



**YEAR-END REPORT**  
January-December 2016

# THE YEAR IN BRIEF

## THE FULL YEAR, JANUARY-DECEMBER 2016 COMPARED WITH JANUARY-DECEMBER 2015

- Total operating income increased by 13.6 % to SEK 440.8 million
- The loan portfolio amounted to SEK 2,489 million on 31 December 2016, an increase of 35,5 % since the end of 2015
- Operating profit increased by 18.2 % to SEK 139.8 million
- Adjusted operating profit increased by 16.5 % to SEK 159.1 million <sup>1</sup>
- Net profit increased by 22.2 % to SEK 109.3 million
- Adjusted net profit increased by 19.9 % to SEK 124.3 million <sup>1</sup>
- The cost/income ratio was 38.6 % (37.0)
- CET1 capital ratio was 14.5 % (13.9) and the total capital ratio was 18.2 % (18.2)
- Earnings per share amounted to SEK 5.47 (4.34)
- Adjusted earnings per share amounted to SEK 6.16 (5.00) <sup>1</sup>
- The Board of Directors proposes to the Annual General Meeting a dividend of SEK 2.20 per share for 2016

## SIGNIFICANT EVENTS, JANUARY-DECEMBER 2016

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

## FOURTH QUARTER, OCTOBER-DECEMBER 2016 COMPARED WITH OCTOBER-DECEMBER 2015

- Total operating income increased by 18.9 % to SEK 117.9 million
- Operating profit increased by 115.6 % to SEK 42.3 million
- Adjusted operating profit increased by 44.9 % to SEK 42.3 million <sup>1</sup>
- Net profit increased by 131.7 % to SEK 32.9 million
- Adjusted net profit increased by 51.8 % to SEK 32.9 million <sup>1</sup>
- The cost/income ratio was 40.0 % (42.7)
- Earnings per share amounted to SEK 1.63 (0.74)
- Adjusted earnings per share was SEK 1.63 (1.09) <sup>1</sup>

IPO, solid growth and high profitability summarises a strong year for TF Bank.

### TOTAL OPERATING INCOME

JAN-DEC 2016 COMPARED WITH JAN-DEC 2015

SEK **441** MILLION + **14** %

### LOAN PORTFOLIO

31 DECEMBER 2016 COMPARED WITH 31 DECEMBER 2015

SEK **2.5** BILLION + **35** %

### TOTAL CAPITAL RATIO

31 DECEMBER 2016 COMPARED WITH 31 DECEMBER 2015

**18.2** % + **0.0** PERCENTAGE POINTS

### ADJUSTED EARNINGS PER SHARE <sup>1</sup>

JAN-DEC 2016 COMPARED WITH JAN-DEC 2015

SEK **6.16** + **23** %

<sup>1</sup> Adjustments have been made for items affecting comparability related to the initial public offering. Definitions, see page 31.

# CEO'S COMMENTS

2016 was in many respects an historic year for TF Bank. The listing of the company's shares on the Nasdaq Stockholm in June was of course a major milestone in the company's near 30-year history. The market for digitalized niche banks continues to grow and we are proud that TF Bank is included among successful and forward-looking industry peers.

At the same time as we received hundreds of new owners in 2016, lending to the public increased by over 35 %. This was mainly due to strong organic growth in Norway and Finland. The markets in Poland and the Baltics also performed solidly and contributed to the increase in volume.

Being able to deliver growth of earnings per share of 23 % during this eventful year is a testament to the strong business model, which in turn bodes well for our future as a publicly listed company.

## Increased geographical diversification

Our strategy to improve operational efficiency and use local expertise in foreign markets has led to continued growth and the successful geographical diversification of the loan portfolio over the past year. This in turn means that the Group's macroeconomic exposure continues to be varied to include several different markets and that the Group therefore remains strong at the end of the year.

The goal of increased diversification is similarly reflected in the Group's financing. We have recently added a fixed-interest account in Sweden and a deposit account in Norway to the product range. The latter means that the Group's future financing needs will be met in more currencies, which we see as a further reduction of the macroeconomic risk within the Group.

## High lending growth

Lending for the Group increased by SEK 652 million to SEK 2.5 billion. The strongest growth was achieved in Norway where we have benefited from BB Finans' long experience in the stable Norwegian credit market. Moreover, it was a reassuring stamp of approval with regard to the level of quality within the company when Finanstilsynet declared that BB Finans fulfilled the conditions required to obtain a banking license in Norway. Particularly pleasing was also that Poland continued to



grow, as we see this as a market with enormous potential. Even our largest market at the moment, Finland, showed strong growth during the period, whilst maintaining a solid margin.

## Investing in a growing product range

The Group's growing product range has been one of several important factors contributing to the strong growth in 2016. The correlation between operating expenses and operating income was affected by the product mix during the year and the cost/income ratio increased somewhat. The increase was however primarily due to higher operating expenses in the subsidiary Avarda, which continues to develop its unique digital solutions for existing and prospective traders in e-commerce and retail. The Group will continue to work with operational efficiency in 2017 to ensure that the level of profitability remains at an attractive level.

## Focus going forward

TF Bank has always been characterised by high profitability combined with stable growth and we are proud of what has been achieved during 2016. Our focus areas for 2017 are mainly to further develop our IT platform, continue to improve our credit scoring models and enhance product innovation to maintain the current growth momentum. We look forward with confidence to the coming years when work to create value for our shareholders, employees and customers will continue.

