



**2<sup>nd</sup> Quarter 2018**

**RESULT PRESENTATION**

# CORPORATE PROFILE

## Our Products

Operating with modern and scalable infrastructure offering our retail customers online consumer loans, deposits and credit cards. For retailers we offer leading ecommerce and brick-and-mortar payment solutions

## Our DNA

We aim to deliver effortless banking to our customers by being reliable, responsible and straightforward in our dealings with them

## Our Geographical footprint

We serve customers in the Nordics and around the Baltic sea

## The investment case

We operate in carefully selected niches where we can leverage on our platform and expertise to deliver attractive and sustainable risk adjusted growing returns

# JANUARY – JUNE 2018 IN SUMMARY

- Continued organic loan book growth
- Strong operating profit growth
- Cost efficiency
- Capital position

LOAN BOOK  
GROWTH

**+23 %**  
*SEK 3,876 million*

OPERATING  
PROFIT  
GROWTH

**+12 %**  
*SEK 102 million*

C/I RATIO

**40 %**

TOTAL CAPITAL  
RATIO

**17.2 %**  
*30 Jun 2018*

# WORTH NOTING JANUARY – JUNE 2018

- In January, the subsidiary Avarda launched a payment solution in Finland, together with several major partners
- The Board has appointed Mattias Carlsson as the new CEO of TF Bank. Mattias Carlsson has worked for the bank for almost 10 years and has been the acting CEO since November 2017
- TF Bank issued a Tier 1 capital instrument (AT1) of SEK 100 million during the period

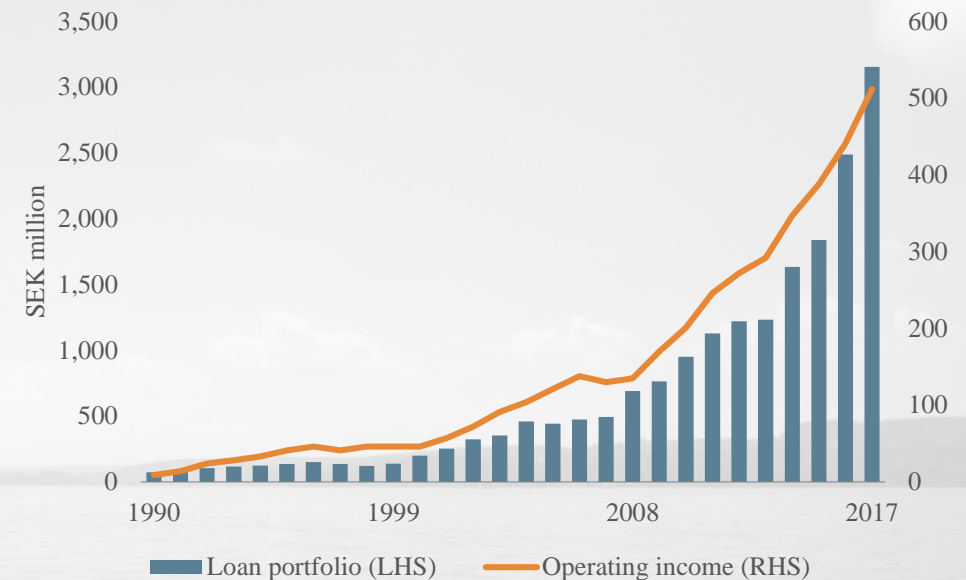


# LONG TRACK RECORD OF PROFITABLE GROWTH

## 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





# CONSUMER LENDING

## DIVERSIFIED GRANULATED PORTFOLIO

### Product overview and use of proceeds

- 80 % 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 ~40,000

### Loan sizes (average) and customer profile



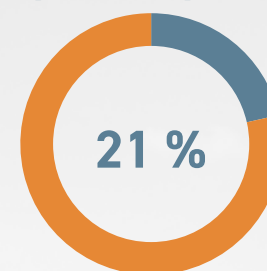
# ECOMMERCE SOLUTIONS DRIVES NEW LENDING AND BUILDS DATABASE

## Product overview

- Full check-out solution (Checkout+) offered as one-stop-shop in Finland and Sweden with all major payment methods
- Strong momentum and growth in the segment. Checkout+ solution including CRM functionalities is driving sales and volume in Avarda
- Launch of Checkout+ in Norway during second half of 2018
- Norwegian credit cards (from Q1 2017)

