ANNUAL REPORT 2019

TFBank

YEAR IN BRIEF

FINANCIAL PERFORMANCE 2019

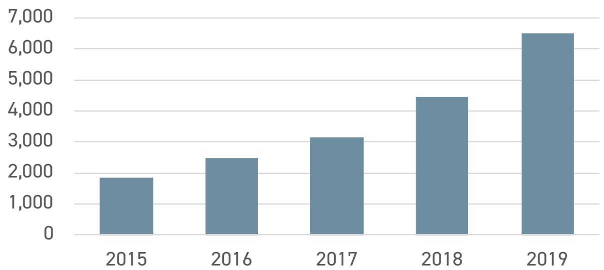
- The loan portfolio has increased by 46 % to SEK 6,496 million
- Operating profit increased by 16 % to SEK 289.4 million
- Adjusted operating profit increased by 26 % to SEK 289.4 million [1]
- Net profit increased by 16 % to SEK 221.9 million
- Adjusted net profit increased by 26 % to SEK 221.9 million [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 is unchanged 17.4 % (17.4)
- Return on equity amounted to 30.6 % (34.5)
- Adjusted return on equity amounted to 30.6 % (31.6) [1]

SIGNIFICANT EVENTS 2019

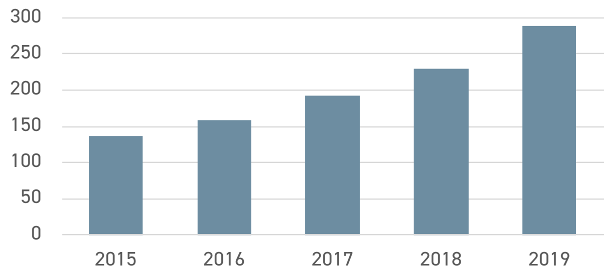
- Within the segment Ecommerce Solutions several new agreements have been signed, and some major Nordic retailers have also chosen to extend their existing agreements
- Credit card operations in Germany have been strengthened by the appointment of a country manager and the establishment of a service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

TF Bank is an internet-based niche bank offering consumer banking services and e-commerce 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 and lending activities with consumers in Sweden, Finland, Norway, Denmark, Estonia, Latvia, Lithuania, Poland, Germany and Austria through subsidiaries, branches or cross-border banking.

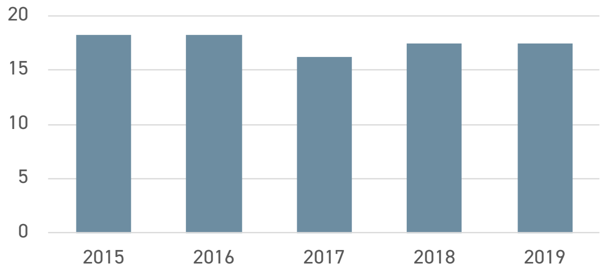
LOANS TO THE PUBLIC (SEK million)



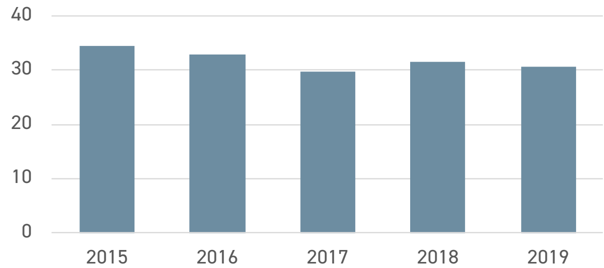
ADJUSTED OPERATING PROFIT (SEK million) [1]



TOTAL CAPITAL RATIO (%)



ADJUSTED RETURN ON EQUITY (%) [1]



[1] Items affecting comparability in 2015 and 2016 comprised costs related to the IPO. Items affecting comparability in 2018 comprised reclassification of customer balances with inactive status that arose before 2018.

See separate section with definitions, page 100.

FINANCIAL CALENDAR

Interim report January-March 2020	16 April 2020
Annual General Meeting 2020	7 May 2020
Interim report January-June 2020	14 July 2020
Interim report January-September 2020	15 October 2020
Year-end report 2020	28 January 2021

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

The Annual General Meeting in 2020 will be held on Tuesday 7 May 2020.

KEY FIGURES, CONSOLIDATED

SEK million	2019	2018
Operating income	769	628
Adjusted operating profit	289	230
Adjusted earnings per share, SEK	10.01	8.01
Loans to the public	6,496	4,449
New lending	6,037	4,519
Cost/Income ratio, %	37.8	39.4
Adjusted return on equity, %	30.6	31.6
Total capital ratio, %	17.4	17.4
Employees (FTE)	174	140

See separate section with definitions, page 100.

CEO'S COMMENTS

Geographically diversified growth in 2019
TF Bank continues to grow, and the loan portfolio increased by 46 % in 2019. The portfolio has thus more than doubled in size in two years. Last year, it was mainly consumer loans in Norway, the Baltics and Finland that created growth. Loans to the public within the Consumer Lending segment increased by 48 %. Our other segment, Ecommerce Solutions, grew by 37 % in 2019. The development has been driven by growth in several geographical markets, a growing retail finance business in the Nordics, Estonia and Poland as well as credit cards in Germany.

A few highlights I would like to mention when summarising the year: The credit card business in Germany has been expanded. Several new agreements have been signed within the Ecommerce Solutions segment. Tier 2 capital of 100 MSEK has successfully been issued. New agreements for ongoing sale of past due loans were signed in several markets. The mergers of our subsidiaries BB Bank and Avarda were finalised at the beginning of this year. From 2020, all operations are conducted within TF Bank AB, which simplifies the group's structure and enables a higher internal efficiency.

Improvements for the Baltic operations
Back in 2006, TF Bank launched consumer loans in Estonia. The operations were run from Sweden but the financial crisis that escalated in the Baltics in the following years slowed down growth. In 2014, a restart was carried out in Estonia; a country manager was hired and the build-up of a local team in Tallinn was initiated. Since then, the loan portfolio in the Baltics has increased from EUR 10 million at the beginning of 2014 to more than EUR 100 million in 2019. From providing only consumer loans in Estonia, the operations have been broadened geographically to Latvia and Lithuania. The product has been developed and today payment solutions are offered to online retailers. The agreement with the leading online retailer in Estonia, Hansapost, was a breakthrough for Ecommerce Solutions in the region.

In 2019, the operations in the Baltics have exhibited strong growth and good profitability. In Estonia the portfolio increased by 24 % to EUR 63 million, however since our market share is approaching 10 % it will be more challenging to grow faster than the Estonian market going forward. Operations in Latvia have expanded rapidly, and the portfolio amounts to EUR 49 million; our different loan products have been in great demand and TF Bank's market share rose heavily last year. In Lithuania, the portfolio with consumer loans amounted to EUR 7 million at the end of 2019. We continue to see growth opportunities in the region, especially through payment solutions to online retailers as well as in consumer loans in Lithuania.

TF Bank supports Zelmerlöw & Björkman Foundation
From 2018 TF Bank has a collaboration with Zelmerlöw & Björkman Foundation. This collaboration means that over a period of two years, TF Bank will be able to finance schooling, free school means and access to clean water for 40 students at Kenswed Academy in Nairobi. Therefore, in December 2019, I travelled to Kenya to visit the operations on site and gain a better understanding for how our cooperation is developing. The school, which is a secondary school, has 299 students of which 102 are girls who live at the school's premises. The students belong to the most vulnerable and education is free of cost. I spent one day at the school and spoke with employees and students and to summarise, the visit gave much hope that our contribution really matters for these students and their development. The students at Kenswed are provided with three meals a day and a qualified education which provides conditions for a better life. We are very happy to be able to support the Kenswed Academy and are a very proud sponsor of the Zelmerlöw & Björkman Foundation.

Monetary policy results in low interest rates for saving accounts
The banks' fundamental function in society, to convert savings into loans, is built on market-based pricing on money. Hence, the monetary policy that the world's central banks have implemented during the last 10 years, with repo rates below the inflation rate, risks to create large challenges for banks and other financial players in the future. In 2019, the long-term risks with low interest rates were acknowledged to a greater extent. At the same time, the economic outlook has worsened and projections on future GDP growth have been downgraded. Expectations on partially raised central bank interest rates have thus been replaced by expectations on an even more expansive monetary policy with a prolonged period of low interest rates.

TF Bank has savings products in Sweden, Finland, Norway and Germany. Deposits from private individuals is our most important source of financing and we are keen to offer competitive interest rates. The offering is to a large extent affected by the monetary policies that are implemented by Europe's central banks. As an example, Norway's central bank had a repo rate of 1.50 % at year-end and we can offer 2.25 % to Norwegian fixed-interest customers. The European central bank, ECB, and Sweden's central bank have however parked its steering rates on 0 %. The variable interest rates on our savings accounts in Germany, Finland and Sweden thereby range between 0.35 % and 0.70 %. With the current monetary policy, we can't offer all savings account customers an interest rate that exceeds the inflation rate.

Promising start for the credit cards in Germany

During the end of 2018, TF Bank launched a credit card business in Germany. The business is conducted under TF Bank's own management and during last summer – following initial positive signs – the next step was taken as we appointed 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.

The German operations lowered the group's result by approximately SEK 15 million in 2019. The amount includes costs related to gaining new customers, establishment of a local organisation in Berlin and provisions for future loan losses according to applicable accounting standards. The growth of the German loan portfolio will result in higher revenues and economies of scale are expected to improve the profitability of the business gradually. 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. Starting 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.

COVID-19

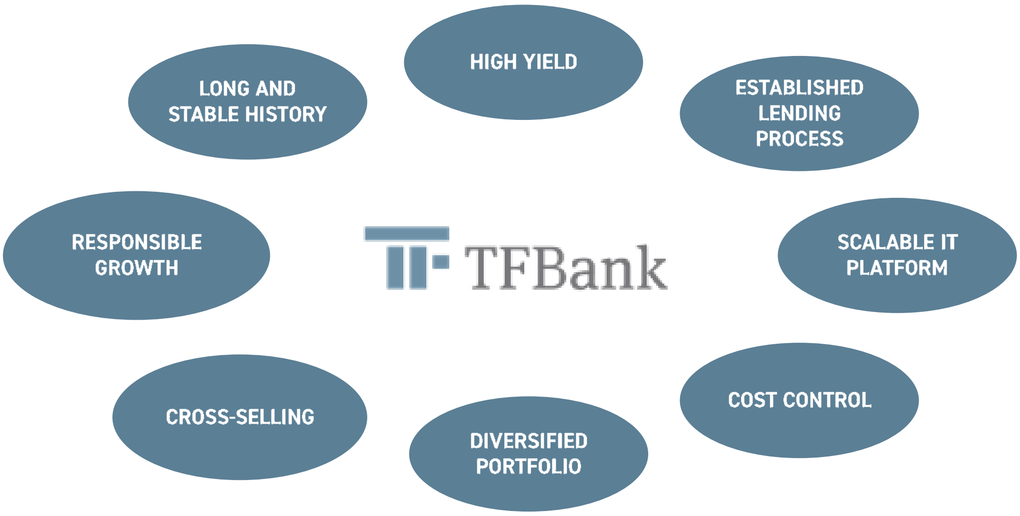
The spread of the coronavirus in Europe overshadows everything else at the time of writing. The human and financial consequences of the virus outbreak are difficult to address when we are in the midst of an ongoing process that is constantly changing. At TF Bank, which has employees in 8 countries, we have adapted to the guidelines laid down by various national governments. I believe that the bank has great preparedness to act quickly and resolutely when conditions change. The bank will always prioritise profitability and solvency over growth. With a loan portfolio consisting of relatively small consumer loans with a relatively short repayment period, we are well equipped to handle future challenges.

Due to that the Swedish FSA has urged banks to postpone dividends to shareholders, the Board of Directors of TF Bank, in connection with the presentation of the annual report, has decided to withdraw the dividend proposal of SEK 0.50 per share presented in the year-end report.

Mattias Carlsson
President and CEO

"TF Bank continues to grow, and the loan portfolio increased by 46 % in 2019. The portfolio has thus more than doubled in size in two years."

THIS IS TF BANK



1. Stable business model with over 30 years of high yields
TF Bank started offering consumer loans and retail finance already in 1987 and during its 30 years of operations in the consumer credit sector it has always been profitable – including during major crises.

The business is today divided into two complementing business segments within consumer loans (Consumer Lending) and payments (Ecommerce Solutions). A flexible IT platform provides opportunities for expansion and economies of scale, as well as for cross-selling between segments.

Yields are driven by high growth and cost efficiency. High yields facilitate significant reinvestment in the business and attractive risk-adjusted returns for shareholders.

2. Responsible organic growth with a diversified portfolio
TF Bank prioritises organic growth under controlled conditions. A combination of well-developed lending processes, small loan amounts and short repayment terms enable us to take calculated risks that can quickly be adjusted to changing conditions at macro level.

TF Bank's expansion is taking place within carefully selected segments and markets. Our lending activities have successfully expanded from the operations in Sweden to the other Nordic countries and new markets around the Baltic Sea. Around 70 per cent of the loan portfolio is attributable to Sweden, Finland and Norway, with the remaining 30 per cent attributable to the Baltic States, Poland and Germany.

Diversification also characterizes TF Bank's deposit products. Deposit-taking in multiple markets offers alternative ways of financing growth in lending, facilitates geographic diversification to reduce risks and reduces financing costs. Fixed interest accounts in Germany also facilitate better matching of maturities between the Bank's assets and liabilities.

3. Controlled cost basis results in industry-leading efficiency
Efficiency and cost control have been TF Bank's mantra from the beginning. To be able to take the step from decision to action without high costs and long lead times is one the business's biggest strengths.

The high degree of automation in the company's IT platform is designed for scalability and adaptability to different products, countries, currencies and digital banking solutions.

Thanks to our flat organisational structure, the scalable platform and cost control throughout the business, we are able to achieve a high level of efficiency. TF Bank's C/I ratio has for a long time been one of the lowest in the industry.

4. Ecommerce Solutions offers new opportunities for growth
Within the Ecommerce Solutions segment, TF Bank offers next-generation payment and checkout solutions for online retailers and credit cards via three brands: TF Bank, Avarda and BB Bank.

The offer to online retailers is a complete checkout solution with CRM functionality which strengthen the customer loyalty and increases the opportunities for more volume. The business is onducted in the Nordic and the Baltic States with an ambition to grow and take a market leading position. TF Bank has a number of leading online retailers among its customers, some with Nordic coeverage.

In Norway and Germany, the company offers credit cards. The offering in Norway has been part of the Group since 2015, while credit cards in Germany were launched late 2018. At the end of 2019, more than 13,000 German credit cards had been issued. Commencing in the first quarter of 2020, TF Bank will report the Credit Card product area as a separate segment.

GEOGRAPHICAL PRESENCE

Norway

Loan portfolio SEK 2,140 million (33 %) [1]

Change 2019: +56 %

Strong growth for consumer lending

Finland

Loan portfolio SEK 1,672 million (26 %) [1]

Change 2019: +40 %

Profitability and steady growth in both segments

Sweden

Loan portfolio SEK 710 million (11 %) [1]

Change 2019: +7%

Focus on profitability and ecommerce

Baltic States

Loan portfolio SEK 1,358 million (21 %) [1]

Change 2019: +68 %

Steady growth and profitability, mix of consumer loans and ecommerce

Germany

Loan portfolio SEK 125 million (2 %) [1]

Change 2019: n/a

Product in high demand

Poland

Loan portfolio SEK 434 million (7 %) [1]

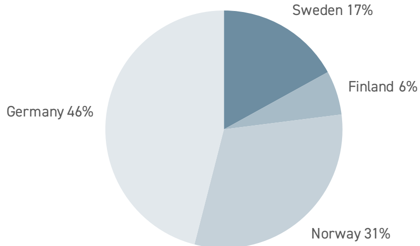
Change 2019: +17 %

Focus at segment Ecommerce Solutions

Geographical presence

TF Bank carries out deposit and lending activities for consumers in Sweden, Finland, Norway, Denmark, Estonia, Latvia, Lithuania, Poland, Germany and Austria through subsidiary, branch or cross-border banking. In its Ecommerce Solutions segment, TF Bank offer next-generation payment and checkout solutions for online retailers in the Nordics, Estonia and Poland, and also credit cards in Norway and Germany.

Geographical distribution of deposits



[1] Share of the Group's loans to the public.

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2019

The Board of Directors and the CEO hereby submit the Annual report and consolidated financial statements for TF Bank AB, corporate identity number 556158-1041.

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Unless otherwise stated, all amounts are shown in thousands of Swedish kronor. The figures in brackets are for the previous year.

The images in this Annual Report are taken from the Baltic states.

KEY FIGURES, CONSOLIDATED

KEY FIGURES, CONSOLIDATED

SEK thousand	2019	2018	2017	2016	2015
Income statement					
Operating income	768,864	627,641	511,570	440,799	388,013
Operating profit	289,355	250,128	192,938	139,824	118,315
Net profit for the period	221,926	191,826	147,836	109,268	89,409
Earnings per share, SEK	10.01	8.75	7.04	5.47	4.34
Balance sheet					
Loans to the public	6,495,780	4,449,225	3,156,289	2,489,283	1,837,578
Deposits and borrowings from the public	7,197,075	5,096,463	3,754,030	2,284,645	2,229,562
New lending	6,037,302	4,518,697	2,968,611	2,391,729	1,675,309
Key figures					
Operating income margin, %	13.7	16.3	17.9	20.2	22.4
Net loan loss ratio, %	3.4	3.9	4.5	5.1	6.2
Cost/Income ratio, %	37.8	39.4	37.0	38.6	37.0
Return on equity, %	30.6	34.5	29.7	29.1	29.9
Return on loans to the public, %	3.8	4.9	5.3	5.4	5.3
CET1 capital ratio, %	12.7	13.0	13.2	14.5	13.9
Tier 1 capital ratio, %	14.3	15.2	13.2	14.5	13.9
Total capital ratio, %	17.4	17.4	16.2	18.2	18.2
Employees (FTE)	174	140	110	98	78

ADJUSTED KEY FIGURES, CONSOLIDATED [1]

SEK thousand	2019	2018	2017	2016	2015
Income statement					
Operating profit	289,355	250,128	192,938	139,824	118,315
Items affecting comparability [1]	-	-20,295	-	19,275	18,232
Adjusted operating profit	289,355	229,833	192,938	159,099	136,547
Adjusted income tax expense	-67,429	-53,837	-45,102	-34,797	-32,917
Adjusted net profit for the period	221,926	175,996	147,836	124,302	103,630
Adjusted net profit attributable to the shareholders of the Parent Company	215,160	172,296	151,459	132,538	107,456
Adjusted earnings per share, SEK	10.01	8.01	7.04	6.16	5.00
Key figures					
Adjusted return on equity, %	30.6	31.6	29.7	32.8	34.5
Adjusted return on loans to the public, %	3.8	4.5	5.3	6.1	6.2

CURRENCY RATES

SEK	2019	2018	2017	2016	2015
EUR Income statement (average)	10.59	10.25	9.63	9.47	9.36
EUR Balance sheet (end of reporting period)	10.43	10.28	9.85	9.57	9.14
NOK Income statement (average)	1.07	1.07	1.03	1.02	1.05
NOK Balance sheet (end of reporting period)	1.06	1.02	1.00	1.05	0.96
PLN Income statement (average)	2.46	2.41	2.26	2.17	2.24
PLN Balance sheet (end of reporting period)	2.44	2.39	2.36	2.17	2.15

[1] Items affecting comparability in 2015 and 2016 comprised costs related to the IPO. Items affecting comparability in 2018 comprised reclassification of customer balances with inactive status that arose before 2018.

See separate section with definitions, page 100.

DIRECTORS' REPORT

About the business

TF Bank is an internet-based niche bank offering consumer banking services and e-commerce 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 and lending activities to consumers in Sweden, Finland, Norway, Denmark, Estonia, Latvia, Lithuania, Poland, Germany and Austria through subsidiary, branch or cross-border banking. In its Ecommerce Solutions segment, TF Bank offer next-generation payment and checkout solutions for online retailers in the Nordics, Estonia and Poland, and also credit cards in Norway and Germany.

TF Bank was set up 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 about 1 million customers through various brands across its markets. TF Bank has been listed in the Mid Cap segment of Nasdaq Stockholm since 2016.

TF Bank's head office is in Borås. The Parent Company TF Bank AB comprises the Swedish business, branches in Finland, Poland and Estonia, as well as cross-border operations in Norway, Denmark, Latvia, Lithuania, Germany and Austria. The Group has one sub-group, Avarda, which has activities in Sweden and Finland, and a subsidiary, BB Bank, which has operations in Norway. The Group also has service subsidiaries in Latvia, Lithuania and Germany.

Significant events during the year

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.

Significant events after the end of the financial year

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.

As an effect of the coronavirus (COVID-19) outbreak in Europe, uncertainty about future economic development has increased. If a large number of customers end up in payment difficulties, we do not rule out future negative consequences. However, TF Bank is prepared to act quickly as conditions deteriorate, and in such situation, we will prioritise profitability and solvency over growth.

Due to the communicated urge from Swedish FSA regarding dividends, the Board of Directors of TF Bank has, in connection with the presentation of the Annual report, decided to withdraw the dividend proposal of SEK 0.50 per share which was presented in the year-end report.

RESULTS AND FINANCIAL POSITION – CONSOLIDATED

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.

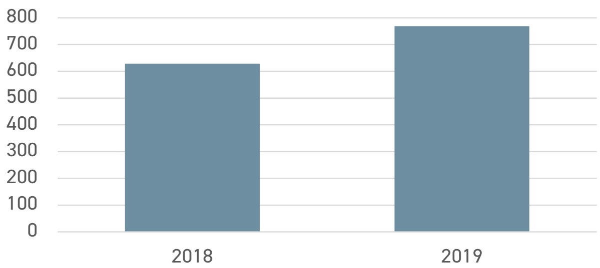
Net loan losses

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).

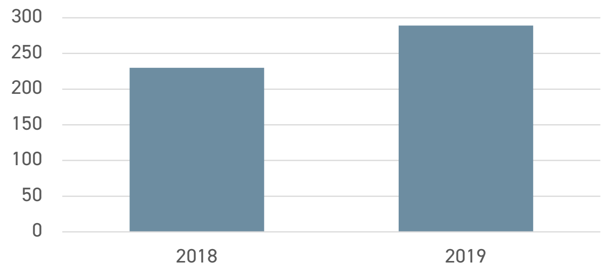
Tax expense

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 – CONSOLIDATED

Loans to the public

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 from the public

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.

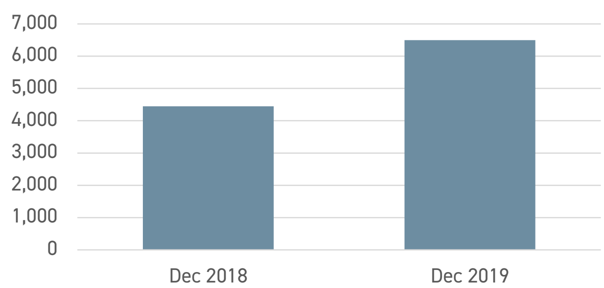
Cash and cash equivalents

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.

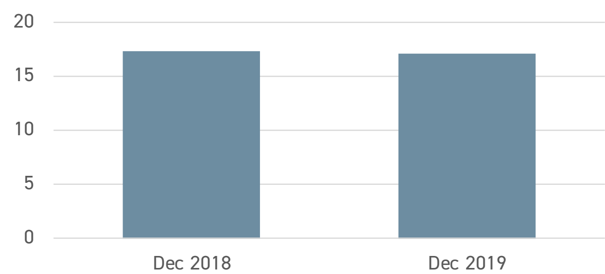
Capital adequacy

At the end of the year, the Group's total capital ratio was 17.4 % (17.4), the tier 1 capital ratio was 14.3 % (15.2) and the CET1 capital ratio was 12.7 % (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. 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 – PARENT COMPANY

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].

