



# 4<sup>th</sup> Quarter 2017

RESULT PRESENTATION



# JANUARY – DECEMBER 2017 IN SUMMARY

- Continued organic loan book growth
- Strong operating profit growth
- Cost efficiency
- Strong capital base

LOAN BOOK  
GROWTH

+27 %

OPERATING  
PROFIT <sup>1)</sup>  
GROWTH

+21 %

C/I RATIO

37 %

TOTAL CAPITAL  
RATIO

16.2 %

31 Dec 2017

<sup>1)</sup> Excluding items affecting comparability.

# WORTH NOTING JANUARY – DECEMBER 2017

- Continued loan book growth in both segments
- Acquisition of Intrum Justitia's shares in Avara
- Full e-commerce check-out solution launched
- BB Finans received a banking license and became BB Bank
- Deposits launched in Norway and Germany
- Branch established in Estonia





# THIS IS TF BANK

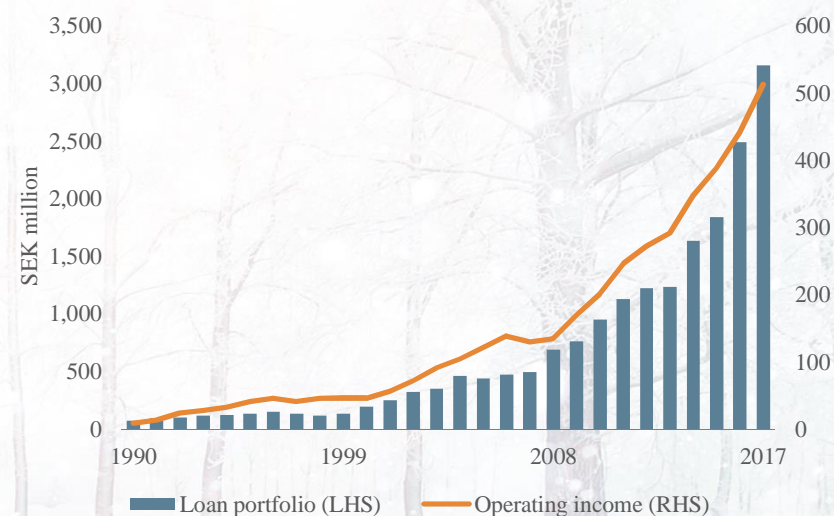


# LONG TRACK RECORD OF PROFITABLE GROWTH

Long experience and proven business model

- **30 years experience from consumer finance industry**
- **Highly profitable core markets with proven model for geographical expansion into new high-growth markets**
- **Two complementary business segments in payments and consumer loans**

Strong track record on growth and profitability





# DIRECT TO CONSUMER DIVERSIFIED GRANULATED PORTFOLIO

## Product overview and use of proceeds

- 81 % of the loan portfolio
- Unsecured consumer loans
- Marketed through internal channels and external partners
- Tenor of loans are typically between 12 and 60 months
- Estimated average maturity of ~23 months
- Average loan size on book of SEK ~33,000

## Loan sizes (average) and customer profile



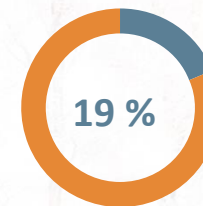
# SALES FINANCE DRIVES NEW LENDING AND BUILDS DATABASE

## Product overview

- Full check-out solution offered as one-stop-shop with several payment methods such as; invoice, instalment payment, credit/debit card and direct bank payments.
- High focus on bringing value to merchants with a wide range of products and services that facilitates up-sell and brand building.
- Norwegian credit cards (from Q1 2017)

## Key financials

Share of the  
Group's loan portfolio



Amount outstanding  
*SEK 595 million*  
(31 Dec 2017)

