YEAR-END REPORT
January-December 2019

TFBank

PERIOD IN BRIEF

JANUARY – DECEMBER 2019

COMPARED TO JANUARY - DECEMBER 2018 (unless otherwise stated)

- The loan portfolio has increased by 46 % to SEK 6,496 million during the year
- Operating profit increased by 16 % to SEK 289.4 million
- Adjusted operating profit increased by 26 % to SEK 289.4 million [1]
- Net profit increased by 16 % to SEK 221.9 million
- Adjusted net profit increased by 26 % to SEK 221.9 million [1]
- Earnings per share increased by 14 % to SEK 10.01
- Adjusted earnings per share increased by 25 % to SEK 10.01 [1]
- Cost/income ratio decreased to 37.8 % (39.4)
- Total capital ratio has decreased to 17.2 % (17.4)
- Return on equity amounted to 30.6 % (34.5)
- Adjusted return on equity amounted to 30.6 % (31.6) [1]
- The Board proposes to the Annual General Meeting a dividend of SEK 0.50 per share for 2019

OCTOBER - DECEMBER 2019

COMPARED TO OCTOBER - DECEMBER 2018 (unless otherwise stated)

- The loan portfolio has increased by 7 % to SEK 6,496 million during the quarter
- Operating profit decreased by 12 % to SEK 75.3 million
- Adjusted operating profit increased by 16 % to SEK 75.3 million [1]
- Net profit decreased by 12 % to SEK 57.2 million
- Adjusted net profit increased by 16 % to SEK 57.2 million [1]
- Earnings per share decreased by 13 % to SEK 2.58
- Adjusted earnings per share increased by 17 % to SEK 2.58 [1]
- Cost/income ratio increased to 39.2 % (38.6)

SIGNIFICANT EVENTS

JANUARY - DECEMBER 2019

- Within the segment Ecommerce Solutions several new agreements have been signed, and some major Nordic retailers have also chosen to extend their existing agreements
- Credit card operations in Germany have been strengthened by the appointment of a country manager and the establishment of a service subsidiary
- TF Bank has successfully issued subordinated Tier 2 bonds of SEK 100 million to optimise the capital structure and support further growth

During the fourth quarter, TF Bank's loan portfolio increased by 9 % in local currencies. The expansion in Germany was intensified towards the end of the year, and the credit card business is an exciting part of the bank's future growth.

LOAN PORTFOLIO
31 DECEMBER 2019 COMPARED TO 31 DECEMBER 2018

SEK 6.5 BILLION +46 %

OPERATING PROFIT [1]
JAN-DEC 2019 COMPARED TO JAN-DEC 2018

SEK 289 MILLION +26 %

TOTAL CAPITAL RATIO
31 DECEMBER 2019 COMPARED TO 31 DECEMBER 2018

17.2 % -0.2 PERCENTAGE POINTS

RETURN ON EQUITY [1]
JAN-DEC 2019 COMPARED TO JAN-DEC 2018

30.6 % -1.0 PERCENTAGE POINTS

[1] Adjusted for items affecting comparability in 2018 attributable to reclassification of customer balances with inactive status that have arisen before 2018.

See separate section with definitions, page 40.

THE GROUP

TF Bank is an internet-based niche bank offering consumer banking services and Ecommerce Solutions through a proprietary IT platform with a high degree of automation. The platform is designed for scalability and adaptability to different products, countries, currencies and digital banking solutions. TF Bank carries out deposit-taking and lending activities for consumers in Sweden, Finland, Norway, Denmark, Estonia, Latvia, Lithuania, Poland, Germany and Austria through subsidiaries, branches or cross-border banking. In the Ecommerce Solutions segment, the Group offers next-generation payment and checkout solutions for online retailers in the Nordic countries, Estonia and Poland, and also credit cards in Norway and Germany.

TF Bank was founded in Sweden in 1987 and has from the start had a strong track record of profitable growth. From its Swedish base the Group has established a broad north European presence, and today serves more than 2 million customers through various brands and markets. TF Bank has been listed in the Mid Cap segment of Nasdaq Stockholm since 2016.

CEO'S COMMENTS

During the fourth quarter, TF Bank's loan portfolio increased by 9 % in local currencies. The expansion in Germany was intensified towards the end of the year, and the credit card business is an exciting part of the bank's future growth. After the year-end, the subsidiaries BB Bank and Avarda were merged with TF Bank. The mergers simplify the legal group structure and enable a higher internal efficiency.

Continued growth in several markets
The growth in the Group's loan portfolio has continued to be geographically diversified during the last three months of 2019. In absolute numbers, the consumer loans in Finland and Norway have had the largest contribution to the portfolio's growth. The growth for the consumer loans in Estonia has experienced a slight slowdown, and as our market share is getting close to 10 % it will be more challenging to grow faster than the market. Within Ecommerce Solutions, a successful marketing campaign of our credit cards in Germany was carried out, which has contributed to the growth of the segment in the quarter. The retail finance business is also growing, with an increasing share of the volumes from new partners. The segment is also positively affected by the seasonally strong period for e-commerce in the fourth quarter.

Promising start for the credit cards in Germany
During the end of 2018, TF Bank started a credit card business in Germany. The business is conducted under the bank's own management and during the last summer, following the initial positive signs, the next step was taken by appointing a manager with the task to build a local organisation with marketing and customer service in Berlin. Hence, we are following the bank's strategy to combine central functions with local representation that possesses good knowledge about the market. At the end of 2019, more than 13,000 German credit cards had been issued and the loan balance increased from EUR 4.4 million to EUR 10.9 million during the fourth quarter. The large amount of customer data will be thoroughly analysed by our central risk department, and the outcome will be an important building block when the management team decides on the pace of the future development. So far, the credit quality and the sales expense per card have been in line with our assumptions, and we see good possibilities to create high risk-adjusted return in Europe's largest consumer market. Commencing in the first quarter of 2020, TF Bank will report the Credit Card product area as a separate segment, which is in line with our ambition to be transparent to the bank's stakeholders.

New lending with improved credit quality
Over the last year, the target group for TF Bank's new lending within the Consumer Lending segment has expanded. Especially in Finland and Sweden, the Group has been growing with customers having a higher credit score. The change is well in line with changes in regulatory requirements on interest rate levels. In Finland we also see good opportunities to create profitable growth. The adjusted direction of the new lending has resulted in lower income margins when the old portfolio gradually has been replaced by new volumes with lower interest rate levels. During 2020, the decrease for the segment's income margins is expected to be lower than in the previous year, while the improved credit quality will gradually have a larger impact on the portfolio. Hence, the relationship between income and underlying loan losses is expected to be more favourable for Consumer Lending compared to 2019.

High growth provides strong starting point for 2020
TF Bank's growth continues to be geographically diversified with controlled risk. The loan portfolio increased by 46 % during 2019 and has more than doubled in size over 2 years. At the same time the return on equity was above 30 % again. The financial target of an EPS of at least SEK 14.50 in 2020 requires a continued high growth pace while maintaining the profitability – which is only possible if making well-balanced credit decisions and having an efficient organisation. It will also be important that the bank is capitalised for future growth and the Board of Directors has therefore decided to propose a dividend of SEK 0.50 per share for 2019. The Board has in its proposal also taken into consideration the systemic risk buffer requirement that may be implemented for our Norwegian assets. Lastly, I would like to take the opportunity to thank all employees for their fantastic efforts during 2019. We are now almost 200 people across Europe that together have created a prominent and profitable niche bank with great visions for the future.

Mattias Carlsson
President and CEO

KEY FIGURES, CONSOLIDATED

KEY FIGURES, CONSOLIDATED

SEK thousand	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Income statement				
Operating income	208,422	172,219	768,864	627,641
Operating profit	75,254	85,190	289,355	250,128
Net profit for the period	57,191	64,998	221,926	191,826
Earnings per share, SEK	2.58	2.95	10.01	8.75
Balance sheet				
Loans to the public	6,495,780	4,449,225	6,495,780	4,449,225
Deposits from the public	7,197,075	5,096,463	7,197,075	5,096,463
New lending	1,661,149	1,279,195	6,037,302	4,518,697
Key figures				
Operating income margin, %	13.7	16.3	13.7	16.3
Net loan loss ratio, %	3.4	3.9	3.4	3.9
Cost/Income ratio, %	39.2	38.6	37.8	39.4
Return on equity, %	30.6	34.5	30.6	34.5
Return on loans to the public, %	3.8	4.9	3.8	4.9
CET1 capital ratio, %	12.5	13.0	12.5	13.0
Tier 1 capital ratio, %	14.1	15.2	14.1	15.2
Total capital ratio, %	17.2	17.4	17.2	17.4
Employees (FTE)	185	150	174	140

ADJUSTED KEY FIGURES, CONSOLIDATED [1]

SEK thousand	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Income statement				
Operating profit	75,254	85,190	289,355	250,128
Items affecting comparability [1]	-	-20,295	-	-20,295
Adjusted operating profit	75,254	64,895	289,355	229,833
Adjusted income tax expense	-18,063	-15,727	-67,429	-53,837
Adjusted net profit for the period	57,191	49,168	221,926	175,996
Adjusted net profit attributable to the shareholders of the Parent Company	55,481	47,530	215,160	172,296
Adjusted earnings per share, SEK	2.58	2.21	10.01	8.01
Key figures				
Adjusted return on equity, %	30.6	31.6	30.6	31.6
Adjusted return on loans to the public, %	3.8	4.5	3.8	4.5

CURRENCY RATES

SEK	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
EUR Income statement (average)	10.66	10.32	10.59	10.25
EUR Balance sheet (end of reporting period)	10.43	10.28	10.43	10.28
NOK Income statement (average)	1.06	1.07	1.07	1.07
NOK Balance sheet (end of reporting period)	1.06	1.02	1.06	1.02
PLN Income statement (average)	2.49	2.40	2.46	2.41
PLN Balance sheet (end of reporting period)	2.44	2.39	2.44	2.39

[1] Items affecting comparability in 2018 were attributable to reclassification of customer balances with inactive status that have arisen before 2018.

See separate section with definitions, page 40.

RESULTS AND FINANCIAL POSITION

JANUARY - DECEMBER 2019

COMPARED TO JANUARY - DECEMBER 2018

Operating profit

Operating profit increased by 16 % to SEK 289.4 million (250.1). Adjusted for items affecting comparability of SEK 20.3 million in 2018, the operating profit increased by 26 % [1]. Higher interest income from the growing loan portfolio and a lower C/I ratio had a positive effect on the result. Adjusted earnings per share increased by 25 % to SEK 10.01 (8.01) and the adjusted return on equity amounted to 30.6 % (31.6) [1].

Operating income

The Group's operating income increased by 23 % to SEK 768.9 million (627.6). The growing loan portfolio had a positive impact on net interest income during the year. The operating income margin has decreased to 13.7 % (16.3) during 2019, mainly because the interest rate levels on new lending within Consumer Lending are lower than the average interest rate level of the loan portfolio.

Interest income

Interest income increased by 24 % to SEK 813.1 million (657.2). The increase is mainly related to the growth for consumer loans in Norway and the Baltics as well as the increasing volumes within Ecommerce Solutions. In addition, positive currency effects have contributed to slightly higher income compared to 2018.

Interest expense

The Group's interest expenses increased by 29 % to SEK 106.1 million (82.6). Higher deposit volumes in Germany and Norway as well as interest rate hikes in Norway are the main explanations for the increase in absolute numbers. The Group's total funding cost is roughly in line with 2018.

