	**-92,180**	**-82,634**	**-72,252**	**-83,866**
Total general administrative expenses	**-169,048**	**-149,786**	**-124,774**	**-132,789**

NOTE 10 Audit fee

SEK thousand	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Pricewaterhouse-Coopers[1]				
Auditing assignment	1,482	1,735	1,168	1,409
Audit-related services	1,065	783	842	674
Tax advisory services	76	316	76	316
Other services	372	2,157	360	2,138
Total	**2,995**	**4,991**	**2,446**	**4,537**

[1] The amounts include audit fees for PricewaterhouseCoopers AB of SEK 2,118 thousand, distributed over audit assignments SEK 960 thousand, audit operations in addition to audit assignment SEK 842 thousand, tax advice SEK 55 thousand and other services SEK 361 thousand.

NOTE 11 Average number of employees, salaries, other remuneration and social security contributions

AVERAGE NUMBER OF EMPLOYEES BROKEN DOWN BY WOMEN AND MEN

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Women	57	55	42	39
Men	53	43	36	34
Total	**110**	**98**	**78**	**73**

AVERAGE NUMBER OF EMPLOYEES BROKEN DOWN BY WOMEN, MEN AND COUNTRY

	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Sweden				
Women	31	34	30	31
Men	18	16	14	14
Total	**49**	**50**	**44**	**45**
Finland				
Women	5	3	3	3
Men	7	7	6	7
Total	**12**	**10**	**9**	**10**
Poland				
Women	7	5	7	5
Men	15	13	15	13
Total	**22**	**18**	**22**	**18**
Estonia				
Women	6	6	2	-
Men	-	-	1	-
Total	**6**	**6**	**3**	**-**
Norway				
Women	8	6	-	-
Men	10	7	-	-
Total	**18**	**13**	**-**	**-**
Latvia				
Women	3	1	-	-
Men	-	-	-	-
Total	**3**	**1**	**-**	**-**

Note 11 cont.

SALARIES AND REMUNERATION

	Group		Parent company	
SEK thousand	**2017**	2016	**2017**	2016
Board of Directors and CEO	4,796	4,430	4,477	4,169
Other staff	50,280	43,535	32,460	30,109
Total salaries and remuneration	**55,076**	**47,965**	**36,937**	**34,278**
Social security costs as per agreement	15,353	13,349	10,529	10,071
Pension costs	4,548	4,463	3,522	3,394
Total salaries, remuneration, social security costs, and pension costs	**74,977**	**65,777**	**50,988**	**47,743**

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

	Group		Parent company	
SEK thousand	**2017**	2016	**2017**	2016
Chairman: Mattias Carlsson (2016 and Jan-Oct 2017)				
Base salary	1,435	1,740	1,435	1,740
Other compensation	82	93	82	93
Pension costs	339	413	339	413
Total	**1,856**	**2,246**	**1,856**	**2,246**
Chairman: Bertil Larsson (Nov-Dec 2017)				
Base salary	50	-	50	-
Other compensation	-	-	-	-
Pension costs	-	-	-	-
Total	**50**	**-**	**50**	**-**

	Group		Parent company	
SEK thousand	**2017**	2016	**2017**	2016
Other members of the Board of Directors:				
Thomas Grahn, base salary	100	250	100	250
Paul Källenius, base salary	100	200	100	200
John Brehmer, base salary	300	200	300	200
Bertil Larsson, base salary	258	251	258	251
Lars Wollung, base salary	58	333	58	333
Tone Bjørnov, base salary	400	375	400	375
Mari Thjømøe, base salary	233	-	233	-
Charlotta Björnberg-Paul, base salary	201	-	201	-
Members of the Board of Directors in subsidiaries	319	261	-	-
Total	**1,969**	**1,870**	**1,650**	**1,609**
CEO: Declan Mac Guinness (2016 and Jan-Oct 2017) [1]				
Base salary	1,538	1,650	1,538	1,650
Variable remuneration	-	-	-	-
Other compensation	50	61	50	61
Pension costs	428	418	428	418
Total	**2,016**	**2,129**	**2,016**	**2,129**
CEO: Mattias Carlsson (Nov-Dec 2017) [1]				
Base salary	371	-	371	-
Variable remuneration	-	-	-	-
Other compensation	16	-	16	-
Pension costs	68	-	68	-
Total	**455**	**-**	**455**	**-**

[1] The amounts include remuneration to the Group's CEO and deputy CEO. Leading executives refer to Group Management. Remuneration to the CEO and others senior executives in TF Bank's subsidiaries are not included. In the quarter of 2017, the Group Management consisted of CEO, deputy CEO and four senior executives, then only by the CEO and deputy CEO. Compensation to both management team members appointed on 22 December 2017 has not been taken into account in the above note. In 2016 there were four people under the heading senior executives.

Note 11 cont.

SEK thousand	Group 2017	Group 2016	Parent company 2017	Parent company 2016
Deputy CEO: [1]				
Base salary	1,682	1,454	1,682	1,454
Variable remune-ration	-	-	-	-
Other compensation	94	84	94	84
Pension costs	430	379	430	379
Total	**2,206**	**1,917**	**2,206**	**1,917**
Other senior execu-tives: [1]				
Base salary	1,199	5,047	1,199	5,047
Variable remune-ration	-	431	-	431
Other compensation	14	9	14	9
Pension costs	179	673	179	673
Total	**1,392**	**6,160**	**1,392**	**6,160**

[1] The amounts include remuneration to the Group's CEO and deputy CEO. Leading executives refer to Group Management. Remuneration to the CEO and others senior executives in TF Bank's subsidiaries are not included. In the quarter of 2017, the Group Management consisted of CEO, deputy CEO and four senior executives, then only by the CEO and deputy CEO. Compensation to both management team members appointed on 22 December 2017 has not been taken into account in the above note. In 2016 there were four people under the heading senior executives.

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 2016 and 2017.

Share-based compensation
At the Annual General Meeting in 2016, three warrant schemes were approved, comprising a total of 775 772 warrants. The warrants were signed by the CEO and senior executives. For the majority of the warrants, consideration has been paid to the corresponding market value, which has been reported as other contributed capital in equity. In 2017, 332,474 warrants were redeemed and at the end of 2017 there were 443,298 warrants.

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.

GENDER DISTRIBUTION OF THE MEMBERS OF THE BOARD OF DIRECTORS FOR THE PARENT COMPANY

SEK thousand	2017 Numbers as at the balance sheet date	2017 Of which males	2016 Numbers as at the balance sheet date	2016 Of which males
Members of the Board of Directors	6	50%	7	86%
CEO and other senior executives	1	100%	-	-

NOTE 12 Intangible assets

SEK thousand	Group		Parent company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Acquisition value at beginning of year	35,950	26,979	32,085	23,339
Changes during the year				
- acquisitions	17,037	8,499	8,722	8,746
- exchange rate effect	-205	472	-	-
Acquisition value at end of year	**52,782**	**35,950**	**40,807**	**32,085**
Accumulated amortisation at beginning of year according to plan	-17,536	-14,573	-16,948	-14,208
Changes during the year				
- amortisation according to plan	-6,039	-2,669	-4,477	-2,740
- exchange rate effect	162	-294	-11	-
Accumulated amortisation at end of year according to plan	**-23,413**	**-17,536**	**-21,436**	**-16,948**
Carrying amount at end of year	**29,369**	**18,414**	**19,371**	**15,137**

All intangible assets relate to in-house developed software.