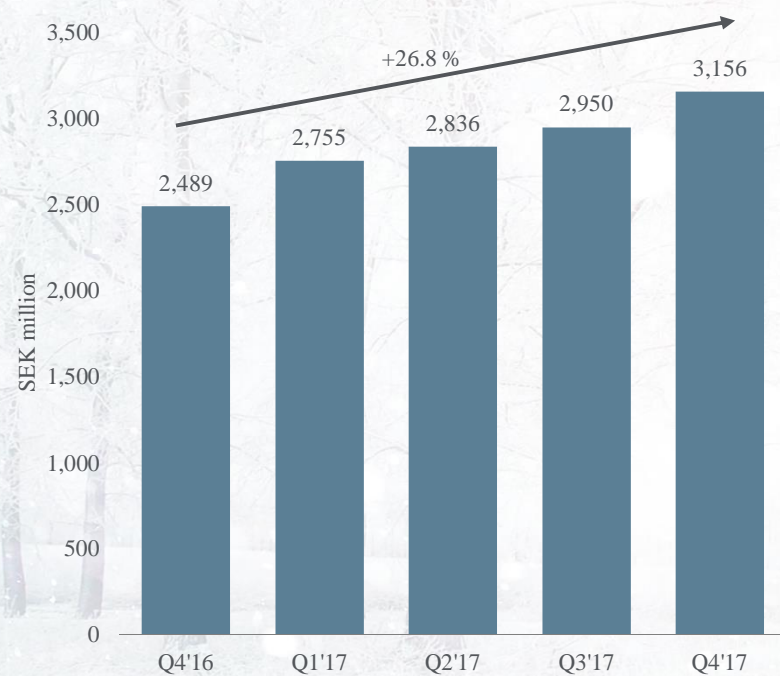
Loan portfolio growth  
*+44 %*  
(Q4'17 vs Q4'16)

- Growth through three different brands, TF Bank, Avarda and BB Bank
- Geographical expansion in Europe
- Long-term merchant relationships in the Nordics
- Strategy to become one of the leading companies in the Nordic region
- Solid development in the credit card business

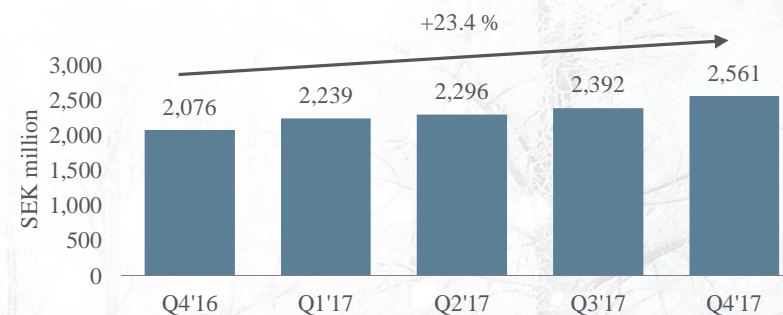


# STRONG LOAN BOOK GROWTH

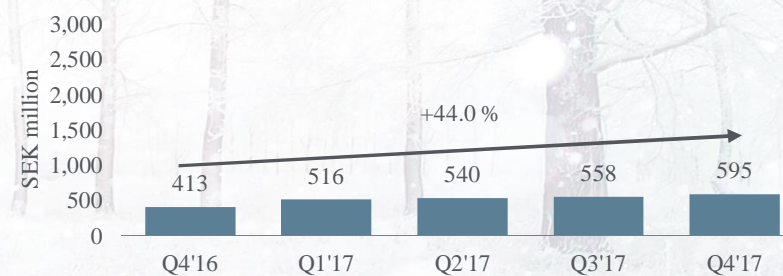
## TF Bank Group



## Direct to Consumer



## Sales Finance





# GROWTH AND DIVERSIFICATION ACCORDING TO PLAN

## Norway

Loan book SEK 900m (28 %)

Change 2017: +70 %

*Strong growth in both segments*

## Finland

Loan book SEK 911m (29 %)

Change 2017: +7 %

*Profitability and steady growth*

## Sweden

Loan book SEK 626m (20 %)

Change 2017: -6 %

*Focus on profitability*

## Baltics

Loan book SEK 400m (13 %)

Change 2017: +61 %

*Steady growth and profitability*

## Poland

Loan book SEK 281m (9 %)