Net fee and commission income

Net fee and commission income increased by 21 % to SEK 62.1 million (51.4). The increase is mainly attributable to the growing loan portfolio over the last two years. During 2019, 52 % of the Group's fee and commission income derives from charges and 48 % from insurance premiums and other income.

Operating expenses

The Group's operating expenses increased by 18 % to SEK 290.9 million (247.5). The increase is among other things related to higher staff costs, larger volumes and the investments in German credit cards. The average number of full-time employees during the year amounted to 174 (140). The C/I ratio has however decreased to 37.8 % (39.4) compared to 2018, which is partly a result of economies of scale from the growing loan portfolio.

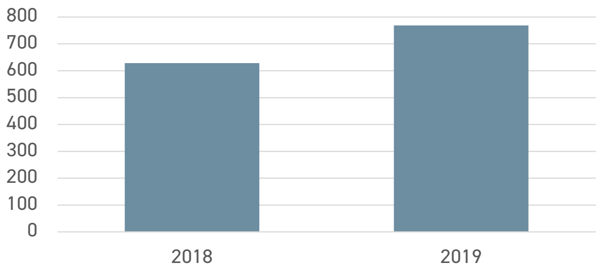
Net loan losses

Net loan losses increased by 26 % to SEK 188.6 million (150.3). The loan portfolio growth contributes to the increase in absolute numbers. Provisions for future loan losses have also increased during 2019, partly related to new agreements for continuing sales of past due loans. However, the credit quality of the portfolio has gradually increased over the year and the loan loss ratio decreased to 3.4 % (3.9).

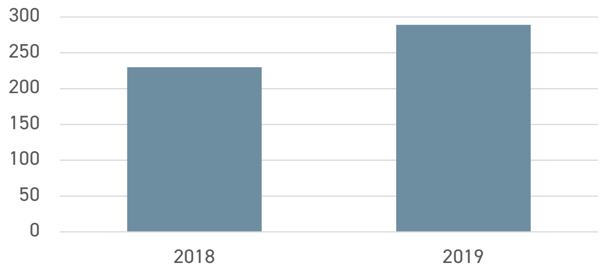
Tax expense

The Group's tax expense increased to SEK 67.4 million (58.3), related to an increased operating profit. The average tax rate amounted to 23.3 % (23.3) during the year. The tax rate is positively affected by lower corporate tax in Sweden effective as of 2019 and negatively affected due to that the tax rate is higher for the Norwegian operations in the subsidiary BB Bank.

OPERATING INCOME (SEK million)



ADJUSTED OPERATING PROFIT (SEK million) [1]



[1] Items affecting comparability in 2018 were attributable to reclassification of customer balances with inactive status that have arisen before 2018.

RESULTS AND FINANCIAL POSITION

JANUARY - DECEMBER 2019

COMPARED TO 31 DECEMBER 2018 (unless otherwise stated)

Lending

Loans to the public have increased by 46 % to SEK 6,496 million (4,449) during 2019. Currency effects contributed positively to growth by 3 %. The underlying loan portfolio increased by 40 % in local currencies [1]. The Group's new lending increased to SEK 6,037 million (4,519) compared to the full year 2018.

During 2019, the consumer loans in Norway, the Baltics and Finland have mainly created the growth in absolute numbers. The underlying loan portfolio in the Consumer Lending segment increased by 43 % in local currencies. The corresponding number in the Ecommece Solutions segment is 30 % growth. The development of this segment has been positively affected by the progress in several geographical markets: retail finance in the Nordics, Estonia and Poland, as well as credit cards in Germany.

Deposits

Deposits from the public have increased by 41 % to SEK 7,197 million (5,096) during 2019. Currency effects have contributed positively to growth by 3 %.

Deposit volumes have increased in Germany and Norway during 2019. In Germany, the net inflow to the savings account with a variable interest rate has been stable throughout the year, whereas the German accounts with a fixed term of 1 and 2 years respectively have experienced significant inflows during shorter periods of time. The increase in Norway is mainly related to the bank's account with a variable rate. However, during the fourth quarter a Norwegian fixed-rate account with a 1-year term was launched and resulted in significant deposits towards the end of the year.

Investments

The Group's investments increased to SEK 31.4 million compared to SEK 19.9 million in 2018. Investments relate to product development within both the Consumer Lending and Ecommerce Solutions segments. Depreciation and amortisation on fixed assets increased to SEK 18.1 million (10.0). The year's depreciation is impacted by new accounting standards regarding leasing, IFRS 16, effective as of 1 January 2019.

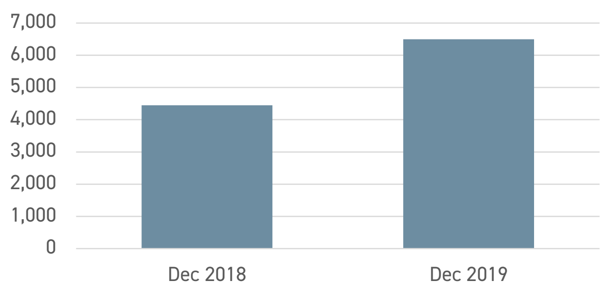
Cash and cash equivalents

The liquidity reserve amounted to SEK 1,835 million (1,465) at the end of 2019. The Group's total available liquidity, including undrawn credit facility of SEK 32 million, amounted to 26 % (29) of deposits from the public. The majority of the liquidity reserve is placed on overnight accounts in various Nordic banks as well as at central banks. The return on cash and cash equivalents has been stable over the year.

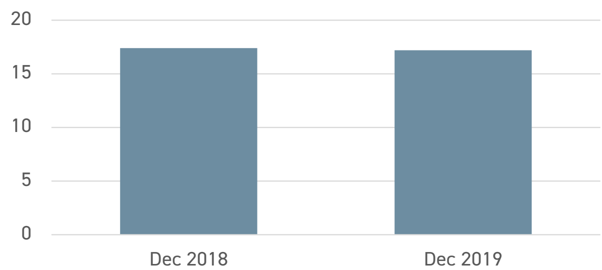
Capital adequacy

At the end of the year, the Group's total capital ratio was 17.2 % (17.4), the tier 1 capital ratio was 14.1 % (15.2) and the CET1 capital ratio was 12.5 % (13.0). The loan portfolio growth during 2019 has led to an increased capital requirement. At the end of September, the bank raised SEK 100 million of tier 2 capital, which strengthens the total capital ratio. The capital base also includes a deduction for the Board of Director's proposal of a share dividend of SEK 0.50 (2.30) per share. All capital ratios are at levels with comfortable headroom to the internal capital target.

LOANS TO THE PUBLIC (SEK million)



TOTAL CAPITAL RATIO (%)



[1] Loans to the household sector, stage 1 and 2, gross.

RESULTS AND FINANCIAL POSITION

OCTOBER - DECEMBER 2019

COMPARED TO OCTOBER - DECEMBER 2018

Operating profit

Operating profit decreased by 12 % to SEK 75.3 million (85.2). Adjusted for items affecting comparability of SEK 20.3 million in the fourth quarter of 2018, the operating profit increased by 16 % [1]. Adjusted earnings per share in the quarter increased by 17 % to SEK 2.58 (2.21).

Operating income

The Group's operating income has increased by 21 % to SEK 208.4 million (172.7). The loan portfolio growth has contributed to a continued increase in net interest income during the fourth quarter. A harminization when applying the effective interest method within the Group also had a slight impact on the segments' income. The issue of tier 2 capital at the end of September contributed to increased interest expenses in the quarter.

Operating expenses

The Group's operating expenses have increased by 23 % to SEK 81.8 million (66.4). The outcome of the fourth quarter is affected by expenses of SEK 4 million related to the mergers of the subsidiaries BB Bank and Avarda. Expenses related to the credit card business in Germany have also affected the quarter. The Group's C/I ratio increased to 39.2 % (38.6).

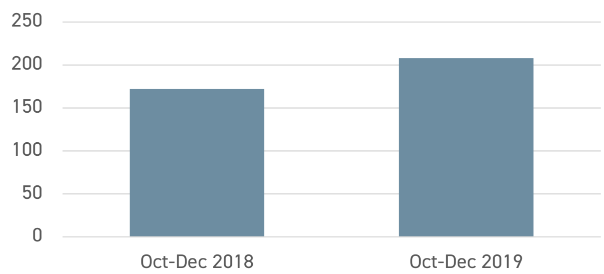
Net loan losses

Net loan losses increased by 26 % to SEK 51.4 million (40.9). The increase in the fourth quarter is mainly related to the growing loan portfolio and follows the trend from previous years. At year-end, the share of loans which are 30 days past due or more was on a higher level than in previous quarters, which affects the Group's provisions for future loan losses.

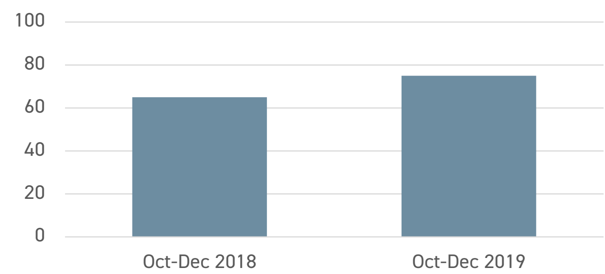
Tax expenses

The Group's tax expense decreased to SEK 18.1 million (20.2). The decrease is mainly attributable to items affecting comparability of SEK 20.3 million in the fourth quarter of 2018 [1]. The average tax rate amounted to 24.0 % (23.7) in the quarter.

OPERATING INCOME (SEK million)



ADJUSTED OPERATING PROFIT (SEK million) [1]



[1] Items affecting comparability in 2018 were attributable to reclassification of customer balances with inactive status that have arisen before 2018.

CONSUMER LENDING

JANUARY - DECEMBER 2019

COMPARED TO JANUARY - DECEMBER 2018 (unless otherwise stated)

Overview

In the Consumer Lending segment, TF Bank offers unsecured consumer loans to creditworthy individuals in eight countries. The product offering can differ between the various markets and is adjusted according to the specific conditions in each country. As at 31 December 2019, the average loan amount per customer was approximately SEK 56,000.

The Nordic consumer loan portfolio represents 70 % of the segment. The Nordic markets for consumer loans are characterised by credit information that is easy to access, a high share of credit intermediators, and have over the past few years mostly been driven by an increase in the average size of issued loans. In Norway, the bank offers slightly higher loan amounts than the average for the segment.

The loan portfolio

Loans to the public have increased by 48 % to SEK 5,145 million (3,466) during 2019. Currency effects positively contributed to growth by 3 %. The underlying loan portfolio has increased by 43 % in local currencies [1]. The segment's new lending amounted to SEK 3,941 million (2,661).

The underlying loan portfolio in Norway has increased by 58 % to NOK 1,751 million (1,106) during the year. Margins and credit quality have been stable in the Norwegian operations. The loan portfolio in Finland increased by 43 % to EUR 116 million (81.0). Following the regulatory interest rate cap that came into effect as of 1 September 2019, the volumes in the Finnish operations have increased significantly. In Sweden, the loan portfolio has decreased by 3 % to SEK 456 million (468).

The underlying loan portfolio in the Baltics has increased by 55 % to EUR 119 million (76.9) during 2019. The portfolio in Latvia has made great progress with a growth of 98 % to EUR 49.4 million (24.9). In Estonia, the portfolio increased by 24 % to SEK 63.4 million (51.3). The growth in Estonia slowed down towards the end of the year. Consumer loans in Lithuania, which were launched in 2018, had a portfolio of EUR 6.6 million at the end of the year. The loan portfolio in Poland has increased by 10 % to PLN 96.1 million (87.1) during 2019.