*Declan Mac Guinness  
President & CEO*

# THE GROUP

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

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

## KEY FIGURES, GROUP

SEK thousand	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
<b>Income statement</b>				
Operating income	117,896	99,179	440,799	388,013
Operating profit	42,310	19,626	139,824	118,315
Net profit for the period	32,875	14,186	109,268	89,409
Earnings per share, SEK	1.63	0.74	5.47	4.34
<b>Balance sheet</b>				
Loans to the public	2,489,283	1,837,578	2,489,283	1,837,578
Deposits from the public	2,284,645	2,229,562	2,284,645	2,229,562
Credit volume	637,961	441,407	2,391,729	1,675,309
<b>Key figures</b>				
Operating income margin, %	20.2	22.4	20.2	22.4
Net loan loss ratio, %	5.1	6.2	5.1	6.2
Cost/Income ratio, %	40.0	42.7	38.6	37.0
Return on equity, %	29.1	29.9	29.1	29.9
CET1 capital ratio, %	14.5	13.9	14.5	13.9
Total capital ratio, %	18.2	18.2	18.2	18.2
Employees (FTE)	101	91	98	78

## ADJUSTED KEY FIGURES, GROUP

SEK thousand	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Operating profit	42,310	19,626	139,824	118,315
Items affecting comparability <sup>1</sup>	-	9,582	19,275	18,232
Adjusted operating profit	42,310	29,208	159,099	136,547
Adjusted income tax expense	- 9,435	- 7,548	- 34,797	- 32,917
Adjusted net profit for the period	32,875	21,660	124,302	103,630
Adjusted net profit attributable to the shareholders of the Parent company	34,971	23,490	132,538	107,456
Adjusted earnings per share, SEK <sup>2</sup>	1.63	1.09	6.16	5.00
Adjusted return on equity, %	32.8	34.5	32.8	34.5

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

<sup>2</sup> The tax effect related to the change in the value of unrealised currency derivatives affects the change in adjusted earnings per share of SEK 0.04 during Oct-Dec 2016 compared with Oct-Dec 2015 and SEK 0.14 for Jan-Dec 2016 compared with Jan-Dec 2015.

Definitions, see page 31.

# EARNINGS AND FINANCIAL POSITION

## THE FULL YEAR 2016

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

### Operating income

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

### Interest income

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

### Interest expenses

Interest expenses increased by 32.6 % to SEK 49.9 million (37.6) during the year. TF Bank issued a subordinated loan in December 2015, which affects the 2016 interest expense by SEK 6.3 million (0.3). In the past year lending

growth occurred primarily in the foreign markets where interest rates are slightly higher, which also contributes to the Group's increased interest expenses.

### Net fee and commission income

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

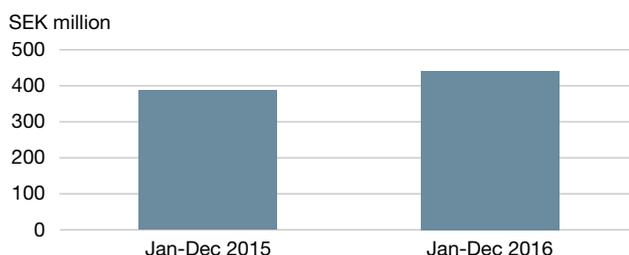
### Operating expenses

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

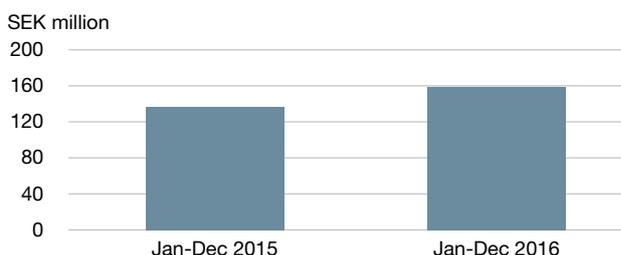
### Loan losses

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

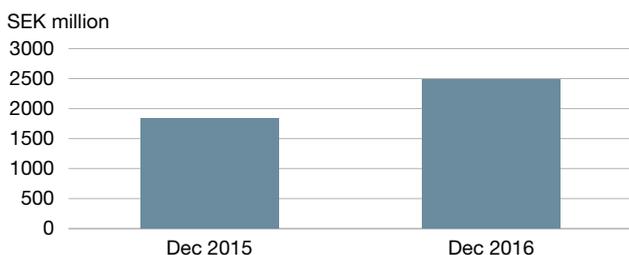
#### OPERATING INCOME



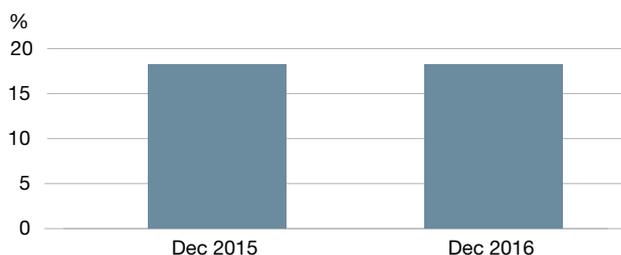
#### ADJUSTED OPERATING PROFIT<sup>1</sup>



#### LOANS TO THE PUBLIC



#### TOTAL CAPITAL RATIO



<sup>1</sup> Adjustments have been made for items affecting comparability related to the initial public offering.

Definitions, see page 31.

### **Tax expenses**

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

### **Lending**

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

### **Deposits**

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

### **Investments**

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

### **Cash and cash equivalents**

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

### **Capital adequacy**

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

### **OCTOBER-DECEMBER 2016**

Operating profit increased by 116 % to SEK 42.3 million (19.6). Items affecting comparability related to the IPO impacted earnings in the comparative quarter with SEK 9.6 million. Adjusted operating income for the quarter amounted to SEK 42.3 million (29.2), an increase of 44.9 %. The increase is mainly related to the high growth in lending as well as improved credit quality. Adjusted earnings per share increased by 49.5 % to SEK 1.63 (1.09).

### **Operating income**

The Group's operating income increased by 18.9 % to SEK 117.9 million (99.2). Net interest income rose to SEK 108.2 million (90.0), an increase of 20.2 %, which is primarily related to increased lending in the Direct to Consumer segment. The net fee and commission income in the quarter was unchanged compared with the previous year and amounted to SEK 9.9 million (9.9).

### **Operating expenses**

The Group's operating expenses increased by 11.3 % to SEK 47.2 million (42.4). The average number of employees increased to 101 (91). The higher credit volume resulted in higher variable costs, which includes credit and customer communication, compared to the corresponding quarter of 2015.

### **Loan losses**

Net loan losses increased by 2.9 % to SEK 28.4 million (27.6) with the increase attributable to the Sales Finance segment. Low net loan loss levels in BB Finans and a general improvement in credit quality helps to keep down the net loan losses in the quarter.