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.

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 20.4 % (20.4), the tier 1 capital ratio was 16.5 % (17.8) and the CET1 capital ratio was 14.5 % (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.

CONSUMER LENDING

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 Baltic and Polish consumer loan portfolio represents 30 % of the segment. Estonia is the country in the Baltics most similar to the Nordic markets, with high internet usage and easy access to public data. During the second quarter of 2019, consumer loans were launched in Austria.

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.

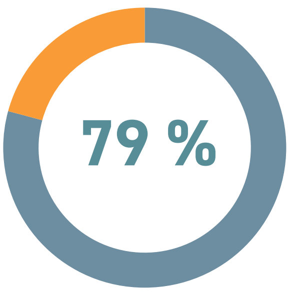
Operating income increased by 22 % to SEK 592.1 million (483.5). The increase is mainly related to the consumer loan growth in Norway and the Baltics. The operating income margin has decreased to 13.4 % (15.8), mainly due to lower interest rate levels in the new lending compared to the average interest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

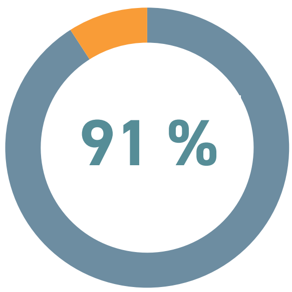
Net loan losses increased by 34 % to SEK 152.4 million (113.4). New agreements for continuing sales of past due consumer loans have resulted in increased loan losses and higher provisions for future loan losses. Despite this, the loan loss ratio has decreased to 3.5% (3.7) during the year, which is related 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 4 Segment reporting.

SHARE OF THE GROUP'S LOANS TO THE PUBLIC



SHARE OF THE GROUP'S OPERATING INCOME



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

CONSUMER LENDING

“We grow in a controlled manner without unnecessary risk taking”

In July 2015, TF Bank acquired the Norwegian niche bank BB Bank. Since then, BB Bank has been able to deliver an accumulated profit after tax that exceeds the purchase price, and the company’s loan portfolio has become 10 times larger – while maintaining the high credit quality and low loan loss levels. Espen Johannesen, CEO of BB Bank and head of TF Bank’s largest segment Consumer Lending, tells about the journey since the acquisition and the potential ahead.

– I had worked in BB Bank for six years when the acquisition took place and was appointed CEO at that time. With TF Bank as owner, BB Bank was provided with new opportunities and trust to create growth. We received liquidity and capital and could benefit from TF Bank’s modern IT setup. At the same time, we kept our semi-automated credit valuation process, which is very much part of BB Bank’s success formula. Step by step, we began to build up the lending volume, while maintaining the quality of the portfolio. Throughout the years, it has been a guiding principle that we grow in a controlled manner without unnecessary risk taking.

BB Bank today offers unsecured consumer loans, savings accounts and credit cards in the Norwegian market. At the end of 2019, the average loan amounted to SEK 103,000, which is considerably lower than with other niche banks in Norway.

– The average loan has increased in recent years, but we have not changed our model and for the past decade we have had the lowest loan loss levels in Norway compared to peers. Our customers mostly borrow on rational grounds when they have a real need, and rarely for pure consumption. We don’t pay out a loan if we don’t believe that the customer can repay it, it is as simple as that. I wouldn’t want to run a business where we put people in difficult situations.

Important elements of the growth strategy have been to streamline the business and engage talented employees. A key milestone was when the company received a Norwegian banking licence in 2017, from a former license as financial institution. This also enabled the bank to take deposit products into its offering, with a government deposit guarantee scheme in Norway amounting to NOK 2 million.

– You can’t be good at everything, and we have, among other things, wound up BB Bank’s previous portfolio of car loans and mortgages, as well as a collection business. With a focused offer, we can put even greater efforts into the customer process and journey, for which we have great respect. Another important aspect of our development is the team of young educated people with ambitions and

bright minds that we have built over recent years. We are looking for people who are humble and understand that success does not come overnight. It takes time to find them, but it’s worth every minute. I am extremely proud of our employees and everything that we have accomplished together.

BB Bank was founded in 1982 and can thus name itself one of Norway’s oldest niche banks. Like the parent company TF Bank, the long history is beneficial when growing, but also in times of macroeconomic concern.

– We have the risk awareness and modesty with us in everything we do. This applies not only to BB Bank but also to TF Bank as a whole. We have been a perfect match, and BB Bank has become an instrumental part of the group’s Consumer Lending segment.”

Espen Johannesen was appointed Head of Consumer Lending and part of TF Bank’s executive management team in 2017. In 2019, the loan portfolio for Consumer Lending increased by 48 %, and the Norwegian business showed particular strength.

– We have exhibited growth with satisfying margins and good credit quality, and this is how we will continue to work. I see great potential in Norway as well as our other markets. One major advantage for TF Bank is that we can choose to allocate capital to so many different countries and hence be able to optimize growth and profitability. Thereby, we can create increased shareholder value over time.

CONSUMER LENDING

"TF Bank is one of Estonia's most well-known brands within consumer loans"

With a focus on low risk and responsible growth, TF Bank has since 2014 built up a position as one of Estonia's leading banks within consumer loans. Now, the company is striving to achieve the same development in the Latvian and Lithuanian markets, where the business is growing in controlled steps. Vilma Sool, Head of TF Bank Baltic region, tells about the strategy.

– I am a lawyer by the profession and when I joined as the first employee in Estonia, we started to work with focus on order and structure. Low risk and responsible growth have been keywords since the start.

TF Bank launched a small loan offering in Estonia already in 2006, which was managed from Sweden at the time. A restart took place in 2014 with a local team on site. Today, the bank has more than 30 employees in the Baltics, with one third outside Estonia.

– At first, no one knew of TF Bank. When we measured the brand awareness, it was more or less non-existent. Today, TF Bank is one of Estonia's most well-known brands within consumer loans and has a market share that exceeds 10 percent of new lending volumes. We are very proud of this progress.

Despite the strong growth, TF Bank has since the beginning maintained low loan loss provisions and high customer satisfaction.

– The customers like TF Bank. We are not a machine but combine automatic processes with manual handling. With a dynamic credit model, we can ensure that the customers in our target audience receive the best deals, while keeping the risk low.

At the end of 2016, consumer loans were also launched in Latvia, followed by Lithuania in 2018. In both markets, the same strategy as in Estonia with a gradual development is applied.

– Our "step-by-step" strategy is very important. It applies both to the Baltics as a whole and to each country. We start with a few customers, analyse their customer journey and optimise the model. Then we add additional customers and repeat the process. In Latvia, we now have more than 5 percent of the new lending volumes, while we are still in the initial analysis phase in Lithuania, which is exactly according to the plan.

Vilma Sool also highlights the market's characteristics as an important success factor.

– The Baltics have been a great success, not only thanks to our strategy but also because there is a generally good amortisation culture here. Consumers generally apply for a loan when they really need it and use it for necessary expenses, rather than for pure consumption. Hence, the payment morale is high – the customers want to repay their loans!

ECOMMERCE SOLUTIONS

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.

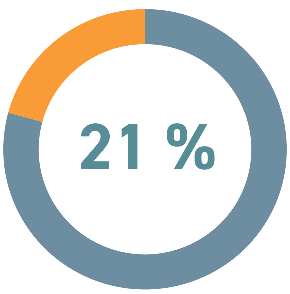
Operating income increased by 23 % to SEK 176.8 million (144.2). The increase is mainly attributable to existing and new partnerships within digital payment solutions. The operating income margin has decreased to 15.0 % (18.0) due to mix effects related to the growth.

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).

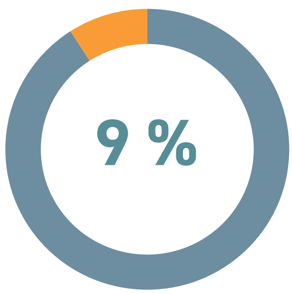
Net loan losses decreased by 2 % to SEK 36.2 million (36.9). The loan loss ratio decreased to 3.1 % (4.6) attributable to improved credit quality and new agreements for continuing sales of past due consumer loans. The outcome in the fourth quarter was negatively affected by an unfavorable partnership 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 4 Segment reporting.

SHARE OF THE GROUP'S LOANS TO THE PUBLIC



SHARE OF THE GROUP'S OPERATING INCOME



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

ECOMMERCE SOLUTIONS

"We want to be the online retailer's best friend"
In November 2017, Avarda became a fully owned subsidiary of TF Bank. Roughly a year later, the business has made strong progress and is in the midst of rolling out next-generation payment and checkout solutions for online retailers in the Nordics. Mikael Johansson, CEO of Avarda and head of TF Bank's Ecommerce Solutions segment, describes the work that has been carried out and the ambitions ahead.

– Over the past years, we have made large investments in technology with the aim of creating the best payment solution for online retailers who want to build their own brands throughout the value chain. With our Checkout+ solution, which we started to roll out in the beginning of 2018, we believe we have succeeded. The customer reactions have been very positive and we have quickly gained significant volumes.

Checkout+ is a complete white label checkout and payment solution for online retailers. It also includes CRM functionality where the retailer can expose offers to the consumer in connection with the purchase as well as other features.

– It is a clear trend that consumers spend less time in the store. First, you search for the best price using a comparison service, and when you are done shopping you are sent to an external payment solution, which is followed up by invoices from the payment service provider rather than the store. We want to be the online retailer's best friend and take back the time spent in the store. With our solution, the consumers' exposure to the online retailer's brand as well as the opportunities for add-on sales increase significantly compared to other solutions.

Avarda has a growing customer portfolio and currently serves online retailers in Sweden, Finland, Norway and Estonia. Among the customers are among others Bubbleroom, Däck 365, Vianor and the Finnish online store Hobby Hall. During 2019 an agreement was signed with Estonia's largest online retailer Hansapost.

– We have built the solution to be able to cater for large volumes. We are currently working on migrating existing customers to Checkout+, while also intensifying the sales efforts towards new customers in all our markets.

Avarda is part of TF Bank's Ecommerce Solutions segment, which has exhibited strong growth and positive earnings during the year.

– In this type of business, you must have a long-term perspective and build volumes until you reach economies of scale and cost coverage. Ecommerce solutions is a great add-on to TF Bank's core business, it gives the group a new and exciting dimension. With the positive response we have received for Checkout+ and other efforts that are being made in the area, like the credit cards offering in Norway and Germany, we have good possibilities to continue our growth going forward.

OTHER FINANCIAL INFORMATION

Annual General Meeting 2020
The Annual General Meeting in 2020 will be held on Thursday 7 May 2020. Notice of the Annual General Meeting will be published not later than Thursday 9 April 2020.

Financial targets
TF Bank's Board of Directors decided to adopt 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.

Remuneration of senior executives
In accordance with the requirements regarding disclosure of information in FFFS 2011:1, information on e.g. remuneration framework is provided on the Group's website www.tfbankgroup.com. Salaries and other remuneration for the CEO and other senior executives comprise fixed salary, variable remuneration, commission-based compensation, other benefits and pension. External Board members receive fees determined by the Annual General Meeting.

Commission-based compensation
Additional commission-based compensation is paid on the basis of individual accomplishment of financial targets established for the year. TF Bank has ensured that all targets related to commission-based compensation for the fiscal year can be measured in a reliable way. None of the commission-based compensation payments are qualifying payments for pension purposes.

Share-based renumeration
At the Annual General Meetings in 2016 and 2018 two subscription warrant programmes was adopted comprising a total of 221,649 and 1,372,338 warrants respectively. The subscription warrants were subscribed for by senior executives. Payment corresponding to the market value has been made and was recognised as other contributed capital under equity. In 2019, the warrant programme from 2016 expired, none of the warrants was converted.

Pensions
The Company's pension obligations are covered through payments to an ITP occupational pension plan. The retirement age for the CEO is 65 and annual supplementary payments are made to a defined contribution plan. The retirement age for other senior executives is between 65 and 67 depending on country of residence and annual supplementary payments are made to a defined contribution plan.

Period of notice and severance pay
According to an agreement between TF Bank AB and the CEO, the period of notice is six months (12 months in the case of termination by the Company). If termination is initiated by the Company, basic salary is payable during the period of notice, however variable remuneration, if agreed before the notice was issued, is not payable. Severance pay is adjusted for salary that the CEO receives from a new employer.

Risks and uncertainties
TF Bank is exposed to 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 established policies and instructions for lending and other activities. For a more detailed description of financial risks and the use of financial instruments, as well as capital adequacy, see Notes 3 and 34.

The results and financial position of the Group and the company are shown in the below income statements and statements of financial position, statements of equity and cash flow statements, as well as accompanying notes.

Sustainability report
TF Bank's sustainability report is prepared in accordance with the requirements of the Annual Accounts Act (chapter 6, paragraph 12) on sustainability reporting. The scope is defined on pages 92 to 95.

THE SHARE

The share
TF Bank was listed on the Mid Cap list of Nasdaq Stockholm on 14 June 2016. The opening price was SEK 77.00. On the last trading day of 2019, the closing price of the share was SEK 116.50. Since the listing, TF Bank has paid out a total of SEK 6.75 per share in dividends to shareholders. The market capitalisation at the end of the year was SEK 2,505 million.

Turnover and volume
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 during the year. In total, 3.7 million shares worth approximately SEK 359 million were traded on Nasdaq Stockholm during 2019.

Share capital and number of shares
TF Bank's share capital was SEK 107,500,000. The company had 21,500,000 ordinary shares. According to the Articles of Association, the share capital must not be less than SEK 107,500,000 and must not exceed SEK 430,000,000. TF Bank has one class of share and each share carries one vote at the Annual General Meeting.

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 year-end 2019, all four institutions had issued a buy recommendation for the TF Bank share.

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**

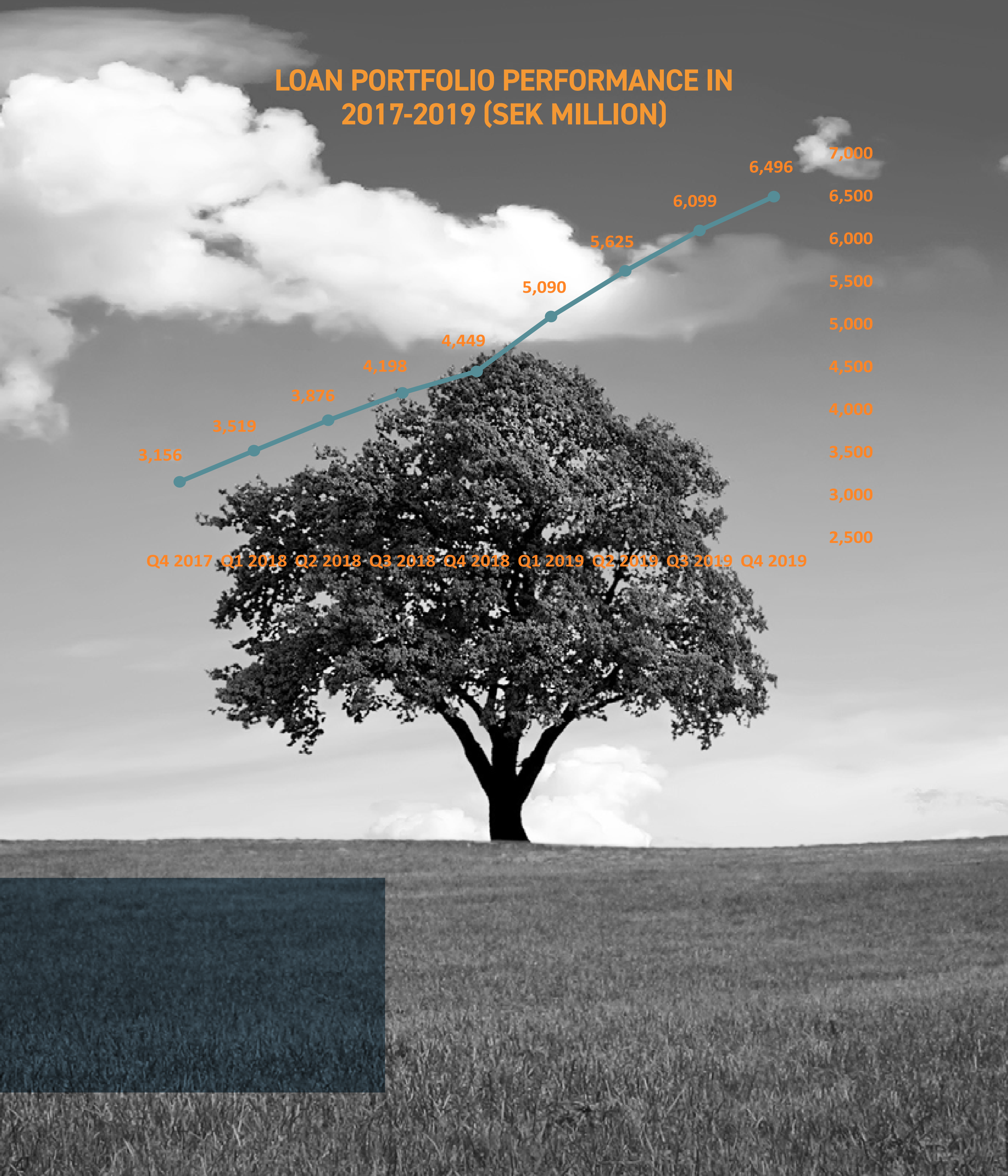
21.5 million
Number of shares

SEK 71.00
Lowest closing price during 2019

2,321
Number of shareholders 31 December 2019

SEK 120.00
Highest closing price during 2019

LOAN PORTFOLIO PERFORMANCE IN 2017-2019 (SEK MILLION)



INCOME STATEMENT, CONSOLIDATED

SEK thousand	Note	2019	2018
	4		
Operating income			
Interest income	5	813,117	657,241
Interest expense	6	-106,133	-82,550
Net interest income		**706,984**	**574,691**
Fee and commission income		72,561	61,130
Fee and commission expense		-10,493	-9,720
Net fee and commission income	7	**62,068**	**51,410**
Net results from financial transactions	8	-188	1,540
Total operating income		**768,864**	**627,641**
Operating expenses			
General administrative expenses	9, 10, 11	-254,864	-222,939
Depreciation and amortisation of tangible and intangible assets	12, 13	-18,128	-9,955
Other operating expenses	14	-17,883	-14,642
Total operating expenses		**-290,875**	**-247,536**
Profit before loan losses		**477,989**	**380,105**
Net loan losses	15	-188,634	-150,272
Items affecting comparability		-	20,295
Operating profit		**289,355**	**250,128**
Tax on profit for the year	16	-67,429	-58,302
Profit for the year		**221,926**	**191,826**
Profit for the year attributable to:			
Shareholders of the Parent Company		215,160	188,126
Additional tier 1 capital holders		*6,766*	*3,700*
Basic earnings per share (SEK)		*10.01*	*8.75*
Diluted earnings per share (SEK)		*10.01*	*8.75*

STATEMENT OF COMPREHENSIVE INCOME, CONSOLIDATED

SEK thousand	2019	2018
Profit for the year	**221,926**	**191,826**
Other comprehensive income		
Items that may subsequently be reclassified to the income statement		
Gross fair value gains/losses on available for sale financial assets / Fair value through other comprehensive income	-	-
Gross exchange rate differences	1,174	1,302
Tax on exchange rate differences in the year	1,668	303
Other comprehensive income, net of tax	**2,842**	**1,605**
Total comprehensive income for the year	**224,768**	**193,431**
Comprehensive income for the period attributable to:		
Shareholders of the Parent Company	*218,002*	*189,731*
Additional tier 1 capital holders	*6,766*	*3,700*

STATEMENT OF FINANCIAL POSITION, CONSOLIDATED

SEK thousand	Note	31 Dec 2019	31 Dec 2018
	17, 18		
ASSETS			
Cash and balances with central banks		390,332	225,610
Treasury bills eligible for refinancing	19	60,051	70,118
Loans to credit institutions	20	1,362,459	1,148,863
Loans to the public	4, 21	6,495,780	4,449,225
Shares		22,061	21,128
Goodwill	22	12,753	12,350
Intangible assets	12	56,163	38,199
Tangible assets	13	21,022	2,471
Other assets	23	18,998	23,596
Current tax assets		10,528	22,696
Deferred tax assets	27	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			
Liabilities to credit institutions	24	-	-
Deposits and borrowings from the public	25	7,197,075	5,096,463
Other liabilities	26	75,440	29,897
Current tax liabilities		25,442	14,877
Deferred tax liabilities	27	143	5,852
Accrued expenses and prepaid income	28	77,497	71,781
Subordinated liabilities	29	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 investment 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**
Profit for the year	-	-	-	-	191,826	-	191,826
Gross exchange rate differences	-	-	-1,379	2,681	-	-	1,302
Tax on exchange rate differences in the year	-	-	303	-	-	-	303
Total comprehensive income for the year (net of tax)	**-**	**-**	**-1,076**	**2,681**	**191,826**	**-**	**193,431**
Dividend paid to shareholders	-	-	-	-	-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 Tier 1 capital	-	-	-	-	-3,700	-	-3,700
Share-based remuneration	-	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**
Profit for the year	-	-	-	-	221,926	-	221,926
Gross exchange rate differences	-	-	-6,610	7,784	-	-	1,174
Tax on exchange rate differences in the year	-	-	1,668	-	-	-	1,668
Total comprehensive income for the year (net of tax)	**-**	**-**	**-4,942**	**7,784**	**221,926**	**-**	**224,768**
Dividend paid to shareholders	-	-	-	-	-49,450	-	-49,450
Transaction costs, issue of Tier 1 capital	-	-	-	-	-110	-	-110
Interest Tier 1 capital	-	-	-	-	-6,766	-	-6,766
Share-based remuneration	-	-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	2019	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
Dividend paid to shareholders	-49,450	-48,375
Share-based remuneration	-	1,447
Cash flow from financing activities	**43,674**	**47,826**
Cash flow for the year	**353,913**	**243,155**
Cash and cash equivalents at the beginning of the year	1,444,591	1,188,389
Exchange rate 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**

INCOME STATEMENT, PARENT COMPANY

SEK thousand	Note	2019	2018
Operating income			
Interest income	5	575,453	528,995
Interest expense	6	-70,111	-61,398
Net interest income		**505,342**	**467,597**
Fee and commission income		36,807	36,267
Fee and commission expense		-5,545	-4,417
Net fee and commission income	7	**31,262**	**31,850**
Net results from financial transactions	8	-6,205	1,664
Total operating income		**530,399**	**501,111**
Operating expenses			
General administrative expenses	9, 10, 11	-177,416	-150,088
Depreciation and amortisation of tangible and intangible assets	12, 13	-7,066	-5,671
Other operating expenses	14	-16,786	-12,449
Total operating expenses		**-201,268**	**-168,208**
Profit before loan losses		**329,131**	**332,903**
Net loan losses	15	-145,770	-124,940
Operating profit		**183,361**	**207,963**
Appropriations	30	20,659	13,149
Tax on profit for the year	16	-42,272	-38,118
Profit for the year		**161,748**	**182,994**

STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY

SEK thousand	2019	2018
Profit for the year	**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 year	**161,748**	**182,994**

STATEMENT OF FINANCIAL POSITION, PARENT COMPANY

SEK thousand	Note	31 Dec 2019	31 Dec 2018
	17, 18		
ASSETS			
Cash and balances with central banks		238,113	143,543
Treasury bills eligible for refinancing	19	60,051	70,118
Loans to credit institutions	20	1,022,247	1,174,142
Loans to the public	21	4,305,139	3,077,158
Shares		21,796	20,871
Shares in group companies	32	515,511	433,872
Intangible assets	12	28,156	18,725
Tangible assets	13	1,665	1,696
Other assets	23	7,429	9,585
Current tax assets		11,162	23,178
Deferred tax assets	27	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	25	5,136,820	4,061,396
Other liabilities	26	36,497	66,294
Deferred tax liabilities	27	7	1,308
Accrued expenses and prepaid income	28	56,700	56,741
Subordinated liabilities	29	197,583	98,570
Total liabilities		**5,427,607**	**4,284,309**
Untaxed reserves	33	-	20,659
Equity			
Restricted equity			
Share capital		107,500	107,500
Statutory reserve		1,000	1,000
Development costs 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
Comprehensive income for the year		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**