Results

Operating profit for the segment has increased by 22 % to SEK 263.0 million (214.8). The result for 2019 was positively affected by increasing interest income and a lower C/I ratio. Higher loan losses, partly related to new agreements for continuing sale of past due consumer loans, has however a negative impact on the result.

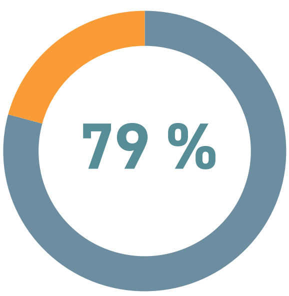
Operating income increased by 22 % to SEK 592.1 million (483.5). The increase is mainly related to the consumer loan growth in Norway and the Baltics. The operating income margin has decreased to 13.4 % (15.8), mainly due to lower interest rate levels in the new lending compared to the average interest rate level of the loan portfolio.

The operating expenses for the segment have increased by 14 % to SEK 176.7 million (155.3). The increased lending volumes results in an increase of direct and allocated group-common expenses for the segment. However, the segment's C/I ratio has decreased to 29.8 % (32.1) as a result of economies of scale from the loan portfolio growth.

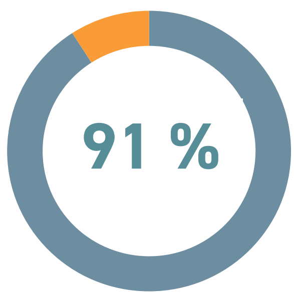
Net loan losses increased by 34 % to SEK 152.4 million (113.4). New agreements for continuing sales of past due consumer loans have resulted in increased loan losses and higher provisions for future loan losses. Despite this, the loan loss ratio has decreased to 3.5 % (3.7) during the year, which is related to an improved credit quality and a review of provisions in the portfolio with loans past due 90 days or more.

For further information about the loan portfolio and results of this segment, see Note 3 Operating segments.

SHARE OF THE GROUP'S LOANS TO THE PUBLIC



SHARE OF THE GROUP'S OPERATING PROFIT



[1] Loans to the household sector, stage 1 and 2, gross.

ECOMMERCE SOLUTIONS

JANUARY - DECEMBER 2019

COMPARED TO JANUARY - DECEMBER 2018 (unless otherwise stated)

Overview

In the Ecommerce Solutions segment, TF Bank offers digital payment solutions to both online and brick and mortar retailers, as well as credit cards to creditworthy individuals. Customers are mainly the end-consumers who use the bank's payment solutions when they shop. During the year, several new agreements have been signed and a number of large Nordic retailers have chosen to extend their existing agreements.

The digital payment solutions are available in the Nordic region, the Baltics and in Poland. In the beginning of 2018, the launch of Checkout+ was initiated in Sweden and Finland, followed by Norway and Denmark in 2019. Checkout+ includes all significant payment methods as well as CRM functionality, with the aim for TF Bank to support the retailers to build their respective brands and strengthen the customer loyalty throughout the entire customer journey.

The credit card offering is currently available in Norway and Germany. The offering in Norway has been part of the Group since the acquisition of the subsidiary BB Bank in July 2015. During 2019, the bank has also carried out several marketing campaigns in Germany with good results and satisfying risk levels of new customers. In the end of 2019, more than 13,000 German credit cards had been issued.

Loan portfolio

Loans to the public have increased by 37 % to SEK 1,351 million (983) during 2019. Currency effects contributed positively to growth by 2 %. The underlying loan portfolio has increased by 30 % in local currencies [1]. The segment's new lending amounted to SEK 2,097 million (1,858).

The loan portfolio related to digital payment solutions amounts to SEK 1,038 million (834) and represents 79 % of the segment. The underlying Nordic portfolio has increased by 11 % to SEK 685 million (617) during 2019. The growth in the Nordic region relates to all geographic markets. In Estonia, the portfolio has increased from EUR 3.2 million to EUR 10.5 million. The Estonian progress has been positively affected by volumes from the new partner Hansapost. The loan portfolio in Poland has increased by 30 % to PLN 99.0 million (76.2).

The credit card portfolio amounts to SEK 277 million (162) and represents 21 % of the segment. During the fourth quarter, a successful marketing campaign of the credit cards was carried out in Germany. The German loan portfolio increased from EUR 4.4 million to EUR 10.9 million during the last three months of the year. The credit card portfolio in Norway amounted to NOK 154 million (156) at the end of 2019.

Results

Operating profit for the segment increased to SEK 26.3 million (15.0). The result for 2019 has been positively affected by increasing interest income and reduced loan losses, while the investments in Germany lower the result.

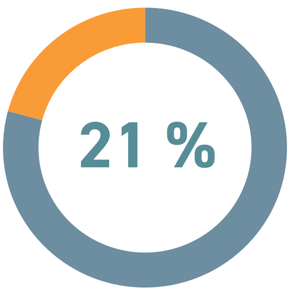
Operating income increased by 23 % to SEK 176.8 million (144.2). The increase is mainly attributable to existing and new partnerships within digital payment solutions. The operating income margin has decreased to 15.0 % (18.0) due to mix effects related to the growth.

The operating expenses for the segment have increased by 24 % to SEK 114.2 million (92.3). The investments in credit cards in Germany as well as costs related to more customers in the segment contribute to the increased expenses. The C/I ratio, which is affected by the expanded credit card business, increased to 64.6 % (64.0).

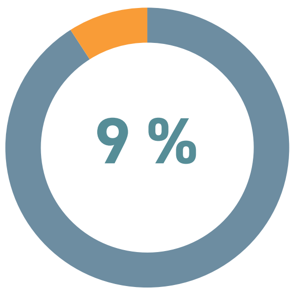
Net loan losses decreased by 2 % to SEK 36.2 million (36.9). The loan loss ratio decreased to 3.1 % (4.6) attributable to improved credit quality and new agreements for continuing sales of past due consumer loans. The outcome in the fourth quarter was negatively affected by an unfavorable partnership within digital payment solutions, which now has been ended, as well as provisions for future loan losses in Germany related to the increase in the credit card portfolio.

For further information about the loan portfolio and results of this segment, see Note 3 Operating segments.

SHARE OF THE GROUP'S LOANS TO THE PUBLIC



SHARE OF THE GROUP'S OPERATING PROFIT



[1] Loans to the household sector, stage 1 and 2, gross.

ACCOUNTING POLICIES AND RISKS

Accounting policies

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

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

Changes have been made to the Group's accounting policies regarding leases in connection with the implementation of the IFRS 16 accounting standard, which the group has applied since 1 January 2019.

TF Bank has chosen to apply the simplified transition method, which means that the calculation of liability throughout the transition to IFRS 16 is based on the remaining lease payments for the leased asset. As a leased asset, TF Bank has classified the leases related to all the Group's offices. The lease obligation is valued at the present value of the remaining lease payments using the marginal loan interest rate on the first day of implementation. The amortization period has been equated with the remaining lease period for each individual contract. On ongoing bases, the asset arising from the lease contract is recognised as Tangible assets, and the lease obligation as Other liabilities. The part relating to prepaid rent payments is recognised under Prepaid expenses and accrued income. The calculated interest expense for the lease cost is recognised in the income statement as Interest expenses. Neither lease contracts with a maturity of 12 months or less have been considered, nor leases for which the underlying asset has a low value. The comparative figures have not been recalculated. TF Bank has chosen to apply the standard at the Group level only.

For transition effects under the implementation of IFRS 16, see the interim report for January-March 2019 page 31.

The interim information on pages 4-38 is an integral part of this financial report.

Risks and uncertainties

TF Bank faces various types of risks, such as credit risk, market risk, liquidity risk and operational risk. In order to limit and control risk-taking in the business, the Board, which is ultimately responsible for internal controls, has defined policies and instructions for lending and other activities. For a more detailed description of financial risks and the use of financial instruments, and capital adequacy, see notes 2, 8 and 11. Further information can be found in notes 3 and 34 of the annual report 2018.

OTHER FINANCIAL INFORMATION

Annual General Meeting 2020

The Annual General Meeting 2020 will be held on Thursday 7 May 2020. Shareholders who wish to submit a proposal for consideration at the Annual General Meeting must send a request to the Board of Directors not later than by Thursday 19 March 2020. The request should be sent via email to ir@tfbank.se or by regular mail to TF Bank AB, Attn: Investor Relations, Box 947, SE-501 10 Borås. Notice of the Annual General Meeting will be published no later than Thursday 9 April 2020.

Proposed dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 0.50 per share to be distributed for 2019. The total dividend payment to shareholders according to the proposal will be approximately SEK 10.8 million.

The share

TF Bank was listed on the Nasdaq Stockholm's Mid Cap list on 14 June 2016. The share trades under the ticker name TFBANK and the ISIN code is SE0007331608. At the end of December 2019, the share closed at SEK 116.50, an increase of 65 % including dividend since year-end 2018. In total, 3.7 million shares worth approximately SEK 359 million were traded on Nasdaq Stockholm during 2019.

Financial targets

The Board of TF Bank has adopted the following financial targets:

Growth

TF Bank aims to achieve earnings per share of at least 14.50 SEK in 2020.

Efficiency

TF Bank aims to achieve a cost/income ratio of below 35 % in 2020.

Capital structure

TF Bank's aim is that all capital ratios should exceed the regulatory requirement (including pillar 2) by at least 2.5 percentage points.

Dividend policy

TF Bank's dividend policy is to distribute surplus capital in relation to capital targets and the bank's capital planning.

Institutions following TF Bank

ABG Sundal Collier, Carnegie, SEB and Pareto Securities are following the company. At the end of the fourth quarter 2019, all four institutions had issued a buy recommendation for the TF Bank share.

Significant events, January - December 2019

Within the segment Ecommerce Solutions an agreement with Estonia's largest online retailer Hansapost has been signed, and several Nordic retailers have also chosen to extend their existing agreements.

New agreements for continuing sale of past due loans have been signed in several markets. Agreements have been signed in segment Consumer Lending and Ecommerce Solutions.

A process was started to simplify the group structure by merging TF Bank with its wholly-owned subsidiaries BB Bank ASA, Avarda AB and Avarda Oy.

TF Bank has established lending operations in Austria within the segment Consumer Lending.

At the Annual General Meeting 7 May, it was resolved to pay a dividend of SEK 2.30 per share. Mari Thjømøe was re-elected as Chairman of the Board and the other members of the Board were also re-elected at the Meeting.

Credit card operations in Germany have been strengthened by the appointment of a country manager and the establishment of a service subsidiary.