### **Tax expenses**

The Group's tax expenses amounted to SEK 9.4 million (5.4). The increase is related to higher operating profit during the period. The comparative figure includes a significant tax effect relating to changes in the value of unrealised currency derivatives.

# DIRECT TO CONSUMER

## JANUARY - DECEMBER 2016

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

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

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

Portfolio Growth in Finland ended at SEK 140 million (+24 %) and Estonia increased its portfolio by SEK 73 million (+46 %). Poland continued its stable

development with improved credit quality and a portfolio increase of SEK 54 million (+63 %). The segment has thus delivered strong, broad and solid growth during the year.

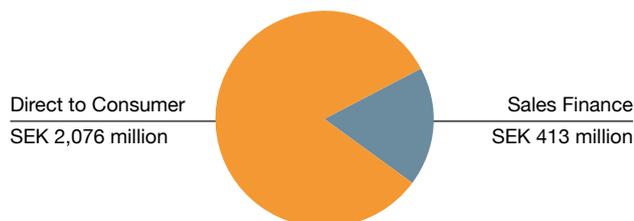
The segment's operating income, which comes with a lag compared to portfolio growth, rose by 15.8 % to SEK 372.2 million (321.5) and net interest income increased by 15.1 %. Net commission income increased by 23.5 % to SEK 22.6 million (18.3).

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

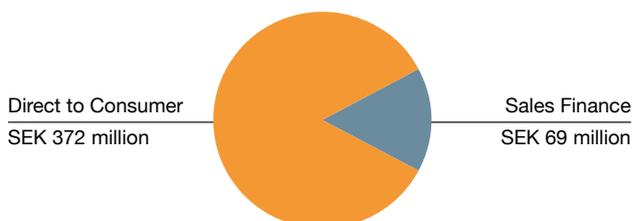
The segment's loan losses fell by 0.6 % to SEK 85.1 million (85.6). The decrease is primarily explained by improved credit quality and higher prices for the ongoing sale of bad debts in the Finnish market. Loan losses in BB Finans were lower than the average for the segment, which is increasingly important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

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

### LENDING BY SEGMENT



### OPERATING INCOME BY SEGMENT



# SALES FINANCE

## JANUARY - DECEMBER 2016

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

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

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

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

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

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

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

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

# OTHER

## Risks and uncertainties

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

## Accounting policies

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

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

The accounting policies, computation methods and presentation used for the Group and Parent company are essentially unchanged from the 2015 Annual Report. The interim information on pages 2-29 is an integral part of this financial report.

## IFRS 9 "Financial Instruments"

The IASB has finalised the new standard for financial instruments, IFRS 9. The standard covers the classification and measurement, impairment and general hedge accounting and replaces the existing requirements in these areas in IAS 39. IFRS 9 becomes effective for fiscal years beginning 1 January 2018 or later, and it has been approved by the EU Commission. Whilst earlier application is permitted TF Bank does not intend to apply IFRS 9 early. TF Bank does not intend to restate the comparative figures for 2017 in the annual report for 2018 on the basis of IFRS 9.

Impairment requirements in IFRS 9 is based on a model of expected losses, unlike the current model for incurred credit losses in IAS 39. The new requirements are expected to increase provisions for credit losses and reduce equity for the first applicable period. TF Bank has begun analysing what the new rules will mean in practice and feel comfortable with the quality of the data that forms the basis for further modelling. The Basel Committee is expected to issue new rules for the transition to IFRS 9 regarding the capital adequacy rules, which will most likely result in a phasing-in over three to five years, but so far no definitive rules have been presented.

Analysis with respect to the classification and measurement is in progress but is not expected to have any material impact on the financial reporting.

## Significant events during the year

Listing of TF Bank's subordinated Tier 2 loan of SEK 100 million on the Nasdaq Stockholm in February.

On 12 April 2016 it was decided at the Annual General Meeting to pay a dividend of SEK 0.45 per share.

On 12 April 2016 it was also decided at the Annual General Meeting to issue warrants to senior executives and employees, which entitle the holders to subscribe for a total of 775,772 new shares in the company amounting to approximately SEK 2.5 million. Further information relating to the warrants can be found in the interim report January – June 2016.

On 14 June 2016 TF Bank listed its shares on the Nasdaq Stockholm. There was significant interest in the IPO. In total 5,661,553 shares (26.3 %) offered at SEK 77 per share. Moreover, part of the option that the selling shareholders issued was exercised, which means that a total of 6,474,472 shares (30.1 %) were sold.

In July the Finnish department store chain Anttila filed for bankruptcy. Anttila was an important customer to TF Bank's subsidiary Avarda, in which TF Bank owns 51 % of the outstanding shares.

During the third quarter TF Bank opened an office in Latvia. New lending in the Direct to Consumer segment started in October.

Consortio Fashion Group, an e-retailer in the Sales Finance segment, announced in November that the company has begun negotiations to phase out sales under the Halens brand.

In December the Norwegian FSA determined that TF Bank meets the conditions for a banking license in Norway through its subsidiary BB Finans.

A new deposit product in Sweden was added in December in the form of a one-year fixed interest account with an interest rate of 1.45 %.

#### **Events after the end of the year**

TF Bank started offering retail deposits in Norway.

#### **Annual General Meeting 2017**

The Annual General Meeting 2017 will be held in Stockholm on Wednesday 3 May 2017 at 16:00 (CET). Shareholders who wish to submit a proposal for consideration at the Annual General Meeting may do so to the Board of Directors no later than Thursday 16 March 2017. The proposal should be sent via e-mail to [ir@tfbank.se](mailto:ir@tfbank.se) or by regular mail to TF Bank AB, Attn: Investor Relations, Ryssnäsgratan 2, 504 64 Borås. Notice of the Annual General Meeting will be published on Tuesday 28 March 2017.

#### **Proposed dividend**

The Board of Directors proposes to the Annual General Meeting a dividend of SEK 2.20 per share for 2016. The total dividend to the shareholders would then be SEK 47.3 million.