NOTE 13 Tangible assets

SEK thousand	Group		Parent company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Acquisition value at beginning of year	6,758	5,283	4,679	5,095
Changes during the year				
- acquisitions	866	2,203	684	315
- disposal	-757	-746	-701	-746
- exchange rate effect	-35	18	51	15
Acquisition value at end of year	**6,832**	**6,758**	**4,713**	**4,679**
Accumulated depreciation at beginning of year according to plan	-5,148	-3,767	-3,579	-3,733
Changes during the year				
- depreciation according to plan	-851	-2,075	-553	-587
- disposal	757	746	701	746
- exchange rate effect	67	-52	-13	-5
Accumulated depreciation at end of year according to plan	**-5,175**	**-5,148**	**-3,444**	**-3,579**
Carrying amount at end of year	**1,657**	**1,610**	**1,269**	**1,100**

NOTE 14 Other operating expenses

SEK thousand	Group		Parent company	
	2017	2016	**2017**	2016
Marketing	-13,351	-15,601	-10,373	-14,771
Other	-	-	-	-
Total	**-13,351**	**-15,601**	**-10,373**	**-14,771**

NOTE 15 Net loan losses

SEK thousand	Group		Parent company	
	2017	2016	**2017**	2016
Change in the provision for sold non-performing loans	-103,967	-85,429	-102,777	-85,429
Realised loan losses	-32,894	-18,572	-20,704	-15,103
Recovered from previous write-offs	7,741	7,662	6,704	7,439
Change in provision for other expected loan losses	-223	-15,230	-4,802	-12,278
Net loan losses	**-129,343**	**-111,569**	**-121,579**	**-105,371**

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

NOTE 16 Income tax expense

SEK thousand	Group		Parent company	
	2017	2016	**2017**	2016
Tax for the year	-52,214	-33,323	-44,920	-28,322
Tax due to changed tax for previous years	-11	-89	11	-89
Other tax	-29	-57	-29	-57
Deferred tax	7,152	2,913	687	-783
Income tax expense [1]	**-45,102**	**-30,556**	**-44,251**	**-29,251**
Reconciliation of tax on profit for the year				
Operating profit	192,938	139,824	194,624	135,294
Tax at applicable tax rate	-46,938	-30,377	-42,817	-29,765
Tax effect of non-deductible expenses	-2,427	-116	-2,350	-84
Tax effect of revenue that is recognised but not included in reported profit	1,397	-1,630	-41	-54
Tax effect of non-taxable income	316	1,817	288	1,581
Tax due to changed tax for previous years	-11	-89	11	-89
Other tax	-16	-57	-29	-57
Deferred tax	2,577	-104	687	-783
Income tax expense according to in-come statement	**-45,102**	**-30,556**	**-44,251**	**-29,251**

[1] The weighted average tax rate for the group was 23.4 % (21.9 %) and for the parent company the corresponding figure was 22.7 % (21.6 %).

NOTE 17 Foreign currencies

THE FOLLOWING CURRENCY EXPOSURES ARE TO THE FUNCTIONAL CURRENCY

	Group		Parent company	
SEK thousand	**31 Dec 2017**	31 Dec 2016	**31 Dec 2017**	31 Dec 2016
Assets in EUR:				
Cash and balances with central banks	60,872	30,510	60,872	30,510
Loans to credit institutions	97,915	59,124	90,961	54,846
Loans to the public	1,310,732	1,095,841	1,284,554	1,042,943
Other assets	13,855	5,714	4,087	2,067
Less assets in Eurozone	-983,959	-828,476	-871,143	-767,725
Total assets	**499,415**	**362,713**	**569,331**	**362,641**
Liabilities in EUR:				
Deposits and borrowings from the public	-1,091,695	-634,762	-1,091,695	-634,762
Other liabilities	-26,303	-24,491	-20,403	-20,198
Less liabilities in Eurozone	663,286	657,974	627,863	653,804
Total liabilities	**-454,712**	**-1,279**	**-484,235**	**-1,156**
Foreign exchange derivatives	-369,364	-538,679	-325,040	-477,625
Net exposure in EUR	-324,659	-177,245	-239,944	-116,140
Net assets in Eurozone	320,672	170,502	243,281	113,921
	-3,987	**-6,743**	**3,337**	**-2,219**

	Group		Parent company	
SEK thousand	**31 Dec 2017**	31 Dec 2016	**31 Dec 2017**	31 Dec 2016
Assets in NOK:				
Loans to credit institutions	66,288	36,314	69,901	450,045
Loans to the public	899,980	530,533	27,391	30,550
Other assets	98,422	17,490	170,726	74,672
Less assets in Norway	-940,643	-503,057	-	-
Total assets	**124,047**	**81,280**	**268,018**	**555,267**
Liabilities in NOK:				
Deposits and borrowings from the public	-959,803	-	-223,060	-
Other liabilities	-20,165	-13,810	-1,729	-617
Less liabilities in Norway	758,800	10,832	-	-
Total liabilities	**-221,168**	**-2,978**	**-224,789**	**-617**
Foreign exchange derivatives	-44,048	-554,561	-44,048	-554,561
Net exposure NOK	-141,169	-476,259	-820	89
Net assets in Norway	181,843	492,225	-	-
	40,674	**15,966**	**-820**	**89**

Note 17 cont.

SEK thousand	Group		Parent company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Assets in PLN:				
Cash and balances with central banks	5,127	-	5,127	-
Loans to credit institutions	16,218	11,496	16,218	11,496
Loans to the public	280,738	164,386	280,738	164,386
Other assets	462	132	1,222	132
Less assets in Poland	-6,722	-185,188	-15,869	-185,188
Total assets	**295,823**	**-9,174**	**287,436**	**-9,174**
Liabilities in PLN:				
Other liabilities	-2,610	-4,654	-3,369	-4,654
Less liabilities in Poland	15,678	24,948	37,008	24,948
Total liabilities	**13,068**	**20,294**	**33,639**	**20,294**
Foreign exchange derivatives	-299,796	-173,280	-299,796	-173,280
Net exposure in PLN	9,095	-162,160	21,279	-162,160
Net assets in Poland	-8,955	160,240	-21,140	160,240
	140	-1,920	139	-1,920

SEK thousand	Group		Parent company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Assets in DKK:				
Loans to credit institutions	6,944	4,532	6,944	4,532
Loans to the public	38,726	35,969	38,726	35,969
Other assets	2	30	2	30
Total assets	**45,672**	**40,531**	**45,672**	**40,531**
Liabilities in DKK:				
Other liabilities	-589	-430	-589	-430
Total liabilities	**-589**	**-430**	**-589**	**-430**
Foreign exchange derivatives	-44,979	-39,832	-44,979	-39,832
Net exposure DKK	104	269	104	269

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

	Group		Parent company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
EUR	37.5	56.4	33.0	50.0
NOK	44.0	527.5	44.0	527.5
PLN	127.0	80.0	127.0	80.0
DKK	34.0	31.0	34.0	31.0