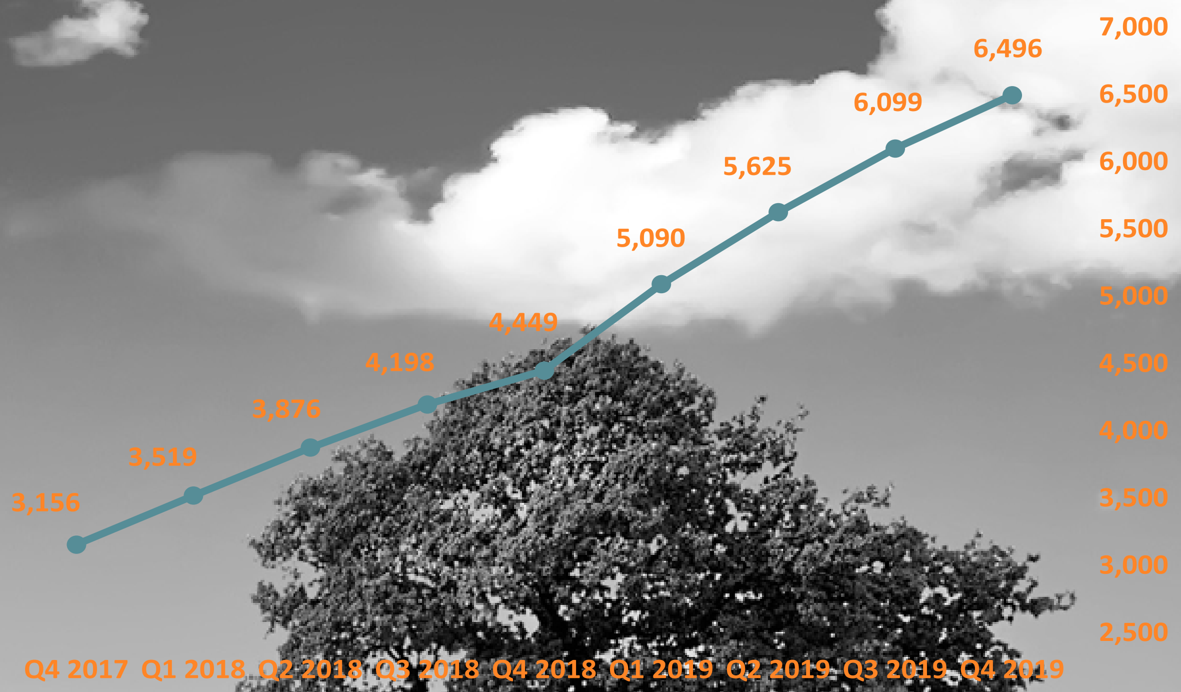
In September, TF Bank has successfully issued subordinated Tier 2 bonds of SEK 100 million to optimise the capital structure and support further growth.

Events after the end of the reporting period

During January 2020 TF Bank has simplified the legal structure of the group by completion of the mergers of the three wholly-owned subsidiaries BB Bank ASA, Avarda AB and Avarda Oy.

TF Bank has decided to expand the segment reporting as from the first quarter 2020. Ecommerce Solutions will be split into two business segments, Ecommerce Solutions and Credit Cards.

LOAN PORTFOLIO PERFORMANCE IN 2017-2019 (SEK MILLION)



INCOME STATEMENT, CONSOLIDATED

SEK thousand	Note	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
	3				
Operating income					
Interest income		221,224	180,487	813,117	657,241
Interest expense		-29,914	-22,045	-106,133	-82,550
Net interest income		**191,310**	**158,442**	**706,984**	**574,691**
Fee and commission income		19,205	17,018	72,561	61,130
Fee and commission expense		-2,337	-2,812	-10,493	-9,720
Net fee and commission income		**16,868**	**14,206**	**62,068**	**51,410**
Net results from financial transactions		244	-429	-188	1,540
Total operating income		**208,422**	**172,219**	**768,864**	**627,641**
Operating expenses					
General administrative expenses		-72,611	-59,894	-254,864	-222,939
Depreciation and amortisation of tangible and intangible assets		-4,832	-2,563	-18,128	-9,955
Other operating expenses		-4,315	-3,945	-17,883	-14,642
Total operating expenses		**-81,758**	**-66,402**	**-290,875**	**-247,536**
Profit before loan losses		**126,664**	**105,817**	**477,989**	**380,105**
Net loan losses	2	-51,410	-40,922	-188,634	-150,272
Items affecting comparability		-	20,295	-	20,295
Operating profit		**75,254**	**85,190**	**289,355**	**250,128**
Income tax expense		-18,063	-20,192	-67,429	-58,302
Net profit for the period		**57,191**	**64,998**	**221,926**	**191,826**
Attributable to:					
Shareholders of the Parent Company		*55,481*	*63,360*	*215,160*	*188,126*
Additional tier 1 capital holders		*1,710*	*1,638*	*6,766*	*3,700*
Basic earnings per share (SEK)		*2.58*	*2.95*	*10.01*	*8.75*
Diluted earnings per share (SEK)		*2.58*	*2.95*	*10.01*	*8.75*

STATEMENT OF COMPREHENSIVE INCOME, CONSOLIDATED

SEK thousand	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net profit for the period	**57,191**	**64,998**	**221,926**	**191,826**
Other comprehensive income				
Items that may subsequently be reclassified to the income statement				
Gross fair value change relating to available-for-sale financial assets / fair value through other comprehensive income	-	-	-	-
Gross exchange rate differences	298	108	1,174	1,302
Tax on exchange rate differences in the period	-2,436	-3,828	1,668	303
Other comprehensive income, net of tax	**-2,138**	**-3,720**	**2,842**	**1,605**
Total comprehensive income for the period	**55,053**	**61,278**	**224,768**	**193,431**
Attributable to:				
Shareholders of the Parent Company	*53,343*	*59,640*	*218,002*	*189,731*
Additional tier 1 capital holders	*1,710*	*1,638*	*6,766*	*3,700*

STATEMENT OF FINANCIAL POSITION, CONSOLIDATED

SEK thousand	Note	31 Dec 2019	31 Dec 2018
	2, 4, 5		
ASSETS			
Cash and balances with central banks		390,332	225,610
Treasury bills eligible for refinancing		60,051	70,118
Loans to credit institutions		1,362,459	1,148,863
Loans to the public	6	6,495,780	4,449,225
Shares		22,061	21,128
Goodwill		12,753	12,350
Intangible assets		56,163	38,199
Tangible assets		21,022	2,471
Other assets		18,998	23,596
Current tax assets		10,528	22,696
Deferred tax assets		2,943	7,254
Prepaid expenses and accrued income		15,158	22,578
TOTAL ASSETS		**8,468,248**	**6,044,088**
LIABILITIES AND EQUITY			
Liabilities			
Deposits and borrowings from the public	7	7,197,075	5,096,463
Other liabilities		75,440	29,897
Current tax liabilities		25,442	14,877
Deferred tax liabilities		143	5,852
Accrued expenses and prepaid income		77,497	71,781
Subordinated liabilities		197,583	98,570
Total liabilities		**7,573,180**	**5,317,440**
Equity			
Share capital		107,500	107,500
Other contributed capital		2,786	3,536
Net investment hedges		-2,161	2,781
Foreign currency reserve		5,464	-2,320
Retained earnings and net profit for the period		681,479	515,151
Total equity attributable to the shareholders of the Parent Company		**795,068**	**626,648**
Tier 1 capital instrument		100,000	100,000
Total equity attributable to the owners of the Parent Company		**895,068**	**726,648**
TOTAL LIABILITIES AND EQUITY		**8,468,248**	**6,044,088**

STATEMENT OF CHANGES IN EQUITY, CONSOLIDATED

SEK thousand	Share capital [1]	Other contributed capital	Net invesment hedges	Foreign currency reserve	Retained earnings and net profit for the period	Tier 1 capital instrument	Total equity
Equity as at 1 Jan 2018	**107,500**	**1,500**	**3,857**	**-5,001**	**377,535**	**-**	**485,391**
Net profit for the period	-	-	-	-	191,826	-	191,826
Gross exchange differences	-	-	-1,379	2,681	-	-	1,302
Tax on exchange differences in the period	-	-	303	-	-	-	303
Total comprehensive income for the period, net of tax	**-**	**-**	**-1,076**	**2,681**	**191,826**	**-**	**193,431**
Dividend	-	-	-	-	-48,375	-	-48,375
Issue of Tier 1 capital	-	-	-	-	-	100,000	100,000
Transaction costs, issue of Tier 1 capital	-	-	-	-	-1,982	-	-1,982
Tax effect, transaction costs issue of Tier 1 capital	-	-	-	-	436	-	436
Interest on Tier 1 capital	-	-	-	-	-3,700	-	-3,700
Share-based compensation	-	2,036	-	-	-589	-	1,447
Equity as at 31 Dec 2018	**107,500**	**3,536**	**2,781**	**-2,320**	**515,151**	**100,000**	**726,648**
Equity as at 1 Jan 2019	**107,500**	**3,536**	**2,781**	**-2,320**	**515,151**	**100,000**	**726,648**
Net profit for the period	-	-	-	-	221,926	-	221,926
Gross exchange differences	-	-	-6,610	7,784	-	-	1,174
Tax on exchange differences in the period	-	-	1,668	-	-	-	1,668
Total comprehensive income for the period, net of tax	**-**	**-**	**-4,942**	**7,784**	**221,926**	**-**	**224,768**
Dividend	-	-	-	-	-49,450	-	-49,450
Transaction costs, issue of Tier 1 capital	-	-	-	-	-110	-	-110
Interest on Tier 1 capital	-	-	-	-	-6,766	-	-6,766
Share-based compensation	-	-750	-	-	750	-	-
Other	-	-	-	-	-22	-	-22
Equity as at 31 Dec 2019	**107,500**	**2,786**	**-2,161**	**5,464**	**681,479**	**100,000**	**895,068**

[1] Share capital comprises of 21 500 000 shares of SEK 5 each.

CASH FLOW STATEMENT, CONSOLIDATED

SEK thousand	Jan-Dec 2019	Jan-Dec 2018
Operating activities		
Operating profit	289,355	250,128
Adjustment for items not included in cash flow		
Depreciation and amortisation of tangible and intangible assets	18,128	9,955
Accrued interest income and expense	-11,217	-5,250
Other non-cash items	-14,173	-14,772
Paid income tax	-43,027	-62,760
	239,066	**177,301**
Increase/decrease in loans to the public	-2,046,555	-1,364,034
Increase/decrease in other short-term receivables	22,448	36,172
Increase/decrease in deposits and borrowings from the public	2,100,612	1,342,433
Increase/decrease in other short-term liabilities	26,068	23,350
Cash flow from operating activities	**341,639**	**215,222**
Investing activities		
Investments in tangible assets	-1,263	-2,010
Investments in intangible assets	-30,137	-17,882
Cash flow from investing activities	**-31,400**	**-19,893**
Financing activities		
Issue of Tier 2 capital	100,000	-
Issue of Tier 1 capital	-110	98,454
Interest on Tier 1 capital	-6,766	-3,700
Dividends paid	-49,450	-48,375
Share-based remuneration	-	1,447
Cash flow from financing activities	**43,674**	**47,826**
Cash flow for the period	**353,913**	**243,155**
Cash and cash equivalents at the beginning of period	1,444,591	1,188,389
Exchange difference in cash and cash equivalents	14,338	13,047
Cash and cash equivalents at the end of period	**1,812,842**	**1,444,591**
Cash flow from operating activities includes interest expenses paid and interest payments received		
Interest expenses paid	109,860	89,074
Interest payments received	710,958	636,754
Components of cash and cash equivalents		
Cash and balances with central banks	390,332	225,610
Treasury bills eligible for refinancing	60,051	70,118
Loans to credit institutions	1,362,459	1,148,863
Total cash and cash equivalents	**1,812,842**	**1,444,591**

NOTES

NOTE 1 General information

OWNERSHIP OF TF BANK AB AS AT 31 DECEMBER 2019 (ACCORDING TO THE SHAREHOLDERS' REGISTER)

Shareholder	%
TFB Holding AB	38.56
Erik Selin Fastigheter AB	11.63
Tiberon AB	10.19
Merizole Holding Ltd	7.01
Danica Pension Försäkringsaktiebolag	6.04
Proventus Aktiebolag	3.00
Nordnet Pensionsförsäkring AB	2.92
Skandia fonder	1.28
Carnegie fonder	1.11
Prior & Nilsson Fond- och Kapitalförvaltning AB	1.09
Other shareholders	17.17
Total	**100.00**

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

Parent Company
- TF Bank AB (556158-1041)

Branches
- TF Bank AB, branch Finland (2594352-3)
- TF Bank AB, branch Poland (PL9571076774)
- TF Bank AB, branch Estonia (14304235)

Subsidiaries
- Avarda AB (556986-5560) 100%
- Avarda Oy (2619111-6) 100%
- BB Bank ASA (935590221) 100%
- TFB Service SIA (40203015782) 100%
- TFB Service UAB (304785170) 100%
- TFB Service GmbH (HRB 208869 B) 100%

NOTE 2 Credit risk

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

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

Credit risk is the risk that a counterparty causes the Group a financial loss by not fulfilling its contractual obligations. Credit risk arises primarily through lending 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, which has the ultimate responsibility for managing credit risk. The Board of Directors has issued a credit policy which establishes the framework for the Group's lending activities. A credit committee monitors the development of the level of credit risk in the loan portfolios on a continuous basis. It makes decisions on, and implements, changes to the Group's lending within the framework of the established credit policy and also proposes amendments to the policy to the Board of Directors. A report on performance is provided at every Board meeting.