#### **The share (TFBANK)**

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

#### **Financial targets**

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

##### **Growth**

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

##### **Efficiency**

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

##### **Capital structure**

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

##### **Dividend policy**

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

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

# INCOME STATEMENT, GROUP

SEK thousand	Note	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
	1, 2, 3, 9				
<b>Operating income</b>					
Interest income		121,644	99,869	448,870	385,846
Interest expense		- 13,428	- 9,851	- 49,870	- 37,602
<b>Net interest income</b>		<b>108,216</b>	<b>90,018</b>	<b>399,000</b>	<b>348,244</b>
Fee and commission income		11,876	11,845	49,045	45,882
Fee and commission expense		- 1,991	- 1,928	- 7,654	- 5,960
<b>Net fee and commission income</b>		<b>9,885</b>	<b>9,917</b>	<b>41,391</b>	<b>39,922</b>
Net results from financial transactions		- 205	- 756	408	- 153
<b>Total operating income</b>		<b>117,896</b>	<b>99,179</b>	<b>440,799</b>	<b>388,013</b>
<b>Operating expenses</b>					
General administrative expenses		- 41,938	- 36,676	- 149,786	- 118,272
Depreciation, amortisation and impairment charges of tangible and intangible assets		- 1,399	- 1,116	- 4,744	- 4,568
Other operating expenses		- 3,819	- 4,559	- 15,601	- 20,579
<b>Total operating expenses</b>		<b>- 47,156</b>	<b>- 42,351</b>	<b>- 170,131</b>	<b>- 143,419</b>
<b>Profit before loan losses</b>		<b>70,740</b>	<b>56,828</b>	<b>270,668</b>	<b>244,594</b>
Net loan losses		- 28,430	- 27,620	- 111,569	- 108,047
Items affecting comparability		-	- 9,582	- 19,275	- 18,232
<b>Operating profit</b>		<b>42,310</b>	<b>19,626</b>	<b>139,824</b>	<b>118,315</b>
Income tax expense		- 9,435	- 5,440	- 30,556	- 28,906
<b>Net profit for the period</b>		<b>32,875</b>	<b>14,186</b>	<b>109,268</b>	<b>89,409</b>
<i>Attributable to:</i>					
<i>Shareholders of the Parent company</i>		34,971	16,016	117,504	93,235
<i>Non-controlling interests</i>		- 2,096	- 1,830	- 8,236	- 3,826
<i>Basic earnings per share (SEK)</i>		1.63	0.74	5.47	4.34
<i>Diluted earnings per share (SEK)</i>		1.63	0.74	5.47	4.34

# STATEMENT OF COMPREHENSIVE INCOME, GROUP

SEK thousand	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
<b>Net profit for the period</b>	<b>32,875</b>	<b>14,186</b>	<b>109,268</b>	<b>89,409</b>
<b>Other comprehensive income:</b>				
<b>Items that may be reclassified subsequently to the income statement</b>				
Gross fair value gains/losses on available for sale financial assets	38	-	228	-
Tax on fair value gains/losses during the period	48	-	-	-
Currency translation differences	31	- 620	609	1,278
Tax on currency translation differences during the period	- 386	- 371	1,576	- 1,339
<b>Other comprehensive income, net of tax</b>	<b>- 269</b>	<b>- 991</b>	<b>2,413</b>	<b>- 2,617</b>
<b>Total comprehensive income for the period</b>	<b>32,606</b>	<b>13,195</b>	<b>111,681</b>	<b>86,792</b>
<i>Attributable to:</i>				
<i>Shareholders of the Parent company</i>	<i>34,714</i>	<i>15,063</i>	<i>119,663</i>	<i>90,674</i>
<i>Non-controlling interests</i>	<i>- 2,108</i>	<i>- 1,868</i>	<i>- 7,982</i>	<i>- 3,882</i>

# BALANCE SHEET, GROUP

SEK thousand	Note	31 Dec 2016	31 Dec 2015
	1, 2, 3, 4, 5, 7, 9		
<b>ASSETS</b>			
Cash and balances with central banks		30,510	29,445
Treasury bills eligible for refinancing		60,211	60,075
Loans to credit institutions		290,152	777,811
Loans to the public	6	2,489,283	1,837,578
Shares		263	-
Goodwill		12,673	11,536
Intangible assets		18,414	12,406
Tangible assets		1,610	1,516
Other assets		9,509	9,582
Current tax assets		11,697	1,288
Deferred tax assets		6,830	2,235
Prepaid expenses and accrued income		10,973	34,297
<b>Total assets</b>		<b>2,942,125</b>	<b>2,777,769</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Liabilities to credit institutions		-	516
Deposits and borrowings from the public		2,284,645	2,229,562
Other liabilities		17,853	25,925
Current tax liabilities		5,213	-
Deferred tax liabilities		14,597	14,253
Accrued expenses and prepaid income		53,490	59,280
Subordinated liabilities		97,040	97,000
<b>Total liabilities</b>		<b>2,472,838</b>	<b>2,426,536</b>
<b>Equity</b>			
Share capital (21,500,000 shares of SEK 5 each)		107,500	107,500
Accumulated other comprehensive income		1,486	- 673
Other reserves		1,934	-
Retained earnings		228,428	144,868
Net profit for the period attributable to the shareholders of the Parent company		117,504	93,235
<b>Total equity attributable to the shareholders of the Parent company</b>		<b>456,852</b>	<b>344,930</b>
Non-controlling interests		12,435	6,303
<b>Total equity</b>		<b>469,287</b>	<b>351,233</b>
<b>Total liabilities and equity</b>		<b>2,942,125</b>	<b>2,777,769</b>