NOTE 18 Maturity information

SEK thousand	Group 31 Dec 2017	Group 31 Dec 2016	Parent company 31 Dec 2017	Parent company 31 Dec 2016
Payable on demand	65,999	30,510	65,999	30,510
Cash and balances with central bank	**65,999**	**30,510**	**65,999**	**30,510**
Remaining maturity of less than 3 months	60,096	12,000	60,096	12,000
Remaining maturity of more than 3 months but less than 1 year	-	48,211	-	48,211
Treasury bills eligible for refinancing	**60,096**	**60,211**	**60,096**	**60,211**
Payable on demand	1,062,294	290,152	996,611	269,785
More than 1 year but less than 5 years	1,235	-	50,162	420,575
Loans to credit institutions	**1,063,529**	**290,152**	**1,046,773**	**690,360**
Remaining maturity of less than 3 months	304,002	255,415	204,749	182,559
Remaining maturity of more than 3 months but less than 1 year	669,048	527,979	504,780	432,686
More than 1 year but less than 5 years	3,128,517	2,512,913	2,304,239	2,080,305
Loans to the public	**4,101,567**	**3,296,307**	**3,013,768**	**2,695,550**
Payable on demand	75,404	-	20,295	-
Remaining maturity of less than 3 months	2,348	20,727	2,173	3,558
More than 1 year but less than 5 years	53,176	39,497	254,037	172,463
Other assets	**130,928**	**60,224**	**276,505**	**176,021**
Payable on demand	3,754,030	2,284,645	3,017,287	2,284,645
Deposits and borrowings from the public	**3,754,030**	**2,284,645**	**3,017,287**	**2,284,645**
More than 5 years	146,670	151,625	146,670	151,625
Subordinated liabilities	**146,670**	**151,625**	**146,670**	**151,625**
Remaining maturity of less than 3 months	71,427	70,407	37,184	38,944
Remaining maturity of more than 3 months but less than 1 year	25,305	16,719	25,305	16,719
More than 1 year but less than 5 years	5,203	4,026	12,641	15,603
Other liabilities	**101,935**	**91,152**	**75,130**	**71,266**

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 19 Treasury bills eligible for refinancing

SEK thousand	Group 31 Dec 2017	Group 31 Dec 2016	Parent company 31 Dec 2017	Parent company 31 Dec 2016
Government securities eligible for refinancing	60,096	60,211	60,096	60,211
Other securities eligible for refinancing	-	-	-	-
Total treasury bills eligible for refinancing	**60,096**	**60,211**	**60,096**	**60,211**

NOTE 20 Loans to credit institutions

SEK thousand	Group 31 Dec 2017	Group 31 Dec 2016	Parent company 31 Dec 2017	Parent company 31 Dec 2016
Loans in SEK	890,788	270,550	878,944	261,769
Loans in foreign currency	171,506	19,602	167,829	428,591
Total loans to credit institutions	**1,062,294**	**290,152**	**1,046,773**	**690,360**

NOTE 21 Loans to the public

SEK thousand	Group 31 Dec 2017	Group 31 Dec 2016	Parent company 31 Dec 2017	Parent company 31 Dec 2016
Loans to the household sector	3,156,289	2,489,283	2,220,134	1,936,458
Loans to the corporate sector	-	-	32,504	44,100
Total loans to the public	**3,156,289**	**2,489,283**	**2,252,638**	**1,980,558**
Loans to the household sector				
Gross loans	3,216,735	2,546,890	2,275,571	1,984,270
Provision for expected loan losses	-60,446	-57,607	-55,437	-47,812
Loans, net book value	**3,156,289**	**2,489,283**	**2,220,134**	**1,936,458**
Geographic distribution of net loans:				
Sweden	625,917	662,767	621,034	662,767
Finland	910,546	847,067	884,367	838,109
Norway	899,992	530,315	27,403	30,548
Estonia	338,031	245,801	338,031	245,801
Poland	280,738	164,389	280,738	164,389
Denmark	38,714	35,969	38,714	35,969
Latvia	62,351	2,975	62,351	2,975
Total loans, net book value	**3,156,289**	**2,489,283**	**2,252,638**	**1,980,558**

CHANGE IN PROVISION FOR ACTUAL AND EXPECTED LOAN LOSSES

SEK thousand	Group 31 Dec 2017	Group 31 Dec 2016	Parent company 31 Dec 2017	Parent company 31 Dec 2016
Opening balance	-57,607	-40,647	-47,812	-34,449
Change in provision for sold non-performing loans	-106,500	-85,429	-102,778	-85,429
Reversal in provision for sold non-performing loans	106,500	85,429	102,778	85,429
Change in provision for other loan losses	-223	-15,230	-4,802	-12,279
Other adjustments [1]	-2,616	-1,730	-2,823	-1,084
Closing balance	**-60,446**	**-57,607**	**-55,437**	**-47,812**

[1] Other adjustments consist of currency translation differences.

Note 21 cont.

LOANS TO THE CORPORATE SECTOR

	Group		Parent company	
SEK thousand	**31 Dec 2017**	31 Dec 2016	**31 Dec 2017**	31 Dec 2016
Gross loans	-	-	32,504	44,100
Total loans, net book value	**-**	**-**	**32,504**	**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 22 Goodwill

	Group	
SEK thousand	**31 Dec 2017**	31 Dec 2016
Acquisition value at beginning of year	**12,673**	**11,536**
Movements in goodwill		
Acquisitions during the year	-	-
Currency translation differences	-605	1,137
Acquisition value at end of year	**12,068**	**12,673**

The Group's goodwill arose from the acquisition of the Norwegian subsidiary BB Bank ASA.

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 23 Other assets

	Group		Parent company	
SEK thousand	**31 Dec 2017**	31 Dec 2016	**31 Dec 2017**	31 Dec 2016
Derivatives	2,464	3,715	2,290	3,558
Other assets	9,730	5,794	3,809	4,182
Total other assets	**12,194**	**9,509**	**6,099**	**7,740**

NOTE 24 Liabilities to credit institutions

The Parent company had a credit facility of SEK 300 million (300) which was cancelled in the third quarter of 2017.

The subsidiary BB Bank ASA has a credit facility of NOK 30 million (corresponding to SEK 30 million), which was undrawn as at 31 December 2017.

NOTE 25 Deposits and borrowings from the public

SEK thousand	Group		Parent company	
	31 Dec 2017	31 Dec 2016	**31 Dec 2017**	31 Dec 2016
Deposits from the public - Sweden	1,702,531	1,649,883	1,702,531	1,649,883
Deposits from the public - Finland	602,757	634,762	602,757	634,762
Deposits from the public - Norway	959,803	-	223,060	-
Deposits from the public - Germany	488,939	-	488,939	-
Total deposits and borrowings from the public	**3,754,030**	**2,284,645**	**3,017,287**	**2,284,645**

Deposits from the public relates only to the household sector. All liabilities have indefinite maturity.