Change 2017: +71 %

*Strong growth in both segments*

# NORWAY 2017

## Development

- **Maintaining growth and credit quality**
- **In compliance with new guidelines on lending practices**
- **Product development (SF)**
  - Credit card business growing
  - Higher margin than for loans
- **Increase in the Group's business mix**

## Strong momentum continues

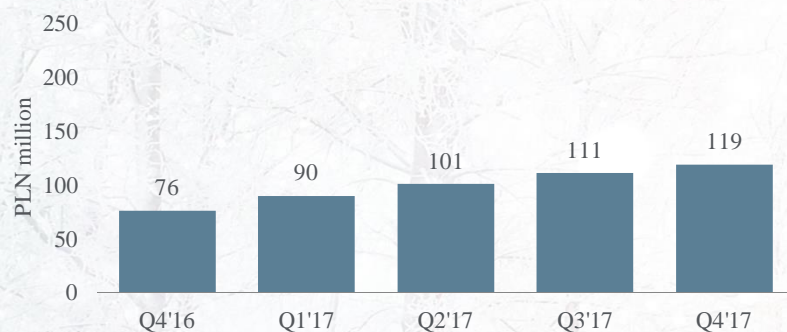


- **More to come – strategic roadmap Norway**
  - Strong and steady growth
  - Focus on credit quality
  - Growth in both segments



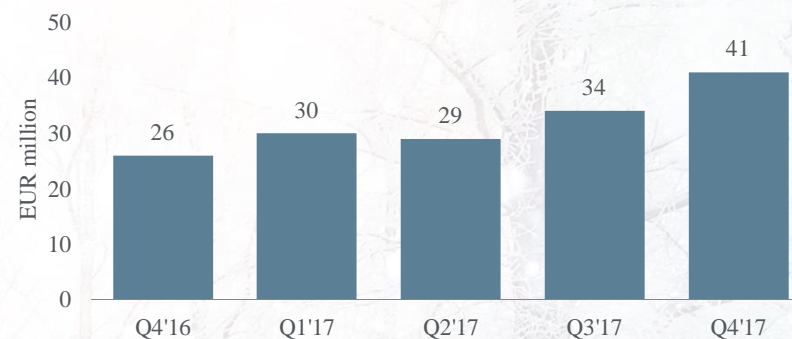
# GROWTH MARKETS POLAND AND THE BALTICS 2017

## Poland



- Continuous progress
- Strong sales in Sales Finance

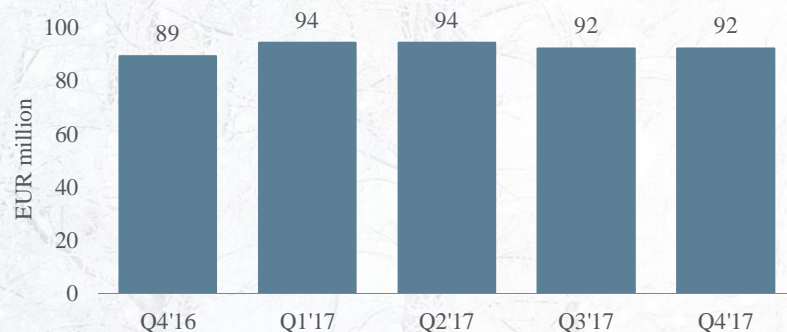
## Baltics



- Portfolio size affected by sale of NPLs in Q2
- Strong growth in Estonia
- Scaling the Latvian operation

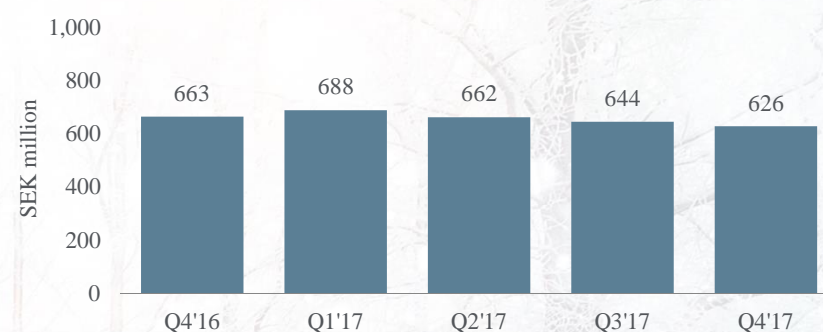
# CORE MARKETS FINLAND AND SWEDEN 2017

## Finland



- Increased competition affecting Q3 and Q4
- Focus on credit quality and better use of own database
- Focus on costs and distributions channels