STATEMENT OF CHANGES IN EQUITY, PARENT COMPANY

SEK thousand	Restricted equity				Non-restricted equity			
	Share capital [1]	Statutory reserve	Develop-ment costs fund	Other contribut-ed capital	Tier 1 capital in-strument	Retained earnings	Profit for the year	Total equity
Equity as at 1 Jan 2018	**107,500**	**1,000**	**14,739**	**1,500**	**-**	**186,410**	**150,373**	**461,522**
Profit for the year	-	-	-	-	-	-	182,994	182,994
Gross exchange rate differences	-	-	-	-	-	-	-	-
Tax on exchange rate differences in the year	-	-	-	-	-	-	-	-
Total comprehensive income for the year (net of tax)	**-**	**-**	**-**	**-**	**-**	**-**	**182,994**	**182,994**
Transfer of previous year's profit	-	-	-	-	-	150,373	-150,373	-
Dividend paid to shareholders	-	-	-	-	-	-48,375	-	-48,375
Capitalisation of development costs	-	-	4,112	-	-	-4,112	-	-
Amortisation of capitalised develop-ment costs	-	-	-2,911	-	-	2,911	-	-
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 Tier 1 capital	-	-	-	-	-	-3,700	-	-3,700
Share-based remuneration	-	-	-	2,036	-	-564	-	1,472
Equity as at 31 Dec 2018	**107,500**	**1,000**	**15,940**	**3,536**	**100,000**	**281,397**	**182,994**	**692,367**
Equity as at 1 Jan 2019	**107,500**	**1,000**	**15,940**	**3,536**	**100,000**	**281,397**	**182,994**	**692,367**
Profit for the year	-	-	-	-	-	-	161,748	161,748
Gross exchange rate differences	-	-	-	-	-	-	-	-
Tax on exchange rate differences in the year	-	-	-	-	-	-	-	-
Total comprehensive income for the year (net of tax)	**-**	**-**	**-**	-	**-**	**-**	**161,748**	**161,748**
Transfer of previous year's profit	-	-	-	-	-	182,994	-182,994	-
Dividend paid to shareholders	-	-	-	-	-	-49,450	-	-49,450
Capitalisation of development costs	-	-	16,000	-	-	-16,000	-	-
Amortisation of capitalised develop-ment costs	-	-	-4,476	-	-	4,476	-	-
Transaction costs, issue of Tier 1 capital	-	-	-	-	-	-110	-	-110
Interest Tier 1 capital	-	-	-	-	-	-6,766	-	-6,766
Share-based remuneration	-	-	-	-750	-	750	-	-
Other	-	-	-	-	-	-19	-	-19
Equity as at 31 Dec 2019	**107,500**	**1,000**	**27,464**	**2,786**	**100,000**	**397,272**	**161,748**	**797,770**

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

CASH FLOW STATEMENT, PARENT COMPANY

SEK thousand	2019	2018
Operating activities		
Operating profit	183,361	207,963
Adjustment for items not included in cash flow		
Depreciation and amortisation of tangible and intangible assets	7,066	5,671
Accrued interest income and expense	-7,539	-1,547
Other non-cash items	-12,051	-10,826
Paid income tax	-33,937	-59,712
	136,900	**141,549**
Increase/decrease in loans to the public	-1,227,981	-878,827
Increase/decrease in other short-term receivables	19,063	-26,906
Increase/decrease in deposits and borrowings from the public	1,075,424	1,044,109
Increase/decrease in other short-term liabilities	-27,412	62,783
Cash flow from operating activities	**-24,006**	**342,708**
Investing activities		
Investments in tangible assets	-736	-1,069
Investments in intangible assets	-15,730	-4,383
Investments in subsidiaries	-81,639	-183,167
Cash flow from investing activities	**-98,105**	**-188,619**
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
Dividend paid to shareholders	-49,450	-48,375
Share-based remuneration	-	1,651
Cash flow from financing activities	**43,674**	**48,030**
Cash flow for the year	**-78,437**	**202,119**
Cash and cash equivalents at the beginning of the year	1,387,803	1,172,868
Exchange rate difference in cash and cash equivalents	11,045	12,816
Cash and cash equivalents at the end of period	**1,320,411**	**1,387,803**
Cash flow from operating activities includes interest expenses paid and interest payments received		
Interest expenses paid	66,384	57,120
Interest payments received	524,487	524,713
Components of cash and cash equivalents		
Cash and balances with central banks	238,113	143,543
Treasury bills eligible for refinancing	60,051	70,118
Loans to credit institutions [1]	1,022,247	1,174,142
Total cash and cash equivalents	**1,320,411**	**1,387,803**

[1] This amount included loans to the subsidiary BB Bank of SEK 0 million (133).

NOTES

TO THE FINANCIAL STATEMENTS OF THE GROUP AND THE PARENT COMPANY

NOTE 1 General information

TF Bank AB, corporate identity number 556158-1041, is authorised to conduct banking business.

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

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

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

On 26 March 2020, the Board of Directors approved this Annual Report for publication, for adoption by the AGM in 2020.

NOTE 2 Accounting Policies

The most significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been applied consistently to all reporting periods presented in these consolidated financial statements, unless otherwise stated.

The consolidated financial statements for the TF Bank AB Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of these standards as adopted by the European Union (EU). In addition, 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 regulations and general guidelines issued by the Swedish Financial Supervisory Authority (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) and the Swedish Financial Supervisory Authority’s regulations FFFS 2008:25. So-called legally restricted IFRS means that IFRS, as adopted by the EU, are applied in the preparation of the financial statements, subject to the restrictions and additions that follow from RFR 2 Accounting for Legal Entities, issued by the Swedish Financial Reporting Board, and FFFS 2008:25. This means that the Parent Company, with the exception of that stated below, has applied the same accounting policies as the Group.

Estimates and Judgements
Preparation of the consolidated financial statements in compliance with IFRS requires the use of some critical estimates for accounting purposes. Estimates and judgements are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions about the future. The resulting estimates for accounting purposes by definition rarely correspond to the actual results.

The areas that involve a high degree of judgement, are complex, or where assumptions and estimates have a material impact on the consolidated financial statements primarily comprise provisions for expected loan losses and goodwill impairment testing.

Provisions for expected loan losses
TF Bank has a forward-looking model for impairments in accordance with IFRS 9, where expected credit losses on financial assets are calculated at the first accounting date. A loan loss reserve is recognised for all financial assets that are valued at amortised cost. These are calculated using models developed by the bank, all of which are based on the calculation of expected loan loss. This is done by calculating the product of probability of default, loss given default and exposure in default. The Group’s issued loans that are due for payment without being paid by the debtor are sold to debt collection companies in different countries depending on geographical market. To make provisions for expected loan losses, careful analysis of available data is required to make reliable forecasts of the future. TF Bank uses analyses of historical outcomes, available customer information and macro data to make as reasonable assumptions about the future as possible. For more detailed information on impairment tests and credit risks, see the section Impairment of financial assets in this note, the section on Credit risks in note 3 and note 21.

Impairment testing of Goodwill
Impairment testing of Goodwill is subject to many different estimates and assessments of the future. TF Bank annually examines whether there is a need for impairment of goodwill for the cash-generating unit. The calculations are based on estimated future cash flows after tax, which are based on financial forecasts approved by company management. Important assumptions regarding forecasts made include the average loan portfolio, new lending, margins and assessments of future developments. For more information, see section Goodwill in this note and note 22.

GROUP
New and amended standards and interpretations applied by the Group
Changes have been made in the Group’s accounting principles regarding leases in connection with the accounting standard IFRS 16 “Leases”. IFRS 16 “Leases” primarily affects the accounting for lessees and the implementation of the standard means that almost all leasing agreements will be recognised in the balance sheet. The standard removes the distinction between operational and financial leasing in IAS 17 and requires that a right to use the leased asset is recognised as an asset in the balance sheet and that a financial liability corresponding to the lease rents is recognised. A voluntary exemption can be made for short-term leasing contracts and agreements for which the underlying asset has a lower value. The income statement is also affected by the costs being higher at the beginning of the contract and lower at the end. Operating profit is affected by the rental costs being replaced by interest costs and depreciation. Cash flow from operating activities will increase and cash flow from financing activities will decrease as the amortisation of the lease debt is classified as cash flow from financing operations.

TF Bank has chosen to apply the simplified transitional method, which means that the calculation of the liability at the transition to IFRS 16 is based on the remaining payments for the leased asset. The lease debt is valued at the present value of the remaining lease payments using the marginal loan interest rate on the first day of application. Leases with a lease-term of 12 months or less have not been included, nor are leases for which the underlying asset has a lower value. Comparative figures have not been recalculated. TF Bank has chosen to apply the standard only in the Group and not in the Parent Company.

For effects of the implementation of IFRS 16, see Note 36.

Changes have also been made in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559). These were adopted on January 1, 2019 but have not had a significant impact on the Group. Furthermore, the Swedish Financial Supervisory Authority has amended regulations FFFS 2008:25 by issuing FFFS 2018:20 and 2019:2 and the Swedish Financial Reporting Council has amended recommendations for legal entities by issuing “RFR

Note 2 cont.

2 Supplementary Accounting Rules for Legal Entities – January 2019". These changes were adopted on January 1, 2019 but have had no significant impact on the Group.

No other new standards, amendments, interpretations and annual improvement projects that have entered into force have caused any significant changes on TF Bank's financial reports.

New standards and amendments and interpretations of existing standards that are not yet effective and which have not been early adopted by the Group
The International Accounting Standard Board (IASB) and the IFRS Interpretations Committee have issued the following standards, amendments to standards and interpretations to be applied for 2020 or later. The IASB allows early adoption of these. TF Bank has not applied the following changes in the 2019 annual report.

Insurance contracts (IFRS 17)
IFRS 17 was issued in May 2017 and is to be applied from January 1, 2021, with the proposed change of the application date to January 1, 2022. The standard has not yet been adopted by the EU. The new standard establishes principles for accounting, presentation, valuation and disclosure of insurance contracts. The standard will have no impact on the Group's financial reports.

Other changes in IFRS and Swedish regulations
Other new or amended IFRS standards or interpretations or changes in Swedish regulations issued but not yet applied are not expected to have any significant effect on the Group's financial position, results, cash flow or note disclosures.

Consolidated financial statements
The consolidated financial statements include subsidiaries in which the Group has a controlling interest. The Group controls a company when it is exposed to or has the right to variable returns from its involvement in the company and has the ability to influence the return through its control over the company. Subsidiaries are included in the consolidated financial statements from the date control was acquired by the Group. They are excluded from consolidation from the date control ceases.

The Group uses the acquisition method to account for its business acquisitions, which means that the subsidiaries' entire equity is eliminated on acquisition. The Group's equity therefore includes only that part of the subsidiaries' equity that has arisen after acquisition.

When the Group ceases to have a controlling interest, any remaining holding is valued at fair value as at the date the controlling interest was lost. The change in fair value is recognised in the income statement. The fair value is used upon initial recognition and forms the basis for future recognition of the remaining holding as associate, joint venture or financial asset. All amounts relating to the divested asset that were previously recognised in other comprehensive income are reported as if the Group had directly disposed of the assets or liabilities. This may result in amounts that were previously recognised in other comprehensive income being reclassified to the income statement.

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

Transactions and balances
Transactions in foreign currencies are translated into the functional currency at the exchanges rates that prevailed at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rate prevailing at the reporting date are recognised in the income statement. An exception to this are hedging transactions which qualify as cash flow or net investment hedges, in which case gains/losses are recognised in other comprehensive income.

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

- The assets and liabilities of each of the balance sheets are translated at the exchange rates prevailing at the balance sheet date.
- The income and expenses of each of the income statements are translated at average exchange rates for the year, unless these average rates are not a reasonable approximation of the cumulative effect of the rates prevailing at the transaction date, in which case income and expenses are translated at the rates prevailing at the transaction date.
- All foreign exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are recognised as assets and liabilities of the foreign entity and translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on the acquisition are recognised in other comprehensive income.

Segment reporting
Operating segments are accounted for in a way that is compatible with the internal reports submitted to the function responsible for the allocation of resources and the evaluation of the results of the operating segments. In the Group, this function has been identified as the CEO.

Tangible assets
Tangible assets are recognised at cost less depreciation. Expenditure to improve the performance of assets, compared with their original level, increases the carrying value of the asset. Expenditure on repair and maintenance are reported as expenses. Tangible assets are systematically depreciated over the estimated useful life of the asset. The depreciable amount is determined taking into account the residual value of the asset, if applicable. The straightline method of depreciation is used for all types of tangible assets. The following depreciation periods are used:

IT equipment	36 months
Other equipment	60 months

The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted, if appropriate. The carrying amount of an asset is immediately written down to its recoverable amount if the carrying amount of the asset exceeds its estimated recoverable amount.

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

- It is technically feasible to complete the software to make it available for use.
- The company's intention is to complete the software and use or sell it.
- It is possible to use or sell the software.
- It can be demonstrated how the software will generate probable future economic benefits.
- Adequate, technical, financial and other resources to complete the development and to use or sell the software are available.
- The expenditure attributable to the software during its development can be reliably measured.

Intangible assets are recognised at cost less amortisation. Intangible assets are amortised on a straight-line basis over their useful lives, up to a maximum of 60 months, from the date the asset is ready for use.

Note 2 cont.

The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted, if appropriate. The carrying amount of an asset is immediately written down to its recoverable amount if the carrying amount of the asset exceeds its estimated recoverable amount.

Goodwill
Goodwill arises on the acquisition of subsidiaries and refers to the amount by which the purchase price, any non-controlling interests in the acquired company and the fair value as at the date of acquisition of the previously held equity interest in the acquired company exceeds the fair value of identifiable acquired net assets. If the amount is less than the fair value of the acquired company's net assets, in the case of acquisitions at a low cost, the difference is recognised directly through profit or loss.

Goodwill is tested for impairment on an annual basis or more frequently if events or changes in circumstances suggest that the asset might be impaired. The carrying amount of the cash-generating unit to which the goodwill is allocated is compared with the recoverable amount, which is the greater of the value in use and the fair value less costs to sell.

Any impairment is immediately recognised as an expense and is not reversed.

Financial instruments – classification, recognition and measurement
All financial instruments are classified as belonging to one of the following categories:

Financial assets
- Financial assets at fair value through profit or loss:
  - Mandatory
  - Upon initial recognition measured at fair value through profit or loss
- Fair value through other comprehensive income
- Amortised cost
- Derivatives used for hedge accounting

Financial liabilities
- Financial liabilities at fair value through profit or loss:
  - Mandatory
  - Upon initial recognition measured at fair value through profit or loss
- Amortised cost
- Derivatives used for hedge accounting

All financial assets and liabilities are measured at fair value on initial recognition. The classification of financial instruments into different categories determines how each financial instrument is measured in the balance sheet and how changes in its value are recognised. Note 3 Financial risks and financial risk management contains the table Classification of financial assets and liabilities, which shows the different categories to which the financial instruments in TF Bank's balance sheet belong.

Financial assets and liabilities at fair value through profit or loss
Financial assets and liabilities measured at fair value through profit or loss are measured a fair value less transaction costs. All value changes in these items are recognised immediately through profit or loss under Net gains/losses on financial transactions. The category consists of two subcategories: Mandatory and Upon initial recognition measured at fair value through profit or loss. The subcategory Mandatory consists of derivatives held for trading. As at 31 December 2018, TF Bank had no financial assets or liabilities in the subcategory Upon initial recognition measured at fair value through profit or loss.

Fair value through other comprehensive income
Financial assets classified to the category Fair value through other comprehensive income are measured at fair value. Changes in fair value, other than interest, are recognised through other comprehensive income. Interest is recognised through profit or loss under the items Interest income or Interest expense.

Amortised cost
This category includes financial assets and liabilities measured at amortised cost. Financial assets and liabilities measured at amortised cost are initially recognised at fair value including transaction costs in the balance sheet. After initial recognition, the instrument in this category is measured at amortised cost using the effective interest rate method less credit loss provisions for financial assets. Loans to the public are described in more detail in Note 21 Loans to the public.

Derivatives used for hedge accounting
Financial assets and liabilities classified to the category Derivatives held for hedge accounting comprise derivative instruments held as foreign exchange hedges of net investments in foreign subsidiaries. Changes in fair value are recognised through other comprehensive income in the consolidated financial statements.

Impairment of financial assets
The Group has a model for calculating loan loss provisions based on expected loan losses. Financial assets that are subject to impairment losses are divided into three stages based on the risk of default. The first stage includes assets where no significant increase in credit risk has occurred at the reporting date, in the second, a significant increase in credit risk has occurred, i.e. the loan is 30 days past due or more, and in the third, a default event has occurred, i.e. the loan is more than 90 days past due. For assets in the first stage, impairment is based on expected credit losses over the next 12 months, while for stage two and three, expected credit 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 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 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) comprises the difference between the asset's carrying amount and the present value of future cash flows, discounted at the original effective interest 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.

Derivative instruments and hedging activities
Derivative instruments are recognised in the statement of financial position on the contract date and measured at fair value, both on initial recognition and at subsequent remeasurements. The method used to report gains or losses arising on remeasurement depends on whether the derivative has been identified as a hedging instrument and, if so, the nature of the hedged item. The Group designates certain derivatives as hedges of net investments in foreign operations (hedge of net investment).

When the transaction is concluded, the Group documents the relationship between the hedging instrument and the hedged item, as well as the Group's risk management objective and risk management strategy in respect of the hedge. The Group also documents its assessment, both at inception of the hedging relationship and on an ongoing basis, of whether the derivative instruments used for hedging transactions are effective in offsetting the changes in fair value or cash flows attributable to the hedged items.

Information on fair value of various derivative instruments held for hedging purposes is provided in Note 3. The entire fair value of a derivative designated as a hedging instrument is classified as a current asset or liability when the hedged item has a remaining term of less than 12 months. Derivative instruments held for trading are always classified as current assets or liabilities.

The effective portion of changes in the fair value of a derivate instrument designated as the hedging instrument in a hedge of a net investment in foreign operations and which qualifies as hedge accounting is recognised in other comprehensive income. The portion of gains or losses on a hedging instrument that is deemed to be effective is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement.

Accumulated gains and losses in equity are recognised in the income statement on disposal or partial disposal of the foreign operation.

Issued debt and equity instruments
A financial instrument issued by TF Bank are classified either as a financial liability or as equity. Issued financial instruments are classified as a financial liability if the contract terms and conditions mean that TF Bank has an obligation to pay using either cash or another financial asset. If this is not the case, the instrument is usually an equity instrument and classified as equity, less transaction costs.

The issued financial instruments classified as financial liabilities are bonds over ten years with possible voluntary redemption after five years. The interest terms are Stibor plus margin and the interest is paid quarterly. The financial instrument classified as equity is a bond that runs over ten years with possible voluntary redemption after five years from the date of issue. The interest terms are Stibor plus margin and the interest is paid quarterly. For more detailed terms, see the prospectus on the Group's website www.tfbank-group.com.

Income taxes
Current tax expense is calculated based on tax rates enacted or substantively enacted at the reporting date in the country in which the company operates and generates taxable income. Management regularly assesses the statements made in tax returns regarding situations where applicable tax rate are subject to interpretation and, when deemed appropriate, makes provisions for amounts that will probably have to be paid to the taxation authorities.

Recognised income tax expense comprises tax payable or receivable for the financial year and any adjustment to the tax payable or receivable in respect of previous years. For items recognised in the income statement, the corresponding tax effects are also recognised in the income statement. The tax effects of items recognised directly in equity are recognised in equity.

Deferred income tax is calculated using tax rates (and laws) that were enacted or announced at the balance sheet date and which are expected to be applied when the related deferred tax asset is realised or the deferred tax liability is settled.

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

Employee benefits
Pension plans are funded through payments to insurance companies. The Group only has defined contribution plans. A defined contribution pension plan is a pension plan under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or constructive obligation to pay further contributions if this legal entity does not hold sufficient assets to pay all benefits to employees in respect of their service in the current or previous years.

Provisions
Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is more probable than not that an outflow resources is required to settle the obligation, and the amount can be reliably estimated. Provisions for restructuring are recognised when a detailed and formal restructuring plan has been approved and a valid expectation has been raised in those affected. Provisions for future warranty claims refer to the near future and are based on historical information about warranty claims and current trends that may suggest future claims could differ from historical claims. No provisions are made for future operating losses.

Where there are a number of similar obligations, the probability that an outflow of resources will be required for settlement is assessed for this entire class of obligations as a whole. A provision is recognised even if the probability of an outflow in respect of any one item in this class of obligations is small.

Interest income
Interest income is recognised in the income statement over the expected life using the effective interest method. Transaction costs related to loans payable and loans receivable are therefore recognised as part of the loan. Transaction costs refer to commission. Transaction costs and arrangement fees are recognised on a straight-line basis over the expected term of the loan. Invoicing and notification charges are included in interest income according to the effective interest rate method.

The Group regularly makes amortisation of assets and unappropriated funds for which the Group has not been able to repay or locate counterparties. They are recognised as interest income as they are directly linked to the Group's lending to the public.

Commission income and expense
TF Bank recognises reminder fees, insurance premium fees and other fees and in commission income. Commission income is recognised in the income statement in the period it is earned. Commission expense are expenses attributable to services and charges that relate to fees earned from insurance premiums.

Net results from financial transactions
This item relates to foreign currency translation of assets and liabilities in foreign currencies and changes in the fair value of derivatives relating to forward contracts to hedge foreign exchange risk.

Cash flow statement
The cash flow statement is prepared according to the indirect method. Recognised cash flow comprises only transactions that involve cash receipts or disbursements. Cash and cash equivalents include Cash and balances with central banks, Treasury bills eligible for refinancing, etc. and Loans to credit institutions.

THE PARENT COMPANY USED THE ABOVE ACCOUNTING POLICIES AS WELL AS THE ADDITIONAL POLICIES BELOW
Shares and participations in subsidiaries
Shares and participations in subsidiaries are recognised at cost plus transaction costs after deduction of any impairment losses. Where there is an indication that shares and participations have become impaired, an estimate is made of the recoverable amount. If this is lower than the carrying amount, an impairment loss is recognised. Impairment losses are recognised under the items Gains/losses on participations in Group companies and Gains/losses on participations in associates.

Untaxed reserves
Sums allocated to untaxed reserves in the Parent Company comprise taxable temporary differences. Because of the relationship between accounting and taxation, the deferred tax liability attributable to the untaxed reserves is not recognised separately.

The untaxed reserves are therefore recognised at the gross amount. Appropriations are recognised at the gross amount in the income statement.

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

Group contributions
In accordance with the general rule in RFR 2, group contributions from the Parent Company to subsidiaries are recognised as an increase in participating interests in Group companies. The subsidiaries recognise received group contributions under appropriations.

NOTE 3 Financial risks and financial risk management

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 in its consolidated financial statements for net investments in foreign operations.

The Board of Directors draws up written policies and governing documents. Compliance with the governing documents and 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.