# CASH FLOW STATEMENT, GROUP

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

# STATEMENT OF CHANGES IN EQUITY, GROUP

SEK thousand	Share capital	Other comprehensive income	Other reserves	Retained earnings	Net profit for the period	Non-controlling interests	Total equity
<b>Balance as at 1 Jan 2015</b>	<b>5,000</b>	<b>1,887</b>	-	<b>165,787</b>	<b>99,543</b>	-	<b>272,217</b>
Net profit for the year	-	-	-	-	93,235	- 3,826	89,409
Gross currency translation differences	-	- 1,221	-	-	-	- 57	- 1,278
Tax on currency translation differences during the period	-	- 1,339	-	-	-	-	- 1,339
<b>Total comprehensive income for the period, net of tax</b>	-	<b>- 2,560</b>	-	-	<b>93,235</b>	<b>- 3,883</b>	<b>86,792</b>
Transfer to retained earnings	-	-	-	99,647	- 99,543	- 104	-
Dividends	-	-	-	- 18,105	-	-	- 18,105
Bonus issue	102,500	-	-	- 102,500	-	-	-
New share issue	-	-	-	39	-	980	1,019
Shareholder's contribution	-	-	-	-	-	9,310	9,310
<b>Balance as at 31 Dec 2015</b>	<b>107,500</b>	<b>- 673</b>	-	<b>144,868</b>	<b>93,235</b>	<b>6,303</b>	<b>351,233</b>
<b>Balance as at 1 Jan 2016</b>	<b>107,500</b>	<b>- 673</b>	-	<b>144,868</b>	<b>93,235</b>	<b>6,303</b>	<b>351,233</b>
Net profit for the period	-	-	-	-	117,504	- 8,236	109,268
Gross fair value gains/losses on available for sale financial assets	-	228	-	-	-	-	228
Tax on fair value gains/losses during the period	-	-	-	-	-	-	-
Gross currency translation differences	-	355	-	-	-	254	609
Tax on currency translation differences during the period	-	1,576	-	-	-	-	1,576
<b>Total comprehensive income for the period, net of tax</b>	-	<b>2,159</b>	-	-	<b>117,504</b>	<b>- 7,982</b>	<b>111,681</b>
Transfer from retained earnings	-	-	-	93,235	- 93,235	-	-
Dividend	-	-	-	- 9,675	-	-	- 9,675
Option premium	-	-	1,934	-	-	-	1,934
Shareholder contribution	-	-	-	-	-	14,114	14,114
<b>Balance as at 31 Dec 2016</b>	<b>107,500</b>	<b>1,486</b>	<b>1,934</b>	<b>228,428</b>	<b>117,504</b>	<b>12,435</b>	<b>469,287</b>

# NOTES

## NOTE 1 General information

### OWNERSHIP IN TF BANK AB AS AT 31 DECEMBER 2016:

Shareholder	%
TFB Holding AB	46.93 %
Merizole Holding LTD	7.01 %
Erik Selin Fastigheter AB	6.97 %
Swedbank Robur fonder	6.00 %
SEB Life International	3.90 %
Danica Pension Försäkrings AB	3.43 %
Proventus Aktieföretag	3.00 %
Pareto Nordic Return	2.35 %
Clearstream Banking S.A.	1.56 %
Gurffinans AB	1.56 %
Other shareholders	17.29 %
<b>Total</b>	<b>100 %</b>

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

#### Branches

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

#### Subsidiaries

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

## NOTE 2 Credit risk

### Financial risks

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

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

Credit risk is the risk that a counterparty causes the Group a financial loss by not fulfilling its contractual obligations. Credit risk arises primarily through 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, who has the ultimate responsibility for managing credit risk. The Board of Directors has issued a credit policy which sets the guidelines for the Group's lending activities. A credit committee monitors the development of the level of credit risk in the loan portfolios. It decides and suggests changes to the Group's lending in line with the set credit policy as well as proposing amendments of the policy to the Board of Directors. The performance is reported at each 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 or external credit assessments in accordance with the limits set by the Board of Directors. The use of credit limits is regularly monitored. The Group cannot grant any loans or credits to legal entities without the approval by the Board of Directors. By only approving counterparties with an investment grade credit rating and by setting limits for the maximum exposure to each counterparty the Board of Directors also limits the credit risk arising from cash management activities.

The Group's credit approval process has high standards regarding ethics, quality and control. Despite credit risk being the largest risk exposure for the Group, the provision for loan losses is small in proportion to the outstanding loan volume (see below and note 6). The reason is that the Group regularly sells non-performing loans to debt collection agencies when the Board of Directors considers the price level to be favourable compared to keeping the non-performing loans on the balance sheet. This is currently the case for most of the markets. As a result the Group continuously realises actual loan losses through the sale of non-performing loans. The remaining portfolio has a limited number of non-performing loans and consequently relatively low level of provisions.

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

The Group's loans to the public consists 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, while the at the same time the size of the reserves in relation to the credit volume is low. At the balance sheet date, the composition of the credit portfolio for loans to the public is as follows:

Group SEK thousand	31 Dec 2016	31 Dec 2015
Loans, not past due	2,113,837	1,569,993
Loans past due, 1 - 10 days	194,437	137,389
Loans past due, 11 - 69 days	109,270	81,983
Non-performing loans	129,346	88,860
<b>Total</b>	<b>2,546,890</b>	<b>1,878,225</b>
Provision for expected loan losses	- 57,607	- 40,647
<b>Total loans to the public</b>	<b>2,489,283</b>	<b>1,837,578</b>

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

### CREDIT QUALITY OF FULLY PERFORMING LOANS

Group SEK thousand	31 Dec 2016	31 Dec 2015
<b>Household sector</b>		
Low risk	1,515,744	1,000,104
Medium risk	542,420	297,385
High risk	359,380	424,697
Unrated	-	67,179
<b>Total household sector</b>	<b>2,417,544</b>	<b>1,789,365</b>

Note 2 cont.

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

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

Group SEK thousand	31 Dec 2016	31 Dec 2015
<b>Cash and balances with central banks</b>		
AA+	30,510	29,445
<b>Treasury bills eligible for refinancing</b>		
AAA	60,211	60,075
<b>Loans to credit institutions</b>		
A-1+	172,312	206,642
A-1	115,372	568,478
A-2	2,468	4,124
<b>Other assets</b>		
A-1+	3,715	-
Unrated	3,960	5,770
<b>Total</b>	<b>388,548</b>	<b>874,534</b>

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

#### Impairment of financial assets

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

events, affect the estimated cash flows of the financial asset or group of financial assets and this effect can be accurately estimated.