## Sweden

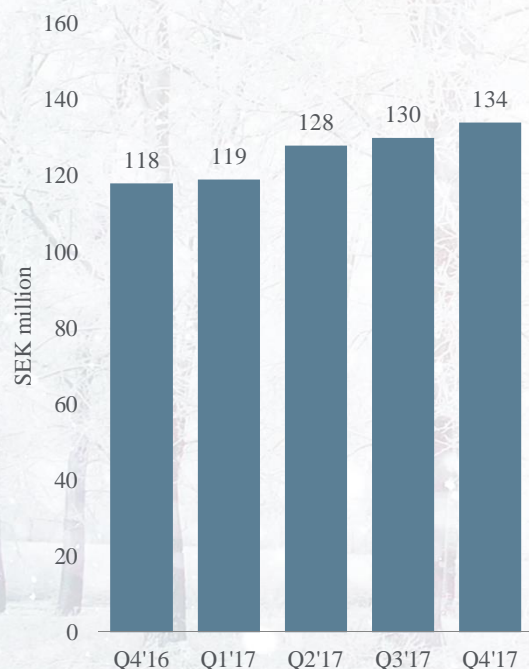


- Focus on credit quality and better use of own database
- Focus on costs
- Focus on distributions channels

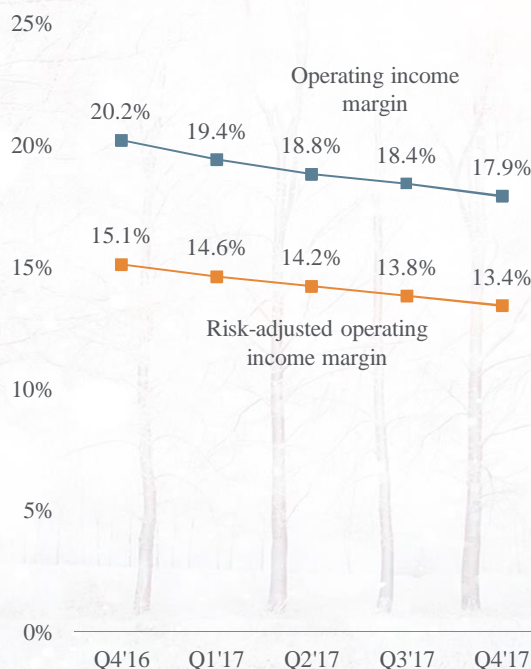


# INCREASED OPERATING INCOME AND HIGH MARGINS

## Operating income



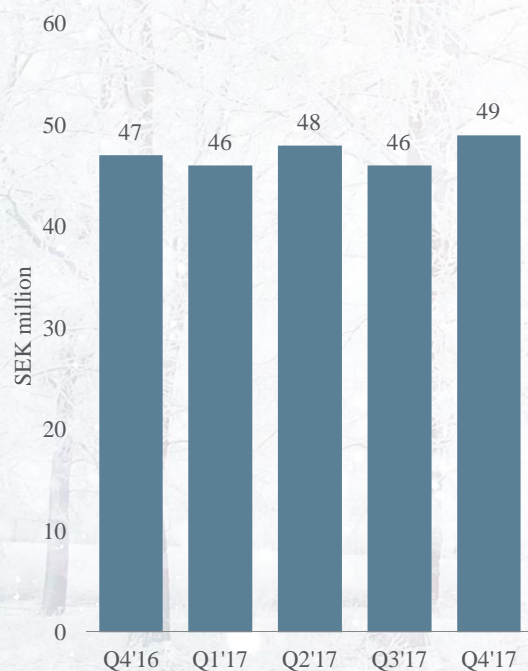
## Operating income margin



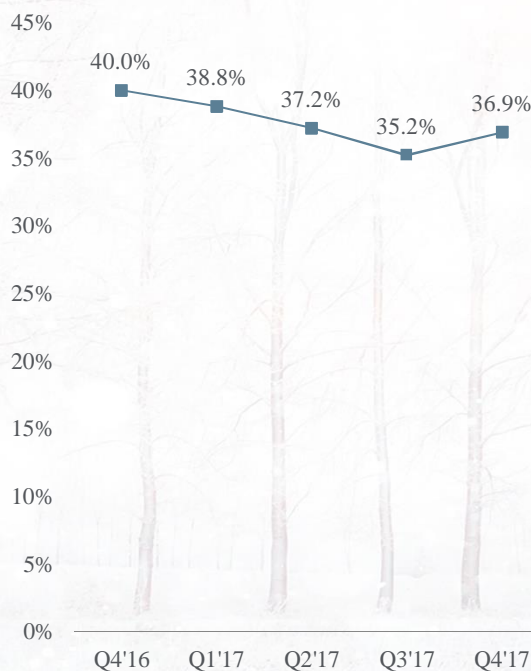
- **Operating income Q4 2017 vs. Q4 2016 +14 %**
  - Strong momentum in Norway and the Baltics
  - Higher interest expenses in Q4 2017