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

Translation risk arises when the Group has holdings in foreign operations, the net assets of which are exposed to currency risk when translated into SEK in the Group's consolidated financial statements. TF Bank has a subsidiary in Latvia, TFB Service SIA (EUR), a subsidiary in Lithuania, TFB Service UAB (EUR), a subsidiary in Germany, TFB Service GmbH (EUR), a subsidiary in Finland, Avarda Oy (EUR), and a subsidiary in Norway, BB Bank ASA (NOK). Currency exposure arising from the net assets of the Group's foreign operations must be hedged as far as possible, according to the financial policy adopted by the Board of Directors. As of July 2015, TF Bank applies hedge accounting for its holding in BB Bank ASA (NOK), using currency forwards and deposits and borrowings from the public as hedging instruments, which are reported in the parent company. As of January 2017, the subsidiary Avarda AB also applies hedge accounting for its holding in Avarda Oy, using currency forwards as hedging instruments. The Group has the following hedged net assets and hedging instruments:

Group SEK thousand	2019	2018
Hedged net assets		
Net investment in BB Bank ASA	442,301	297,521
Net investment in Avarda Oy	98,462	86,518
Total	**540,763**	**384,039**
Hedging instruments		
Currency forward contract as hedging instrument (nominal amount)	392,262	169,793
Deposits and borrowings from the public in NOK as hedging instrument	145,990	215,145
Total	**538,252**	**384,938**

Derivative instruments are held only for the purpose of hedging financial risk and not for speculative purposes. Where derivative instruments do not meet the criteria for hedge accounting, they are classified as being held for trading and are measured at fair value through the income statement. They are classified as current assets or current liabilities if they are expected to be settled within 12 months after the reporting date.

HEDGE RESERVE

Group SEK thousand	Spot component of a currency forward contract and exchange rate differences relating to the hedged portion of deposits in NOK
Opening balance 1 January 2018	**3,857**
Change in fair value of hedging instruments recognised through other comprehensive income	-1,379
Deferred tax	303
Closing balance 31 December 2018	**2,781**
Opening balance 1 January 2019	**2,781**
Change in fair value of hedging instruments recognised through other comprehensive income	-6,610
Deferred tax	1,668
Closing balance 31 December 2019	**-2,161**

Note 3 cont.

The effects of hedge accounting for the impact of currency risks on the Group's financial position and results are shown below:

Group SEK thousand	2019	2018
Derivative instrument NOK		
Carrying amount	1,981	1,214
Nominal amount	293,692	83,504
Maturity date	2020-01-03	2019-01-10
Hedge ratio	1:1	1:1
Forward rate	SEK 1,0489 : 1 NOK	SEK 1,0438 : 1 NOK
Derivative instrument EUR		
Carrying amount	389	-18
Nominal amount	98,570	86,289
Maturity date	2020-01-03	2019-01-10
Hedge ratio	1:1	1:1
Forward rate	SEK 10,48619 : 1 EUR	SEK 10,2725 : 1 EUR
Hedging instrument deposits		
Carrying amount	145,990	215,145
Carrying amount NOK thousand	138,000	210,000
Hedge ratio	1:1	1:1

Operational currency risk refers to exchange rate risks arising from the Group's foreign currency denominated positions in financial instruments. Currency risk involves the following currencies: EUR, NOK, DKK and PLN. Currency risk arises when future business transactions or recognised assets or liabilities are expressed in a currency other than the Company's functional currency. According to the Company's financial policy, currency risk is managed through the statement of financial position. The Company uses forward contracts for EUR, NOK, DKK and PLN. Forward contracts normally have a maturity of between 1-3 months to minimise the impact on results of changes in exchange rates, see Note 17.

TF Bank assesses its future capital requirements under Pillar 2 for currency risk through stress tests involving the impact on net positions of exchange rate movements of 9.3%. Other variables are kept constant. TF Bank has chosen the level 9.3 % by analyzing the biggest exchange rate movements between specific dates in the period 2009-2019 for the currencies in which the bank has the biggest exposure. TF Bank has chosen to calculate worst case scenarios with 99.999 % confidence based on the largest movement in each currency. The stress tests resulted in the following outcomes on positions as at 31 December 2019 (excluding tax effects):

CURRENCY

SEK thousand	2019	2018
EUR	+/- 1,535	+/- 726
NOK	+/- 105	+/- 552
DKK	+/- 34	+/- 84
PLN	+/- 210	+/- 458

Because of the regulatory capital requirement under Pillar 1 in place as at 31 December 2019, the level was replaced with capital adequacy of 8 % according to the standardised approach.

(ii) Interest rate risk in respect of cash flow
Because floating interest rates apply to most of liabilities and assets, the Group's interest rate risk is minimal.

Under the financial policy and liquidity policy, holdings of securities with a remaining term of up to 12 months are permitted. Not more than 30 % of the Company's accessible liquidity must have a remaining term of more than six months. Because the Group's holding of treasury bills as at the reporting date stood at SEK 60 million (70), the impact of this interest rate risk on results was also negligible in the above scenario. Other assets in the liquidity portfolio comprised various bank balances at floating rates, which involve very limited interest rate risk.

Note 3 cont.

(iii) 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 3 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 3 cont.

Parent Company, 31 Dec 2019 SEK thousand	Financial instruments at fair value through profit or loss *Compulsory*	Fair value through other comprehen-sive income	Amortised cost	Non-fi-nancial assets and liabilities	Total
Assets					
Cash and balances with central banks	-	-	238 113	-	238 113
Treasury bills eligible for refinancing	-	60 051	-	-	60 051
Loans to credit institutions	-	-	1 022 247	-	1 022 247
Loans to the public	-	-	4 305 139	-	4 305 139
Shares	21 796	-	-	-	21 796
Shares in group companies	-	-	515 511	-	515 511
Intangible assets	-	-	-	28 156	28 156
Tangible assets	-	-	-	1 665	1 665
Current tax assets	-	-	-	11 162	11 162
Deferred tax assets	-	-	-	1 548	1 548
Prepaid expenses and accrued income	-	-	-	12 560	12 560
Derivatives	3 001	-	-	-	3 001
Other assets	-	-	-	4 428	4 428
Total assets	**24 797**	**60 051**	**6 081 010**	**59 519**	**6 225 377**
Liabilities					
Deposits and borrowings from the public	-	-	5 136 820	-	5 136 820
Deferred tax liabilities	-	-	-	7	7
Accrued expenses and prepaid income	-	-	-	56 700	56 700
Subordinated liabilities	-	-	197 583	-	197 583
Derivatives	2 967	-	-	-	2 967
Other liabilities	-	-	-	33 530	33 530
Total liabilities	**2 967**	**-**	**5 334 403**	**90 237**	**5 427 607**

Note 3 cont.

Parent Company, 31 Dec 2018 SEK thousand	Financial instruments at fair value through profit or loss *Compulsory*	Fair value through other comprehen-sive income	Amortised cost	Non-financial assets and liabilities	Total
Assets					
Cash and balances with central banks	-	-	143 543	-	143 543
Treasury bills eligible for refinancing	-	70 118	-	-	70 118
Loans to credit institutions	-	-	1 174 142	-	1 174 142
Loans to the public	-	-	3 077 158	-	3 077 158
Shares	20 871	-	-	-	20 871
Shares in group companies	-	-	433 872	-	433 872
Intangible assets	-	-	-	18 725	18 725
Tangible assets	-	-	-	1 696	1 696
Current tax assets	-	-	-	23 178	23 178
Deferred tax assets	-	-	-	3 921	3 921
Prepaid expenses and accrued income	-	-	-	20 526	20 526
Derivatives	5 944	-	-	-	5 944
Other assets	-	-	-	3 641	3 641
Total assets	**26 815**	**70 118**	**4 828 715**	**71 687**	**4 997 335**
Liabilities					
Deposits and borrowings from the public	-	-	4,061,396	-	4,061,396
Deferred tax liabilities	-	-	-	1,308	1,308
Accrued expenses and prepaid income	-	-	-	56,741	56,741
Subordinated liabilities	-	-	98,570	-	98,570
Derivatives	-	-	-	-	-
Other liabilities	-	-	-	66,294	66,294
Total liabilities	**-**	**-**	**4,159,966**	**124,343**	**4,284,309**

(iv) Financial assets and liabilities at 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.

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**

Note 3 cont.

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**

Parent Company, 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	-	-	21,796
Derivatives	-	3,001	-	3,001
Total assets	**81,847**	**3,001**	**-**	**84,848**
Liabilities				
Subordinated liabilities	197,583	-	-	197,583
Derivatives	-	2,967	-	2,967
Total liabilities	**197,583**	**2,967**	**-**	**200,550**

Parent Company, 31 Dec 2018 SEK thousand	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills eligible for refinancing	70,118	-	-	70,118
Shares	20,871	-	-	20,871
Derivatives	-	5,944	-	5,944
Total assets	**90,989**	**5,944**	**-**	**96,933**
Liabilities				
Subordinated liabilities	98,570	-	-	98,570
Derivatives	-	-	-	-
Total liabilities	**98,570**	**-**	**-**	**98,570**

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 forward 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. For the corporate sector, fair value is based on discounted cash flows using an interest rate based on TF Bank’s interest rate on deposits and profit margin.

Note 3 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 and borrowings 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 and borrowings 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**	**-**

Parent Company, 31 Dec 2019 SEK thousand	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
Assets			
Cash and balances with central banks	238,113	238,113	-
Treasury bills eligible for refinancing	60,051	60,051	-
Loans to credit institutions	1,022,247	1,022,247	-
Loans to the public	4,305,139	4,305,139	-
Derivatives	3,001	3,001	-
Total assets	**5,628,551**	**5,628,551**	**-**
Liabilities			
Deposits and borrowings from the public	5,136,820	5,136,820	-
Subordinated liabilities	197,583	197,583	-
Derivatives	2,967	2,967	-
Total liabilities	**5,337,370**	**5,337,370**	**-**

Note 3 cont.

Parent Company, 31 Dec 2018 SEK thousand	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
Assets			
Cash and balances with central banks	143,543	143,543	-
Treasury bills eligible for refinancing	70,118	70,118	-
Loans to credit institutions	1,174,142	1,174,142	-
Loans to the public	3,077,158	3,077,158	-
Derivatives	5,944	5,944	-
Total assets	**4,470,905**	**4,470,905**	**-**
Liabilities			
Deposits and borrowings from the public	4,061,396	4,061,396	-
Subordinated liabilities	98,570	98,570	-
Derivatives	-	-	-
Total liabilities	**4,159,966**	**4,159,966**	**-**

Credit risk

Credit risk is the risk that a counterparty causes the Group a financial loss by not fulfilling its contractual obligations. Credit risk arises primarily through 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 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 has a claims and collections unit which deals with existing customers in financial difficulties. The Group also has a credit division which assesses potential customers and reviews collateral and credit limits established by the Board on an ongoing basis.

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 loan losses is small in proportion to the outstanding loan volume (see Note 21). 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 loan 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.

The objective of the Group's process for monitoring past due payments and unsettled receivables is to minimise loan 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.

Note 3 cont.

CREDIT QUALITY OF LOANS THAT ARE NEITHER PAST DUE NOR IMPAIRED
Credit quality of receivables that are neither past due nor impaired has been assessed on the basis of a model that classifies loans as low, moderate or high risk. The classification is primarily based on the number of reminders, if any, sent to individual customers, the number of months a customer has had an active loan with the Group and the borrower's individual credit status at the time of taking out the loan, calculated on the basis of both internal and external sources. The risk assessment also takes into account various parameters such as product type (segment) and country, including taking into account historical information retrieved from our own database.

	Group		Parent Company	
SEK thousand	**2019**	2018	**2019**	2018
Household sector				
Low risk	4,364,404	3,155,896	2,284,134	1,758,607
Moderate risk	1,346,189	854,347	1,004,752	647,903
High risk	992,706	581,991	948,431	544,262
Total	**6,703,299**	**4,592,234**	**4,237,317**	**2,950,772**

The credit quality of other fully performing (neither past due nor impaired) financial assets in accordance with Standard & Poor's local short-term ratings is shown below:

	Group		Parent Company	
SEK thousand	**2019**	2018	**2019**	2018
Cash and balances with central banks				
AAA	152,219	82,067	-	-
AA+	188,584	135,021	188,584	135,021
AA-	37,033	-	37,033	-
A-	12,496	8,522	12,496	8,522
Treasury bills eligible for refinancing				
AAA	60,051	70,118	60,051	70,118
Loans to credit institutions				
A-1+	619,124	253,214	555,636	193,841
A-1	693,471	859,703	423,110	823,832
A-2	40,328	28,502	34,694	23,020
Unrated	9,536	7,444	8,807	133,449
Other assets				
A-1+	3,520	5,944	3,001	5,944
A-1	21,796	20,871	21,796	20,871
Unrated	14,839	17,568	3,498	2,726
Total	**1,852,997**	**1,488,974**	**1,348,706**	**1,417,344**

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

Liquidity risk
The Board of Directors establishes guidelines for managing liquidity risk. The main liquidity risk comprises the Group's ability to meet its obligations to repay customer deposits from Swedish, Finnish, Norwegian and German households, the ability to pay out new credits is regarded as a business risk. As at the balance sheet date, deposits from the public amounted to SEK 7,197 million (5,096), which are recognized under Deposits and borrowings from the public. According to the instructions from the Board of Directors, TF Bank should generally maintain a low level of exposure to liquidity risk in its operations.

In order to prevent a liquidity crisis, the Group, in accordance with its liquidity policy, must at all times maintain a liquidity reserve and other measures designed to generate liquidity, such as, other than normal operating line of credit, credit commitments directly or indirectly from another credit institution or cash equivalents.

Note 3 cont.

The maximum amount of eligible capital that may be placed with the Group's permitted counterparties is 25 %, except in the case of credit institutions, when the permitted amount is 100 % of eligible capital [1]. Treasury bills and balances at central banks, as well as exposure to subsidiaries, are exempted from the 25 % limit.

Management carefully monitors the Group's liquidity reserve, which comprises cash and cash equivalents and other liquidity generating measures, and also follows rolling forecasts concerning the liquidity situation on the basis of expected cash flows.

All funding other than deposits from the public comprises borrowings from credit institutions, securities issues and equity.

As at 31 December 2019, the Group's liquidity reserve amounted to SEK 1,806 million (1,450) and the sum of the liquidity reserve and other liquidity creating measures totaled SEK 1,838 million (1,481), which corresponds to 26 % (29) of the Group's deposits from the public. The Group's LCR was 286 % (264) and the ratio of deposits from the public/loans to the public was 1.11 (1.15). [2]

As at 31 December 2019, the Parent Company's liquidity reserve amounted to SEK 1,305 million (1,260) and the sum of the liquidity reserve and other liquidity creating measures totaled SEK 1,305 million (1,260), which corresponds to 25 % (31) of the Group's deposits from the public. The Company's LCR was 282 % (248) and the ratio of deposits from the public/loans to the public was 1.19 (1.32). [2]

For contractual maturity dates for liabilities, see Note 18.

NOTE 4 Segment reporting

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

	Group	
Income statement, SEK thousand	**2019**	2018
Net interest income	562,723	456,493
Net fee and commission income	29,506	25,561
Net results from financial transactions	-145	1,412
Total operating income	**592,084**	**483,466**
General administrative expenses	-151,979	-138,395
Depreciation and amortisation of intangible and tangible assets	-10,315	-5,131
Other operating expenses	-14,375	-11,757
Total operating expenses	**-176,669**	**-155,283**
Profit before loan losses	**415,415**	**328,183**
Net loan losses	-152,393	-113,376
Operating profit	**263,022**	**214,807**
Key figures [3]		
Operating income margin, %	13.4	15.8
Net loan loss ratio, %	3.5	3.7
Cost/Income ratio, %	29.8	32.1

1 According to Article 4 (71) of Regulation (EU) No 575/2013, eligible capital is the sum of Tier 1 capital and Tier 2 capital that is equal to or less than one third of Tier 1 capital.
2 According to Article 4 of Commission Delegated Regulation (EU) 2015/61, LCR should be calculated by dividing the liquidity buffer with net liquidity outflows over a 30-calendar day stress period. The regulatory LCR requirement is 100 % as of 31 December 2017.
3 See separate section with definitions, page 100.

Note 4 cont.

ECOMMERCE SOLUTIONS

Income statement, SEK thousand	Group	
	2019	2018
Net interest income	144,261	118,198
Net fee and commission income	32,562	25,849
Net gains/losses on financial transactions	-43	128
Total operating income	**176,780**	**144,175**
General administrative expenses	-102,885	-84,544
Depreciation and amortisation of intangible and tangible assets	-7,813	-4,824
Other operating expenses	-3,508	-2,885
Total operating expenses	**-114,206**	**-92,253**
Profit before loan losses	**62,574**	**51,922**
Net loan losses	-36,241	-36,896
Operating profit	**26,333**	**15,026**
Key figures [1]		
Operating income margin, %	15.0	18.0
Net loan loss ratio, %	3.1	4.6
Cost/Income ratio, %	64.6	64.0

CONSUMER LENDING

Balance sheet, SEK thousand	Group	
	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 [2]	101,494	48,364
Total household sector	**5,144,824**	**3,466,309**

1 See separate section with definitions, page 100.

2 The group continuously sells the majority of delinquent loans before they reach stage 3.

Note 4 cont.

ECOMMERCE SOLUTIONS

Balance sheet, SEK thousand	Group	
	31 Dec 2019	31 Dec 2018
Loans to the public		
Household sector	1,332,176	982,916
Corporate sector [1]	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 [2]	13,094	12,590
Total household sector	**1,332,176**	**982,916**

GROUP INFORMATION

Income statement, SEK thousand	Group	
	2019	2018
Operating income		
Consumer Lending	592,084	483,466
Ecommerce Solutions	176,780	144,175
Total operating income	**768,864**	**627,641**
Operating profit		
Consumer Lending	263,022	214,807
Ecommerce Solutions	26,333	15,026
Items affecting comparability	-	20,295
Total operating profit	**289,355**	**250,128**

GROUP INFORMATION

Balance sheet, SEK thousand	Group	
	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 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 the majority of delinquent loans before they reach stage 3.

NOTE 5 Interest income

SEK thousand	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Interest income from loans to the public	810,701	656,436	565,242	528,174
Other interest income	2,416	805	10,211	821
Total interest income	**813,117**	**657,241**	**575,453**	**528,995**
- of which interest income from non-performing loans	*4,851*	*6,539*	*5,210*	*5,023*
Geographical breakdown of interest income:				
Finland	223,889	192,232	179,077	170,980
Norway	203,498	125,776	16,548	8,614
Sweden	128,572	128,324	122,670	137,713
Estonia	128,483	99,666	128,483	99,665
Latvia	62,953	29,233	62,953	29,233
Poland	47,505	74,293	47,505	74,293
Denmark	6,917	7,147	6,917	7,927
Lithuania	5,571	494	5,571	494
Germany	5,117	76	5,117	76
Austria	612	-	612	-
Total interest income	**813,117**	**657,241**	**575,453**	**528,995**

NOTE 6 Interest expense

SEK thousand	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Deposit fees to credit institutions	-3,884	-4,317	-3,830	-4,316
Interest expense, deposits from the public	-69,665	-51,810	-35,254	-31,649
Interest expense, subordinated liabilities	-7,542	-6,354	-7,542	-6,354
Other financial expense	-25,042	-20,069	-23,485	-19,079
Total interest expense	**-106,133**	**-82,550**	**-70,111**	**-61,398**

NOTE 7 Net fee and commission income

SEK thousand	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Fee and commission income				
Insurance premiums	31,627	28,238	13,059	14,232
Reminder fees	36,857	30,097	23,454	21,863
Other fee and commision income	4,077	2,795	294	172
Total fee and commission income	**72,561**	**61,130**	**36,807**	**36,267**
Fee and commission expense				
Insurance expense	-6,025	-8,044	-2,545	-4,417
Other fee and commision expense	-4,468	-1,676	-3,000	-
Total fee and commission expense	**-10,493**	**-9,720**	**-5,545**	**-4,417**
Net fee and commission income	**62,068**	**51,410**	**31,262**	**31,850**
Geographical breakdown of commission income:				
Norway	25,316	18,948	1,849	1,780
Finland	21,258	17,539	11,565	10,736
Sweden	20,205	19,327	17,611	18,435
Denmark	2,605	2,607	2,605	2,607
Estonia	1,821	1,112	1,821	1,112
Latvia	974	449	974	449
Poland	366	1,147	366	1,147
Lithuania	10	1	10	1
Austria	6	-	6	-
Germany	0	0	0	0
Total commission income	**72,561**	**61,130**	**36,807**	**36,267**

NOTE 8 Net results from financial transactions

SEK thousand	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Exchange rate fluctuations	-435	1,368	-6,452	1,557
Gains/losses on investments in funds and other securities	247	172	247	107
Total net gains/losses on financial transactions	**-188**	**1,540**	**-6,205**	**1,664**

NOTE 9 General administrative expenses

SEK thousand	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Staff costs				
Salaries and fees	-93,735	-78,187	-56,166	-47,049
Social security costs	-24,735	-21,378	-15,827	-13,617
Pension costs	-5,819	-5,535	-3,978	-3,975
Other staff costs	-2,539	-2,032	-1,234	-892
Total staff costs	**-126,828**	**-107,132**	**-77,205**	**-65,533**
Other general administrative expenses				
Postage and telephone	-13,418	-12,755	-7,613	-8,061
IT costs	-27,918	-28,626	-17,242	-19,351
Debt collection costs	-5,326	-4,545	-5,273	-4,220
Information services and customer communication	-30,998	-24,449	-25,647	-19,043
Rent and property costs	-3,873	-7,716	-6,452	-5,110
Other	-46,503	-37,716	-37,984	-28,770
Total other general administrative expenses	**-128,036**	**-115,807**	**-100,211**	**-84,555**
Total general administrative expenses	**-254,864**	**-222,939**	**-177,416**	**-150,088**

NOTE 10 Auditors' remuneration

SEK thousand	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
PricewaterhouseCoopers AB				
Audit assignment	2,195	2,170	1,602	1,783
Audit services in addition to the audit assignment	1,197	787	961	450
Tax advice	620	303	585	244
Other services	442	41	442	41
Total auditors' remuneration	**4,454**	**3,301**	**3,590**	**2,518**

The amounts include auditors' remuneration for PriceWaterhouseCoopers AB of SEK 3,404,000, divided between the audit assignment SEK 1,416,000, audit services other than the audit assignment SEK 961,000, tax advice SEK 585,000 and other services SEK 442,000.

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

AVERAGE NUMBER OF EMPLOYEES, DISTRIBUTED BETWEEN WOMEN AND MEN:

	Group		Parent Company	
	2019	2018	**2019**	2018
Women	100	82	68	57
Men	74	58	46	36
Total	**174**	**140**	**114**	**93**

AVERAGE NUMBER OF EMPLOYEES, DISTRIBUTED BETWEEN WOMEN AND MEN, BY COUNTRY:

	Group		Parent Company	
	2019	2018	**2019**	2018
Sweden				
Women	35	33	34	32
Men	27	20	22	15
Total	**62**	**53**	**56**	**47**
Finland				
Women	10	9	4	4
Men	10	8	4	3
Total	**20**	**17**	**8**	**7**
Poland				
Women	12	10	12	10
Men	19	16	19	16
Total	**31**	**26**	**31**	**26**
Estonia				
Women	18	11	18	11
Men	1	2	1	2
Total	**19**	**13**	**19**	**13**
Norway				
Women	15	11	-	-
Men	12	10	-	-
Total	**27**	**21**	**-**	**-**
Latvia				
Women	7	5	-	-
Men	3	1	-	-
Total	**10**	**6**	**-**	**-**
Lithuania				
Women	3	3	-	-
Men	1	0	-	-
Total	**4**	**3**	**-**	**-**
Germany				
Women	0	-	-	-
Men	1	-	-	-
Total	**1**	**-**	**-**	**-**

Note 11 cont.