CHANGE IN DEPOSITS AND BORROWINGS FROM THE PUBLIC

SEK thousand	Group		Parent company	
	31 Dec 2017	31 Dec 2016	**31 Dec 2017**	31 Dec 2016
Opening balance	2,284,645	2,229,562	2,284,645	2,229,562
Change	1,473,734	32,081	722,463	32,081
Currency effects	-4,349	23,002	10,179	23,002
Closing balance	**3,754,030**	**2,284,645**	**3,017,287**	**2,284,645**

NOTE 26 Other liabilities

SEK thousand	Group		Parent company	
	31 Dec 2017	31 Dec 2016	**31 Dec 2017**	31 Dec 2016
Derivatives	1,854	-	1,854	-
Trade payables	18,931	11,489	16,751	9,506
Other liabilities	12,772	6,364	6,741	4,556
Total other liabilities	**33,557**	**17,853**	**25,346**	**14,062**

NOTE 27 Deferred tax

SEK thousand	Group	
	31 Dec 2017	31 Dec 2016
Deferred tax assets		
Deferred tax assets attributable to loss carry forward	9,864	6,830
Deferred tax assets	**9,864**	**6,830**
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	-7,445	-11,577
Deferred tax on acquired surplus value [1]	-	-2,047
Deferred tax on assets (BB Bank)	-	-104
Deferred tax on profit account (BB Bank)	-	-54
Deferred tax on unrealised currency derivatives	-134	-815
Deferred tax due to temporary differences	**-7,579**	**-14,597**
The deferred taxes are expected to be settled as follows:		
Within 12 months	-	511
More than 12 months	7,579	14,086
	7,579	**14,597**
Change in gross deferred taxes is as follows:		
Gross deferred tax at beginning of year	-7,767	-12,018
Reported in the income statement	11,377	2,675
Reported in total comprehensive income	-1,325	1,576
Deferred tax at end of year	**2,285**	**-7,767**

1 The surplus value consists of expected recovery of previously identified customer losses based on historical outcome of the subsidiary BB Bank acquired in 2015. The residual value of the acquired surplus has been reversed in full in 2017 due to the fact that the loan portfolio on which the value was based was sold.

Deferred tax assets are attributable to tax loss carryforwards without time limits in Sweden and Finland.

NOTE 28 Accrued expenses and prepaid income

SEK thousand	Group		Parent company	
	31 Dec 2017	31 Dec 2016	**31 Dec 2017**	31 Dec 2016
Accrued salaries and holiday pay	8,516	7,743	4,885	5,421
Accrued social security	4,723	4,311	3,224	3,261
Accrued interest on loans to the public	83	118	83	118
Accrued interest on deposits from the public	24,754	22,028	24,754	22,028
Other accrued expenses	11,493	19,290	7,450	14,016
Total accrued expenses	**49,569**	**53,490**	**40,396**	**44,844**

NOTE 29 Subordinated liabilities

SEK thousand	Group		Parent company	
	31 Dec 2017	31 Dec 2016	**31 Dec 2017**	31 Dec 2016
Dated subordinated loan	97,780	97,040	97,780	97,040
Total	**97,780**	**97,040**	**97,780**	**97,040**

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 30 Appropriations

SEK thousand	Parent company	
	31 Dec 2017	31 Dec 2016
Resolution of tax allocation reserve	18,812	-
Total	**18,812**	**-**

NOTE 31 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 2017	31 Dec 2016	**31 Dec 2017**	31 Dec 2016
The following transactions have been made with related parties in the Group:				
Interest income	-	-	10,741	7,947
Other income	-	-	639	208
General administrative expenses	-307	-422	-1,537	-2,129
Total	**-307**	**-422**	**9,843**	**6,026**

SEK thousand	Group		Parent company	
	31 Dec 2017	31 Dec 2016	**31 Dec 2017**	31 Dec 2016
The following transactions have been made with other related parties:				
Interest income (transaction costs)	-66,650	-66,035	-66,650	-66,035
General administrative expenses	-5,458	-5,670	-5,458	-5,670
Total	**-72,108**	**-71,705**	**-72,108**	**-71,705**
Acquisition of assets and liabilities from other related parties:				
Sales Finance	660,628	636,879	660,628	636,879
Total	**660,628**	**636,879**	**660,628**	**636,879**

Note 31 cont.

SEK thousand	Group		Parent company	
	31 Dec 2017	31 Dec 2016	**31 Dec 2017**	31 Dec 2016
Assets at year-end as a result of transactions between Group companies:				
Loans to credit institutions	-	-	50,162	420,575
Loans to the public	-	-	32,504	44,100
Total	**-**	**-**	**82,666**	**464,675**

SEK thousand	Group		Parent company	
	31 Dec 2017	31 Dec 2016	**31 Dec 2017**	31 Dec 2016
Assets at year-end as a result of transactions with other related parties:				
Other assets	392	663	392	663
	392	**663**	**392**	**663**
Liabilities at year-end as a result of transactions with other related parties:				
Other liabilities	2,115	-	2,115	-
Total	**2,115**	**-**	**2,115**	**-**

For information about remuneration to senior executives, see note 11.

NOTE 32 Shares in group companies

	TFB Service OÜ	TFB Service SIA	Avarda AB - group	BB Bank ASA - group
Registration and country of operation	Estonia	Latvia	Sweden	Norway
Operation	Administration	Administration	Financial	Financial
Number of shares	25	1	2,000	42,000,000
Percentage of shares owned by TF Bank, %	100	100	100	100
Book value as at 31 Dec 2017	24	26	93,624	157,031
Operating income in 2017	715	520	14,425	66,114
Operating profit in 2017	-157	-22	-13,098	45,013
Income tax in 2017	-	-1	2,863	-11,299
Average number of employees in 2017	3	3	8	18

NOTE 33 Untaxed reserves

SEK thousand	Parent company 31 Dec 2017	Parent company 31 Dec 2016
Tax allocation reserve		
Provision for the 2012 tax assessment	-	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	**33,809**	**52,621**
Accumulated depreciation in excess over plan	-	-
Total untaxed reserves	**33,809**	**52,621**
Deferred tax of 22 % of untaxed reserves, which are not recognised, amounts to	7,438	11,577

NOTE 34 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.

Note 34 cont.

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

	Group		Parent company	
SEK thousand	**31 Dec 2017**	31 Dec 2016	**31 Dec 2017**	31 Dec 2016
Common Equity Tier 1 (CET1) capital after deductions	441,131	371,933	473,075	397,066
Additional Tier 1 (AT1) capital after deductions	-	-	-	-
Tier 2 capital after deductions	97,780	97,040	97,780	97,040
Own funds	**538,911**	**468,973**	**570,855**	**494,106**
Risk exposure amounts	3,336,472	2,573,532	2,792,858	2,329,785
- *of which:* credit risk	2,623,365	1,965,888	2,184,158	1,764,877
- *of which:* credit valuation adjustment	1,999	3,322	1,876	3,188
- *of which:* market risk	40,917	16,236	-	-
- *of which:* operational risk	670,191	588,086	606,824	561,720
CET1 capital ratio, %	13.22	14.45	16.94	17.04
Tier 1 capital ratio, %	13.22	14.45	16.94	17.04
Total capital ratio, %	16.15	18.22	20.44	21.21
Total CET1 capital requirement inclusive of capital buffer requirements	268,586	199,191	220,356	178,229
- *of which:* capital conservation buffer	83,412	64,338	69,821	58,245
- *of which:* countercyclical capital buffer	35,033	19,044	24,856	15,144
CET1 capital available to use as buffer [1]	290,990	256,124	347,396	292,226

[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

	Group		Parent company	
SEK thousand	**31 Dec 2017**	31 Dec 2016	**31 Dec 2017**	31 Dec 2016
CET1 capital				
Share capital	107,500	107,500	107,500	107,500
Other contributed capital	1,500	1,934	1,500	1,931
Reserves	-1,144	3,420	42,110	50,358
Retained earnings including the audited annual profit net of any foreseeable expenses and dividends	384,576	296,996	341,336	252,415
Less:				
- Intangible assets	-41,437	-31,087	-19,371	-15,137
- Deferred tax assets that depend on future profitability	-9,864	-6,830	-	-
Total CET1 capital	*441,131*	*371,933*	*473,075*	*397,067*
Tier 2 capital				
Dated subordinated loan	97,780	97,040	97,780	97,040
Total own funds	**538,911**	**468,973**	**570,855**	**494,107**

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

Note 34 cont.