- **Operating income margin: 17.9 %**
  - Growth in Norway (lower margins)
- **Risk-adjusted margin (adjusted for net loan losses): 13.4 %**

# POSITIVE TREND FOR COST/INCOME RATIO

## Operating expenses



## Cost/income ratio

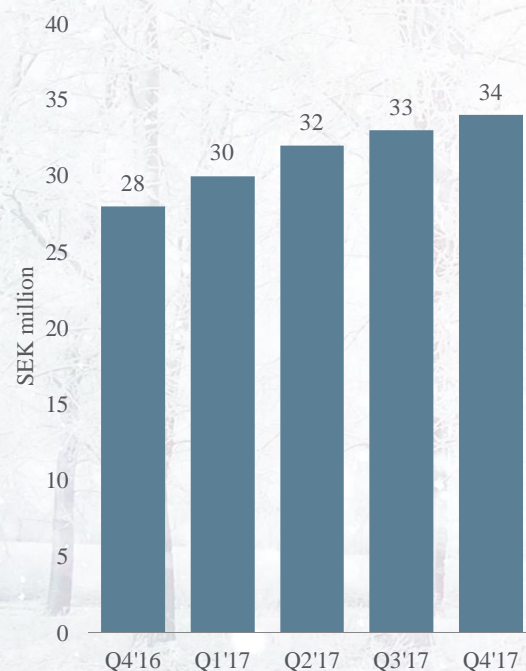


- **Operating expenses Q4 2017 vs. Q4 2016 +5 %**
  - Loan book growth YoY: 27 %
  - Lean and cost efficient organization
- **Cost/Income ratio Q4 2017: 36.9 %**
  - Q4 2016: 40.0 %
  - Positive seasonal effect in Q3 (vacation period)
- **Outlook 2018:**
  - “Investments” in Avarda