SALARIES AND REMUNERATION:

	Group		Parent Company	
SEK thousand	**2019**	2018	**2019**	2018
Board of Directors and CEO	6,160	5,520	5,705	5,123
Other staff	87,575	72,667	50,461	41,926
Total salaries and remuneration	**93,735**	**78,187**	**56,166**	**47,049**
Social costs pursual to legislation and agreements	24,735	21,378	15,827	13,617
Pension costs	5,819	5,535	3,978	3,975
Total salaries, remuneration, social security costs and pension costs	**124,289**	**105,100**	**75,971**	**64,641**

SALARIES AND REMUNERATION FOR BOARD MEMBERS AND SENIOR EXECUTIVES:

	Group		Parent Company	
SEK thousand	**2019**	2018	**2019**	2018
Chairman of the Board: Mari Thjømøe				
Board fees	650	433	650	433
Other benefits	-	-	-	-
Pension costs	-	-	-	-
Total Chairman of the Board	**650**	**433**	**650**	**433**

	Group		Parent Company	
SEK thousand	**2019**	2018	**2019**	2018
Fees other Board members:				
Bertil Larsson	300	300	300	300
Charlotta Björnberg-Paul	300	300	300	300
John Brehmer	350	333	350	333
Mari Thjømøe	-	117	-	117
Tone Bjørnov	534	521	400	400
Board members in subsidiaries	321	276	-	-
Total	**1,805**	**1,847**	**1,350**	**1,450**

	Group		Parent Company	
SEK thousand	**2019**	2018	**2019**	2018
CEO: Mattias Carlsson				
Basic salary	3,575	3,132	3,575	3,132
Variable remuneration	-	-	-	-
Other benefits	130	108	130	108
Pension costs	820	702	820	702
Total	**4,525**	**3,942**	**4,525**	**3,942**

Note 11 cont.

SEK thousand	Group		Parent Company	
	2019	2018	**2019**	2018
Deputy CEO: Mikael Meomuttel				
Basic salary	2,232	2,160	2,232	2,160
Variable remuneration	1,750	-	1,750	-
Other benefits	131	94	131	94
Pension costs	390	450	390	450
Total	**4,503**	**2,704**	**4,503**	**2,704**
Other senior executives [1]:				
Basic salary	5,889	4,644	-	-
Variable remuneration	255	374	-	-
Other benefits	245	240	-	-
Pension costs	449	497	-	-
Total	**6,838**	**5,755**	**-**	**-**

Remuneration of senior executives
In accordance with the requirements regarding disclosure of information in FFFS 2011:1, information on e.g. remuneration framework is provided on the Group's website www.tfbankgroup.com. Salaries and other remuneration for the CEO and other senior executives comprise fixed salary, variable remuneration, commission-based compensation, other benefits and pension.

Commission-based compensation
In 2019, commission-based compensation amounted to SEK 2,005,000 (374,000). Additional commission-based compensation is paid on the basis of individual accomplishment of financial targets established for the year. TF Bank has ensured that all targets related to commission-based compensation for the fiscal year can be measured in a reliable way. None of the commission-based compensation payments are qualifying payments for pension purposes.

Share-based remuneration
At the Annual General Meetings in 2016 and 2018 two subscription warrant programmes was adopted comprising a total of 221,649 and 1,372,338 warrants respectively. The subscription warrants were subscribed for by senior executives. Payment corresponding to the market value has been made and was recognised as other contributed capital under equity. In 2019, the warrant programme from 2016 expired, none of the warrants was converted.

Pensions
The Company's pension obligations are covered through payments to an ITP occupational pension plan. The retirement age for the CEO is 65 and annual supplementary payments are made to a defined contribution plan. The retirement age for other senior executives is between 65 and 67 depending on country of residence and annual supplementary payments are made to a defined contribution plan.

Period of notice and severance pay
According to an agreement between TF Bank AB and the CEO, the period of notice is six months (12 months in the case of termination by the Company). If termination is initiated by the Company, basic salary is payable during the period of notice, however variable remuneration, if agreed before the notice was issued, is not payable. Severance pay is adjusted for salary that the CEO receives from a new employer.

Compensation to the board of directors
Compensation to the members of the Board of Directors, as indicated above, is determined by the Annual General Meetings and refers to annual fees from Annual General Meeting to Annual General Meeting for the years respectively. Board compensation consists of fixed compensation for board work as well as fixed compensation for any committee work. The two committees are the Audit Committee and the Remuneration Committee. The Group does not have any pension entitlements for Board members.

GENDER DISTRIBUTION BOARD MEMBERS AND SENIOR EXECUTIVES

SEK thousand	2019		2018	
	Number on reporting date	Of which men (%)	Number on reporting date	Of which men (%)
Board members	6	50	6	50
CEO and other senior executives	4	100	4	100

[1] Other senior executives are the heads of the segments Consumer Lending and Ecommerce Solutions.

NOTE 12 Intangible assets

SEK thousand	Group			Parent Company		
	Internally developed software	Ongoing developement	Total	Internally developed software	Ongoing developement	Total
2018						
Cost, opening balance	49,019	3,763	52,782	37,044	3,763	40,807
Additions	8,572	8,959	17,531	669	3,956	4,625
Reclassification	26	-268	-242	452	-694	-242
Sales and disposals	-	-	-	-	-	-
Exchange rate differences	426	-	426	-	-	-
Cost, closing balance	**58,043**	**12,454**	**70,497**	**38,165**	**7,025**	**45,190**
Amortisations, opening balance	-23,413	-	-23,413	-21,436	-	-21,436
Amortisations for the year	-8,821	-	-8,821	-5,029	-	-5,029
Sales and disposals	-	-	-	-	-	-
Exchange rate differences	-64	-	-64	-	-	-
Amortisations, closing balance	**-32,298**	**-**	**-32,298**	**-26,465**	**-**	**-26,465**
Carrying amount	**25,745**	**12,454**	**38,199**	**11,700**	**7,025**	**18,725**
2019						
Cost, opening balance	58,043	12,454	70,497	38,165	7,025	45,190
Additions	2,858	27,061	29,919	930	14,893	15,823
Reclassification	23,065	-23,163	-98	13,840	-13,938	-98
Sales and disposals	-	-	-	-	-	-
Exchange rate differences	305	22	327	5	-	5
Cost, closing balance	**84,271**	**16,374**	**100,645**	**52,940**	**7,980**	**60,920**
Amortisations, opening balance	-32,298	-	-32,298	-26,465	-	-26,465
Amortisations for the year	-12,060	-	-12,060	-6,299	-	-6,299
Sales and disposals	-	-	-	-	-	-
Exchange rate differences	-124	-	-124	-	-	-
Amortisations, closing balance	**-44,482**	**-**	**-44,482**	**-32,764**	**-**	**-32,764**
Carrying amount	**39,789**	**16,374**	**56,163**	**20,176**	**7,980**	**28,156**

NOTE 13 Tangible assets

SEK thousand	Group			Parent Company	
	Equipment	Right-of-use asset	Total	Equipment	Total
2018					
Cost, opening balance	6,832	-	6,832	4,713	4,713
Additions	1801	-	1,801	937	937
Sales and disposals	-	-	-	-	-
Exchange rate differences	181	-	181	146	146
Cost, closing balance	**8,814**	**-**	**8,814**	**5,796**	**5,796**
Amortisations, opening balance	-5,175	-	-5,175	-3,444	-3,444
Amortisations for the year	-1,134	-	-1,134	-642	-642
Sales and disposals	-	-	-	-	-
Exchange rate differences	-34	-	-34	-14	-14
Amortisations, closing balance	**-6,343**	**-**	**-6,343**	**-4,100**	**-4,100**
Carrying amount	**2,471**	**-**	**2,471**	**1,696**	**1,696**
2019					
Cost, opening balance	8,814	-	8,814	5,796	5,796
Change in accounting policies, IFRS 16	-	23,646	23,646	-	-
Additions	1,186	-	1,186	725	725
Sales and disposals	-	-	-	-	-
Exchange rate differences	107	-	107	24	24
Cost, closing balance	**10,107**	**23,646**	**33,753**	**6,545**	**6,545**
Amortisations, opening balance	-6,343	-	-6,343	-4,100	-4,100
Amortisations for the year	-1,233	-5,097	-6,330	-767	-767
Sales and disposals	-	-	-	-	-
Exchange rate differences	-58	-	-58	-13	-13
Amortisations, closing balance	**-7,634**	**-5,097**	**-12,731**	**-4,880**	**-4,880**
Carrying amount	**2,473**	**18,549**	**21,022**	**1,665**	**1,665**

NOTE 14 Other operating expenses

SEK thousand	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Marketing expenses	-17,883	-14,642	-16,786	-12,449
Total	**-17,883**	**-14,642**	**-16,786**	**-12,449**

NOTE 15 Net loan losses

SEK thousand	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Change in provision for sold non-performing loans	-113,159	-110,670	-106,001	-105,234
Realised loan losses	-48,648	-39,384	-18,215	-24,142
Recovered from previous write-offs	6,949	8,540	6,884	7,070
Change in provision for expected loan losses, stage 1-3 [1]	-33,776	-8,758	-28,438	-2,634
Net loan losses	**-188,634**	**-150,272**	**-145,770**	**-124,940**

Loan losses are attributable to Loans to the public and classified as amortised cost.

NOTE 16 Tax on profit for the year

SEK thousand	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Current tax on profit for the year	-71,772	-60,079	-43,438	-36,837
Tax due to changes in tax relating to prior years	-	3	-	4
Other taxes	-134	-73	-134	-73
Deferred tax	4,477	1,847	1,300	-1,212
Tax on profit for the year [2]	**-67,429**	**-58,302**	**-42,272**	**-38,118**
Reconciliation of tax on profit for the year				
Profit before tax	289 355	250 128	204 020	221 112
Tax according to applicable tax rate	-61 922	-55 028	-43 660	-48 644
Tax effect of non-deductible expenses	-3 385	-3 479	-3 303	-2 782
Tax effect of non-taxable income	246	1 461	1 300	1 277
Tax effect of income that are not included in the recognised profit or loss	-23	-	-23	-
Tax effect of group contributions paid	-	-	3 681	12 100
Tax due to changes in tax relating to prior years	-	3	-	4
Tax effect of changed tax rate	-133	-	-133	-
Other taxes	-134	-73	-134	-73
Deviating tax rates in other countries	-2 078	-1 800	-	-
Tax on profit for the year recognised in the income statement	**-67 429**	**-58 916**	**-42 272**	**-38 118**

[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.

[2] Weighted average tax rate for the Group was 23.3 % (23.3) and the corresponding figure for the Parent Company was 20.7 % (17.2).

NOTE 17 Foreign currency

THE FOLLOWING CURRENCY EXPOSURES ARE AGAINST THE GROUP'S AND THE PARENT COMPANY'S TRANSACTION CURRENCY

SEK thousand	Group		Parent Company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Assets in EUR:				
Cash and balances with central banks	225,617	135,021	225,617	135,021
Loans to credit institutions	441,568	236,304	384,960	175,015
Loans to the public	3,170,389	2,003,852	3,117,742	1,976,415
Other assets	23,521	38,231	12,922	23,116
Deductions for assets in Eurozone	-1,375,757	-1,176,184	-900,371	-927,244
Total assets	**2,485,338**	**1,237,224**	**2,840,870**	**1,382,323**
Liabilities in EUR:				
Deposits and borrowings from the public	-3,729,924	-2,271,187	-3,729,924	-2,271,187
Other liabilities	-44,698	-36,144	-29,463	-22,443
Deductions for liabilities in Eurozone	483,755	1,085,359	474,251	801,082
Total liabilities	**-3,290,867**	**-1,221,972**	**-3,285,136**	**-1,492,548**
Currency forward contracts	-102,980	-98,643	-	-
Net exposure in EUR	-908,510	-83,390	-444,266	-110,225
Net assets in Eurozone	892,003	90,825	426,119	126,162
Total	**-16,507**	**7,435**	**-18,147**	**15,937**

SEK thousand	Group		Parent Company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Assets in NOK:				
Cash and balances with central banks	152,219	82,067	-	-
Loans to credit institutions	289,608	50,214	34,736	150,550
Loans to the public	2,139,646	1,374,946	39,520	32,555
Other assets	52,283	52,454	303,007	236,180
Deductions for assets in Norway	-2,534,363	-1,232,777	-	-
Total assets	**99,393**	**326,904**	**377,263**	**419,285**
Liabilities in NOK:				
Deposits and borrowings from the public	-2,245,601	-1,306,407	-185,346	-271,341
Other liabilities	-40,039	-26,204	-2,422	-1,064
Deductions for liabilities in Norway	2,107,471	1,149,941	-	-
Total liabilities	**-178,169**	**-182,670**	**-187,768**	**-272,405**
Currency forward contracts	-346,991	-221,292	-346,991	-221,292
Net exposure in NOK	-425,766	-77,058	-157,496	-74,411
Net assets in Norway	426,891	82,836	-	-
Total	**1,125**	**5,778**	**-157,496**	**-74,411**

Note 17 cont.

SEK thousand	Group		Parent Company	
	31 Dec 2019	31 Dec 2017	**31 Dec 2019**	31 Dec 2018
Assets in PLN:				
Cash and balances with central banks	12,496	8,522	12,496	8,522
Loans to credit institutions	47,055	17,737	47,055	17,757
Loans to the public	434,265	370,453	434,265	370,453
Other assets	5,645	2,781	5,480	2,926
Deductions for assets in Poland	-5,346	-13,234	-5,346	-4,039
Total assets	**494,115**	**386,259**	**493,950**	**395,619**
Liabilities in PLN:				
Other liabilities	-5,485	-5,278	-5,424	-5,278
Deductions for liabilities in Poland	72,164	14,095	72,164	33,692
Total liabilities	**66,679**	**8,817**	**66,740**	**28,414**
Currency forward contracts	-496,234	-389,635	-496,234	-389,635
Net exposure in PLN	64,561	5,440	64,458	34,398
Net assets in Poland	-66,819	-861	-66,819	-29,653
Total	**-2,258**	**4,579**	**-2,361**	**4,745**

SEK thousand	Group		Parent Company	
	31 Dec 2019	31 Dec 2018	**31 Dec 2019**	31 Dec 2018
Assets in DKK:				
Loans to credit institutions	4,824	7,271	4,824	7,271
Loans to the public	40,318	38,240	40,316	38,176
Other assets	153	-	176	-
Total assets	**45,295**	**45,511**	**45,316**	**45,447**
Liabilities in DKK:				
Other liabilities	-958	-639	-958	-639
Total liabilities	**-958**	**-639**	**-958**	**-639**
Currency forward contracts	-44,698	-44,032	-44,698	-44,032
Net exposure in DKK	-362	840	-339	776
Total	**-362**	**840**	**-339**	**776**

THE TABLE BELOW SHOWS OUTSTANDING CURRENCY FORWARD CONTRACTS AT MARKET VALUE IN MILLIONS IN THE RESPECTIVE CURRENCY:

	Group		Parent Company	
	31 Dec 2019	31 Dec 2018	**31 Dec 2019**	31 Dec 2018
EUR	9.9	9.6	-	-
NOK	328.0	216.0	328.0	216.0
PLN	203.0	163.0	203.0	163.0
DKK	32.0	32.0	32.0	32.0

NOTE 18 Maturity information

SEK thousand	Group		Parent Company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Payable on demand	390,332	225,610	238,113	143,543
Cash and balances with central banks	**390,332**	**225,610**	**238,113**	**143,543**
Remaining term to maturity of up to 3 months	60,051	70,118	60,051	70,118
Treasury bills eligible for refinancing	**60,051**	**70,118**	**60,051**	**70,118**
Payable on demand	1,362,459	1,148,863	1,022,247	1,174,142
Loans to credit institutions	**1,362,459**	**1,148,863**	**1,022,247**	**1,174,142**
Remaining term to maturity of up to 3 months	944,200	557,218	438,596	261,340
Remaining term to maturity of more than 3 months but less than 1 year	1,302,238	908,277	899,812	638,832
Remaining term to maturity of more than 1 year but less than 5 years	5,718,743	4,147,877	3,862,100	3,150,622
Loans to the public	**7,965,181**	**5,613,372**	**5,200,508**	**4,050,794**
Payable on demand	21,796	20,871	21,796	20,871
Remaining term to maturity of up to 3 months	3,520	5,944	258,624	5,944
More than 1 year but less than 5 years	92,812	73,130	591,575	444,756
Other assets	**118,128**	**99,945**	**871,995**	**471,571**
Payable on demand	6,082,152	4,474,824	4,021,897	3,439,757
Remaining term to maturity of more than 3 months but less than 1 year	863,944	350,323	863,944	350,323
More than 1 year but less than 5 years	250,979	271,316	250,979	271,316
Deposits and borrowings from the public	**7,197,075**	**5,096,463**	**5,136,820**	**4,061,396**
Remaining term to maturity of more than 5 years	274,717	147,855	274,717	147,855
Subordinated liabilities	**274,717**	**147,855**	**274,717**	**147,855**
Remaining term to maturity of up to 3 months	162,401	126,519	4,901	32,067
Remaining term to maturity of more than 3 months but less than 1 year	30,026	38,639	30,026	38,639
Remaining term to maturity of more than 1 year but less than 5 years	1,149	3,355	1,149	7,900
Other liabilities	**193,576**	**168,513**	**36,076**	**78,606**

The amounts given in the table are contracted, non-discounted cash flows and include both interest and repayments, as a result of which the amounts are not directly related to the balance sheet.

NOTE 19 Treasury bills eligible for refinancing

SEK thousand	Group		Parent Company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Government securities eligible for refinancing	60,051	70,118	60,051	70,118
Total treasury bills eligible for refinancing, etc.	**60,051**	**70,118**	**60,051**	**70,118**

NOTE 20 Loans to credit institutions

SEK thousand	Group 31 Dec 2019	Group 31 Dec 2018	Parent Company 31 Dec 2019	Parent Company 31 Dec 2018
Accounts receivable Swedish currency	746,246	891,991	717,561	878,366
Accounts receivable foreign currency	616,213	256,872	304,686	295,776
Total loans to credit institutions	**1,362,459**	**1,148,863**	**1,022,247**	**1,174,142**

NOTE 21 Loans to the public

SEK thousand	Group 31 Dec 2019	Group 31 Dec 2018	Parent Company 31 Dec 2019	Parent Company 31 Dec 2018
Loans to the household sector	6,477,000	4,449,225	4,030,736	2,821,661
Loans to the corporate sector [1]	18,780	-	274,403	255,497
Total loans to the public	**6,495,780**	**4,449,225**	**4,305,139**	**3,077,158**
Loans to the household sector				
Stage 1, gross	6,167,888	4,257,021	3,853,824	2,722,724
Stage 2, gross	311,638	219,972	172,533	137,061
Stage 3, gross [2]	223,773	115,241	210,960	90,987
Total loans to the household sector, gross	**6,703,299**	**4,592,234**	**4,237,317**	**2,950,772**
Provisions for expected loan losses, household sector				
Stage 1	-88,792	-69,357	-76,406	-61,098
Stage 2	-28,322	-19,365	-24,954	-16,836
Stage 3 [2]	-109,185	-54,287	-105,221	-51,177
Total provisions for expected loan losses, household sector	**-226,299**	**-143,009**	**-206,581**	**-129,111**
Loans to the household sector				
Stage 1, net	6,079,096	4,187,664	3,777,418	2,661,625
Stage 2, net	283,316	200,607	147,579	120,225
Stage 3, net [2]	114,588	60,954	105,739	39,810
Total loans to the household sector, net	**6,477,000**	**4,449,225**	**4,030,736**	**2,821,660**
Geographical distribution of net loans:				
Norway	2,140,257	1,374,840	40,131	32,568
Finland	1,671,639	1,195,871	1,363,369	1,168,495
Estonia	783,695	542,419	783,695	542,419
Sweden	709,750	661,445	927,505	659,026
Latvia	503,732	257,082	503,732	257,082
Poland	433,828	370,854	433,828	370,854
Germany	124,940	1,870	124,940	1,870
Lithuania	70,106	6,417	70,106	6,417
Denmark	40,813	38,427	40,813	38,427
Austria	17,020	-	17,020	-
Total loans, net book value	**6,495,780**	**4,449,225**	**4,305,139**	**3,077,158**

1 The Group's Lending to the corporate sector consists of a loan in stage 1 to one of the segments partners in digital payment solutions. The Parent company's Loans to the corporate sector also comprises loans to the subsidiaries Avarda AB and Avarda Oy.

2 The group continuously sells the majority of delinquent loans before they reach stage 3.

Note 21 cont.

LOANS TO THE CORPORATE SECTOR

SEK thousand	Group		Parent Company	
	31 Dec 2019	31 Dec 2018	**31 Dec 2019**	31 Dec 2018
Loans, gross	18,780	-	274,403	255,497
Total loans, net book value	**18,780**	**-**	**274,403**	**255,497**

Provision of credit losses during the period were impacted by several different factors, as described below:
- Transfers between Stage 1 and Stage 2 or Stage 3 depending on whether the loan has significantly increased (or decreased) in risk or if it has defaulted during the period and thus transferred between 12 month and full lifetime ECL.
- New loans during the period and also loans removed from the portfolio in the same period. (Increases due to issue and purchase and decline due to derecognition from the statement of financial position).
- Changes in risk factors as Probability of default (PD), Exposure at default (EAD) and Loss given default (LGD), arising because the model has been updated with new amounts.
- Changes in macroeconomic scenarios based on macroeconomic factors, that from a historical perspective has proven to correlate well with changes in the Group's credit losses.
- Exchange rate differences.

CHANGE IN CARRYING AMOUNT LENDING AND NET LOAN LOSSES, BY CATEGORY

Group SEK thousand	Non doubtful receivables		Doubtful receivables	
	Stage 1	Stage 2	Stage 3	
	12 month expected loan losses	Lifetime expected loan losses	Lifetime expected loan losses	Total
Loans to the public, gross, opening balance 1 January 2019	**4,257,021**	**219,972**	**115,240**	**4,592,233**
Financial assets added during the year	6,037,302	-	-	6,037,302
Repayments	-3,323,695	-63,310	-11,477	-3,398,482
Financial assets sold during the year	-	-539,768	-50,790	-590,558
Stage transfers	-860,212	691,540	168,672	-
- from 1 to 2	-853,498	853,498	-	-
- from 1 to 3	-118,602	-	118,602	-
- from 2 to 1	111,889	-111,889	-	-
- from 2 to 3	-	-50,069	50,069	-
- from 3 to 2	-	-	-	-
Exchange rate differences	76,252	3,204	2,129	81,585
Loans to the public, gross, closing balance 31 December 2019	**6,186,668**	**311,638**	**223,773**	**6,722,079**
Provision for expected loan losses, opening balance 1 January 2019	**-69,357**	**-19,365**	**-54,287**	**-143,009**
Changes reported as net loan losses				
Financial assets added during the year	-84,006	-	-	-84,006
Repayments	54,943	20,300	991	76,234
Financial assets sold during the year	-	12,807	32,083	44,890
Stage transfers	10,543	-41,825	-86,892	-118,175
- from 1 to 2	10,395	-50,059	-	-39,663
- from 1 to 3	2,198	-	-68,929	-66,731
- from 2 to 1	-2,051	6,468	-	4,417
- from 2 to 3	-	1,766	-17,964	-16,198
- from 3 to 2	-	-	-	-
Exchange rate differences	-915	-239	-1,080	-2,233
Provision for expected loan losses, closing balance 31 December 2019	**-88,792**	**-28,322**	**-109,185**	**-226,300**

Note 21 cont.