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

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

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

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

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

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

#### NET LOAN LOSSES

Group SEK thousand	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Change in provision for sold non-performing loans	- 19,647	- 24,260	- 85,429	- 96,394
Realised loan losses	- 4,092	- 4,830	- 18,572	- 17,149
Recovered from previous write-offs	1,489	2,107	7,662	8,293
Change in provision for other expected loan losses	- 6,180	- 637	- 15,230	- 2,797
<b>Net loan losses</b>	<b>- 28,430</b>	<b>- 27,620</b>	<b>- 111,569</b>	<b>- 108,047</b>

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

### NOTE 3 Operating segments

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

#### DIRECT TO CONSUMER

Income statement, SEK thousand	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net interest income	94,837	79,226	349,127	303,454
Net fee and commission income	5,373	5,374	22,564	18,275
Net results from financial transactions	- 154	- 661	501	- 195
<b>Total operating income</b>	<b>100,056</b>	<b>83,939</b>	<b>372,192</b>	<b>321,534</b>
General administrative expenses	- 27,677	- 24,325	- 101,046	- 82,026
Depreciation, amortisation and impairment charges of tangible and of intangible assets	- 1,112	- 857	- 3,752	- 3,460
Other operating expenses	- 3,732	- 4,534	- 14,943	- 19,967
<b>Total operating expenses</b>	<b>- 32,521</b>	<b>- 29,716</b>	<b>- 119,741</b>	<b>- 105,453</b>
<b>Profit before loan losses</b>	<b>67,535</b>	<b>54,224</b>	<b>252,451</b>	<b>216,082</b>
Net loan losses	- 22,348	- 22,340	- 85,103	- 85,648
<b>Operating profit</b>	<b>45,187</b>	<b>31,884</b>	<b>167,348</b>	<b>130,434</b>
<i>Attributable to:</i>				
<i>The shareholders of the Parent company</i>	45,187	31,884	167,348	130,434
<i>Non-controlling interests</i>	-	-	-	-

Balance sheet, SEK thousand	31 Dec 2016	31 Dec 2015
<b>Loans to the public</b>		
Household sector	2,075,880	1,487,235
Corporate sector	-	-
<b>Total loans to the public</b>	<b>2,075,880</b>	<b>1,487,235</b>
<b>Household sector</b>		
Net performing loans	2,005,712	1,418,419
Net non-performing loans	70,168	68,816
<b>Total household sector</b>	<b>2,075,880</b>	<b>1,487,235</b>

Note 3 cont.

## SALES FINANCE

Income statement, SEK thousand	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net interest income	13,379	10,792	49,873	44,790
Net fee and commission income	4,512	4,543	18,827	21,647
Net results from financial transactions	- 51	- 95	- 93	42
<b>Total operating income</b>	<b>17,840</b>	<b>15,240</b>	<b>68,607</b>	<b>66,479</b>
General administrative expenses	- 14,261	- 12,350	- 48,740	- 36,246
Depreciation, amortisation and impairment charges of tangible and of intangible assets	- 287	- 259	- 992	- 1,108
Other operating expenses	- 87	- 27	- 658	- 613
<b>Total operating expenses</b>	<b>- 14,635</b>	<b>- 12,636</b>	<b>- 50,390</b>	<b>- 37,967</b>
<b>Profit before loan losses</b>	<b>3,205</b>	<b>2,604</b>	<b>18,217</b>	<b>28,512</b>
Net loan losses	- 6,082	- 5,280	- 26,466	- 22,399
<b>Operating profit</b>	<b>- 2,877</b>	<b>- 2,676</b>	<b>- 8,249</b>	<b>6,113</b>
<i>Attributable to:</i>				
<i>The shareholders of the Parent company</i>	- 213	- 343	2,214	11,005
<i>Non-controlling interests</i>	- 2,664	- 2,333	- 10,463	- 4,892

Balance sheet, SEK thousand	31 Dec 2016	31 Dec 2015
<b>Loans to the public</b>		
Household sector	413,403	350,343
Corporate sector	-	-
<b>Total loans to the public</b>	<b>413,403</b>	<b>350,343</b>
<b>Household sector</b>		
Net performing loans	405,528	347,565
Net non-performing loans	7,875	2,778
<b>Total household sector</b>	<b>413,403</b>	<b>350,343</b>

## GROUP

Income statement, SEK thousand	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
<b>Operating income</b>				
Operating income, Direct to Consumer	100,056	83,939	372,192	321,534
Operating income, Sales Finance	17,840	15,240	68,607	66,479
<b>Total operating income for the Group</b>	<b>117,896</b>	<b>99,179</b>	<b>440,799</b>	<b>388,013</b>
<b>Operating profit</b>				
Operating profit, Direct to Consumer	45,187	31,884	167,348	130,434
Operating profit, Sales Finance	- 2,877	- 2,676	- 8,249	6,113
Items affecting comparability	-	- 9,582	- 19,275	- 18,232
<b>Total operating profit for the Group</b>	<b>42,310</b>	<b>19,626</b>	<b>139,824</b>	<b>118,315</b>

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

**NOTE 4 Classification of financial assets and liabilities**

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

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

**NOTE 5** Financial assets and liabilities measured at fair value

**Fair value**

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

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

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

Group, 31 Dec 2016 SEK thousand	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Treasury bills eligible for refinancing	-	60,211	-	60,211
Shares	-	263	-	263
Derivatives	-	3,715	-	3,715
<b>Total assets</b>	-	<b>64,189</b>	-	<b>64,189</b>

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

**Financial instruments in Level 2**

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

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

Specific valuation techniques used to value financial instruments include:

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

For loans to the public the fair value is based on the discounted cash flows using an interest rate based on the market interest rate at the balance sheet date, which was 22.02 % as at 31 December 2016 and 25.47 % as at 31 December 2015.