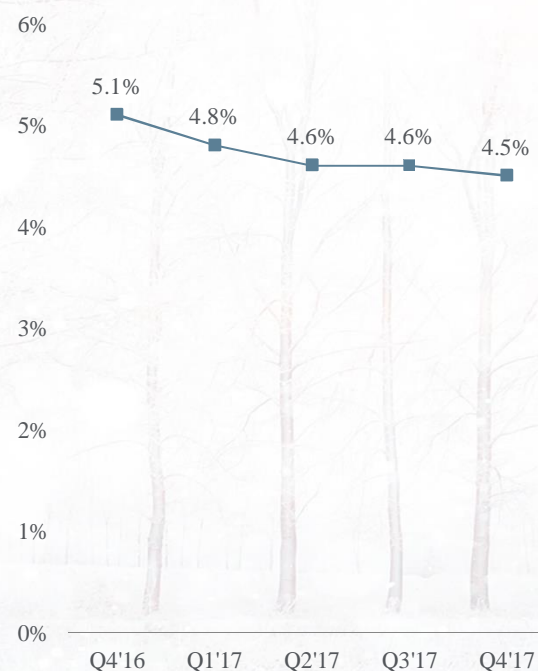


# NET LOAN LOSS RATIO CONTINUES TO DECREASE

Net loan losses



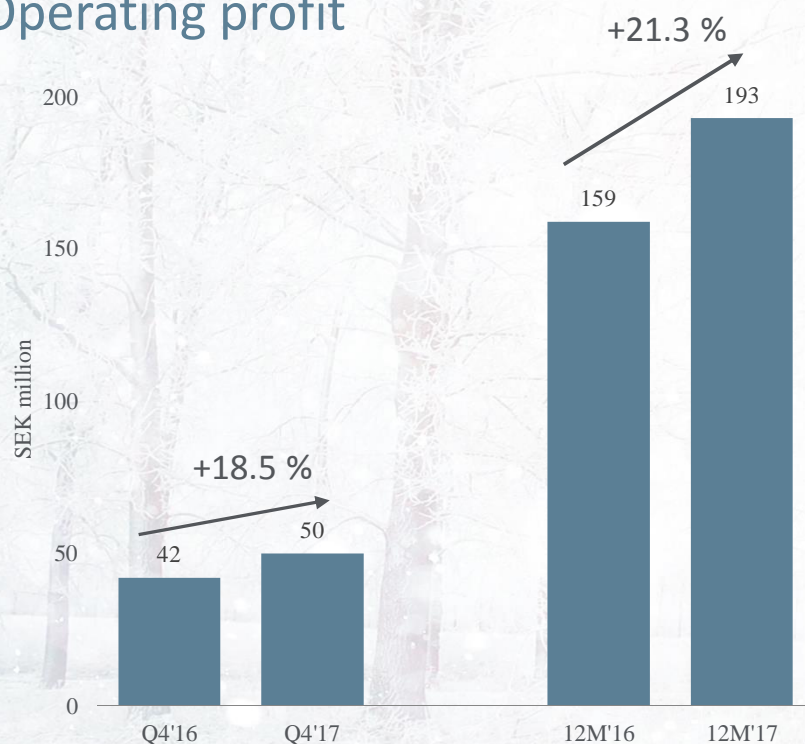
Net loan loss ratio



- **Clean balance sheet policy**
  - NPLs are generally sold on forward flow basis after approx. 72 days
- **Net loan losses Q4 2017 vs. Q4 2016 +21 %**
  - Growing loan portfolio drives loan losses
  - Net loan loss ratio is decreasing
- **Outlook 2018:**
  - Underlying decreasing ratio
  - IFRS 9 impacts losses

# CONTINUED GROWTH FOR OPERATING PROFIT <sup>1)</sup>

## Operating profit



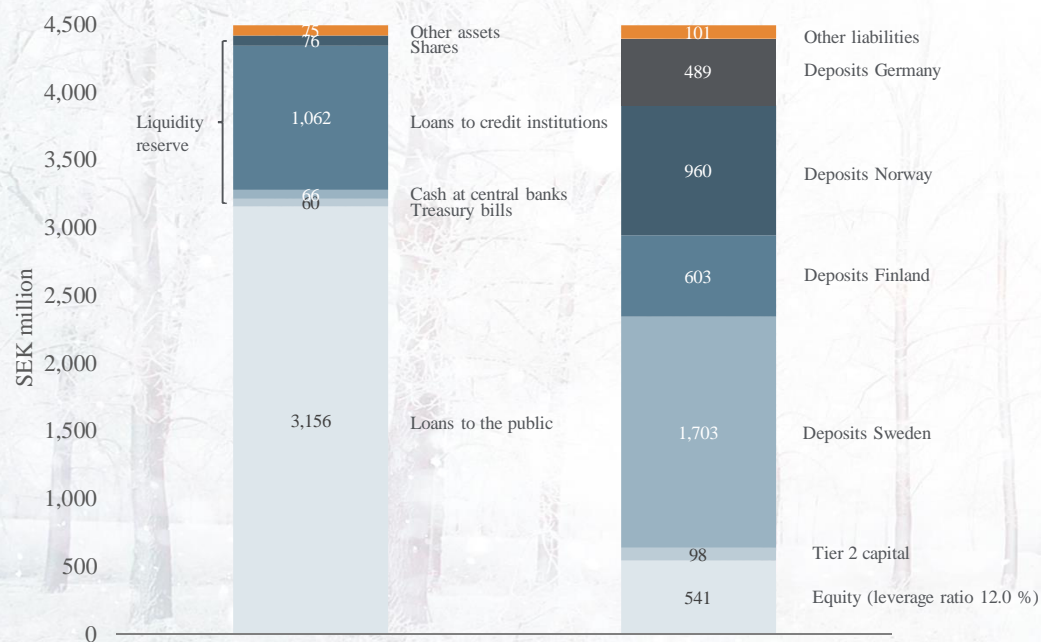
<sup>1)</sup> Excluding items affecting comparability.

