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New Accounting Rules IFRS 9: Effects on TF Bank

New accounting rules for loan loss provisions, IFRS 9, were introduced as of 1 January 2018. For TF Bank, the introduction of IFRS 9 implies a reduction of equity of SEK 55 million (SEK 71 million before tax) as at 1 January 2018. TF Bank will utilise the agreed transitional rules for capital adequacy and the gradual phase-in of the effects of IFRS 9 on own funds over the period 2018-2023.

The write-down requirement in IFRS 9 is based on a model of expected loan losses, as opposed to the current loan loss model in IAS 39. The assets whose impairment need to be tested is divided into three categories depending on the degree of credit impairment. The new categorisation means in practice that a provision for expected future loan losses will occur already when the loan is issued.

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

TF Bank has notified the Swedish FSA of the intention of applying the transitional rules agreed at EU level in December 2017. Under the transitional rules, a gradual phasing-in of the effect as per IFRS 9 on capital adequacy is permitted both in terms of the effect as at 1 January 2018 or the first day IFRS 9 is applied and the effect as per the reporting date that exceeds the amount when IFRS 9 is first applied. The phasing-in period is as follows:

- 2018: 5 %
- 2019: 10 %
- 2020: 15 %
- 2021: 20 %
- 2022: 25 %
- 2023: 25 %

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TF Bank in brief

TF Bank is an internet-based niche bank offering consumer banking services through its proprietary IT platform with a high degree of automation. The company's IT platform is designed for scalability and adaptation to different products, countries, currencies and digital banking solutions. TF Bank carries out deposit and lending activities with consumers in Sweden, Finland, Norway, Denmark, Poland, Germany, Estonia and Latvia through subsidiaries, branches or cross-border banking.

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