Group SEK thousand	Non doubtful receivables Stage 1 12 month expected loan losses	 Stage 2 Lifetime expected loan losses	Doubtful receivables Stage 3 Lifetime expected loan losses	Total
Loans to the public, gross, opening balance 1 January 2018	**2,933,375**	**167,448**	**115,912**	**3,216,735**
Financial assets added during the year	4,518,697	-	-	4,518,697
Repayments	-2,848,369	-37,951	-13,218	-2,899,538
Financial assets sold during the year	-	-326,481	-361	-326,842
Stage transfers	-427,692	413,591	11,370	-2,731
- from 1 to 2	-455,051	453,308	-	-1,743
- from 1 to 3	-1,879	-	1,855	-25
- from 2 to 1	29,238	-30,201	-	-963
- from 2 to 3	-	-9,515	9,515	-
- from 3 to 2	-	-	-	-
Exchange rate differences	81,010	3,365	1,537	85,913
Loans to the public, gross, closing balance 31 December 2018	**4,257,021**	**219,972**	**115,240**	**4,592,233**
Provision for expected loan losses, opening balance 1 January 2018	**-63,957**	**-17,877**	**-49,710**	**-131,544**
Changes reported as net loan losses				
Financial assets added during the year	-73,875	-	-	-73,875
Repayments	63,482	20,899	354	84,735
Financial assets sold during the year	-	7,705	48	7,752
Stage transfers	6,775	-29,889	-4,564	-27,678
- from 1 to 2	7,456	-33,477	-	-26,020
- from 1 to 3	1	-	-177	-175
- from 2 to 1	-683	3,135	-	2,451
- from 2 to 3	-	453	-4,387	-3,934
- from 3 to 2	-	-	-	-
Exchange rate differences	-1,782	-203	-415	-2,400
Provision for expected loan losses, closing balance 31 December 2018	**-69,357**	**-19,365**	**-54,287**	**-143,009**

Parent company SEK thousand	31 Dec 2019	31 Dec 2018
Opening balance according to IFRS 9	-129,111	-123,291
Change in provision for sold non-performing loans	-106,001	-105,234
Reversal of provision for sold non-performing loans	106,001	105,234
Change in provision for expected loan losses in stage 1	-14,734	1,117
Change in provision for expected loan losses in stage 2	-8,054	404
Change in provision for expected loan losses in stage 3	-53,593	-4,156
Exchange rate fluctuations	-1,089	-3,185
Closing balance	**-206,581**	**-129,111**

NOTE 22 Goodwill

SEK thousand	Group	
	31 Dec 2019	31 Dec 2018
Opening balance	**12,350**	**12,068**
Change during the year		
Translation differences	403	282
Cost at the end of the year	**12,753**	**12,350**

The Group's goodwill arose as a result of the acquisition of the Norwegian subsidiary BB Bank ASA.

Goodwill impairment testing of the cash generating unit was conducted ahead of the balance sheet date. Calculations are based on estimated future cash flows after tax based on financial forecasts approved by the Executive Management and covering a three-year period, which is in line with the Group's business plan. Important assumptions made in respect of the approved forecasts comprise average loan portfolio, new lending and margins. The average growth rate used is based on the Company's own plans and estimates of future performance. Beyond the period covered by the forecast, estimated growth corresponds to Riksbanken's inflation targets. Estimated cash flows have been discounted using an interest rate based on risk-free interest and risk adjustment corresponding to the average required rate of return. The calculation of recoverable amount is based on value in use.

A change in the assumptions concerning growth rate and discount rate of +/- 1 percentage point would not result in a need to recognise impairment losses. TF Bank's judgement is that there is room for a reasonable change in both the growth rate assumption and the discount factor.

NOTE 23 Other assets

SEK thousand	Group		Parent Company	
	31 Dec 2019	31 Dec 2018	**31 Dec 2019**	31 Dec 2018
Derivatives	3,520	5,944	3,001	5,944
Receivable debt collection agency	9,883	-	-	-
Other assets	5,595	17,652	4,428	3,641
Total other assets	**18,998**	**23,596**	**7,429**	**9,585**

NOTE 24 Liabilities to credit institutions

The subsidiary BB Bank ASA has a credit facility of NOK 30 million (corresponding to SEK 31.7 million), which was unused as at 31 December 2019.

NOTE 25 Deposits and borrowings from the public

SEK thousand	Group		Parent Company	
	31 Dec 2019	31 Dec 2018	**31 Dec 2019**	31 Dec 2018
Germany	3,288,116	1,685,381	3,288,116	1,685,381
Norway	2,245,601	1,306,408	185,346	271,341
Sweden	1,221,550	1,518,869	1,221,550	1,518,869
Finland	441,808	585,805	441,808	585,805
Total deposits and borrowings from the public	**7,197,075**	**5,096,463**	**5,136,820**	**4,061,396**

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 - maturities are shown in Note 18.

CHANGES IN DEPOSITS AND BORROWINGS FROM THE PUBLIC

SEK thousand	Group		Parent Company	
	31 Dec 2019	31 Dec 2018	**31 Dec 2019**	31 Dec 2018
Opening balance	5,096,463	3,754,030	4,061,396	3,017,287
Change	1,973,123	1,218,522	1,012,982	943,840
Exchange rate fluctuations	127,489	123,911	62,442	100,269
Closing balance	**7,197,075**	**5,096,463**	**5,136,820**	**4,061,396**

NOTE 26 Other liabilities

SEK thousand	Group		Parent Company	
	31 Dec 2019	31 Dec 2018	**31 Dec 2019**	31 Dec 2017
Derivatives	2,967	27	2,967	-
Accounts payable	14,770	9,127	13,839	4,899
Debts to ecommerce partners	22,469	12,510	8,471	4,378
Lease liabilities	18,318	-	-	-
Debts to group companies	-	-	4,585	55,000
Other liabilities	16,916	8,233	6,635	2,017
Total other liabilities	**75,440**	**29,897**	**36,497**	**66,294**

NOTE 27 Deferred tax

SEK thousand	Group 31 Dec 2019	Group 31 Dec 2018	Parent Company 31 Dec 2019	Parent Company 31 Dec 2018
Deferred tax assets				
Deferred tax attributable to loss carryforwards	1,395	3,334	-	-
Deferred tax attributable to tax paid abroad	1,548	3,920	1,548	3,920
Deferred tax assets	**2,943**	**7,254**	**1,548**	**3,920**
Deferred tax liabilities				
The difference between the income tax recognised in the income statement and income tax on operations comprises:				
Deferred tax on untaxed reserves	-	4,544	-	-
Deferred tax on unrealised currency derivatives	143	1,308	7	1,308
Deferred tax on temporary differences	**143**	**5,852**	**7**	**1,308**
The deferred tax liabilities are expected to be settled as follows:				
Within 12 months	143	5,852	7	1,308
Later than within 12 months	-	-	-	-
	143	**5,852**	**7**	**1,308**
The gross change in deferred tax is as follows:				
Opening balance	1,402	2,285	2,613	96
Recognised in the income statement	-270	-1,186	-1,072	2,517
Recognised in other comprehensive income	1,668	303	-	-
Closing balance	**2,800**	**1,402**	**1,541**	**2,613**

Deferred tax attributable to loss carryforwards refers to non-time-limited loss carryforwards in Sweden, Finland and Norway.

NOTE 28 Accrued expenses and prepaid income

SEK thousand	Group 31 Dec 2019	Group 31 Dec 2018	Parent Company 31 Dec 2019	Parent Company 31 Dec 2018
Accrued salaries and holiday pay liability	16,329	13,391	9,556	6,735
Accrued social security costs	8,040	4,723	5,179	3,002
Accrued interest on loans to the public	1,799	2,814	1,799	2,814
Accrued interest on deposits from the public	17,274	20,476	16,760	20,476
Other accrued expenses and prepaid income	34,055	30,377	23,406	23,714
Totalt accrued expenses and prepaid income	**77,497**	**71,781**	**56,700**	**56,741**

NOTE 29 Subordinated liabilities

SEK thousand	Group 31 Dec 2019	Group 31 Dec 2018	Parent Company 31 Dec 2019	Parent Company 31 Dec 2018
Dated subordinated loans	197,583	98,570	197,583	98,570
Total	**197,583**	**98,570**	**197,583**	**98,570**

Subordinated loans are subordinated to other liabilities. The nominal value is SEK 200 million (100). The coupon on the first subordinated loan which was issued in December 2015 is STIBOR 3 months plus 6.25%. The loan matures on 14 December 2025. The coupon on the second subordinated loan which was issued in September 2019 is STIBOR 3 months plus 4.65%. The loan matures on 27 September 2029.

NOTE 30 Appropriations

SEK thousand	Parent Company 31 Dec 2019	Parent Company 31 Dec 2018
Dissolution of tax allocation reserve	20,659	13,149
Total	**20,659**	**13,149**

NOTE 31 Transactions with related parties

Consortio Invest AB, corporate identity number 556925-2819, has largely the same owners as TF Bank's parent company, 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 took place at the prevailing market rate.

SEK thousand	Group 31 Dec 2019	Group 31 Dec 2018	Parent Company 31 Dec 2019	Parent Company 31 Dec 2018
The following transactions took place between companies within the Group:				
Interest income	-	-	12,307	2,874
Other income	-	-	807	851
General administrative expenses	-2,033	-977	-8,546	-3,733
Total	**-2,033**	**-977**	**4,568**	**-8**

SEK thousand	Group 31 Dec 2019	Group 31 Dec 2018	Parent Company 31 Dec 2019	Parent Company 31 Dec 2018
The following transactions have been made with other related parties:				
Interest income (transaction costs)	-71,212	-64,743	-71,212	-64,743
General administrative expenses	-4,584	-4,599	-4,584	-4,554
Total	**-75,796**	**-69,342**	**-75,796**	**-69,297**
Acquisition of assets and liabilities from other related parties:				
Ecommerce Solutions	793,497	639,685	793,497	639,685
Total	**793,497**	**639,685**	**793,497**	**639,685**

Note 31 cont.

SEK thousand	Group 31 Dec 2019	Group 31 Dec 2018	Parent Company 31 Dec 2019	Parent Company 31 Dec 2018
Assets at the end of the year as a result of transactions between Group companies:				
Loans to credit institutions	-	-	8,807	133,449
Loans to the public	-	-	255,623	255,497
Total	**-**	**-**	**264,430**	**388,946**
Liabilities at the end of the year as a result of transactions between Group companies:				
Other liabilities	-	-	4,585	55,000
Total	**-**	**-**	**4,585**	**55,000**

SEK thousand	Group 31 Dec 2019	Group 31 Dec 2018	Parent Company 31 Dec 2019	Parent Company 31 Dec 2018
Assets at the end of the year as a result of transactions with other related parties:				
Other assets	100	1	101	1
Total	**100**	**1**	**101**	**1**
Liabilities at the end of the year as a result of transactions with other related parties:				
Other liabilities	6,565	2,596	6,565	2,596
Total	**6,565**	**2,596**	**6,565**	**2,596**

NOTE 32 Shares and participations in Group companies

	TFB Service UAB	TFB Service SIA	TFB Service GmbH	Avarda AB - Group	BB Bank ASA
Country of registration and operation	Lithuania	Latvia	Germany	Sweden	Norway
Operation	Administration	Administration	Administration	Financial	Financial
Number of shares	1	1	25,000	2,000	236,000,000
Percentage of shares owned by TF Bank, %	100	100	100	100	100
Carrying amount as at 31 December 2019	25	26	264	235,825	279,371
Operating income 2019	1,728	3,834	1,071	64,688	169,939
Profit before tax 2019	21	278	-10	4,615	98,914
Group contributions 2019	-	-	-	17,200	-
Tax on profit 2019	-	-	-	-4,484	-24,779
Average number of employees 2019	4	10	1	18	27

	TFB Service UAB	TFB Service SIA	TFB Service GmbH	Avarda AB - Group	BB Bank ASA
Carrying amount as at 1 January 2018	**-**	**26**	**-**	**93,625**	**157,031**
Shareholders' contribution	-	-	-	70,000	-
Group contribution	-	-	-	55,000	-
Shares issuance	25	-	-	-	58,165
Carrying amount as at 31 December 2018	**25**	**26**	**-**	**218,625**	**215,196**
Carrying amount as at 1 January 2019	**25**	**26**	**-**	**218,625**	**215,196**
Group contribution	-	-	-	17,200	-
Shares issuance	-	-	264	-	64,175
Carrying amount as at 31 December 2019	**25**	**26**	**264**	**235,825**	**279,371**

In 2019, the German subsidiary TFB Service GmbH was established.

NOTE 33 Untaxed reserves

SEK thousand	Parent Company	
	31 Dec 2019	31 Dec 2018
Tax allocation reserve		
Provision for tax assessment in 2014	-	20,659
Total tax allocation reserves	**-**	**20,659**
Total untaxed reserves	**-**	**20,659**
Deferred tax of 22 % of untaxed reserves, which are not recognised, amounted to	-	4,544

NOTE 34 Capital adequacy analysis

Background
Information in this document about the Bank's capital adequacy refers to information that must be provided in accordance with Chapter 6, Sections 3-4 of the Swedish Financial Supervisory Authority's regulations and general guidelines (2008:25) regarding annual reporting by credit institutions and investment firms and which relates to information set out in Articles 92(3)(d, f), 437(b) and 438 of Regulation (EU) No 575/2013 and in Chapter 8, Section 7 of the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2014:12) regarding prudential requirements and capital buffers, as well as in Column A, Annex 6 of 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 (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 guidelines on prudential 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.

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. TF Bank AB became the Parent Company in the consolidated group in connection with the listing on 14 June 2016.

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 and Parent Company'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.

Capital planning
The strategies and methods used by the Group to measure and maintain capital requirements according to Regulation (EU) No 575/2013 are based on the Bank's risk management. Risk management seeks to identify and analyse the risks inherent in the Group's operations and to set appropriate limits for these risks and ensure that controls are in place. Risks are monitored and controls are performed on an ongoing basis to ensure limits are not exceeded. The Group has a centralised function for independent risk control which reports directly to the CEO and whose task it is to analyse development of risks and, where required, suggest changes to governing documents and processes, both for overarching risk management and specific areas.

The Group has its own internal capital and liquidity adequacy assessment process (ICAAP/ILAAP) to assess whether the internal capital is adequate to serve as the basis for current and future operations and to ensure that the amount and composition of own funds is appropriate. The process is a tool that ensures that the Group clearly and correctly identifies, measures and manages all the risks to which the Group is exposed and makes an assessment of its internal capital adequacy requirements on the basis of this. As part of the process, TF Bank must have appropriate governing and control functions and risk management systems in place. TF Bank's ICAAP/ILAAP is performed at least annually.

Note 34 cont.

In TF Bank, the starting point for ICAAP/ILAAP is risk identification and self-assessment workshops with senior executives. Against the background of this risk analysis, each individual risk is analysed and management of the risk is document. Reference is made to applicable governing documents and policies. The risks are then quantified on the basis of the method that the Group deems to be appropriate for each type of risk. Each risk type is then assessed to establish if additional capital is required to cover the specific risk type according to Pillar2. The assessment is based on Pillar 1 capital requirements according to Regulation (EU) No 575/2013 and additional capital is added where necessary for other risks. The ICAAP/ILAAP is then subjected to stress testing to ensure that the Group's capital adequacy and liquidity level can be maintained in stressed market conditions. The Group uses forward-looking scenarios based on the Company's three-year business plan.

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.

See separate section with definitions, page 100.

THE GROUP'S AND THE PARENT COMPANY'S CAPITAL SITUATION

	Group		Parent Company	
SEK thousand	**31 Dec 2019**	31 Dec 2018	**31 Dec 2019**	31 Dec 2018
Common Equity Tier 1 capital (CET1)	793,733	580,533	729,710	590,586
Additional Tier 1 capital (AT1)	100,000	100,000	100,000	100,000
Tier 2 capital	197,583	98,570	197,583	98,570
Own funds [1]	**1,091,316**	**779,103**	**1,027,293**	**789,156**
Risk exposure amount	**6,266,037**	**4,466,109**	**5,035,725**	**3,870,836**
- of which: credit risk	*5,309,328*	*3,655,211*	*4,120,480*	*3,102,680*
- of which: credit valuation adjustment	*2,672*	*2,692*	*2,363*	*2,496*
- of which: market risk	*-*	*18,201*	*178,343*	*100,545*
- of which: operational risk	*954,037*	*790,005*	*734,539*	*665,115*
Capital ratios				
CET1 capital ratio, %	12.7	13.0	14.5	15.3
Tier 1 capital ratio, %	14.3	15.2	16.5	17.8
Total capital ratio, %	17.4	17.4	20.4	20.4

[1] After any regulatory adjustments.

Note 34 cont.

THE GROUP'S CAPITAL REQUIREMENTS

Group SEK thousand	31 Dec 2019 Amount	31 Dec 2019 Percent [1]	31 Dec 2018 Amount	31 Dec 2018 Percent [1]
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	511,761	8.2	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] Capital requirements expressed as a percentage of the risk exposure amount.

Note 34 cont.

THE PARENT COMPANY'S CAPITAL REQUIREMENTS

Parent Company SEK thousand	31 Dec 2019 Amount	31 Dec 2019 Percent [1]	31 Dec 2018 Amount	31 Dec 2018 Percent [1]
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	503,102	10.0	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

OWN FUNDS

SEK thousand	Group 31 Dec 2019	Group 31 Dec 2018	Parent Company 31 Dec 2019	Parent Company 31 Dec 2018
CET1 capital				
Share capital	107,500	107,500	107,500	107,500
Other contributed capital	2,786	3,536	2,786	3,536
Reserves	3,303	461	28,464	33,054
Retained earnings including net profit for the period	681,479	515,151	559,020	464,391
Adjustments to CET1 capital:				
- Deduction of foreseeable costs and dividends [2]	-	-49,450	-	-49,449
- Transitional arrangements IFRS 9	67,581	56,071	60,096	50,279
- Intangible assets	-68,916	-50,549	-28,156	-18,725
- Deferred tax assets that rely on future profitability	-	-2,187	-	-
Total CET1 capital	**793,733**	**580,533**	**729,710**	**590,586**
Additional Tier 1 capital				
Perpetual subordinated loan	100,000	100,000	100,000	100,000
Tier 2 capital				
Fixed term subordinated loan	197,583	98,570	197,583	98,570
Own funds	**1,091,316**	**779,103**	**1,027,293**	**789,156**

1 Capital requirements expressed as a percentage of the risk exposure amount.
2 Deduction of dividends from own funds has been made in accordance with the Board of Directors' proposal to the Annual General Meeting.

Note 34 cont.

SPECIFICATION OF RISK EXPOSURE AMOUNT AND CAPITAL REQUIREMENT

Group SEK thousand	31 Dec 2019 Risk exposure amount	31 Dec 2019 Capital requirement 8 %	31 Dec 2018 Risk exposure amount	31 Dec 2018 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[1]				
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] The capital requirement for foreign exchange risk is calculated in accordance with Article 351 of Regulation (EU) 575/2013.

Note 34 cont.

SPECIFICATION OF RISK EXPOSURE AMOUNT AND CAPITAL REQUIREMENT

Parent company SEK thousand	31 Dec 2019 Risk exposure amount	31 Dec 2019 Capital requirement 8 %	31 Dec 2018 Risk exposure amount	31 Dec 2018 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 [1]				
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**

LEVERAGE RATIO

TSEK	Group 31 Dec 2019	Group 31 Dec 2018	Parent Company 31 Dec 2019	Parent Company 31 Dec 2018
Tier 1 capital	893,733	680,533	829,710	690,586
Leverage ratio exposure	8,621,974	6,059,466	6,419,415	5,032,421
Leverage ratio, %	10.4	11.2	12.9	13.7

[1] The capital requirement for foreign exchange risk is calculated in accordance with Article 351 of Regulation (EU) 575/2013.

NOTE 35 Pledged assets, contingent liabilities and commitments

ASSETS PLEDGED FOR OWN LIABILITIES

	Group		Parent Company	
SEK thousand	**31 Dec 2019**	31 Dec 2018	**31 Dec 2019**	31 Dec 2018
Relating to current liabilities to credit institutions				
Loans	31,737	30,735	-	-
Other assets pledged	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 the facility had not been used.

CONTINGENT LIABILITIES

	Group		Parent Company	
SEK thousand	**31 Dec 2019**	31 Dec 2018	**31 Dec 2019**	31 Dec 2018
Guarantee relating to currency trading for Avarda AB and Avarda Oy				
Liability according to market valuation of derivative instruments	-	27	-	-
Total contingent liabilities	**-**	**27**	**-**	**-**

COMMITMENTS

	Group		Parent Company	
SEK thousand	**31 Dec 2019**	31 Dec 2018	**31 Dec 2019**	31 Dec 2018
Unutilized credit limits	535,974	244,157	328,301	19,341
Future total minimum lease payments for non-cancellable operating leases	24,279	25,868	16,883	17,422
Total commitments	**560,253**	**270,025**	**345,184**	**36,763**

OPERATING LEASE COMMITMENTS

The Group leases a number of offices under non-cancellable operating leases. Lease terms vary from 3 to 6 years and most leases can be extended at the end of lease term for a fee on market terms.

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

	Group		Parent Company	
SEK thousand	**31 Dec 2019**	31 Dec 2018	**31 Dec 2019**	31 Dec 2018
Within 1 year	6,301	5,879	4,598	4,473
Between 1 and 5 years	17,532	17,891	12,285	12,811
More than 5 years	716	2,098	-	138
Total	**24,279**	**25,868**	**16,883**	**17,422**

NOTE 36 Transition impact of implementation of IFRS 16

SEK thousand	Group		
	IAS 17		IFRS 16
	Closing balance 31 December 2018	Transition impact of implementation of IFRS 16	Opening balance 1 January 2019
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	23,646	26,117
Other assets	23,596	-	23,596
Current tax assets	22,696	-	22,696
Deferred tax assets	7,254	-	7,254
Prepaid expenses and accrued income	22,578	-438	22,140
TOTAL ASSETS	**6,044,088**	**23,208**	**6,067,296**
LIABILITIES AND EQUITY			
Liabilities			
Deposits and borrowings from the public	5,096,463	-	5,096,463
Other liabilities	29,897	23,208	53,105
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
Total liabilities	**5,317,440**	**23,208**	**5,340,648**
Total equity	**726,648**	**-**	**726,648**
TOTAL LIABILITIES AND EQUITY	**6,044,088**	**23,208**	**6,067,296**

RECONCILIATION OF OBLIGATIONS

SEK thousand	Group
Operating lease commitments as at 31 December 2018	25,868
Discounted using the marginal borrowing rate	-1,498
Deductible: Short-term leases carried as an expense on a straight-line basis	-67
Deductible: Leases were the underlying asset is of low value	-147
Added/Deductible: Adjustments due to other management of warrants to extend or terminate contracts	2,253
Deductible: Leases that have not yet taken effect	-2,763
Deductible: Prepaid rent	-438
Lease liability recognised as at 1 January 2019	**23,208**

NOTE 37 Events after 31 December 2019

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.

As an effect of the coronavirus (COVID-19) outbreak in Europe, uncertainty about future economic development has increased. If a large number of customers end up in payment difficulties, we do not rule out future negative consequences. However, TF Bank is prepared to act quickly as conditions deteriorate, and in such situation, we will prioritise profitability and solvency over growth.

Due to the communicated urge from Swedish FSA regarding dividends, the Board of Directors of TF Bank has, in connection with the presentation of the Annual report, decided to withdraw the dividend proposal of SEK 0.50 per share which was presented in the year-end report.

NOTE 38 Proposed appropriation of profit or loss

SEK	
Tier 1 capital instrument	100,000,000
Retained earnings	397,271,642
Profit for the year	161,748,266
	659,019,908
The Board proposes: to be carried forward	659,019,908
Total	**659,019,908**

ASSURANCE BY THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors and CEO certify that the annual report has been prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated annual accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS/IAS) referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. They give a true and fair view of the financial position and results of the Group and Company. The Directors' Report for the Group and Company gives a true and fair overview of the development of the operations, financial position and results of the Group and Company and describes material risks and uncertainties that the Company and the companies in the Group face.

Borås, 27 March 2020

Mari Thjømøe
Chairman

John Brehmer

Bertil Larsson

Charlotta Björnberg-Paul

Tone Bjørnov

Mattias Carlsson
President and CEO

We submitted our Auditor's Report on 27 March 2020.