SPECIFICATION RISK EXPOSURE AMOUNTS

	Group		Parent company	
SEK thousand	**31 Dec 2017**	31 Dec 2016	**31 Dec 2017**	31 Dec 2016
Credit risk according to the standardised approac				
Institute exposures	-	-	10,032	84,115
Corporate exposures	391	-	34,084	44,357
Retail exposures	2,321,723	1,807,836	1,636,995	1,410,463
Exposures secured by mortgage	319	452	-	-
Exposures in default	62,183	81,155	37,474	55,841
Exposures to institutions with short-term credit assessment	221,077	62,008	207,787	57,904
Equity exposures	251	-	250,705	100,861
Other items	17,421	14,437	7,081	11,336
Total risk-weighted exposure amount credit risk	**2,623,365**	**1,965,888**	**2,184,158**	**1,764,877**
Credit valuation adjustment				
Standardised method	1,999	3,322	1,876	3,188
Total risk exposure amount	**1,999**	**3,322**	**1,876**	**3,188**
Market risk [1]				
Foreign exchange risk	40,917	16,236	-	-
Total risk exposure amount market risk	**40,917**	**16,236**	**-**	**-**
Operational risk				
Standardised approach	670,191	588,086	606,824	561,720
Total risk exposure amount operational risk	**670,191**	**588,086**	**606,824**	**561,720**
Total risk exposure amount	**3,336,472**	**2,573,532**	**2,792,858**	**2,329,785**

[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 Bank in Norway.

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.

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.

Internal capital adequacy assessment

As at 31 December 2017 the internally assessed capital requirement amounted to SEK 32.0 million (22.3) for the Group and SEK 27.2 million (19.5) for the Parent Company. The internal capital requirement in Pillar 2 is estimated by the bank to consist of the following risk types: concentration risk, interest rate risk in the bank book and exchange rate risk.

NOTE 35 Assets pledged as security, contingent liabilities and commitments

ASSETS PLEDGED AS SECURITY FOR OWN LIABILITIES

	Group		Parent company	
SEK thousand	**31 Dec 2017**	31 Dec 2016	**31 Dec 2017**	31 Dec 2016
Relating to current liabilities to credit institutions				
Loans	30,033	528,733	-	497,194
Liquid assets attributable to collateral for derivatives with negative market value	30,850	-	30,850	-
Other assets	299	356	-	-
Total	**61,182**	**529,089**	**30,850**	**497,194**

The subsidiary BB Bank continuously pledge its loans to the public as security. The assets are pledged as security for BB Bank's credit facility of NOK 30 million. As at 31 December 2017 nothing was drawn from the credit facilities.

The agreement regarding the parent company's credit facility has been completed in the third quarter of 2017.

CONTINGENT LIABILITIES

	Parent company	
SEK thousand	**31 Dec 2017**	31 Dec 2016
Guarantee commitment relating to currency trades for Avarda AB and Avarda Oy		
Liabilities according to market valuation of derivative instruments	-	-
Guarantee commitment of Confide AS debt collection operations	2,503	-
Total contingent liabilities	**2,503**	**-**

COMMITMENTS RELATING TO OPERATIONAL LEASING

The Group leases a number of office space under non-cancellable operating leases. Leasing periods vary between 3 and 6 years and most lease agreements may be extended at the end of the lease at a fee that complies with a market fee.

Future total minimum lease payments for non-cancellable operating leases are as follows:

	Group		Parent company	
SEK thousand	**31 Dec 2017**	31 Dec 2016	**31 Dec 2017**	31 Dec 2016
Within 1 year	5,093	4,215	3,295	2,569
Between 1 and 5 years	11,787	6,119	6,831	2,692
More than 5 years	4,905	2,129	1,188	-

NOTE 36 Accounting principles write-down of financial assets from 2018

With the transition to IFRS 9, the Group introduced a new model for calculating credit loss reserves based on expected loan losses. Financial assets that are subject to impairment losses are divided into three categories based on the risk of default. The first category includes assets where no significant increase in credit risk has occurred at the reporting date, in the second, a significant increase in credit risk has occurred, i.e. when the asset has expired 30 days or more, and in the third there is objective evidence of impairment, i.e. that the credit is due 90 days or more. For assets in the first category, write-downs are based on expected losses over the next 12 months, while for category two and three, expected losses are reported over the entire asset's maturity. Expected losses are calculated based on historical data on default for each period.

The provisions under IFRS 9 are calculated by multiplying exposure of default with the probability of default and the loss given default. TF Bank's model for calculating provisions according to IFRS 9 is based on historical probability of default on each market. The model is complemented by the company's assumptions about the future based on the current loan portfolio and adjustments due to the expected macroeconomic scenario. The value of the estimated reserves is discounted at the original borrowing rate.

The provision for non-performing loans is made with the difference between the asset's carrying amount and the present value of future cash flows, discounted by the original borrowing rate. The expected future cash flow is based on calculations that take account of historical repayment rates applied to each generation of bad debts.

Loans that are sold are written off against the reserve for losses and the difference between the current value of the asset and the present value is reported as a recognized loan loss. Non-performing loans are reported as loan losses when they are reported by the debt collection agency for long-term monitoring, the customer is found to be deceased or another loss event has been identified. Amounts received from previously identified loan losses are recognized in the income statement.

NOTE 37 Proposed distribution of earnings

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

SEK thousand	
Retained earnings	239,337
Net profit for the year	150,373
	389,710
The Board of Directors proposes:	
a dividend of SEK 2.25 per share (21,500,000 shares)	48,375
to be carried forward to retained earnings	341,335
	389,710

The Board of Directors' assessment of the proposed dividend
The proposed dividend will reduce the leverage ratio to 13.2 %. 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 22 March 2018

Bertil Larsson
Acting Chairman

John Brehmer

Mari Thjømøe

Charlotta Björnberg-Paul

Tone Bjørnov

Mattias Carlsson
Acting CEO & Group CEO

Our audit report was issued 23 March 2018.

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 2017. The annual accounts and consolidated accounts of the company are included on pages 8-64 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 of 31 December 2017 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 of 31 December 2017 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. 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.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (573/2014) Article 11.

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. This includes that, based on the best knowledge and belief, no prohibited services referred to in the Audit Regulation (573/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Our audit approach

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 of 31th December 2017 Loans to the public was SEK 3,156 million, of which the provision for expected loan losses for incurred credit losses was SEK -60 million. Loans to the public is a significant part of the balance sheet for the Group. Refer to the Annual Report Note 21 – 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.