- Operating profit <sup>1)</sup> Q4 2017 vs. Q4 2016 +18 %
- Operating profit <sup>1)</sup> 2017 vs. 2016 +21 %
  - Loan book growth
  - Improving C/I ratio (37.0 % vs 38.6 %)
- Medium-term financial EPS target of 20 %
  - Operating profit <sup>1)</sup> +21 %
  - Minority interests -5 %
  - Income tax expenses -2 %
  - Earnings per share <sup>1)</sup> 14%



# FURTHER DIVERSIFICATION OF DEPOSITS AND STRONG LIQUIDITY POSITION

Strong balance sheet and capital position



## Cost-efficient funding from diversified retail deposits

- Sweden (SEK 1.7 billion)
- Finland (SEK 0.6 billion)
- Norway (SEK 1.0 billion)
- Germany (SEK 0.5 billion)

## Strong liquidity position

- Liquidity reserve 34 % of deposits <sup>1)</sup>
- Supports further loan book growth

<sup>1)</sup> The liquidity reserve includes undrawn credit facilities of SEK 30 million.

# CAPITAL RATIOS REDUCED IN Q4

## Capital ratios



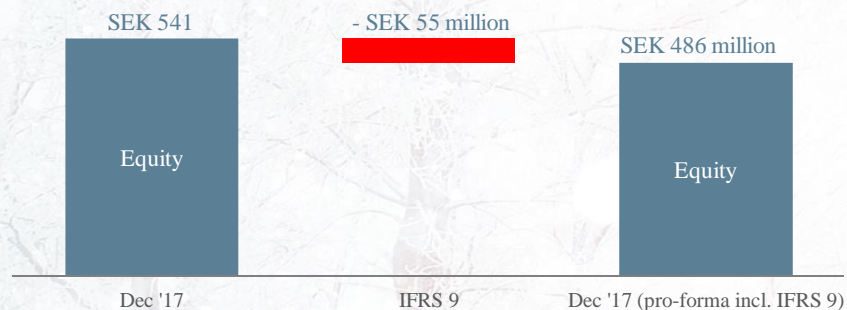
- **CET1 ratio of 13.2 % and total capital ratio 16.2 % <sup>1)</sup>**
- **Significant headroom to legal requirements**
  - CET1 capital requirement: 8.7 %
  - T1 capital requirement: 10.3 %
  - Total capital requirement: 12.5 %
- **Objective is to maintain a total capital ratio of at least 14.5 %**
- **The Board proposes to the AGM a dividend of SEK 2.25 per share for 2017**

<sup>1)</sup> In the calculation of the capital adequacy ratio for Q4 2017, own funds include the interim profit after the proposed dividend of SEK 2.25 per share. In contrast, in the calculation of the capital adequacy ratio for Q3 2017, own funds include the foreseeable dividend of 50 % in line with the dividend policy.