Before a loan is issued, a risk assessment is done of the customer's creditworthiness, taking into account the customer's financial position, past history and other factors. Individual risk limits are defined based on internal and/or external credit assessments in accordance with the limits set by the Board of Directors. The Group's use of credit limits for loans to the public is strictly limited and is regularly monitored. The Group cannot enter into credit agreements with legal entities without the approval of the Board of Directors. By only approving counterparties with an external credit rating and by setting limits for the maximum exposure to each counterparty, the Board of Directors also limits the credit risk relating to cash and cash equivalents.

The Group's credit approval process maintains high standards regarding ethics, quality and control. Despite credit risk being the largest risk exposure for the Group, the provision for credit losses is small in proportion to the outstanding loan volume (see Note 6). The reason for this is that the Group regularly sells past due loans to debt collection agencies in markets where the Board of Directors considers the price level to be favourable for the Group's performance and risk profile. This is currently the case for most markets. As a result, the Group continuously realises expected credit losses through the sale of past due loans. The remaining portfolio has a limited number of non-performing loans (stage 3) and consequently a relatively low level of provisions.

Note 2 cont.

The objective of the Group's process for monitoring past due payments and unsettled receivables is to minimise credit losses by detecting payment issues early and implementing rapid intervention where needed. The monitoring is supported by a separate "pre-collection" system for past due payments involving automatic monitoring and reminders when payments are past due.

The Group's loans to the public consist primarily of unsecured consumer loans. As a result, the Group does not list credit risk exposures in a separate table, as there are limited assets pledged as security.

The handling of applications from new customers is based primarily on information provided by the customer, information about customers in similar sociodemographic groups and other variables about the individual customer retrieved from external sources. How the specified information is used and weighted in the model is determined from a risk perspective through in-depth analysis of the individual customer and the Group's existing customer base. In order to make a risk assessment that is as precise, cost-effective and accurate as possible, the Group can use both internal ratings and ratings from external suppliers. Both models are performed independently, but both can be used in the Group's credit policy. The complete model is only used for new customers; existing customers have payment history and similar updated variables that have been proven to be a good source of credit assessment.

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

Group **SEK thousand**	**31 Dec 2019**	31 Dec 2018
Cash and balances with central banks		
AAA	152,219	82,067
AA+	188,584	135,021
AA-	37,033	-
A-	12,496	8,522
Treasury bills eligible for refinancing		
AAA	60,051	70,118
Loans to credit institutions		
A-1+	619,124	253,214
A-1	693,471	859,703
A-2	40,328	28,502
Unrated	9,536	7,444
Other assets		
A-1+	3,520	5,944
A-1	21,796	20,871
Unrated	14,839	17,568
Total	**1,852,997**	**1,488,974**

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

Note 2 cont.

Impairment of financial assets
As a result of the transition to IFRS 9, the Group introduced a new model for calculating loan loss provisions 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 other, a significant increase in credit risk has occurred, i.e. the loan is 30 days past due or more, and in the third category there is objective evidence of impairment, i.e. the loan is more than 90 days past due. 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 lifetime of the asset. Expected loan losses are calculated based on historical data of default for each period.

The provisions under IFRS 9 are calculated by multiplying the exposure at 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 in each market. The model is supplemented 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 provisions is discounted at the original borrowing rate.

The provision for non-performing loans (stage 3) 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 into account historical repayment rates applied to each generation of non-performing loans.

Loans sold are written off against the reserve for losses and the difference between the value of the asset and the present value is recognised as a realised loan loss. Non-performing loans (stage 3) are recognised as realised loan losses when they have been transferred for long-term monitoring by the debt collection agency, the customer is confirmed deceased or another loss event has been identified. Amounts received from previously realised loan losses are recognised in the income statement.

NET LOAN LOSSES

Group SEK thousand	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Change in provision for sold non-performing loans	-29,175	-29,121	-113,159	-110,670
Realised loan losses	-16,929	-11,168	-48,648	-39,384
Recovered from previous write-offs	1,682	1,945	6,949	8,540
Change in provision for expected loan losses, stage 1-3 [1]	-6,988	-2,578	-33,776	-8,758
Net loan losses	**-51,410**	**-40,922**	**-188,634**	**-150,272**

Net loan losses are attributable to Loans to the public.

[1] Including net change from a review of provisions in the portfolio with loans past due 90 days or more within the segment Consumer Lending during the fourth quarter of 2019.

NOTE 3 Operating segments

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

CONSUMER LENDING

Income statement, SEK thousand	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net interest income	153,412	121,481	562,723	456,493
Net fee and commission income	8,371	7,118	29,506	25,561
Net results from financial transactions	192	-343	-145	1,412
Total operating income	**161,975**	**128,256**	**592,084**	**483,466**
General administrative expenses	-41,865	-36,916	-151,979	-138,395
Depreciation and amortisation of tangible and intangible assets	-2,875	-1,306	-10,315	-5,131
Other operating expenses	-3,804	-3,020	-14,375	-11,757
Total operating expenses	**-48,544**	**-41,242**	**-176,669**	**-155,283**
Profit before loan losses	**113,431**	**87,014**	**415,415**	**328,183**
Net loan losses	-34,648	-31,430	-152,393	-113,376
Operating profit	**78,783**	**55,584**	**263,022**	**214,807**
Key figures [1]				
Operating income margin, %	13.4	15.8	13.4	15.8
Net loan loss ratio, %	3.5	3.7	3.5	3.7
Cost/Income ratio, %	30.0	32.2	29.8	32.1

ECOMMERCE SOLUTIONS

Income statement, SEK thousand	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net interest income	37,898	36,961	144,261	118,198
Net fee and commission income	8,497	7,088	32,562	25,849
Net results from financial transactions	52	-86	-43	128
Total operating income	**46,447**	**43,963**	**176,780**	**144,175**
General administrative expenses	-30,746	-22,978	-102,885	-84,544
Depreciation and amortisation of tangible and intangible assets	-1,957	-1,257	-7,813	-4,824
Other operating expenses	-511	-925	-3,508	-2,885
Total operating expenses	**-33,214**	**-25,160**	**-114,206**	**-92,253**
Profit before loan losses	**13,233**	**18,803**	**62,574**	**51,922**
Net loan losses	-16,762	-9,492	-36,241	-36,896
Operating profit	**-3,529**	**9,311**	**26,333**	**15,026**
Key figures [1]				
Operating income margin, %	15.0	18.0	15.0	18.0
Net loan loss ratio, %	3.1	4.6	3.1	4.6
Cost/Income ratio, %	71.5	57.2	64.6	64.0

[1] See separate section with definitions, page 40.

Note 3 cont.

CONSUMER LENDING

Balance sheet, SEK thousand	31 Dec 2019	31 Dec 2018
Loans to the public		
Household sector	5,144,824	3,466,309
Total loans to the public	**5,144,824**	**3,466,309**
Household sector		
Stage 1, net	4,851,249	3,287,807
Stage 2, net	192,081	130,138
Stage 3, net [1]	101,494	48,364
Total household sector	**5,144,824**	**3,466,309**

ECOMMERCE SOLUTIONS

Balance sheet, SEK thousand	31 Dec 2019	31 Dec 2018
Loans to the public		
Household sector	1,332,176	982,916
Corporate sector [2]	18,780	-
Total loans to the public	**1,350,956**	**982,916**
Household sector		
Stage 1, net	1,227,847	899,857
Stage 2, net	91,235	70,469
Stage 3, net [1]	13,094	12,590
Total household sector	**1,332,176**	**982,916**

GROUP INFORMATION

Income statement, SEK thousand	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Operating income				
Consumer Lending	161,975	128,256	592,084	483,466
Ecommerce Solutions	46,447	43,963	176,780	144,175
Total operating income	**208,422**	**172,219**	**768,864**	**627,641**
Operating profit				
Consumer Lending	78,783	55,584	263,022	214,807
Ecommerce Solutions	-3,529	9,311	26,333	15,026
Items affecting comparability	-	20,295	-	20,295
Total operating profit	**75,254**	**85,190**	**289,355**	**250,128**

Balance sheet, SEK thousand	31 Dec 2019	31 Dec 2018
Loans to the public		
Consumer Lending	5,144,824	3,466,309
Ecommerce Solutions	1,350,956	982,916
Total loans to the public	**6,495,780**	**4,449,225**

1 The group continuously sells delinquent loans before they reach stage 3.
2 Lending to the corporate sector consists of a loan in stage 1 to one of the segments partners in digital payment solutions.

NOTE 4 Classification of financial assets and liabilities

Group 31 Dec 2019 SEK thousand	Financial instruments at fair value through profit or loss *Compulsory*	Fair value through other comprehensive income	Amortised cost	Derivatives used for hedge accounting	Non-financial assets and liabilities	Total
Assets						
Cash and balances with central banks	-	-	390,332	-	-	390,332
Treasury bills eligible for refinancing	-	60,051	-	-	-	60,051
Loans to credit institutions	-	-	1,362,459	-	-	1,362,459
Loans to the public	-	-	6,495,780	-	-	6,495,780
Shares	22,061	-	-	-	-	22,061
Goodwill	-	-	-	-	12,753	12,753
Intangible assets	-	-	-	-	56,163	56,163
Tangible assets	-	-	-	-	21,022	21,022
Current tax assets	-	-	-	-	10,528	10,528
Deferred tax assets	-	-	-	-	2,943	2,943
Prepaid expenses and accrued income	-	-	-	-	15,158	15,158
Derivatives	3,520	-	-	-	-	3,520
Other assets	-	-	-	-	15,478	15,478
Total assets	**25,581**	**60,051**	**8,248,571**	**-**	**134,045**	**8,468,248**
Liabilities						
Deposits and borrowings from the public	-	-	7,197,075	-	-	7,197,075
Current tax liabilities	-	-	-	-	25,442	25,442
Deferred tax liabilities	-	-	-	-	143	143
Accrued expenses and prepaid income	-	-	-	-	77,497	77,497
Subordinated liabilities	-	-	197,583	-	-	197,583
Derivatives	447	-	-	2,520	-	2,967
Other liabilities	-	-	-	-	72,473	72,473
Total liabilities	**447**	**-**	**7,394,658**	**2,520**	**175,555**	**7,573,180**

Note 4 cont.