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

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

**NOTE 6 Loans to the public**

Group SEK thousand	31 Dec 2016	31 Dec 2015
Loans to the household sector	2,489,283	1,837,578
Loans to the corporate sector	-	-
<b>Total loans to the public</b>	<b>2,489,283</b>	<b>1,837,578</b>
<b>Loans to the household sector</b>		
Gross loans	2,546,890	1,878,225
Provision for expected loan losses	- 57,607	- 40,647
<b>Loans, net book value</b>	<b>2,486,283</b>	<b>1,837,578</b>
<i>Geographic distribution of net loans</i>		
Sweden	662,767	654,684
Finland	847,067	659,977
Norway	530,315	227,813
Estonia	245,801	174,297
Poland	164,389	85,278
Denmark	35,969	34,007
Latvia	2,975	1,522
<b>Total loans, net book value</b>	<b>2,489,283</b>	<b>1,837,578</b>

**CHANGE IN PROVISION FOR ACTUAL AND EXPECTED LOAN LOSSES**

Group SEK thousand	31 Dec 2016	31 Dec 2015
Opening balance	- 40,647	- 32,737
Change in provision for sold non-performing loans	- 85,429	- 96,394
Reversal in provision for sold non-performing loans	85,429	96,394
Change in provision for other loan losses	- 15,230	- 2,797
Acquired provisions	-	- 6,106
Other adjustments <sup>1</sup>	- 1,730	993
<b>Closing balance</b>	<b>- 57,607</b>	<b>-40,647</b>

<sup>1</sup> Other adjustments consist of currency translation differences.

**NOTE 7 Capital adequacy analysis****Background**

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

**Own funds and capital requirements**

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

The purpose of the regulations is to ensure that the bank manages its risks and protects its customers. The regulations state that the Group's own funds must cover the capital requirements including the minimum capital requirements according to Pillar I.

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

**THE GROUP'S CAPITAL SITUATION**

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

Note 7 cont.

#### OWN FUNDS

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

Deduction of dividends from own funds have been made in accordance with the Board of Directors' proposal to the Annual General Meeting. The Group's CET1 capital complies with the requirements of Regulation (EU) No 575/2013.

#### SPECIFICATION RISK EXPOSURE AMOUNTS

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

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

<sup>2</sup> The Group changed the method for calculating operational risk from the basic indicator approach to the standardised approach in the first quarter of 2016. The standardised approach was used for the first time as at the reporting 31 March 2016.

#### NOTE 8 Assets pledged as security

Group SEK thousand	31 Dec 2016	31 Dec 2015
<b>Group liabilities</b>		
<i>Relating to current liabilities to credit institutions</i>		
Loans	528,733	594,559
Other assets	356	22,010
<b>Total</b>	<b>529,089</b>	<b>616,569</b>

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

**NOTE 9 Transactions with related parties**

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

Group SEK thousand	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
<i>The following transactions have been made with related companies within the Group:</i>				
General administrative expenses	- 145	- 91	- 422	- 343
<b>Total</b>	<b>- 145</b>	<b>- 91</b>	<b>- 422</b>	<b>- 343</b>
<i>The following transactions have been made with other related parties:</i>				
Interest income (transaction costs)	- 16,214	- 17,187	- 66,035	- 71,634
General administrative expenses	- 1,390	- 1,618	- 5,670	- 6,326
<b>Total</b>	<b>- 17,604</b>	<b>- 18,805</b>	<b>- 71,705</b>	<b>- 77,960</b>
<i>Acquisition of assets and liabilities from other related parties:</i>				
Sales Finance	160,139	155,425	636,879	677,466
<b>Total</b>	<b>160,139</b>	<b>155,425</b>	<b>636,879</b>	<b>677,466</b>

Group SEK thousand	31 Dec 2016	31 Dec 2015
<i>Assets at the end of the period as a result of transactions with related parties within the Group:</i>		
Loans to TFB Holding AB	-	3,000
<b>Total</b>	<b>-</b>	<b>3,000</b>
<i>Assets at the end of the period as a result of transactions with other related parties:</i>		
Other assets	663	91
<b>Total</b>	<b>663</b>	<b>91</b>
<i>Liabilities at the end of the period as a result of transactions with other related parties:</i>		
Other assets	-	2,139
<b>Total</b>	<b>-</b>	<b>2,139</b>

## PARENT COMPANY

TF Bank AB, corporate identity number 556158-1041, is a limited liability company with registered office in Sweden. The bank has a license to provide banking services with operations in Sweden, Finland, Norway, Denmark, Estonia, Latvia, and Poland. Its activities include lending to the public in all markets and taking deposits from the public in Sweden and Finland.

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

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

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

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

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

# INCOME STATEMENT, PARENT COMPANY

SEK thousand	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
<b>Operating income</b>				
Interest income	109,771	94,724	411,993	377,540
Interest expense	- 12,993	- 9,654	- 49,209	- 37,153
<b>Net interest income</b>	<b>96,778</b>	<b>85,070</b>	<b>362,784</b>	<b>340,387</b>
Fee and commission income	9,449	10,281	40,245	43,161
Fee and commission expense	- 1,070	- 1,272	- 4,527	- 4,844
<b>Net fee and commission income</b>	<b>8,379</b>	<b>9,009</b>	<b>35,718</b>	<b>38,317</b>
Net results from financial transactions	1,229	844	- 6,950	5,826
<b>Total operating income</b>	<b>106,386</b>	<b>94,923</b>	<b>391,552</b>	<b>384,530</b>
<b>Operating expenses</b>				
General administrative expenses	- 29,889	- 38,252	- 132,789	- 120,285
Depreciation, amortisation and impairment charges of tangible and intangible assets	- 1,008	- 828	- 3,327	- 4,011
Other operating expenses	- 3,628	- 4,519	- 14,771	- 19,980
<b>Total operating expenses</b>	<b>- 34,525</b>	<b>- 43,599</b>	<b>- 150,887</b>	<b>- 144,276</b>
<b>Profit before loan losses</b>	<b>71,861</b>	<b>51,324</b>	<b>240,665</b>	<b>240,254</b>
Net loan losses	- 27,046	- 26,923	- 105,371	- 107,207
<b>Operating profit</b>	<b>44,815</b>	<b>24,401</b>	<b>135,294</b>	<b>133,047</b>
Appropriations	-	171	-	171
Income tax expense	- 10,006	- 6,442	- 29,251	- 31,659
<b>Net profit for the period</b>	<b>34,809</b>	<b>18,130</b>	<b>106,043</b>	<b>101,559</b>

# STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY

SEK thousand	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
<b>Net profit for the period</b>	<b>34,809</b>	<b>18,130</b>	<b>106,043</b>	<b>101,559</b>
<b>Other comprehensive income</b>				
<b>Items that may be reclassified subsequently to the income statement</b>				
Currency translation differences during the period, net of tax	-	-	-	-
<b>Other comprehensive income, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>34,809</b>	<b>18,130</b>	<b>106,043</b>	<b>101,559</b>

# BALANCE SHEET, PARENT COMPANY

SEK thousand	31 Dec 2016	31 Dec 2015
<b>ASSETS</b>		
Cash and balances with central banks	30,510	29,445
Treasury bills eligible for refinancing	60,211	60,076
Loans to credit institutions	690,360	905,711
Loans to the public	1,980,558	1,639,150
Shares in group companies	100,862	86,145
Intangible assets	15,137	9,131
Tangible assets	1,100	1,362
Other assets	7,740	8,778
Current tax assets	12,413	2,004
Prepaid expenses and accrued income	8,680	28,533
<b>Total assets</b>	<b>2,907,571</b>	<b>2,770,335</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Deposits and borrowings from the public	2,284,645	2,229,562
Other liabilities	14,062	21,594
Deferred tax liabilities	783	-
Accrued expenses and prepaid income	44,844	54,281
Subordinated liabilities	97,040	97,000
<b>Total liabilities</b>	<b>2,441,374</b>	<b>2,402,437</b>
Untaxed reserves	52,621	52,621
<b>Equity</b>		
Share capital (21,500,000 shares of SEK 5 each)	107,500	107,500
Other reserves	9,313	1,000
Share premium reserve	1,931	-
Retained earnings	188,789	105,218
Total comprehensive income for the period	106,043	101,559
<b>Total equity</b>	<b>413,576</b>	<b>315,277</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,907,571</b>	<b>2,770,335</b>

# CAPITAL ADEQUACY ANALYSIS, PARENT COMPANY

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

## OWN FUNDS

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

Deduction of dividends from own funds have been made in accordance with the Board of Directors' proposal to the Annual General Meeting. The Group's CET1 capital complies with the requirements of Regulation (EU) No 575/2013.

## SPECIFICATION RISK EXPOSURE AMOUNTS

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

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

# BOARD OF DIRECTORS AND CEO AFFIRMATION

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

Borås, 8 February 2017

Mattias Carlsson  
*Chairman*

John Brehmer

Thomas Grahn

Paul Källenius

Bertil Larsson

Lars Wollung

Tone Bjørnov

Declan Mac Guinness  
*President & CEO*

# REPORT OF REVIEW OF INTERIM FINANCIAL INFORMATION

## **Introduction**

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

## **Scope of Review**

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

## **Conclusion**

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

Stockholm, 8 February 2017  
PricewaterhouseCoopers AB

Martin By  
*Authorized Public Accountant*

# DEFINITIONS

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

## **ADJUSTED EARNINGS PER SHARE**

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

## **ADJUSTED OPERATING PROFIT**

Operating profit excluding items affecting comparability.

## **ADJUSTED RETURN ON EQUITY**

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

## **CET1 CAPITAL RATIO**

CET1 capital as a percentage of total risk exposure amount.

## **COST/INCOME RATIO**

Operating expenses as a percentage of operating income.

## **CREDIT VOLUME**

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

## **EARNINGS PER SHARE**

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

## **EMPLOYEES (FTE)**

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

## **NET LOAN LOSS RATIO**

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

## **OPERATING INCOME MARGIN**

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

## **RETURN ON EQUITY**

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

## **TOTAL CAPITAL RATIO**

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

# FINANCIAL CALENDAR AND CONTACTS

## FINANCIAL CALENDAR

5 April 2017	Annual Report 2016
27 April 2017	Interim report January - March 2017
3 May 2017	Annual General Meeting
18 July 2017	Interim report January - June 2017
26 October 2017	Interim report January - September 2017

This is information which TF Bank is required to disclose under the EU Market Abuse Regulation and the Securities Market Act. The information was provided for publication 9 February 2017 at 07:00 CET (GMT+1).

## PRESENTATION FOR INVESTORS, ANALYSTS AND MEDIA

A live conference call will be held 9 February at 08:15 CET (GMT+1) where CEO Declan Mac Guinness and CFO Mikael Meomuttel will present the report and answer questions. The conference call will be held in English and to participate dial +46 8 5664 2698 or +44 20 3008 9806. A recording of the conference call, including presentation material, will be made available on our website after the event, [www.tfbankgroup.com/en/section/investor-relations](http://www.tfbankgroup.com/en/section/investor-relations).

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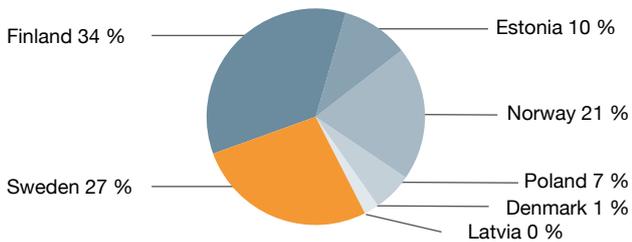
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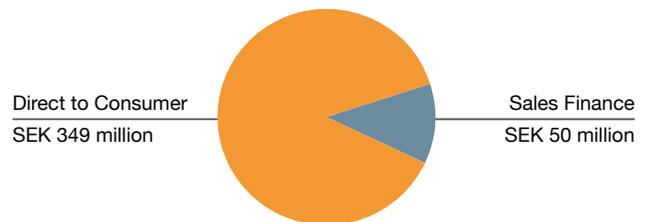
# TF BANK'S GEOGRAPHICAL PRESENCE



SHARE OF LOAN PORTFOLIO BY COUNTRY, 31 DECEMBER 2016



NET INTEREST INCOME, JANUARY-DECEMBER 2016





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