Key audit matter	How our audit responded to key audit matter
Disclosures of transition effects IFRS 9	
IFRS 9, the new accounting standard for financial instruments came into effect on 1 January 2018. The standard replaces the current IAS 39 standard. TF Bank present the financial effects of the new standard in Accordance with IAS 8. The new standard has significant effects on TF Bank's opening balance for 2018, which is presented in disclosures to the annual report for 2017. The main areas affecting TF Bank are: - Classification and measurement: How different types of financial instruments are to be classified and measured and accounted for. Valuation and accounting is determined based on the underlying business model. - Impairment: The methodology for loan loss provisioning. The new model requires companies to use forward looking information in an expected loss model instead of the currently used incurred loss model. Refer to the Annual Report Note 2 – Accounting policies and valuation principles section New standards which have not been adopted for disclosures regarding IFRS 9.	We have audited the disclosures made related to the financial effects and the transition from IAS 39 to IFRS 9. We have also audited overall governing documents and the overall governance in TF Bank to ensure adherence to IFRS 9. For Classification and measurement, we have examined TF Bank's business model assessments in accordance with IFRS 9. For Impairment, we have reviewed definitions made, data sources used and the overall mechanics of the impairment models used and validated adherence to IFRS 9. We have also tested a sample of impairment models to ensure that the model calculator is working as described in the model documentation. The sample selected was risk based addressing significant volumes. Based on our work, we had no material observations for the overall audit on the disclosures of the IFRS 9 implementation in accordance with IAS 8 as at 31 December 2017.

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 1-7 and 78-84. 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 Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of TF Bank AB (publ) for the year 2017 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 organisation 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 organisation 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 Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of TF Bank AB (publ) by the general meeting of the shareholders on 3 May 2017 and has been the company's auditor since 1989.

Stockholm 23 March 2018
PricewaterhouseCoopers AB

Martin By
Authorised Public Accountant

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 is based in Borås and six subsidiaries: Avarda AB, Avarda Oy, TFB Service OÜ, TFB Service SIA, BB Bank ASA and Confide AS. TF Bank is authorized by FI to conduct banking operations. TF Bank conducts banking activities with the permission of the FSA in Sweden and also in Finland, Estonia and Poland via branches. In addition, TF Bank conducts cross-border activities in Denmark, Latvia, Norway and Germany under the Swedish Banking and Finance Act. TF Bank also operates through a subsidiary in Norway (BB Bank ASA), which has its own bank authorization from the Norwegian Financial Supervisory Authority, Finanstilsynet. Avarda has been granted permission to conduct consumer credit operations under the Act (2014:275) on certain activities with consumer credit.

THE CODE

TF Bank follows the Code. By 2017, TF Bank has deviated from Code 6.1 rule that the Chairman of the Board shall be elected by the AGM. The Annual General Meeting in 2017 appointed Mattias Carlsson as Chairman of the Board. In connection with the resignation of the CEO Declan Mac Guinness in November 2017, Mattias Carlsson took over as acting CEO and Board member Bertil Larsson was appointed by the Board as acting Chairman until a permanent CEO was appointed or until the 2018 Annual General Meeting. In addition, the Board regularly performs a systematic evaluation whereby members are given the opportunity to give their views on working methods, Board materials, their own and other members’ efforts in the work of the Board in order to develop the Board work and provide the Nomination Committee with relevant decision-making basis for the AGM. The evaluation has been carried out by an external party before the 2018 Annual General Meeting and the results of the evaluation have been presented to the Board and the Nomination Committee.

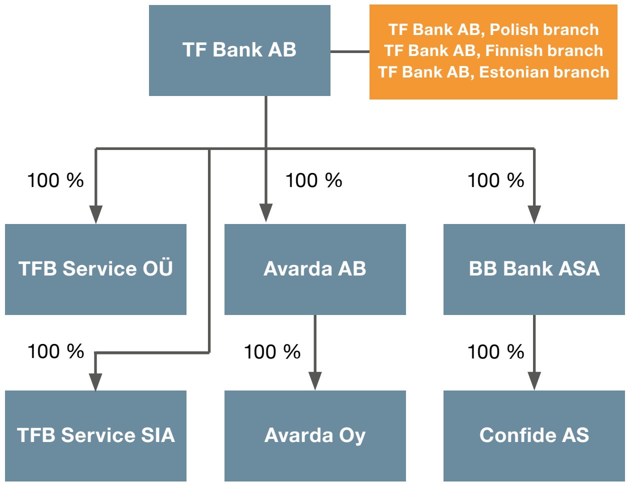
OWNERSHIP

Ownership structure as at 31 December 2017:

	Owner	No. of shares	Ownership
1	TFB Holding AB	10,110,964	47.03%
2	Erik Selin Fastigheter AB	2,500,000	11.63%
3	Danica Pension Försäkrings AB	1,879,988	8.74%
4	Merizole Holding LTD	1,507,495	7.01%
5	Swedbank Robur fonder	1,081,344	5.03%
6	Proventus Aktiebolag	645,000	3.00%
7	Pareto Nordic Return	362,080	1.68%
8	Skandia fond småbolag Sverige	275,000	1.28%
9	Clearstream Banking S.A.	263,217	1.22%
10	KAAX Investment AB	224,521	1.04%
11	Tiberon AB	224,521	1.04%
12	Gurrfinans AB	204,526	0.95%
13	Avanza Pension	161,585	0.75%
14	Carnegie Micro Cap	160,000	0.74%
15	AB Monarda	154,842	0.72%
16	Mattias Carlsson	154,432	0.72%
17	Grandeur Peak International	132,700	0.62%
18	UBS Switzerland AG	129,000	0.60%
19	Grandeur Peak Global Reach	116,700	0.54%
20	Ely Berzan	94,200	0.44%

The largest owner, TFB Holding AB, with a total holding of 47.03 % as at 31 December 2017, is represented by John Brehmer in the Company’s Board of Directors and by Paul Källenius on the Nomination Committee.

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	100 %	Full/Full
	Avarda Oy	2619111-6	100 %	Full/Full
	BB Bank ASA	935590221	100 %	Full/Full
	Confide AS	948063603	100 %	Full/Full
	TFB Service OÜ	12676808	100 %	Full/Full
	TFB Service SIA	40203015782	100 %	Full/Full

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 rights are exercised at the Annual General Meeting / AGM. According to the Companies Act, the Annual General Meeting is the company's highest decision-making body, which decides inter alia on issues such as amendments to the articles of association, discharge, determination of balance sheets and income statements, share dividends, election of board members, auditors and fees to board members and auditors. Rules that govern the AGM and what should be included in this is, among other things, the Companies Act and the Articles of Association.

The Annual General Meeting in 2017 was held in Stockholm on 3 May 2017. It was decided, in accordance with the Board's proposal, that SEK 294,832,000 of the funds allocated to the Annual General Meeting would be allocated SEK 47,300,000 to the shareholders and that SEK 247,532,000 would be balanced on a new account. The dividend amounted to SEK 2.20 per share. The AGM also granted discharge for the financial year 2016 to the Board members and the Managing Director.