Group 31 Dec 2018 SEK thousand	Financial instruments at fair value through profit or loss *Compulsory*	Fair value through other comprehensive income	Amortised cost	Derivatives used for hedge accounting	Non-financial assets and liabilities	Total
Assets						
Cash and balances with central banks	-	-	225,610	-	-	225,610
Treasury bills eligible for refinancing	-	70,118	-	-	-	70,118
Loans to credit institutions	-	-	1,148,863	-	-	1,148,863
Loans to the public	-	-	4,449,225	-	-	4,449,225
Shares	21,128	-	-	-	-	21,128
Goodwill	-	-	-	-	12,350	12,350
Intangible assets	-	-	-	-	38,199	38,199
Tangible assets	-	-	-	-	2,471	2,471
Current tax assets	-	-	-	-	22,696	22,696
Deferred tax assets	-	-	-	-	7,254	7,254
Prepaid expenses and accrued income	-	-	-	-	22,578	22,578
Derivatives	4,400	-	-	1,544	-	5,944
Other assets	-	-	-	-	17,652	17,652
Total assets	**25,528**	**70,118**	**5,823,698**	**1,544**	**123,200**	**6,044,088**
Liabilities						
Deposits and borrowings from the public	-	-	5,096,463	-	-	5,096,463
Current tax liabilities	-	-	-	-	14,877	14,877
Deferred tax liabilities	-	-	-	-	5,852	5,852
Accrued expenses and prepaid income	-	-	-	-	71,781	71,781
Subordinated liabilities	-	-	98,570	-	-	98,570
Derivatives	3	-	-	24	-	27
Other liabilities	-	-	-	-	29,870	29,870
Total liabilities	**3**	**-**	**5,195,033**	**24**	**122,380**	**5,317,440**

NOTE 5 Financial assets and liabilities measured at fair value

Fair value
For financial instruments measured at fair value in the balance sheet, disclosures are required on fair value measurement by level according to the fair value hierarchy below:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Other observable inputs for assets or liabilities are quoted market prices included in Level 1, either directly, i.e. in the form of quoted prices, or indirectly, i.e. derived from quoted prices (Level 2).
- Data for 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.

Note 5 cont.

Group, 31 Dec 2019 SEK thousand	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills eligible for refinancing	60,051	-	-	60,051
Shares	21,796	265	-	22,061
Derivatives	-	3,520	-	3,520
Total assets	**81,847**	**3,785**	**-**	**85,632**
Liabilities				
Subordinated liabilities	197,583	-	-	197,583
Derivatives	-	2,967	-	2,967
Total liabilities	**197,583**	**2,967**	**-**	**200,550**

Group, 31 Dec 2018 SEK thousand	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills eligible for refinancing	70,118	-	-	70,118
Shares	20,872	256	-	21,128
Derivatives	-	5,944	-	5,944
Total assets	**90,990**	**6,200**	**-**	**97,190**
Liabilities				
Subordinated liabilities	98,570	-	-	98,570
Derivatives	-	27	-	27
Total liabilities	**98,570**	**27**	**-**	**98,597**

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 information. An instrument is classified as Level 2 if all significant inputs required for fair value measurement of 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 measure financial instruments include:

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

For loans to the public the fair value is based on discounted cash flows using an interest rate based on the market rate at the balance sheet date, which was 16.09 % as at 31 December 2019 and 18.18 % as at 31 December 2018.

Note 5 cont.

Group 31 Dec 2019 SEK thousand	Carrying amount	Fair value	Fair value gain (+)/Fair value loss (-)
Assets			
Cash and balances with central banks	390,332	390,332	-
Treasury bills eligible for refinancing	60,051	60,051	-
Loans to credit institutions	1,362,459	1,362,459	-
Loans to the public	6,495,780	6,495,780	-
Shares	22,061	22,061	-
Derivatives	3,520	3,520	-
Total assets	**8,334,203**	**8,334,203**	**-**
Liabilities			
Deposits from the public	7,197,075	7,197,075	-
Subordinated liabilities	197,583	197,583	-
Derivatives	2,967	2,967	-
Total liabilities	**7,397,625**	**7,397,625**	**-**

Group 31 Dec 2018 SEK thousand	Carrying amount	Fair value	Fair value gain (+)/Fair value loss (-)
Assets			
Cash and balances with central banks	225,610	225,610	-
Treasury bills eligible for refinancing	70,118	70,118	-
Loans to credit institutions	1,148,863	1,148,863	-
Loans to the public	4,449,225	4,449,225	-
Shares	21,128	21,128	-
Derivatives	5,944	5,944	-
Total assets	**5,920,888**	**5,920,888**	**-**
Liabilities			
Deposits from the public	5,096,463	5,096,463	-
Subordinated liabilities	98,570	98,570	-
Derivatives	27	27	-
Total liabilities	**5,195,060**	**5,195,060**	**-**

NOTE 6 Loans to the public

Group SEK thousand	31 Dec 2019	31 Dec 2018
Loans to the household sector	6,477,000	4,449,225
Loans to the corporate sector [1]	18,780	-
Total loans to the public	**6,495,780**	**4,449,225**
Loans to the household sector, gross		
Stage 1, gross	6,167,888	4,257,021
Stage 2, gross	311,638	219,972
Stage 3, gross [2]	223,773	115,241
Total loans to the household sector, gross	**6,703,299**	**4,592,234**
Provisions for expected loan losses		
Stage 1	-88,792	-69,357
Stage 2	-28,322	-19,365
Stage 3 [2]	-109,185	-54,287
Total provisions for expected loan losses	**-226,299**	**-143,009**
Loans to the household sector, net		
Stage 1, net	6,079,096	4,187,664
Stage 2, net	283,316	200,607
Stage 3, net [2]	114,588	60,954
Total loans to the household sector, net	**6,477,000**	**4,449,225**
Geographic distribution of net loans		
Norway	2,140,257	1,374,840
Finland	1,671,639	1,195,871
Estonia	783,695	542,419
Sweden	709,750	661,445
Latvia	503,732	257,082
Poland	433,828	370,854
Germany	124,940	1,870
Lithuania	70,106	6,417
Denmark	40,813	38,427
Austria	17,020	-
Total loans, net book value	**6,495,780**	**4,449,225**

CHANGE IN PROVISION FOR NET LOAN LOSSES

Group SEK thousand	31 Dec 2019	31 Dec 2018
Opening balance	**-143,009**	**-131,544**
Change in provision for sold non-performing loans	-113,159	-110,669
Reversal of provision for sold non-performing loans	113,159	110,669
Change in provision for expected loan losses in stage 1	-18,517	-3,323
Change in provision for expected loan losses in stage 2	-8,691	-1,220
Change in provision for expected loan losses in stage 3	-54,375	-4,009
Exchange rate fluctuations	-1,707	-2,913
Closing balance	**-226,299**	**-143,009**

1 Lending to the corporate sector consists of a loan in stage 1 to one of the segments partners in digital payment solutions.
2 The group continuously sells delinquent loans before they reach stage 3.

NOT 7 Deposits and borrowings from the public

Group SEK thousand	31 Dec 2019	31 Dec 2018
Germany	3,288,116	1,685,381
Norway	2,245,601	1,306,408
Sweden	1,221,550	1,518,869
Finland	441,808	585,805
Total deposits and borrowings from the public	**7,197,075**	**5,096,463**

Deposits and borrowings from the public only occur in the household sector. All deposits in Sweden, Finland and Norway are payable on demand. Deposits in Germany are payable on demand and on maturity.

CHANGES IN DEPOSITS AND BORROWINGS FROM THE PUBLIC

Group SEK thousand	31 Dec 2019	31 Dec 2018
Opening balance	5,096,463	3,754,030
Change	1,973,123	1,218,522
Exchange rate fluctuations	127,489	123,911
Closing balance	**7,197,075**	**5,096,463**

NOTE 8 Capital adequacy analysis

Background
Information about the Group's capital adequacy includes information in accordance with Chapter 6, Sections 3-4 of the Swedish Financial Supervisory Authority's regulations and general guidelines (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 Regulation (EU) No 575/2013 and Chapter 8, Section 7 of the Swedish Financial Supervisory Authority's regulations and general guidelines on regulatory requirements and capital buffers (FFFS 2014:12) and column A, Annex 6 of the Commission Implementing Regulation (EU) No 1423/2013. and in accordance with the Swedish Financial Supervisory Authority's regulations (FFFS 2019:2) on amendments for regulations and general guidelines (FFFS 2008:25). Other information required pursuant to FFFS 2014:12 and Regulation (EU) No 575/2013 is provided on the bank's website www.tfbankgroup.com.

TF Bank is the responsible institution and is under the supervision of the Swedish Financial Supervisory Authority. As a result, the company is subject to the rules governing credit institutions in Sweden. TF Bank AB was listed on the stock exchange in 2016, which means that the stock exchange rules are also applicable.

Information about own funds and capital requirements
The Group and Parent Company's statutory capital requirements are governed by the Swedish Special Supervision of Credit Institutions and Investment Firms Act (2014:968), Regulation (EU) No 575/2013, the Act on Capital Buffers (2014:966) and the Swedish Financial Supervisory Authority's regulations and general recommendations on regulatory requirements and capital buffers (FFFS 2014:12).

The purpose of the regulations is to ensure that the Group and Parent Company are able to manage risks and protect customers. The regulations state that own funds must cover the capital requirements including the minimum capital requirements according to Pillar 1 and applicable buffer requirements.

The bank reports to the Swedish Financial Supervisory Authority both on an individual basis for TF Bank AB and on a consolidated basis with TF Bank AB as the Parent Company.

On 20 March 2019 the Swedish FSA approved TF Bank's application to include the interim profit in own funds at Group and Parent Company level subject to the auditor's review of the surplus, that the surplus has been calculated in accordance with applicable accounting rules, that the foreseeable costs and dividends have been deducted in accordance with Regulation (EU) No 575/2013 and that the calculation has been made in accordance with Regulation (EU) No 241/2014. The Group's CET1 capital complies with the requirements of Regulation (EU) No 575/2013.

IFRS 9 Transitional arrangements
The Bank has notified the Swedish Financial Supervisory Authority that the Bank, at Group and Parent Company level, applies the transitional arrangements according to Article 473a of 2017/2395/EU pursuant to paragraphs 2 and 4. Table according to "Final Report on the guidelines on uniform disclosure of IFRS 9 transitional arrangements", EBA, 12/01/2018, is included in the information published under Part 8 of 575/2013/EU and can be found on the Bank's website www.tfbankgroup.com.

Leverage ratio
The leverage ratio is a non-risk sensitive capital requirement defined in Regulation (EU) no 575/2013 (CRR). The ratio states the amount of equity in relation to total assets including items that are not recognized in the balance sheet and is calculated by the Tier 1 capital as a percentage of the total exposure measure. Group's leverage ratio was 10.3 % per 31 December 2019 and 11.2 % per 31 December 2018.

Note 8 cont.