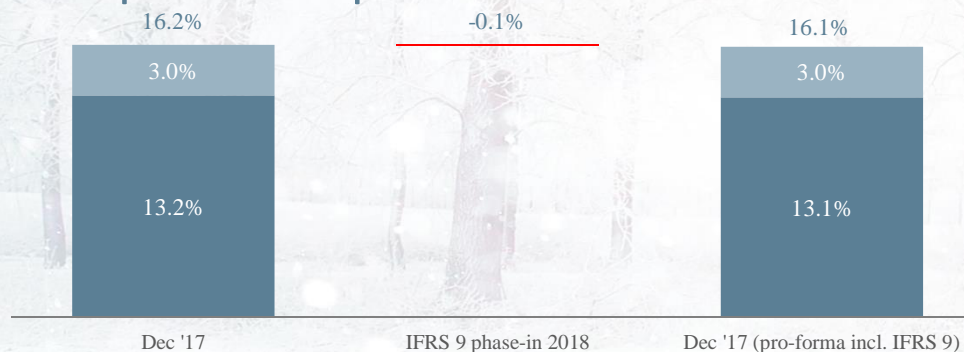


# NEW REGULATION – IFRS 9

## Impact on equity



## Impact on capital ratios



<sup>1)</sup> Regulation 2017/2395/EU

### Expected loss model

- Previous model based on loss event
- Implementation 1<sup>st</sup> of January 2018

### Impact on financial statements

- Increased provision 1/1-2018 SEK 71 million (2.3 % of loan book)
- “ Decreased equity SEK 55 million after tax
- More volatility related to loan book growth

### Impact on capital ratios

- EU decision 12/12-2017: Phase-in period 2018-2023
- Notification to Swedish FSA
- Small impact 2018: 5 % <sup>1)</sup>

# OUTCOME FINANCIAL TARGETS 2017

Growth	<i>Over the medium-term, the Company aims to achieve an EPS growth of <b>at least 20 percent</b></i>	14.3 % <sup>1)</sup>
Efficiency	<i>Over the medium-term, the Company aims to achieve a cost-to-income ratio of <b>below 35 percent</b></i>	37.0 %
Capital structure	<i>The Company aims to maintain a total capital ratio of <b>at least 14.5 percent</b></i>	16.2 %
Dividend policy	<i>A pay-out ratio of <b>approximately 50 percent</b> of its annual consolidated net profit <sup>2)</sup></i>	Proposed dividend of approx. 32 %

<sup>1)</sup> Excluding items affecting comparability.

<sup>2)</sup> Attributable to the shareholders of the parent company including items affecting comparability.

Note: Medium-term is defined as 3-5 years



# NEW EXECUTIVE MANAGEMENT TEAM



**Mattias Carlsson**  
*Acting CEO*



**Mikael Meomuttel**  
*CFO, Deputy CEO and  
Head of Investor  
Relations*



**Espen Johannesen**  
*Head of Direct to  
Consumer*



**Mikael Johansson**  
*Head of Sales Finance*

# LOOKING AHEAD INTO 2018

- Avarda scale-up
- Continued growth in consumer lending
- Expansion into new pockets of the European consumer finance market where good risk adjusted return levels can be sustained over time
- Continued strong competition especially in the Nordics
- Increased regulatory burden



# Q&A Session

# Board of Directors



**Bertil Larsson**  
*Acting Chairman of the  
Board since 2017  
Board member since  
2007*



**Charlotta Björnberg-  
Paul**  
*Board member since  
2017*



**Tone Bjørnov**  
*Board member since  
2015*



**John Brehmer**  
*Board member since  
2010*



**Mari Thjømøe**  
*Board member since  
2017*



**Mattias Carlsson**  
*Board member since  
2008*



# Head of countries and functions <sup>1)</sup>



**Vilma Sool**  
*Head of Estonia*



**Juho Maanpää**  
*Head of Finland*



**Juris Pice**  
*Head of Latvia*



**Björn Skytt**  
*CIO*



**Olga Bliumenzon**  
*Head of Lithuania*



**Wojciech Drozd**  
*Head of Poland*



**Karin Zandrén**  
*Head of Sweden*



**Krzysztof Blach**  
*Credit Manager*

<sup>1)</sup> Excluding Espen Johannesen, Head of Norway, as he is also the Head of Direct to Consumer and consequently a member of the Executive Management Team as shown on p. 21.

# Contact

## Investor relations

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