The AGM, in accordance with the proposal submitted, decided that the Board would consist of six members. Board members re-elected Mattias Carlsson, John Bremer, Bertil Larsson, and Tone Bjørnov. New election of Charlotta Björnberg-Paul and Mari Thjømøe. Mattias Carlsson was re-elected as Chairman of the Board. The AGM also decided that a fee of SEK 2,200,000 will be paid to the Chairman of the Board, SEK 300,000 to Board members not employed by TF Bank, SEK 100,000 to the Chairman of the Board's Audit Committee, SEK 50,000 to other members of the Board's Audit Committee and to the fees to the auditor shall be paid in accordance with the approved contract. Furthermore, it was decided that remuneration to the Board member, in agreement with TF Bank, should be invoiced by company, if tax conditions exist and provided it is cost neutrality for TF Bank.

PricewaterhouseCoopers AB was elected as auditor for the period until the AGM in 2018 with the principal auditor Authorised Public Accountant Martin By.

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 2017 is available on www.tfbankgroup.com.

THE NOMINATION COMMITTEE

The Annual General Meeting in 2017 decided that the TF Bank's Nomination Committee should consist of one representative of each of the three largest shareholders or the group of shareholders on the last banking day in August 2017. The term of office of the Nomination Committee will extend until a new Nomination Committee has been appointed. The Chairman of the Nomination Committee shall, unless the members agree otherwise, be the member representing the largest shareholder to the vote.

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

- proposal for the Chairman of the meeting;
- Board proposals;
- proposal for the Chairman of the Board;
- proposals for Board fees with the division between the Chairman and other members of the Board and compensation for Committee work;
- proposals for auditors; and
- proposal for remuneration for the company's auditors.

The Nomination Committee for the 2018 Annual General Meeting consists of:

- Paul Källenius, representing TFB Holding AB
- Erik Selin, representing Erik Selin Fastigheter AB
- Jonas Weil, representing Merizole Holding AB
- Bertil Larsson, acting Chairman of TF Bank AB
- Paul Källenius has been appointed Chairman of the Nomination Committee.

The composition of the Nomination Committee was announced by press releases and on the Company's website on 28 September 2017.

THE BOARD OF DIRECTORS

The Board is ultimately responsible for TF Bank's organization and management. In addition, the Board shall exercise supervision of the CEO and ensure that TF Bank's financial conditions are verified in a satisfactory manner. The Board's decision shall aim to promote the owners' interest in value development and returns. The tasks and working methods of the Board are governed by the Companies Act, the Articles of Association and the Board's Rules of Procedure (see below). The information and work of the Board of TF Bank, as regulated companies, is also governed by the Banking and Finance Act.

The Board is responsible for balancing TF Bank's risk exposure 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, staff, IT, security and communications.

The Board's work follows an annual rules of procedure including the matters to be dealt with by the Board at each ordinary meeting and the division of duties within the Board, with special assumptions for the Chairman. The Rules of Procedure also specify rules for the financial reporting to the Board and further rules for the CEO's responsibilities and powers.

According to the Articles of Association, the Board shall consist of at least three (3) and no more than ten (10) ordinary members. The Annual General Meeting 2017 decided that the Board should consist of six ordinary members without deputies. Mattias Carlsson, John Bremer, Bertil Larsson, Tone Bjørnov, Charlotta Björnberg-Paul and Mari Thjømøe were elected members. Mattias Carlsson was elected Chairman of the Board. Since 9 November 2017, Mattias Carlsson has acted as acting CEO and Bertil Larsson as acting chairman. Further information about the Board's representatives is available at www.tfbankgroup.com and on page 78.

Significant Board items

During 2017, the Board of Directors held fourteen (14) meetings, of which four (4) were ordinary meetings, four (4) additional / telephone, and six (6) meetings held by correspondence.

Date	Significant items raised at the meeting
2017-02-08	Year-end report 2016 and decision to launch deposits in Norway
2017-03-23	Repurchase of option series 2016: 3 (Johannes Rintaniemi). ICAAP/ILAAP, Pillar 3 Report, Recovery Plan, Remuneration Policy, Insider Policy, Financial Policy, Liquidity Management Guidelines and Shareholders' Supplement to Avarda AB
2017-04-26	Interim report Q1 2017
2017-05-10	Constituent meeting, company memorandum, election of audit committee and election of remuneration committee
2017-06-16	Capital contribution BB Bank ASA and remuneration to senior executives
2017-06-22	Sales of portfolios in Estonia
2017-07-17	Interim report Q2 2017
2017-09-15	Signatories
2017-09-27	Financial Policy, Liquidity Management Guidelines, IT Policy and Recovery Plan
2017-10-17	Agreement on sale of receivables
2017-10-25	Interim Report Q3 2017
2017-11-06	Decision to acquire Intrum Justitia's share of Avarda AB
2017-11-09	Appointment of the acting CEO and acting Chairman
2017-12-19	Budget, Capital Policy, Remuneration Policy, Money Laundering Policy, Annual Risk and Capital adequacy Report, Risk Assessment AML, Capital Grant Avarda AB

Board attendance:

Board Member	Independent of the largest shareholder/company	Attendance
Mattias Carlsson	No	14 of 14
Paul Källenius	No	3 of 14
John Brehmer	No	14 of 14
Lars Wollung	Yes	1 of 14
Tone Björnov	Yes	14 of 14
Bertil Larsson (acting Chairman)	Yes	14 of 14
Thomas Grahn	Yes	3 of 14
Mari Thjømøe	Yes	11 of 14
Charlotta Björnberg-Paul	Yes	11 of 14

CEO Declan Mac Guinness has attended all meetings until 9 November 2017 when he left his post as CEO. Mattias Carlsson was appointed acting CEO and Bertil Larsson as acting Chairman of the Board. CFO Mikael Meomuttel has participated in 13 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 with regard to the capital and liquidity situation of the company. At each regular Board meeting, the CEO, the CFO, the risk unit, the compliance unit, and credit risk report directly to the Board.

The overall responsibilities of the Board of Directors cannot be delegated. However, in 2017 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 2017 can be found on TF Bank Group's website www.tfbankgroup.com.

The Remuneration Committee met twice in 2017, when all members were in attendance.

Audit Committee

The Audit Committee is responsible for the preparation of the Board's work on quality assurance of the Company's financial reporting, internal control and risk management. This will be done by the committee dealing with critical accounting issues and the financial reports submitted by the Company.

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 with regard to 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 Tone Bjørnov, Lars Wollung and Mattias Carlsson until February 6, 2017. Thereafter until 10 May 2017, the Audit Committee only consisted of Tone Bjørnov and Mattias Carlsson when Lars Wollung left the Board and also the Audit Committee. On 10 May 2017, Mari Thjømøe was elected to the Audit Committee. At the Board meeting of 19 December 2017, Mattias Carlson left the Audit Committee and it was decided that the Audit Committee should consist of two members until the next meeting.

All members of the Audit Committee have been members of the Board.

Board member Tone Bjørnov is chairman of the Audit Committee.

In 2017, the Audit Committee held three (6) meetings. Attendance:

Board Member	Attendance
Tone Bjørnov (Chairman)	6 of 6
Lars Wollung	1 of 6
Mattias Carlsson	6 of 6
Mari Thjømøe	3 of 6

The Company's CFO and Head of Accounting attended all meetings, as did the Company's auditor Martin By. CEO Declan Mac Guinness attended all meetings until his departure.