THE GROUP'S CAPITAL SITUATION

Group SEK thousand	31 Dec 2019	31 Dec 2018
Common Equity Tier 1 capital (CET1)	782,983	580,533
Additional Tier 1 capital (AT1)	100,000	100,000
Tier 2 capital	197,583	98,570
Own funds [1]	**1,080,566**	**779,103**
Risk exposure amount	**6,266,037**	**4,466,109**
- of which: credit risk	*5,309,328*	*3,655,211*
- of which: credit valuation adjustment	*2,672*	*2,692*
- of which: market risk	-	*18,201*
- of which: operational risk	*954,037*	*790,005*
Capital ratios		
CET1 capital ratio, %	12.5	13.0
Tier 1 capital ratio, %	14.1	15.2
Total capital ratio, %	17.2	17.4

THE GROUP'S CAPITAL REQUIREMENTS

Group SEK thousand	31 Dec 2019		31 Dec 2018	
	Amount	Percent [2]	Amount	Percent [2]
Capital requirement				
CET1 capital requirement	281,972	4.5	200,975	4.5
Tier 1 capital requirement	375,962	6.0	267,967	6.0
Total capital requirement	501,283	8.0	357,289	8.0
Institution-specific buffer requirement				
Total buffer requirement	230,590	3.7	154,527	3.5
- of which, capital conservation buffer requirement	*156,651*	*2.5*	*111,653*	*2.5*
- of which, countercyclical buffer requirement	*73,939*	*1.2*	*42,875*	*1.0*
Total CET1 capital requirement including buffer requirement				
CET1 capital requirement including buffer requirement	512,562	8.2	355,503	8.0
CET1 capital available to use as buffer	501,011	8.0	379,558	8.5
Additional capital requirement under Pillar 2				
CET1 capital	38,287	0.6	26,737	0.6
Tier 1 capital	46,492	0.7	32,467	0.7
Total capital	57,431	0.9	40,106	0.9
- of which, concentration risk	*55,548*	*0.9*	*39,742*	*0.9*
- of which, currency risk	*1,883*	*0.0*	*364*	*0.0*
Total capital requirement (including Pillar 2)				
CET1 capital	550,849	8.8	382,240	8.6
Tier 1 capital	653,044	10.4	454,961	10.2
Total capital	789,304	12.6	551,922	12.4

1 After any regulatory adjustments.
2 Capital requirements expressed as a percentage of the risk exposure amount.

See separate section with definitions, page 40.

Note 8 cont.

GROUP'S OWN FUNDS

Group SEK thousand	31 Dec 2019	31 Dec 2018
CET1 capital		
Share capital	107,500	107,500
Other contributed capital	2,786	3,536
Reserves	3,303	461
Retained earnings including net profit for the period	681,479	515,151
Adjustments to CET1 capital:		
- Deduction of foreseeable costs and dividends [1]	-10,750	-49,450
- Transitional arrangements IFRS 9	67,581	56,071
- Intangible assets	-68,916	-50,549
- Deferred tax assets that rely on future profitability	-	-2,187
Total CET1 capital	**782,983**	**580,533**
Additional Tier 1 capital		
Perpetual subordinated loan	100,000	100,000
Tier 2 capital		
Fixed term subordinated loan	197,583	98,570
Own funds	**1,080,566**	**779,103**

SPECIFICATION OF RISK EXPOSURE AMOUNT AND CAPITAL REQUIREMENT

	31 Dec 2019		31 Dec 2018	
Group SEK thousand	Risk exposure amount	Capital requirement 8 %	Risk exposure amount	Capital requirement 8 %
Credit risk under the standardised approach				
Corporate exposures	19,097	1,528	8	1
Household exposures	4,823,663	385,893	3,306,104	264,488
Secured by collateral	276	22	292	23
Exposures in default	127,657	10,213	64,296	5,144
Exposures to institutions with a short-term credit assessment	288,975	23,118	243,071	19,446
Equity exposures	264	21	256	20
Other items	49,396	3,952	41,184	3,295
Total	**5,309,328**	**424,747**	**3,655,211**	**292,417**
Credit valuation adjustment				
Standardised method	2,672	214	2,692	215
Total	**2,672**	**214**	**2,692**	**215**
Market risk [2]				
Foreign exchange risk	-	-	18,201	1,456
Total	**-**	**-**	**18,201**	**1,456**
Operational risk				
Standardised approach	954,037	76,323	790,005	63,200
Total	**954,037**	**76,323**	**790,005**	**63,200**
Total risk exposure amount and total capital requirement	**6,266,037**	**501,284**	**4,466,109**	**357,288**

[1] Deduction of dividends from own funds has been made in accordance with the Board of Directors' proposal to the Annual General Meeting.
[2] The capital requirement for foreign exchange risk is calculated in accordance with Article 351 of Regulation (EU) 575/2013.

NOTE 9 Pledged assets

Group SEK thousand	31 Dec 2019	31 Dec 2018
Group liabilities		
Relating to borrowing from credit institutions		
Loans	31,737	30,735
Other assets	414	445
Total	**32,151**	**31,180**

The subsidiary BB Bank continuously pledges some of its loans as collateral. The pledge relates to collateral for BB Bank's credit facility of NOK 30 million. As at 31 December 2019 nothing was drawn from the facility.

NOTE 10 Transactions with related parties

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

Group SEK thousand	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
The following transactions took place between companies within the Group:				
General administrative expenses	-914	-481	-2,033	-977
Total	**-914**	**-481**	**-2,033**	**-977**
The following transactions have been made with other related parties:				
Interest income (transaction costs)	-18,174	-16,984	-71,212	-64,743
General administrative expenses	-1,101	-1,137	-4,584	-4,599
Total	**-19,275**	**-18,121**	**-75,796**	**-69,342**
Acquisition of assets and liabilities from other related parties:				
Ecommerce Solutions	185,544	180,129	793,497	693,685
Total	**185,544**	**180,129**	**793,497**	**693,685**

Group SEK thousand	31 Dec 2019	31 Dec 2018
Assets at the end of the period as a result of transactions with other related parties:		
Other assets	100	1
Total	**100**	**1**
Liabilities at the end of the period as a result of transactions with other related parties:		
Other liabilities	6,565	2,596
Total	**6,565**	**2,596**

PARENT COMPANY

JANUARY - DECEMBER 2019

COMPARED TO JANUARY - DECEMBER 2018 (unless otherwise stated)

Overview

TF Bank AB, corporate identity number 556158-1041, is a bank domiciled in Borås, Sweden. The company has a license to provide banking services. The bank carries out deposit and lending activities in Sweden, Finland, Norway, Denmark, Estonia, Latvia, Lithuania, Poland, Germany and Austria via branch or cross-border banking.

Operating income

The Parent company's operating income amounted to SEK 530.4 million (501.1). A higher net interest income from the growing loan portfolio is the main reason for the increase. Interest income in the fourth quarter 2018 was also positively impacted by items affecting comparability of SEK 20.3 million [1]. Net results from financial transactions affects the operating income by SEK -6.2 million (1.7), which is mainly due to the fact that exchange rate differences on shares in foreign subsidiaries are not translated at current exchange rates, while debt instruments used to finance the shares are translated at current exchange rates.

Operating expenses

Operating expenses amounted to SEK 201.3 million (168.2). The increase is mainly related to higher staff costs, larger volumes and the investments in German credit cards. The average number of full-time employees was 114 (93) during 2019.

Net loan losses

Net loan losses amounted to SEK 145.8 million (124.9). The loan portfolio growth is the main reason for the increase. Provisions for future loan losses have also increased during 2019, partly related to new agreements for continuing sales of past due loans.

Operating profit

The operating profit amounted to SEK 183.4 million (208.0) during 2019. Net results from financial transactions affects the operating profit by SEK -6.2 million (1.7). The operating profit 2018 was also positively affected by items affecting comparability of SEK 20.3 million [1].

Loans to the public

Loans to the public have increased to SEK 4,305 million (3,077) during 2019. The increase during the year is mainly related to the consumer loans in the Baltics and in Finland, as well as growth in several markets within the Ecommerce Solutions segment. The amount includes loans of SEK 256 million (255) to the subsidiary Avarda.

Deposits from the public

Deposits from the public have increased to SEK 5,137 million (4,061) during 2019. The deposit volumes have increased significantly in Germany, while the Swedish and Finnish deposit balance has decreased.

Loans to credit institutions

Loans to credit institutions amounted to SEK 1,022 million (1,174) at the end of 2019. The amount is placed on overnight accounts in various Nordic banks. The amount for the comparison period includes loans of SEK 133 million to the subsidiary BB Bank.

Shares in group companies

Shares in Group companies amounted to SEK 516 million (434) at the end of the year. The increase is mainly explained by new share issues in BB Bank during 2019.

Capital adequacy

At the end of the year, the Parent company's total capital ratio was 20.2 % (20.4), the tier 1 capital ratio was 16.3 % (17.8) and the CET1 capital ratio was 14.3 % (15.3). The loan portfolio growth during 2019 has led to an increased capital requirement. By the end of the third quarter, the bank raised SEK 100 million of tier 2 capital, which strengthens the total capital ratio.

[1] Items affecting comparability in 2018 were attributable to reclassification of customer balances with inactive status that have arisen before 2018.

INCOME STATEMENT, PARENT COMPANY

SEK thousand	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Operating income				
Interest income	151,765	156,942	575,453	528,995
Interest expense	-19,661	-16,514	-70,111	-61,398
Net interest income	**132,104**	**140,428**	**505,342**	**467,597**
Fee and commission income	9,326	9,209	36,807	36,267
Fee and commission expense	-1,430	-1,388	-5,545	-4,417
Net fee and commission income	**7,896**	**7,821**	**31,262**	**31,850**
Net results from financial transactions	9,079	16,782	-6,205	1,664
Total operating income	**149,079**	**165,031**	**530,399**	**501,111**
Operating expenses				
General administrative expenses	-50,802	-39,093	-177,416	-150,088
Depreciation and amortisation of tangible and intangible assets	-2,034	-1,420	-7,066	-5,671
Other operating expenses	-3,909	-3,156	-16,786	-12,449
Total operating expenses	**-56,745**	**-43,669**	**-201,268**	**-168,208**
Profit before loan losses	**92,334**	**121,362**	**329,131**	**332,903**
Net loan losses	-34,244	-35,017	-145,770	-124,940
Operating profit	**58,090**	**86,345**	**183,361**	**207,963**
Appropriations	20,659	13,149	20,659	13,149
Income tax expense	-14,491	-10,351	-42,272	-38,118
Net profit for the period	**64,258**	**89,143**	**161,748**	**182,994**

STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY

SEK thousand	Oct-Dec 2019	Oct-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
Net profit for the period	**64,258**	**89,143**	**161,748**	**182,994**
Other comprehensive income				
Items that may subsequently be reclassified to the income statement				
Exchange rate differences during the period, net of tax	-	-	-	-
Other comprehensive income, net of tax	**-**	**-**	**-**	**-**
Total comprehensive income for the period	**64,258**	**89,143**	**161,748**	**182,994**