PricewaterhouseCoopers AB

Martin By
Authorised Public Accountant
Auditor in Charge

Frida Main
Authorised Public Accountant

AUDITOR'S REPORT

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of TF Bank AB (publ) for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 8-79 in this document.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best knowledge and belief, no prohibited services referred to in the Audit Regulation (573/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Our audit approach

Audit scope

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

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

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

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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

Key audit matters

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

Key audit matter	How our audit responded to key audit matter
Provision for expected loan losses	
A high level of judgement is involved in determining the appropriate impairment loss to be recognised. Expected credit losses (ECL) are calculated as a function of the probability of default, the exposure at default and the loss given default, as well as the timing of the loss. Loans are categorised into three stages depending on the level of credit risk or changes in credit risk for each individual loan. For loans without significant increase in credit risk, stage 1, expected credit losses are calculated for estimated defaults within 12 months. For loans where there is a significant increase in credit risk, stage 2, or loans in default, stage 3, a lifetime of expected losses are calculated. The bank uses adjustments to the model-driven ECL results to address merging trends. Refer to the Annual Report Note 21 – Loans to the Public, Note 2 Accounting Policies and Note 3 – Financial risks and financial risk management.	Our audit included a combination of testing of internal controls over financial reporting and substantive testing of the bank's assessment of the provision. We obtained an understanding of the credit process and testing controls including the governance structure, segregation of duties and key controls in the lending processes. Our substantive testing has consisted of review and validation of models used and assumptions relating to the calculation of the provision for expected credit losses as well as an assessment of the results of the models. We have also tested a sample of impairment models to ensure that the model calculator is working as described in the model documentation. We also tested, compared and assessed previous estimations against actual incurred credit losses to assess the accuracy in TF Bank's models through reviewing potential gains or losses at the sale of the past due loans. We evaluated the assessment of posting adjustments to the model driven ECL. We assessed the disclosures in the Annual Report 2019 related to provision for expected loan losses.

Other Information than the annual accounts and consolidated accounts

This document include other information than the annual accounts and consolidated accounts which is found on pages 1-7 and 84-102. The Board of Directors and the Managing Director are responsible for the other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

More information and description of our responsibilities as auditor of annual accounts and consolidated account are to be found at Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of TF Bank AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

More information and description of our responsibilities as auditor of the administration of the company's affairs are to be found at Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of TF Bank AB (publ) by the general meeting of the shareholders on 7 May 2019 and has been the company's auditor since 1989.

Stockholm 27 March 2020
PricewaterhouseCoopers AB

Martin By
Authorised Public Accountant
Auditor in Charge

Frida Main
Authorised Public Accountant

CORPORATE GOVERNANCE REPORT

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

INTRODUCTION

Shares in TF Bank AB (publ) ("TF Bank") have been listed on Nasdaq Stockholm main market since 14 June 2016. The Company is the Parent Company in the TF Bank Group, which carries on banking business and is under the supervision of the Swedish Financial Supervisory Authority.
TF Bank complies with several laws and regulations pertaining to good corporate governance and control of the business, such as the Swedish Banking and Financing Business Act (2004:297), the Consumer Credit Act (2010:1846), the Swedish Companies Act (2005:551), the Annual Accounts Act (1995:1554), Act (1995:1559) on Annual Accounts in Credit Institutions and Securities Companies Act, the Swedish Corporate Governance Code, Nasdaq Stockholm's regulations for issuers and International Financial Reporting Standards. TF Bank also adheres to a number of regulations and general guidelines issues by the Swedish Financial Supervisory and the European Banking Authority (EBA).
TF Bank has prepared this Corporate Governance Report in accordance with the Annual Accounts Act and the Swedish Corporate Governance Code ("the Code").

TF Bank is domiciled in Borås and has six subsidiaries: Avarda AB, Avarda Oy, TFB Service UAB, TFB Service SIA, TFB Service GmbH and BB Bank ASA. TF Bank is authorised by the Swedish Financial Supervisory Authority to conduct banking operations. TF Bank carries on banking business in Sweden with the permission of the Swedish Financial Supervisory Authority and also in Finland, Estonia and Poland via bank branches. In addition, TF Bank conducts cross-border activities in Denmark, Latvia, Lithuania, Norway, Germany and Austria in accordance with the Swedish Banking and Financing Business Act.

TF Bank also conducts operations via a subsidiary in Norway (BB Bank ASA), which has been granted a banking licence from the Norwegian Supervisory Authority Finanstilsynet. Avarda has been granted permission to conduct consumer credit operations pursuant to the Certain Consumer Credit-related Operations Act (2014:275).

THE CODE

TF Bank adheres to the Code, which is a higher standard for good corporate governance than the minimum requirement pursuant to the Companies Act. No deviations from the Code occurred in 2019. Additionally, the Board of Directors regularly performs a systematic evaluation where Board members are offered the opportunity to give their views on working methods, Board materials, their own and other members' contributions to the Board's work in order to develop the work performed by the Board, and to provide the Nomination Committee with relevant information required for decisions ahead of the AGM. The evaluation before the AGM in 2020 was carried out and the results of the evaluation have been presented to the Board of Directors and Nomination Committee.

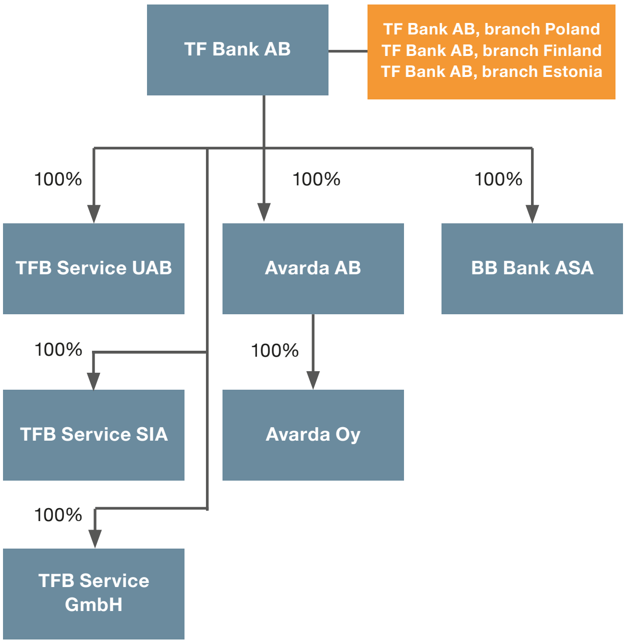
OWNERSHIP

Ownership structure as at 31 December 2019 was as follows:

	Owner	Number of shares	Share of equity, %
1	TFB Holding AB	8,291,249	38.56
2	Erik Selin Fastigheter AB	2,500,000	11.63
3	Tiberon AB	2,190,329	10.19
4	Merizole Holding Ltd	1,507,495	7.01
5	Danica Pension Försäkringsaktiebolag	1,298,878	6.04
6	Proventus Aktiebolag	645,000	3.00
7	Nordnet Pensionsförsäkring AB	628,184	2.92
8	Skandia fonder	275,000	1.28
9	Carnegie fonder	237,761	1.11
10	PriorNilsson Sverige Aktiv	233,709	1.09
11	Pareto Nordic Return	196,000	0.91
12	PriorNilsson Idea	194,309	0.90
13	Evli Swedish Small Cap Fund	180,000	0.84
14	Avanza Pension	158,576	0.74
15	AB Monarda	154,842	0.72
16	Mattias Carlsson	154,432	0.72
17	Six Sis AG	149,019	0.69
18	AB Stena Metall Finans	135,595	0.63
19	Anders Klein	108,000	0.50
20	Handelsbanken Fonder	104,821	0.49
	Other shareholders	2,156,801	10.03
	Total	**21,500,000**	**100.00**

The largest owner, TFB Holding AB, with a total holding of 38.56 % as at 31 December 2019, is represented on the Company's Board of Directors through John Brehmer and on the Nomination Committee through Paul Källenius.

GROUP STRUCTURE



List of companies included in consolidation for accounting and supervisory purposes:

Parent Company	Subsidiaries	Corporate identity number	Interest	Consolidation (superv./acc.)
TF Bank AB (publ)		556158-1041		
	Avarda AB	556986-5560	100%	Full/ Full
	Avarda Oy	2619111-6	100%	Full/ Full
	BB Bank ASA	935590221	100%	Full/ Full
	TFB Service UAB	304785170	100%	Full/ Full
	TFB Service SIA	40203015782	100%	Full/ Full
	TFB Service GmbH	HRB 208869 B	100%	Full/ Full

ARTICLES OF ASSOCIATION

The Articles of Association are adopted by the AGM and contain mandatory information on the basic nature of TF Bank's operations. The Articles of Association, which are available on the Company's website www.tfbankgroup.com, set out, inter alia, the kind of business to be conducted by the Company, the limits for the share capital, share classes and number of votes per share, as well as the number of Board members. The Articles of Association do not contain any provisions on the appointment or dismissal of Board members or on amendments to the Articles of Association.

GENERAL MEETING OF SHAREHOLDERS/ANNUAL GENERAL MEETING

TF Bank's shareholders can exercise their decision-making rights at the General Meeting of Shareholders/Annual General Meeting. According to the Companies' Act, the Annual General Meeting is the Company's highest decision-making body, which takes decisions on such issues as amendments to the Articles of Association, discharge from liability, adoption of balance sheets and income statements, dividends, election of board members, auditors and fees to board members and auditors. The Companies Act and Articles of Association contain rules governing the AGM and what this should include.

The 2019 Annual General Meeting was held in Stockholm on 7 May 2019. In accordance with the Board's proposal, the AGM decided that, of the total funds of SEK 564,391,000 at the AGM's disposal, SEK 49,450,000 would be distributed to shareholders and SEK 514,941,000 would be carried forward into the next period. The dividend corresponded to SEK 2.30 per share. The AGM also decided that the Board members and CEO be discharged from liability for the financial year 2018.

The AGM passed a proposal for the Board of Directors to consist of six members. It was decided in accordance with the proposal that the Board members Mattias Carlsson, John Brehmer, Bertil Larsson, Tone Bjørnov, Charlotta Björnberg-Paul and Mari Thjømøe were re-elected. Mari Thjømøe was re-elected as Chairman of the Board. The AGM also resolved to pay a fee of SEK 600,000 to the Chairman of the Board, a fee of SEK 300,000 to Board members not employed by TF Bank, SEK 100,000 to the Chairman of the Board's Audit Committee, SEK 50,000 to other members of the Board's Audit Committee, and further resolved that the Auditor's fee be paid on an account basis.

PricewaterhouseCoopers AB was elected as auditor for the period until the end of the Annual General Meeting in 2020, with Authorised Public Accountant Martin By as Auditor in charge.

The AGM resolved to authorise the Board of Directors to decide, on one or more occasions in the period up until the next AGM, on a new issue, with or without deviation from shareholders' preferential rights. The number of shares issued pursuant to the authorisation may correspond to an increase in share capital of not more than twenty (20) per cent based on the Company's share capital at the time of the AGM in 2019. The AGM also authorised the Board of Directors to decide, in the period up until the next AGM, on acquisitions and transfers of shares in TF Bank. The Company must not acquire more shares than that its holding, including shares otherwise acquired and held, does not at any given time exceed five (5) per cent of the total number of shares in the Company.

It was also decided regarding guidelines for renumeration of the executive management. Executive management comprises of the CEO of the bank and the directors reporting to the CEO and which are also a part of the Group Management.

The remuneration and other terms of employment of the executive management of the bank are to be designed in such a way that they (i) are in accordance with and promotes an effective risk management and discourages excessive risk--taking and (ii) secures the ability to attract and retain competence required. The total remuneration can consist of fixed salary, pensions, variable remuneration and other economic benefits. A complete protocol and information regarding the Annual General Meeting 2019 are available at www.tfbankgroup.com.

NOMINATION COMMITTEE

According to a decision by the AGM in 2019 on appointment of the Nomination Committee, the three largest shareholders in terms of voting power who wish to participate in the Nomination Committee will have the right to appoint one member each. The member representing the largest shareholder should be appointed Chairman of the Nomination Committee. The members of the Nomination Committee are appointed on the basis of the ownership structure as at 31 August 2019.

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

- proposal for a Chairman for the shareholders' meeting;
- proposal for the Board of Directors;
- proposal for Chairman of the Board;
- proposals for Board fees, including distribution between Chairman and other Board members, and fees for Committee work;
- proposals for auditors; and
- proposal for remuneration of the Company's auditors
- the Nomination Committee shall apply Regulation 4.1 of the Code for the preparation of a proposal for the Board of Directors, in order to achieve a balanced Board composition in terms of broad range of qualifications.

The Nomination Committee for the AGM in 2020 comprises:

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

The composition of the Nomination Committee was disclosed through press release and on the Company's website on 25 October 2019.

BOARD OF DIRECTORS

The Board of Directors has ultimate responsibility for TF Bank's organisation and management. In addition, the Board should supervise the CEO and ensure that TF Bank's financial position is examined in a satisfactory manner. The decisions taken by the Board should seek to promote shareholders' interests with respect to value generation and returns. The Board's duties and working methods are governed by the Companies Act, the Articles of Association and the Board's Rules of Procedure (see below). The duties and work of TF Bank, as a regulated company, are also governed by the Banking and Financing Business Act.

The Board of Directors is responsible for considering TF Bank's risk-taking and has established rules for a resolutions procedure, financial reporting and financing. There are also guidelines for work in other areas, such as: environment, ethics, quality, information, staff, IT and security monitoring and communication.

The Board's work follows annually established rules of procedure which comprise the matters to be dealt with by the Board at each ordinary meeting and the division of duties within the Board, with special commitments for the Chairman. The rules of procedure also set out rules for financial reporting to the Board and more detailed rules for the responsibilities and powers of the CEO.

According to the Articles of Association, the Board of Directors should comprise not less than three (3) and not more than ten (10) ordinary members. The AGM in 2019 resolved that the Board of Directors should comprise six ordinary Board members without alternate members. Mattias Carlsson, John Brehmer, Bertil Larsson, Tone Bjørnov, Charlotta Björnberg-Paul were elected members of the Board. Mari Thjømøe was elected Chairman of the Board. Further information about the Board representatives is available at www.tfbankgroup.com and on page 97.

Significant issues

In 2019, the Board held eighteen (18) meetings, of which six (6) were ordinary meetings, five (5) were additional/telephone meetings and seven (7) meetings were held by correspondence.

Date	Significant issues raised at the board meetings
2019-01-17	Budget for 2019 was decided, CCO provided training for the Board of Directors and an updated Governance Policy was adopted
2019-02-06	Year-end report 2018, report on internal control and audit of management's administration
2019-03-21	Decision on cooperation agreement, adoption of Annual Report 2018, decision to initiate merger process of Avarda Group and BB Bank ASA, adoption of financial policy and whistleblowing policy
2019-03-26	Decision on shareholders contribution to BB Bank ASA
2019-04-24	Interim report Q1 2019 and decision on Investor Relations Plan
2019-05-07	Adoption of rules of procedures on the Board of Directors including rules of procedures on Audit Committe and Renumeration Committee respectively as well as adoption of CEO instructions. Appointment of authorised signatories
2019-05-22	Adoption of ICAAP 2019 and risk policy
2019-05-31	Adoption of merger plans for Avarda Group and BB Bank ASA
2019-07-16	Interim report Q2 2019 and adoption of capital policy
2019-09-15	The board of Directors decided to issue Tier 2 Capital (T2 bonds) of SEK 100 million
2019-09-19	Adoption of various policy documents
2019-10-23	Interim report Q3 2019
2019-11-12	Decision on bond prospectus (T2 bonds)
2019-12-17	Adoption of various policy documents

Board attendance was as follows:

Board member	Independent of the largest shareholder	Attendance
Mattias Carlsson	No	18 of 18
John Brehmer	No	18 of 18
Tone Bjørnov	Yes	16 of 18
Bertil Larsson	Yes	17 of 18
Mari Thjømøe (Chairman)	Yes	18 of 18
Charlotta Björnberg-Paul	Yes	18 of 18

CEO Mattias Carlsson attended 18 meetings and CFO Mikael Meomuttel attended 12 meetings.

The responsibilities and duties of the Board of Directors include establishing objectives and strategies for the Company's operations, striving to ensure that the organisation and operation of the Company's business is characterised by internal governance and control, preparing internal regulations on risk management and risk control and regularly following up compliance, ensuring that there is an audit function and monitoring the Company's financial position. Furthermore, it is the task of the Board of Directors to appoint the CEO, adopt instructions for the CEO's work and monitor the outcome of this work. The Board of Directors receives regular reports from internal and external auditors and from the CEO and CFO.

Reporting to the Board of Directors and Board committees

The Board of Directors receives a monthly financial report, including balance sheet and income statements as well as information on the Company's capital and liquidity situation. Additionally, the CEO, CFO and the risk control, compliance and credit risk functions report directly to the Board of Directors at each scheduled Board meeting.

The overarching responsibilities of the Board of Directors cannot be delegated but the Board of Directors is assisted by two committees: The Audit Committee and the Remuneration Committee (see below).

Remuneration Committee

The duties of the Remuneration Committee are discharged by the entire Board of Directors. The Remuneration Committee shall meet twice (2) a year and its main role is to support the Board in its work to ensure that risks associated with TF Bank's remuneration system are measured, managed and reported. The Remuneration Committee is also responsible for assisting the Board in setting standards and principles for decisions on remuneration of TF Bank's staff and Executive Management and in ensuring that the remunerations systems are compatible with applicable laws and regulations. The Board of Directors decides on remuneration of the CEO, Deputy CEO, Compliance Officer and Chief Risk Officer following the preparatory work of the Remuneration Committee.

The Remuneration Committee shall prepare a remuneration policy for the Company and present it to the Board of Directors for approval. The Board of Directors must adopt at least once (1) a year a remuneration policy covering all TF Bank staff in accordance with the Swedish Financial Supervisory Authority's regulations on remuneration systems in credit institutions and investment firms. Adoption of the remuneration policy is based on an analysis that is performed annually in order to identify employees whose work has had a significant impact on TF Bank's risk profile.

The remuneration policy stipulates that remuneration and other benefits must be competitive in order to promote TF Bank's long-term interests and to discourage excessive risk-taking. A more detailed description of remuneration paid in 2019 can be found on TF Bank's website: www.tfbankgroup.com.

The Remuneration Committee held two minuted meetings in 2019, which were attended by all Board members.

Audit Committee

The Audit Committee is responsible for the preparation of the Board's work on quality assurance of the Company's financial reporting, internal control and risk management. The Audit Committee carries out the preparatory work by looking at critical accounting issues and the financial reports submitted by the Company.

In addition, the Audit Committee must meet with the Company's auditor on a regular basis to monitor adherence to accounting policies, obtain information about changes in current regulations as well as information about the focus and scope of the audit, and to discuss coordination of the external and internal audit and the view of the Company's risks. The Audit Committee must also review and monitor the impartiality and independence of the auditor, paying particular attention to whether the auditor provides the Company with services other than audit services.

The Audit Committee must also evaluate the work carried out by the auditor and inform the Company's Nomination Committee of the outcome of the evaluation and assist the Nomination Committee in the preparation of proposals for auditor and setting the fee for the audit work. The Audit Committee shall meet at least four times per financial year and otherwise as required. Minutes must be taken at each meeting and distributed to all Board members.

In connection with the AGM, the Board of Directors appointed the Audit Committee by re-electing Tone Bjørnov and Mari Thjømøe and John Brehmer.

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

Board member Tone Bjørnov is Chairman of the Audit Committee.

In 2019, the Audit Committee held seven (7) minuted meetings. Attendance at Committee meetings was as follows:

Board member	Attendance
Tone Bjørnov (Chairman)	7 of 7
Mari Thjømøe	7 of 7
John Brehmer	6 of 7

The CEO, CFO and Head of Group Accounting were present at all meetings and the Bank's principal auditor from PwC also attended several meetings.

Remuneration of Board members

In accordance with the decision taken at the AGM in 2019, the following remuneration was paid to Board members:

- Chairman of the Board SEK 600,000,
- Board members not employed by the bank SEK 300,000
- Chairman of the Audit Committee SEK 100,000, and
- other members of the Audit Committee SEK 50,000.

CEO AND EXECUTIVE MANAGEMENT

The CEO is responsible for the management of the Company in accordance with the Swedish Companies Act and the instructions of the Board of Directors. The CEO is responsible for keeping the Board of Directors informed of the Company's operations and for ensuring that the Board of Directors is provided with as true and accurate information as possible on which to base decisions.

As at 31 December 2019, TF Bank's Executive Management comprised: Mattias Carlsson (CEO) and Mikael Meomuttel (CFO), Espen Johannesen (Head of Consumer Lending), Mikael Johansson (Head of Ecommerce Solutions).

Further information about the Executive Management representatives is available at www.tfbankgroup.com and on page 99.

Remuneration of senior executives

The AGM in 2019 adopted the following guidelines for remuneration of TF Bank's senior executives:

Remuneration and other terms and conditions of employment shall be designed to (i) be compatible with and promote effective risk management and discourage excessive risk-taking and (ii) safeguard access to the senior executives the Bank needs. The guidelines, which apply until the next AGM, must be applied to every remuneration commitment and change in remuneration. The Board of Directors shall make decisions on the terms and conditions of remuneration and may deviate from the guidelines in individual cases if there are special reasons to do so.

Remuneration may consist of these components: fixed remuneration in the form of basic salary, benefits and pension, and variable remuneration. There should be an appropriate balance between fixed and variable remuneration. Every senior executive will receive a basic salary and may be entitled to both the general benefits offered to all employees and special benefits. Pension benefits will generally be paid in accordance with the rules, collective agreements and practice in the country where the senior executive is permanently resident. Pension benefits may be defined benefit pensions according to collective agreements and/or defined contribution pensions and vested once earned. The Board of Directors must set a ceiling for pensionable salary. If the case of termination of employment is by the Bank, salary may be paid for a notice period of 6–12 months. In addition, severance pay may be paid for 6–12 months. The combined amount of fixed salary during notice period and severance payment must not exceed an amount corresponding to fixed salary over two years. Variable remuneration can be paid in the form of shares and there must be limits for the maximum outcome. Payment of variable remuneration must be deferred and be conditional on the critieria on which the remuneration is based being shown to have been sustainable in the long term and the position of the Group not having deteriorated significantly. If the conditions for payment are not met, remuneration will expire in whole or in part. The essential terms of incentive schemes shall be decided by the Annual General Meeting.

Commission-based compensation for senior executives

In 2019, commission-based compensation amounted to SEK 2,005,000 (374,000). Additional commission-based compensation is paid on the basis of individual attainment of financial targets established for the year. TF Bank has ensured that all targets related to commission-based compensation for the fiscal year can be measured in a reliable way. None of the commission-based compensation payments are qualifying payments for pension purposes.

INTERNAL GOVERNING DOCUMENTS

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

EXTERNAL AUDITORS

The Company's external auditors are appointed by the Annual General Meeting. It is the responsibility of the external auditors to review the Annual Report and the financial statements, the Board of Directors and the CEO. In 2019, PricewaterhouseCoopers AB was appointed auditor of the Company with Authorised Public Accountant Martin By as auditor-in-charge.

Information about fees and reimbursement of expenses for the auditors is presented in Note 10.

INTERNAL CONTROL AND RISK MANAGEMENT

First line of defence

TF Bank's activities primarily comprise three business units (deposits, loans and ecommerce) and four support functions, Credits, Finance, Operations and IT. Risk management is based on the business and support units and includes all employees. In the first line of defence, managers of units/functions are responsible for daily risk management and compliance, and for taking appropriate action in the event of unwanted risk exposure or failing compliance within the respective business areas. Reporting lines are to the immediate manager, the Compliance function, the Risk Control function or the CEO.