Remuneration to Board Members

In accordance with the decision made at the 2017 AGM, the following remuneration was paid to the Board Members:

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

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 2017, TF Bank's Group Management consisted of: Mattias Carlsson (acting CEO), Mikael Meomuttel (CFO), Espen Johannesen (Head of Direct to Consumer), and Mikael Johansson (Head of Sales Finance).

Additional information about the Group's management representatives can be found on www.tfbankgroup.com and on page 80.

Compensation to senior management

The Annual General Meeting 2017 adopted the following guidelines for remuneration to TF Bank's senior management:

Compensations and other terms of employment shall be designed to (i) comply with and promote effective risk management and counteract excessive risk taking and (ii) ensure access to the senior executives the Bank needs. The guidelines, which are valid until the next AGM, shall apply to each commitment and change of remuneration. The Board shall decide on the terms of eligibility and waive the guidelines, if there are special reasons in a particular case.

Compensations may consist of the components: fixed remuneration in the form of basic salary, benefits and pensions and variable remuneration. There should be an appropriate balance between fixed and variable remuneration. Each senior executive shall receive a basic salary and may be entitled to both the general benefits offered to all employees and special benefits. Pension benefits shall generally be paid in accordance with rules, collective agreements and practices in the country where the senior executives are permanently resident. Pension benefits may be defined benefit according to collective agreements and / or defined-contribution and are unaffordable since they are earned. The board shall fix a ceiling for the pensionable salary. If the bank resigns, the salary can be paid over a notice period of 6-12 months. In addition, severance pay can be paid for 6-12 months. Fixed salary during notice period and severance pay shall not exceed an amount equal to the fixed salary in two years. Variable compensation can be paid in the form of shares and there must be limits for the maximum outcome. Payment of variable remuneration shall be postponed and conditional upon the fact that the criterion fulfilment of the remuneration is shown to be sustainable in the long term and that the

Group's position has not deteriorated significantly. If the conditions for payment are not met, the remuneration shall expire in whole or in part. The essential terms of incentive programs shall be decided by the Annual General Meeting.

Variable compensation (bonus) to members of management

In 2017 there has been no variable remuneration to senior executives.

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 Board of Directors and the CEO. In 2017, PwC was elected as the Company's auditor, with the Authorised Public Accountant Martin By as auditor-in-charge.

Details of the fees and expenses of the auditors is presented in note 10.

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 Tirill Thorsheim. Compliance is independent of all business units and support functions.

Independent risk control and monitoring of risk management within TF Bank is carried out 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 reviews and assesses whether systems, internal controls and routines are appropriate and effective, and issue recommendations and ensure compliance with recommendations. In 2017, the audit conducted by the internal audit included the company's process of compliance with regulatory systems for IT systems, information security and systems for savings products covered by the deposit insurance guarantee. Review of the processes for the annual accounts that formed the basis for both annual reports and government reporting was conducted.

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

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 Bank ASA are owned 100 % by TF Bank. Confide AS is owned 100 % by BB Bank. TF Bank owns 100 % 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

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.

FURTHER INFORMATION

Further information on corporate governance is available at www.tfbankgroup.com.

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 2017 on pages 70-76 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, 23 March 2018
PricewaterhouseCoopers AB

Martin By
Authorised Public Accountant

BOARD OF DIRECTORS

BERTIL LARSSON
Acting chairman since November 2017. 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.

TONE BJØRNOV
Board member since 2015.

Born: 1961

Education: Bedriftsøkonom vid Handelshøyskolen BI.

Current commitments: Filmparken AS (chairman), BB Bank ASA (board member), Storyline Studios AS (chairman), Valutacorp AS (board member), Norsk Film Kostyme AS (chairman), Aqua Bio Technology ASA (board member).

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: Consortio Fashion Holding AB (board member), Mederion AB (chairman), TFB Holding AB (board member), Tiberon AB (chairman) och Zebware AB (chairman).

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

CHARLOTTA BJÖRNBERG-PAUL
Board member since 2017.

Born: 1974

Education: M.Sc. Econ. Hanken, Svenska handelshögskolan, Finland.

Current commitments: Saxo Oy (deputy chairman), Anki Rugs Entrepreneur (deputy chairman), Paptic Ltd (board member), GuardianX Technologies Inc (board member).

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

MARI THJØMØE
Board member since 2017.

Born: 1962

Education: Master of Economy and Business (Handelshøyskolen BI) and CFA (Norges Handelshøyskole)

Current commitments: E-CO Energi AS (deputy chairman), Færder Nasjonalparksenter (chairman), Nordic Mining ASA (board member), Scatec Solar ASA (board member), SINTEF Resrarch Institute (board member), Seilsport Maritimt Forlag AS (chairman), Norconsult AS (deputy chairman), Teodin Holdco as (board member) och Tryg A/S (board member).

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

MATTIAS CARLSSON
Board member and acting CEO

Born: 1972

Education: MEng., engineering physics, Uppsala University.

Current commitments: BB Bank ASA (board member), Avarda AB (board member), Avarda Oy (board member), Smedslättens Tennisbanor Aktiebolag (chairman), Qred AB (chairman), and Tronstad Consulting AB (board member).

Dependent of the company and its management.

AUDITOR

AUDITOR

MARTIN BY
Authorised Public Accountant

PricewaterhouseCoopers

SENIOR MANAGEMENT

MATTIAS CARLSSON
Acting CEO

Born: 1972

Education: MEng., engineering physics, Uppsala University.

Current commitments: BB Bank ASA (board member), Avarda AB (board member), Avarda Oy (board member), Smedslättens Tennisbanor Aktiebolag (chairman), Qred AB (chairman), and Tronstad Consulting AB (board member).

MIKAEL MEOMUTTEL
CFO and Deputy CEO

Born: 1976

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

At TF Bank since 2009, 2014 deputy CEO and from 2018 also the Group's Head of IR. Previously, among other things, been Financial Controller at Consortio Fashion Group AB (CFG).

Current commitments: Avarda AB (board member)

ESPEN JOHANNESEN
Head of Direct to Consumer och CEO BB Bank ASA

Born: 1981

Education: Executive M.B.A Management control Norwegian School of Economics (NHH), Bachelor of economics, Business BI Norwegian School of Management

At BB Bank since 2010.

MIKAEL JOHANSSON
Head of Sales Finance och CEO Avarda AB

Born: 1974

Education: MSc Business Administration and Matemathics Stockholms universitet

With the Group since 2016 as CEO of Avarda. Previously, among other things, at GE Commercial Finance and as CEO of Santander Consumer Bank Sweden.

Current commitments: Svenska Bilhandlare AB (chairman) and Sticklinge Management AB (alternate member)

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.

ADJUSTED RETURN ON LOANS TO THE PUBLIC
Net profit for the year excluding minority interests and items affecting comparability divided by average loans to the public.

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.

RETURN ON LOANS TO THE PUBLIC
Net profit for the year excluding minority interests divided by average lending to the public.

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

CONTACT INFORMATION

CONTACT

Investor Relations
Mikael Meomuttel
Phone: +46 706 26 95 33
ir@tfbank.se

www.tfbankgroup.com

TFBank

TF Bank AB (publ)
Box 947, 501 10 Borås
Phone: +46 33-722 35 00
Fax: +46 33-12 47 39
E-mail: ir@tfbank.se

www.tfbankgroup.com