STATEMENT OF FINANCIAL POSITION, PARENT COMPANY

SEK thousand	31 Dec 2019	31 Dec 2018
ASSETS		
Cash and balances with central banks	238,113	143,543
Treasury bills eligible for refinancing	60,051	70,118
Loans to credit institutions	1,022,247	1,174,142
Loans to the public	4,305,139	3,077,158
Shares	21,796	20,871
Shares in group companies	515,511	433,872
Intangible assets	28,156	18,725
Tangible assets	1,665	1,696
Other assets	7,429	9,585
Current tax assets	11,162	23,178
Deferred tax assets	1,548	3,921
Prepaid expenses and accrued income	12,560	20,526
TOTAL ASSETS	**6,225,377**	**4,997,335**
LIABILITIES AND EQUITY		
Liabilities		
Deposits and borrowings from the public	5,136,820	4,061,396
Other liabilities	36,497	66,294
Deferred tax liabilities	7	1,308
Accrued expenses and prepaid income	56,700	56,741
Subordinated liabilities	197,583	98,570
Total liabilities	**5,427,607**	**4,284,309**
Untaxed reserves	-	20,659
Equity		
Restricted equity		
Share capital	107,500	107,500
Statutory reserve	1,000	1,000
Development expenditure fund	27,464	15,940
Other contributed capital	2,786	3,536
Total restricted equity	**138,750**	**127,976**
Non-restricted equity		
Tier 1 capital instrument	100,000	100,000
Retained earnings	397,272	281,397
Total comprehensive income for the period	161,748	182,994
Total non-restricted equity	**659,020**	**564,391**
Total equity	**797,770**	**692,367**
TOTAL LIABILITIES AND EQUITY	**6,225,377**	**4,997,335**

NOTE 11 Capital adequacy analysis

THE PARENT COMPANY'S CAPITAL SITUATION

Parent company SEK thousand	31 Dec 2019	31 Dec 2018
Common Equity Tier 1 capital (CET1)	718,960	590,586
Additional Tier 1 capital (AT1)	100,000	100,000
Tier 2 capital	197,583	98,570
Own funds [1]	**1,016,543**	**789,156**
Risk exposure amount	**5,035,725**	**3,870,836**
- of which: credit risk	*4,120,480*	*3,102,680*
- of which: credit valuation adjustment	*2,363*	*2,496*
- of which: market risk	*178,343*	*100,545*
- of which: operational risk	*734,539*	*665,115*
Capital ratios		
CET1 capital ratio, %	14.3	15.3
Tier 1 capital ratio, %	16.3	17.8
Total capital ratio, %	20.2	20.4

THE PARENT COMPANY'S CAPITAL REQUIREMENTS

	31 Dec 2019		31 Dec 2018	
Parent company SEK thousand	**Amount**	**Percent [2]**	Amount	Percent [2]
Capital requirement				
CET1 capital	226,608	4.5	174,188	4.5
Tier 1 capital	302,144	6.0	232,250	6.0
Total capital	402,858	8.0	309,667	8.0
Institution-specific buffer requirement				
Total buffer requirement	173,229	3.4	131,996	3.4
- of which, capital conservation buffer requirement	*125,893*	*2.5*	*96,771*	*2.5*
- of which, countercyclical buffer requirement	*47,336*	*0.9*	*35,225*	*0.9*
Total CET1 capital requirement including buffer requirement				
CET1 capital requirement including buffer requirement	399,837	7.9	306,183	7.9
CET1 capital available to use as buffer	492,352	9.8	416,398	10.8
Additional capital requirement under Pillar 2				
CET1 capital	32,742	0.7	24,891	0.6
Tier 1 capital	39,758	0.8	30,225	0.8
Total capital	49,113	1.0	37,337	1.0
- of which, concentration risk	*46,795*	*0.9*	*35,326*	*0.9*
- of which, currency risk	*2,318*	*0.1*	*2,011*	*0.1*
Total capital requirement (including Pillar 2)				
CET1 capital	432,579	8.6	331,074	8.6
Tier 1 capital	515,131	10.2	394,471	10.2
Total capital	625,200	12.4	478,999	12.4

[1] After any regulatory adjustments.
[2] Capital requirements expressed as a percentage of the risk exposure amount.

See separate section with definitions, page 40.

Note 11 cont.

THE PARENT COMPANY'S OWN FUNDS

Parent company SEK thousand	31 Dec 2019	31 Dec 2018
CET1 capital		
Share capital	107,500	107,500
Other reserves	28,464	33,054
Other contributed capital	2,786	3,536
Retained earnings including net profit for the period	559,020	464,391
Adjustment to CET1 capital:		
- Deduction of foreseeable costs and dividends [1]	-10,750	-49,449
- Transitional arrangements IFRS 9	60,096	50,279
- Intangible assets	-28,156	-18,725
Total CET1 capital	**718,960**	**590,586**
Additional Tier 1 capital		
Perpetual subordinated loan	100,000	100,000
Tier 2 capital		
Fixed term subordinated loan	197,583	98,570
Own funds	**1,016,543**	**789,156**

SPECIFICATION OF RISK EXPOSURE AMOUNT AND CAPITAL REQUIREMENT

Parent company SEK thousand	31 Dec 2019 Risk exposure amount	 Capital requirement 8 %	31 Dec 2018 Risk exposure amount	 Capital requirement 8 %
Credit risk under the standardised approach				
Institute exposures	1,761	141	26,690	2,135
Corporate exposures	270,774	21,662	256,948	20,556
Household exposures	3,006,377	240,510	2,097,425	167,794
Exposures in default	92,312	7,385	42,827	3,426
Exposures to institutions with a short-term credit assessment	217,425	17,394	220,710	17,657
Equity exposures	515,511	41,241	433,872	34,710
Other items	16,320	1,306	24,208	1,937
Total	**4,120,480**	**329,639**	**3,102,680**	**248,215**
Credit valuation adjustment				
Standardised method	2,363	189	2,496	200
Total	**2,363**	**189**	**2,496**	**200**
Market risk [2]				
Foreign exchange risk	178,343	14,267	100,545	8,044
Total	**178,343**	**14,267**	**100,545**	**8,044**
Operational risk				
Standardised approach	734,539	58,763	665,115	53,209
Total	**734,539**	**58,763**	**665,115**	**53,209**
Total risk exposure amount and total capital requirement	**5,035,725**	**402,858**	**3,870,836**	**309,668**

[1] Deduction of dividends from own funds has been made in accordance with the Board of Directors' proposal to the Annual General Meeting.
[2] The capital requirement for foreign exchange risk is calculated in accordance with Article 351 of Regulation (EU) 575/2013.

ASSURANCE BY THE BOARD OF DIRECTORS AND THE CEO

The interim report has not been reviewed by the company's auditor.

The Board of Directors and the CEO certify that the interim report gives a true and fair view of the operations, financial position and results of the Parent Company and the Group and describes the material risks and uncertainties that the Parent Company and the Group are exposed to.

Borås, 5 February 2020

Mari Thjømøe
Chairman

John Brehmer

Bertil Larsson

Charlotta Björnberg-Paul

Tone Bjørnov

Mattias Carlsson
President and CEO

DEFINITIONS

TF Bank uses Alternative Performance Measures that are not defined in the applicable financial reporting framework (IFRS). The Alternative Performance Measures are used to increase understanding of the bank's financial performance among users of the financial statements. Alternative Performance Measures may be calculated in different ways and do not need to be comparable with similar key ratios used by other companies. TF Bank definitions of the Alternative Performance Measures are shown below.

ADJUSTED EARNINGS PER SHARE
Adjusted net profit for the period attributable to the shareholders of the parent company divided by the average number of outstanding shares.

ADJUSTED OPERATING PROFIT
Operating profit for the period excluding items affecting comparability.

ADJUSTED RETURN ON EQUITY
Adjusted net profit for the period attributable to the shareholders of the parent company divided by average equity attributable to the shareholders of the parent company. Rolling 12 months.

ADJUSTED RETURN ON LOANS TO THE PUBLIC
Adjusted net profit for the year attributable to the shareholders of the parent company divided by average lending to the public. Rolling 12 months.

CET1 CAPITAL RATIO
CET1 capital as a percentage of total risk exposure amount.

COST/INCOME RATIO
Operating expenses divided by operating income.

NEW LENDING
New loans (the cash flow) in the period. For Ecommerce Solutions the volume is reduced by product returns.

EARNINGS PER SHARE
Net profit for the period attributable to the shareholders of the parent company divided by the average number of outstanding shares.

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

ITEMS AFFECTING COMPARABILITY
Items affecting comparability in 2018 were attributable to reclassification of customer balances with inactive status that have arisen before 2018.

LEVERAGE RATIO
Tier 1 capital as a percentage of total assets including off-balance sheet items.

NET LOAN LOSS RATIO
Net loan losses divided by average loans to the public. Rolling 12 months.

OPERATING INCOME MARGIN
Total operating income divided by average loans to the public. Rolling 12 months.

RETURN ON EQUITY
Net profit for the period attributable to the shareholders of the parent company as a percentage of equity attributable to the shareholders of the parent company. Rolling 12 months.

RETURN ON LOANS TO THE PUBLIC
Net profit for the period attributable to the shareholders of the parent company divided by average loans to the public. Rolling 12 months.

TIER 1 CAPITAL RATIO
Tier 1 capital, i.e., CET1 capital and Additional Tier 1 capital, as a percentage of total risk exposure amount.

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

FINANCIAL CALENDAR AND CONTACTS

FINANCIAL CALENDAR

27 March 2020	Annual report 2019 is published
16 April 2020	Interim report January - March 2020
7 May 2020	Annual General Meeting 2020
14 July 2020	Interim report January - June 2020
15 October 2020	Interim report January - September 2020

This is information which TF Bank is required to disclose under the EU Market Abuse Regulation. The information was submitted for publication on 6th February 2020 at 07:00 CET.

PRESENTATION FOR INVESTORS, ANALYSTS AND MEDIA

A live conference call will be held on 6th February at 08:15 CET, where CEO Mattias Carlsson and CFO Mikael Meomuttel will present the report and answer questions. The presentation material is written in English while the conference call will be held in Swedish. To participate, call +46 (0)8 5664 2704 or +44 (0)33 3300 9262. International investors will have an opportunity to ask questions in English during the Q&A session. A recording of the conference call, including the presentation material, will be available on the bank's website, www.tfbankgroup.com/en/section/investor-relations.

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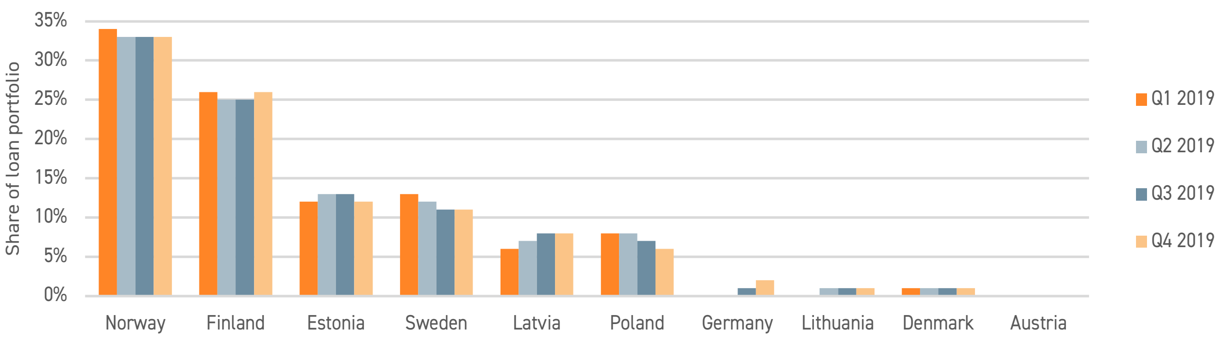
TF BANK'S GEOGRAPHICAL PRESENCE

SHARE OF LOAN PORTFOLIO BY COUNTRY AND QUARTER



TFBank

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