Second line of defence - Compliance and Risk Control

The independent control functions Compliance and Risk Control examine, evaluate and report to the Executive Management and the Board of Directors regarding risks and compliance. The work of both functions is governed by instructions established by the Board of Directors. The control functions in the second line of defence are responsible for reviewing risk management and compliance in the first line of defence but should also provide support for the latter.

An independent review of compliance with external and internal regulations is carried out by the Compliance function in accordance with applicable laws and regulations in the countries where TF Bank has operations, as well as the Swedish Financial Supervisory Authority's (or equivalent) regulations and general guidelines on governance and control in credit institutions. The Compliance function is subordinate to the CEO and reports directly to the Board of Directors and is regularly reviewed by the internal audit function. TF Bank's Compliance Officer is Niclas Carling. The Compliance function is independent of all business units and support functions.

Independent risk control and monitoring of risk management in TF Bank is carried out by the internal independent Risk Control function in accordance with the Swedish Financial Supervisory Authority's regulations and general guidelines on governance, risk management and control in credit institutions as well as applicable guidelines and recommendations issued by the EBA. The Risk Control function too is subordinate to the CEO and reports directly to the Board of Directors and is regularly reviewed by the internal audit function. Reporting to the Board of Directors covers the Company's capital position, liquidity risk, credit risk, market risk and operational risk, including any incidents.

TF Bank's Chief Risk Officer is Magnus Löfgren. The Risk Control function seeks to ensure that all risks in the business are identified and highlighted. The function's responsibilities include independent monitoring and analysis of how risks at an aggregate level develop over time, and to report on these to the Board of Directors and management. The function's responsibilities also include contributing to the further development of risk management processes, for instance by providing methods for identification, measurement, analysis and reporting of risks. The Risk Control function works independently of all business units and support functions.

Third line of defence - Internal audit

TF Bank's internal audit is an independent audit function, reporting directly to the Board of Directors. The internal audit is primarily responsible for providing the Board of Directors with reliable and objective evaluation of risk management, financial reporting, and control and governance processes in order to reduce the occurrence of risks and improve the control structure. TF Bank's internal audit carried out by KPMG AB and the person principally responsible for the task is Åsa Feivik. The audits are performed according to an audit plan adopted by the Board of Directors.

The internal audit function reviews and assesses whether systems, internal controls and procedures are appropriate and effective and issues recommendations and monitors adherence to the recommendations. In 2019, the audit performed by the internal audit function included procedures for deposit systems, control, measures against money laundering and terrorism financing, financial reporting, as well as the function of compliance and risk control.

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

INFORMATION IN ACCORDANCE WITH CHAPTER 6, SECTION 2 OF THE ACT (2014:968) ON SPECIAL SUPERVISION OF CREDIT INSTITUTIONS AND INVESTMENT FIRMS AND CHAPTER 8, SECTION 2 OF THE FINANCIAL SUPERVISORY AUTHORITY'S REGULAIONS ON PRUDENTIAL REQUIREMENTS AND CAPITAL BUFFERS (FFFS 2014:12)

TFB Service UAB, TFB Service SIA, TFB Service GmbH and BB Bank ASA are 100% owned by TF Bank. Avarda AB is 100% owned by TF Bank. Avarda Oy is 100% owned by Avarda AB. All companies are wholly owned subsidiaries and as the sole or majority shareholder, TF Bank is able to control the companies by exercising its voting rights at general meetings of shareholders. Through its shareholding, TF Bank is also able to determine the board that is elected at each company's general meeting.

THE BOARD OF DIRECTORS' DESCRIPTION OF INTERNAL CONTROL AND RISK MANAGEMENT RELATING TO FINANCIAL REPORTING

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

Internal control relating to financial reporting is a process designed to provide reasonable assurance regarding the reliability of external financial reporting and whether the financial statements are prepared in accordance with generally accepted accounting principles, applicable laws and regulations and other requirements for companies whose negotiable debt instruments are admitted to trading on a regulated market. The internal regulatory framework of policies, instructions and procedure and process descriptions constitutes the primary tool for safeguarding financial reporting. The effectiveness and practicality of control mechanisms are reviewed on an annual basis by the control functions and internal audit function.

The internal control activities form part of TF Bank's administrative procedures. TF Bank's internal control is based on a control environment that covers values and management culture, followup, a clear and transparent organisational structure, segregation of duties, the duality principle and quality and efficiency of internal communications. The basis for internal control of financial reporting also comprises a control environment covering organisation, decision-making pathways, powers and responsibilities that are documented and communicated in governing documents and job descriptions for control functions.

TF Bank takes a proactive approach to risk management, focusing on ongoing controls and training as well as follow-up. Risk management is an integral part of the business. The control activities include both general and detailed controls intended to prevent and detect errors and discrepancies so that these can be rectified. The control activities are developed and documented at company and departmental level, at an appropriate level based on the risk of errors and the effect of such errors. The manager responsible for each function is the person who in the first instance is responsible for managing the risks associated with the activities and financial reporting processes of their department (so-called "first line of defence").

The procedures and processes relating to financial reporting are also performed by TF Bank's Risk Control function ("second line of defence"). The control consists of an assessment of whether existing procedures and processes are adequate and of spot checks.

Monthly financial reports are submitted to the Board of Directors and the financial position of the Company and the Group is discussed each board meeting. The Board of Directors receives a report from the Risk Control function and the Compliance function before all scheduled meetings.

FURTHER INFORMATION

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

AUDITOR’S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

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

Engagement and responsibility
The Board of Directors is responsible for that the corporate governance statement on pages 84-90 has been prepared in accordance with the Annual Accounts Act.

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

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

Stockholm 27 March 2020
PricewaterhouseCoopers AB

Martin By
Authorised Public Accountant
Auditor in Charge

Frida Main
Authorised Public Accountant

SUSTAINABILITY REPORT

For TF Bank, sustainability involves managing a responsible business that creates sustainable values for our stakeholders. As a bank, employer and listed company we have a responsibility and an opportunity to have a positive influence on society by promoting the sustainability issues that are most important to us.

This is TF Bank's statutory Sustainability Report for the financial year 2019. The report comprises the Parent Company TF Bank AB and its subsidiaries.

Business model
TF Bank offers consumer credit without collateral to individuals with a good credit score, digital payment solutions for both brick and mortar retailers and online retailers, credit cards for private individuals and savings accounts with competitive interest rates. TF Bank's activities are concentrated in the Nordic region and other countries around the Baltic Sea. In 2019, a small-scale offer was also rolled out in Austria. Our marketing strategy consists of providing easily available, simple savings and credit products without complicated terms and conditions. The process is as digital and automated as possible, making us very accessible. When it comes to customer service, the Bank considers it important that we have the capacity to offer a personal service where this is required.

Bank employees who are in direct contact with customers are largely based on site in the ten countries where TF Bank has operations, while central functions are based at the head office in Borås in Sweden. The average number of employees in the Group stands at 174 (140).

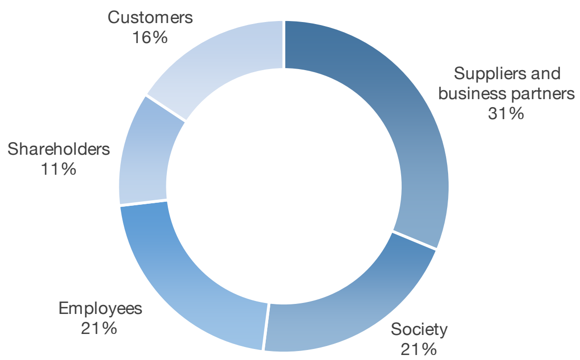
Sustainability governance
During the year, TF Bank introduced a new sustainability governance structure. The Board of Directors determines the sustainability policy and approves the Sustainability Report. The CEO decides the sustainability strategy, including plans, goals and performance indicators.

Our sustainability policy is adopted on a yearly basis and it includes all sustainability aspects according to the Swedish Annual Accounts Act: environment, social sustainability, personnel, anti-corruption and human rights, and describes our work and governance relating to sustainability. The sustainability policy also describes the importance of integrating sustainability in operations.

Risks relating to sustainability
All our risk categories can include a sustainability perspective. The Board of Directors has ultimate responsibility for limiting and following up our risks. Our risk management principally involves the three lines of defence, the first being the business units, the second comprising Group Compliance and Group Risk Management and the third comprising the Group Internal Audit. The risk that we will be unable to meet our stakeholders' expectations with regard to our actions as a sustainable company in the financial markets is a risk that could impact our reputation and have financial consequences. This includes the risk of collaborating with suppliers or doing business with customers who have a significant negative impact on the environment or society, or in breach of human rights.

Human rights
TF Bank supports the UN's International Declaration of Human Rights and associated conventions. We take human rights very seriously and believe all humans are equal. We respect the personal dignity, integrity and rights of every human being. Nobody at our Company must be party to activities that breach or circumvent human rights.

Financial value
TF Bank generates financial value for most of its stakeholder groups: Deposit account customers in the form of interest payments, employees in the form of salaries, suppliers and business partners for purchases of services, shareholders in the form of dividends, and society at large in the markets where we are active through taxes and fees.



FOCUS AREAS

TF Bank takes a structural approach to sustainability work through four focus areas. The areas have been selected by the Board of Directors according to order of priority, in view of our business activities and the risks they involve. The main material risks we have identified in each focus area are shown below.

Focus area	Identified risk	Management of risk
Responsible granting of credit	TF Bank contributed to excessive indebtedness in society	Analysis of customer's future ability to pay and current loan situation. Credit will only be granted if there is good reason to believe that the customer will be able to meet their obligations.
Anti-corruption measures	Conflict of interest between the employee's own interests and the Company's interests	Training of staff in the Code of Conduct and ethical conduct.
Employee wellbeing	Diversity and equality failures	Guidelines for diversity and equal treatment.
Environment and social responsibility	No material risk identified for TF Bank.	Continuous improvements are carried out to reduce the Company's environmental impact.

In 2019 we have decided on quantified KPI's linked to our focus areas responsible granting of credit, anti-corruption measures, employee wellbeing and environment and social responsibility. These enable improved monitoring over time.

Responsible granting of credit	2019	2018
Net loan loss ratio (%)	3.4	3.9

Anti-curruption measures	2019	2018
Number of reported violations of Code of conduct	0	0

Employee wellbeing	2019	2018
Employee turnover rate (%)	25.1	17.4
Sick leave (%)	3.3	3.0

Responsible granting of credit

Responsible lending is the cornerstone of our business. For us, it is the basis for long-term value creation. We believe that credit fulfils an important role in a functioning society and that by taking out a loan, consumers are able to spread costs over time. Our credit assessment is sound, sophisticated and established. Because we have operations in several countries, the conditions for how the operations are managed vary. We only offer loans to persons who according to our assessment are likely to be able to repay the credit. However, there is always the risk that our customers, for various reasons, will find it difficult to repay the credit, which is not desirable for either the customer, society or us as the lender. Responsible granting of credit is therefore the most obvious focus area within our sustainability work.

Credit assessment

In 2019, we processed around 5,300,000 loan applications (4,000,000), where the majority of customers were denied credit as a result of our robust credit assessment to reduce the risk of our customers encountering future problems. In each case, we ensure accurate credit assessment through our established credit granting process that is continuously being tested, developed and improved. Our long experience in this industry, in our various geographical markets and in difference economic conditions, has given us the knowledge and data to be able to develop our models. A large proportion of our process is automated, but where necessary, because we have operations in multiple countries, the process can be reinforced through manual input by our experienced credit officers.

Credit assessment is performed in accordance with good lending practice and is always based on the customer's financial position and implemented in accordance with TF Bank's credit policy. In some countries we may be required to contact customers by telephone to ensure that the information provided by the applicant is correct. In markets where we have access to less information via credit information services companies, we ask for supplementary information, such as pay slips and tax returns, in order to ensure that our customers have the financial capacity to repay the loan. Customers must not have a prior record of late payments and must have flexibility in their finances, which we ensure through our left-to-live-on calculator. Our customers must also not have a too high level of indebtedness. Additionally, TF Bank's credits are characterised by relatively low loan amounts and short repayment periods, which increases the probability that our customers will be able to repay their loans, even if their financial circumstances change. In order to protect customers against changes in their financial circumstances, we also offer customers the facility to take out insurance against suspension of payments due to unemployment or illness.

Level of loan losses

Our aim is to continue to expand our loan portfolio, but growth should not take place at the expense of credit assessment. Our ambition is to continuously reduce the level of loan losses, and we were able achieve this aim in 2019.

If our customers find it difficult to repay their loan, we are committed to helping them. We have specially trained staff who contact customers early in the case of late payments in order to be able to jointly reach a solution and if possible provide advice and support.

Anti-corruption measures
TF Bank completely distances itself from and actively combats corruption. At TF Bank, corruption primarily refers to the giving or accepting of a bribe or undue benefit, and inappropriate conduct in conflicts of interest.

Conducting operations in a way that ensures corruptive practices cannot gain a foothold is a fundamental prerequisite for the continued trust of our customers, staff and the market. The Bank's anti-corruption work is based on the Group's policy document Code of Conduct, which encompasses the entire Group and employees at every level. TF Bank's Compliance function ensures that Code of Conduct is reviewed and update every year, and that the updated Code is shared with the Group's employees. This contributes to awareness among all staff that anti-corruption work is a continuous process.

Because corruption is fundamentally an ethical issue, it is paramount that all staff in the Group fully understand that legal or unfair business practices have no place in TF Bank's operations.

In the past year, TF Bank has increased its focus on staff training in areas regarded as particularly important. In connection with this, the Group has conducted anti-corruption training for all the employees in the Group. The training provides guidance on the best course of action in the event of doubts regarding a commitment or business situation.

Employee wellbeing
A healthy culture and a sound and safe work environment are important strategic issues for TF Bank. The objective of the Company's work environment activities is to create a physically, mentally and socially healthy and stimulating workplace for all staff.

Diversity
TF Bank's diversity policy has been adopted by the Board of Directors: By diversity, TF Bank means the differences that make all of us unique. This includes visible differences such as age, gender, ethnicity and physical abilities and invisible differences such as religion, beliefs, ways of thinking and acting. At TF Bank we treat all people with respect and dignity in accordance with our business principles.

TF Bank believes that people with different experiences and perspectives play a deciding role in creating the innovative climate required for long-term business success. As a small company we know that our success depends on the diversity and skills of our employees.

Equality
By equality, TF Bank means that men and women should have the same rights, obligations and opportunities in all significant aspects of life. TF Bank's fundamental ethical principles are to:

- actively seek to ensure that both the physical and psychosocial work environment is suitable for all employees
- make it easier for all employees to combine work and parenthood
- prevent harassment
- investigate all cases of discrimination and harassment in the workplace and take appropriate action
- provide all employees with the opportunity for development and training
- actively promote a more even gender distribution in our activities
- provide all employees with equal pay and terms and conditions for equal performance, when the work performed is the same or of similar nature and is of comparable level of difficulty

Distribution men/women as at 31 December 2019	Women	Men
Board of Directors	3	3
Group employees	100	74

Distribution men/women as at 31 December 2018	Women	Men
Board of Directors	3	3
Group employees	82	58

Work environment
All employees within the Group should have an inspiring work environment, whether physical or psychosocial. The physical work environment should be designed to promote health and wellbeing and all staff should have an ergonomically designed workstation. Great importance is placed on preventive work environment work, which is performed through close cooperation between management, staff, the work safety organisation and occupational health. TF Bank continually evaluates the Company's efforts regarding work environment in order to be able to continuously improve its daily work environment work.

The work climate should be characterised by respect for and trust in the individual, and TF Bank's management strives to facilitate open communication with associated rights and obligations regarding information. Being motivated to perform the work is fundamental for good health. Every employee at TF Bank should therefore be offered the opportunity to:

- be aware of the objectives and vision of the business
- understand their role and the importance of their own work
- influence their own work situation
- take responsibility for their job and have the required authority
- develop their skills
- take responsibility for their health

Environment and social responsibility

Climate issues are one of the most important societal issues of our time. TF Bank therefore works to contribute to the social good, although our business has no direct impact on the environment, by limiting our transportations. The indirect environmental impact is mainly due to our suppliers' energy use, especially regarding server capacity. During the year, we started the conversion to a cloud-based server solution that is both safer and more energy efficient than having our own servers. The server hall used has a powerusage effectiveness of 1.14 compared to the average level of 1.80 in the industry.

Our offices

Because TF Bank has operations in several countries, video conferencing facilities have been a priority at all offices in order to facilitate meetings between the Group's various units and to reduce the Company's environmental impact in the form of travel.

At our offices we seek to ensure efficient waste sorting at source. Paper, board, printer ink and electronic equipment is sorted and recycled. Our office stationery is purchased from environmentally certified suppliers and we aim as far as possible to choose environmentally friendly products.

Digital customer communication

We are on a digital journey where we are developing internal processes and smart solutions for our customers, but different conditions apply in different markets depending on how ready the country is to accept digital solutions. In the Baltic countries and Norway, all customer communication is digital. In Sweden and Finland, the majority of new lending is performed digitally via loan intermediation, but this is supplemented with direct campaigns via mail.

During 2019 we launched the My account function for savings, to give them an easily accessible overview of their saving and to enable them to manage their withdrawals digitally.

Reduced paper consumption

We are striving to reduce our use of paper through several different initiatives. Previously, communication with customers about new loans was conducted solely by mail. Today, we encourage our customers to sign agreements digitally and this work is at an advance stage in several markets.

We see scope for improvement regarding the use of e-invoices and invoices via email to manage notices to our customers. In Norway and the Baltic region, virtually all invoices are e-invoices and email invoices. while the majority of notices in Sweden and Finland are sent by mail. In 2020 the functions for e-invoice and digital mailbox was launched in Sweden. The customers will therefore be encouraged to start using these functions.

In both our marketing and our administration we use products with the Svanen or FSC label, both with regard to paper, envelopes and cardboard boxes.

Responsible tax payer

TF Bank has since inception paid income tax on the surplus generated by the business, which is a natural part of being a responsible member of society. In the last five years, TF Bank has paid a total of SEK 230 million in income tax and of course we also pay social security contributions in all the countries where we have operations.

Charity

TF Bank has an agreement with Zelmerlöw & Björkman Foundation, which fundraises to create a better future for vulnerable children and young adults. Today, the foundation is funding four schools in Africa and a fifth is in the pipeline. We fund teachers, school dinners and school uniforms, and build wells to provide students with clean water. There are also advanced plans to start up a boarding school for homeless girls in the near future.
TF Bank's contribution to the foundation is earmarked for funding of two years of schooling for a whole class of 40 students at Kenswed Academy in Kenya.

The Group also supports the PlayOnside organisation, which is based in the Thai city of Mae Sot, on the eastern border with Burma. PlayOnside uses the powers of football to educate and empower Burmese refugees and immigrants who have been banished in Thailand. Burma has experienced one of the most serious humanitarian crises in the world, with internal conflict resulting in thousands of civilian casualties, evictions and resettlement in other countries. PlayOnside was established in 2013 and has steadily increased and expanded its reach. Currently, 700 children from 22 different migrant schools gather every weekend to play, learn and compete, at the same time as making new friends and expanding their network as part of the process.

AUDITOR’S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

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

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2019 on pages 92–95 and that it has been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

The scope of the audit

Our examination has been conducted in accordance with FAR’s auditing standard RevR 12 The auditor’s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm 27 March 2020
PricewaterhouseCoopers AB

Martin By	Frida Main
Authorised Public Accountant	*Authorised Public Accountant*
Auditor in Charge	

BOARD OF DIRECTORS

MARI THJØMØE
Chairman of the Board since 2018. Board member since 2017.

Born: 1962

Education: Master of Economics and Business, BI Norwegian Business School and Chartered Financial Analyst, Norwegian School of Economics

Current directorships: Hafslund E-CO AS (Board member), Scatec Solar ASA (Board member), Seilsport Maritimt Forlag AS (Chairman), Norconsult AS (Deputy Chairman), Ice ASA (Board member), Tryg A/S (Board member).

Independent of the Company, its management and major shareholders.

TONE BJØRNOV
Board member since 2015.

Born: 1961

Education: Business degree from BI Norwegian Business School.

Current directorships: Filmparken AS (Chairman), Storyline Studios AS (Chairman), Hausmann AS (Chairman), BB Bank ASA (Board member), Aqua Bio Technology ASA (Board member), Sparebankstiftelsen Bien (Board member), sparebanken Bien ASA (Board member), Varme og Bad AS (Board member), Guard Automation AS (Board member), Guard Electro AS (Board member), Omsorgsbygg Oslo KF (Board member).

Independent of the Company, its management and major shareholders.

JOHN BREHMER
Board member since 2010.

Born: 1965

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

Current directorships: Consortio Fashion Holding AB (Board member), Mederion AB (Chairman), TFB Holding AB (Board member), Tiberon AB (Chairman), Halens Real Estate AB (Board member).

Independent of the Company and its management. Affiliation with major shareholders.

BERTIL LARSSON
Board member since 2007.

Born: 1946

Current directorships: AB Effektiv (Chairman), Aktiebolaget Borås Tidning (Chairman), Conpera AB (Board member), Gota Media AB (Board member), LåsTeam Sverige AB (Chairman), Minso Holding AB (Chairman), Minso Solutions AB (Chairman), Tore G Wärenstams Stiftelse (Board member), Brf Asplyckan (Board member), Kyrkesunds Båthamnsförening (Board member).

Independent of the Company, its management and major shareholders.

CHARLOTTA BJÖRNBERG-PAUL
Board member since 2017.

Born: 1974

Education: M.Sc. Econ. Hanken School of Economics, Finland.

Current directorships: Saxo Oy (Chairman), Paptic Ltd (Board member), Superskills (co-founder), Anki Rugs (Entrepreneur).

Independent of the Company, its management and major shareholders.

MATTIAS CARLSSON
Board member since 2008.

Born: 1972

Education: MSc Eng in Engineering and Physics, Uppsala University.

Current directorships: BB Bank ASA (Chairman), Avarda AB (Chairman), Avarda Oy (Chairman), Smedslättens Tennisbanor Aktiebolag (Chairman), Qred AB (Chairman) and Tronstad Consulting AB (Board member).

Affiliation with the Company.

AUDITORS

AUDITOR

MARTIN BY
Authorised Public Accountant

Auditor in charge

PricewaterhouseCoopers AB

AUDITOR

FRIDA MAIN
Authorised Public Accountant

PricewaterhouseCoopers AB

EXECUTIVE MANAGEMENT

MATTIAS CARLSSON
CEO

Born: 1972

Education: MSc Eng in Engineering and Physics, Uppsala University.

Current directorships: BB Bank ASA (Chairman), Avarda AB (Chairman), Avarda Oy (Chairman), Smedslättens Tennisbanor Aktiebolag (Chairman), Qred AB (Chairman) and Tronstad Consulting AB (Board member).

MIKAEL MEOMUTTEL
CFO and Deputy CEO

Born: 1976

Education: MSc in Business/ Economics and Finance at Borås University/Gothenburg University.

At TF Bank since 2009, 2014 Deputy CEO and from 2018 also the Group's Head of IR. Previous experience: Financial controller at Consortio Fashion Group AB (CFG).

Current directorships: Avarda AB (Board member).

ESPEN JOHANNESEN
Head of Consumer Lending and CEO of BB Bank ASA

Born: 1981

Education: Executive MBA Management Control Norwegian School of Economics (NHH), BA Economics, Business BI Norwegian School of Management

At BB Bank since 2010.

MIKAEL JOHANSSON
Head of Ecommerce Solutions and CEO of Avarda AB

Born: 1974

Education: MSc Business Administration and Matemathics, Stockholm University

At the Group since 2016 as CEO of Avarda. Previous experience: GE Commercial Finance and CEO of Santander Consumer Bank Sverige.

Current directorships: Svenska Bilhandlare AB (Chairman).

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 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.

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 2015 and 2016 comprised costs related to the IPO. 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.

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

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.

CONTACT DETAILS

CONTACT

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