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TF BANK

TF Bank

CORPORATE GOVERNANCE REPORT 2016

Nasdaq

CORPORATE GOVERNANCE REPORT 2016

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

INTRODUCTION

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

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

THE CODE

In accordance with the prospectus prepared for the listing on the Nasdaq Stockholm, TF Bank intends to comply with the Code from the time of listing. The code will therefore apply with full effect from the first Annual General Meeting ("AGM") the year after the listing. The description below describes how TF Bank follows the Code or how eventual

deviations referred to will be handled in future. For further information about the Code, see www.bolagsstyrning.se. In accordance with the basic rules of a limited company's management and organisation, TF Bank is governed by the AGM, the Board of Directors, the CEO and the executive management group. The AGM appointed auditor submits an audit report of the company's Annual accounts including the disposition of results, the work of the Board of Directors and the executive management and its operations.

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

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

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

OWNERSHIP

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

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

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

ARTICLES OF ASSOCIATION

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

SHAREHOLDERS' GENERAL MEETING / AGM

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

dividends, the election of Board members and auditors as well as fees to Board members and auditors. The Companies Act and the Articles of Association govern the meeting and its agenda.

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

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

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

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

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

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

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

THE NOMINATION COMMITTEE

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

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

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

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

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

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

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

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

Nomination Committee for the AGM 2017

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

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

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

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

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

THE BOARD OF DIRECTORS

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

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

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

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

Significant Board items

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

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

Board attendance:

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

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

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

Reporting to the Board of Directors and Board Committees

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

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

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

Remuneration Committee

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

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

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

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

Audit Committee

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

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

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

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

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

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

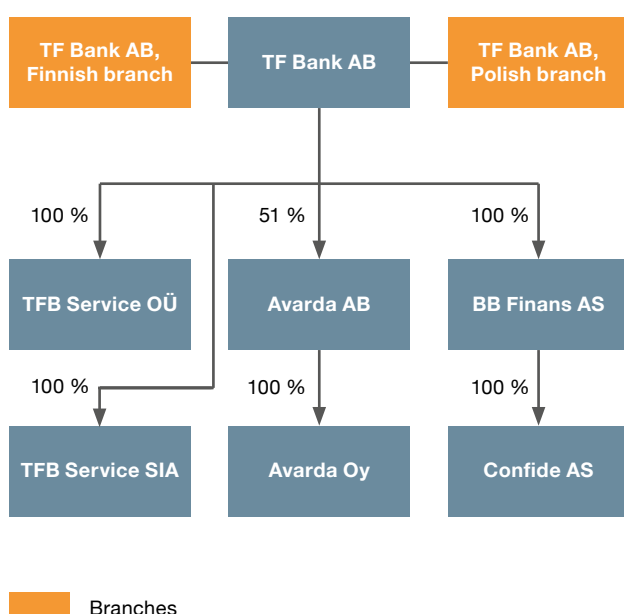
The Company's CEO, CFO and Head of Accounting attended all meetings, as did the Company's auditor Martin By.

Remuneration to Board Members

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

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

GROUP STRUCTURE



List of companies included for accounting and regulatory consolidation purposes:

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

INTERNAL CONTROL DOCUMENTS

In addition to laws, ordinances, regulations, etc. TF Bank has a number of internal control documents relating to the daily management. These have been adopted by the Board of Directors, the CEO or other officers and include the

Articles of Association, Rules of Procedure for the Board of Directors, instructions for the Audit Committee and Remuneration Committee, instructions to the CEO and with regard to financial reporting to the Board, an insider policy, risk management policy, credit policy, remuneration policy, handling of ethical issues and conflicts of interest (code of conduct), outsourcing policy, business continuity plan, liquidity management instruction, a financial policy, a capital policy, policy on risk control, compliance and internal audit, the handling of complaints and a policy regarding measures against money laundering and terrorist financing. All policy documents are available through the intranet.

EXTERNAL AUDITORS

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

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

CEO AND MANAGEMENT

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

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

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

Variable compensation (bonus) to members of management

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

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

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

INTERNAL CONTROL AND RISK MANAGEMENT

First line of defence

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

Second line of defence - Compliance and Risk Control

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

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

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

and management. The function's responsibility is also to contribute to the further development of risk management processes including providing methods for the identification, measurement, analysis and reporting of risks. The risk control function works independently of all business units and support functions.

Third line of defence - Internal Audit

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

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

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

FURTHER INFORMATION

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

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

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

TFB Service OÜ, TFB Service SIA and BB Finans AS is owned 100 % by TF Bank. Confide AS is owned 100 % by BB Finans. TF Bank owns 51 % of Avarda AB, whilst Avarda AB owns 100 % of Avarda Oy. All companies are

wholly or majority-owned subsidiaries and as the sole or majority shareholder is the TF Bank to control the companies through the exercise of TF Bank's voting rights at general meetings. TF Bank can also through its shareholding determine the Board of Directors elected at each company's general meeting.

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

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

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

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

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

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

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

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

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

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

Engagement and responsibility

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

The scope of the audit

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

Opinions

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

Stockholm 4 April 2017
PricewaterhouseCoopers AB

Martin By
Authorised Public Accountant

BOARD OF DIRECTORS



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

Born: 1972

Education: MEng., engineering physics, Uppsala University.

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

Dependent of the company and its management.



TONE BJØRNOV
Board member since 2015.

Born: 1961

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

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

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



JOHN BREHMER
Board member since 2010.

Born: 1965

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

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

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



THOMAS GRAHN
Board member since 2010.

Born: 1947

Education: Master of Laws, Uppsala University.

Previous appointments include the Swedish Financial Supervisory Authority.

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



PAUL KÄLLENIS
Board member since 2007.

Born: 1966

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

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

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



BERTIL LARSSON
Board member since 2007.

Born: 1946

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

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

SENIOR MANAGEMENT



DECLAN MAC GUINNESS
CEO

Born: 1966

Education: Master of Laws, Stockholm University.

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

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



MIKAEL MEOMUTTEL
CFO and Deputy CEO

Born: 1976

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

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



BJÖRN SKYTT
CIO

Born: 1974

Education: Information Technology degree, University of Gothenburg.

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



STURE STØLEN
Head of Investor Relations

Born: 1967

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

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

Current commitments: WildecO Ekonomisk Information Aktiebolag, board member.



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

Born: 1977

Education: MSc, Economics, Helsinki School of Economics.

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

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



JONAS WEDIN
Head of Sales Finance

Born: 1973

Education: MSc, Information Technology, University of Borås.

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



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