## Key financials

Share of the  
Group's loan portfolio



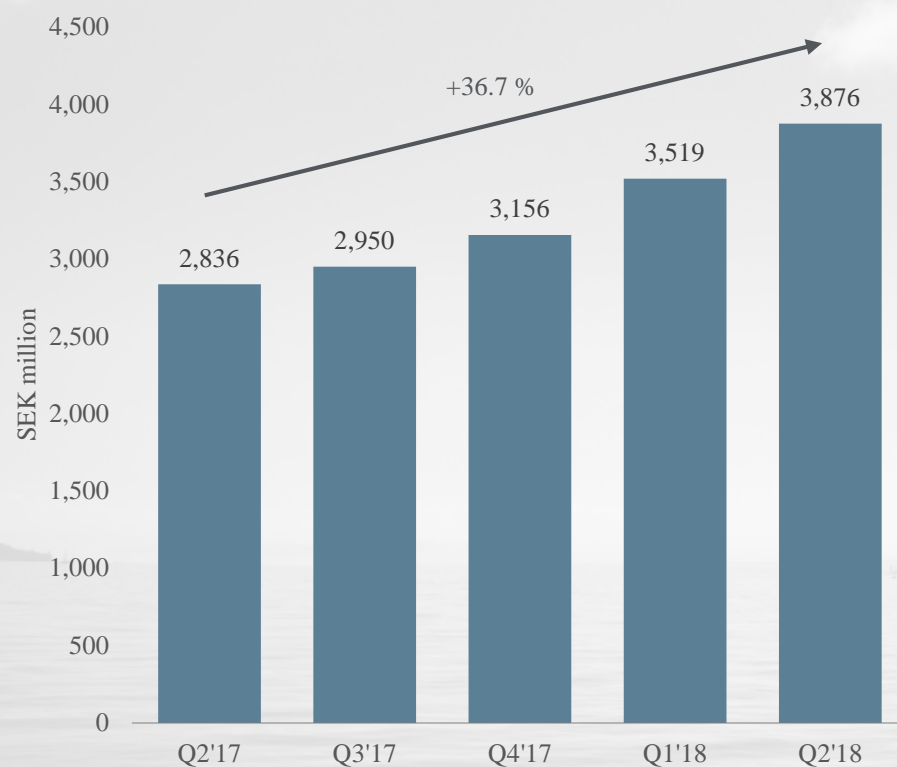
Amount outstanding  
**SEK 807 million**  
(30 Jun 2018)

Loan portfolio growth  
**+36 %**  
(Q2'18 vs Q4'17)

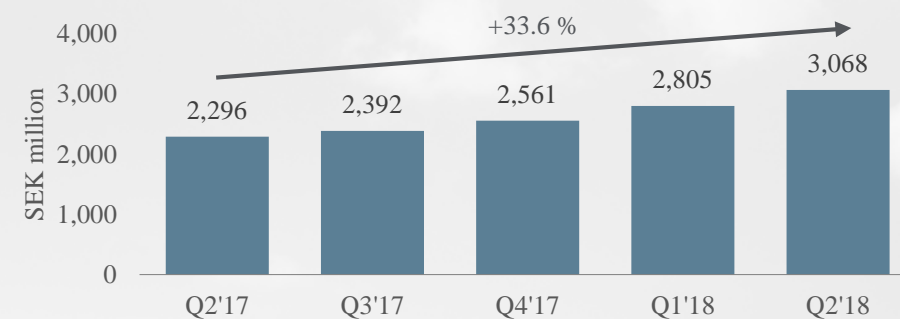
- Growth through three different brands, TF Bank, Avarda and BB Bank
- Geographical expansion in Europe
- Long-term relationships with companies in the Nordics
- Strategy to become one of the leading companies in the Nordic region
- Solid development in the credit card business

# STRONG LOAN BOOK GROWTH

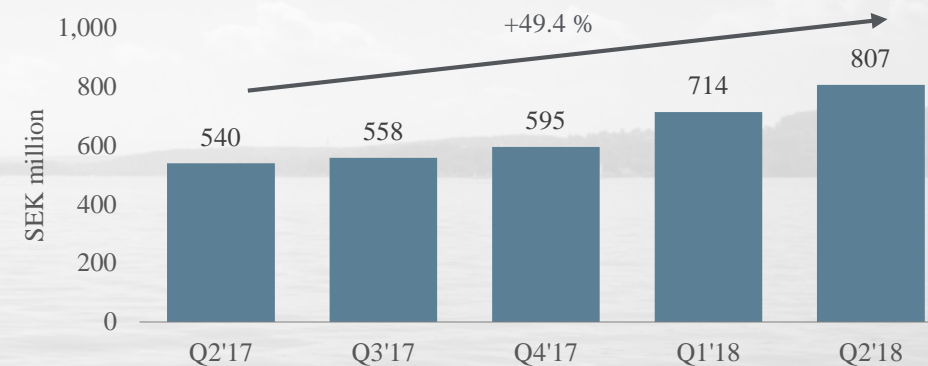
## TF Bank Group



## Consumer Lending



## Ecommerce Solutions





# GROWTH AND DIVERSIFICATION ACCORDING TO PLAN

## Norway

Loan book SEK 1,238m (31 %)  
Change H1'18: +38 %  
*Strong growth*

## Finland

Loan book SEK 1,070m (28 %)  
Change H1'18: +17 %  
*Profitability and steady growth*

## Sweden

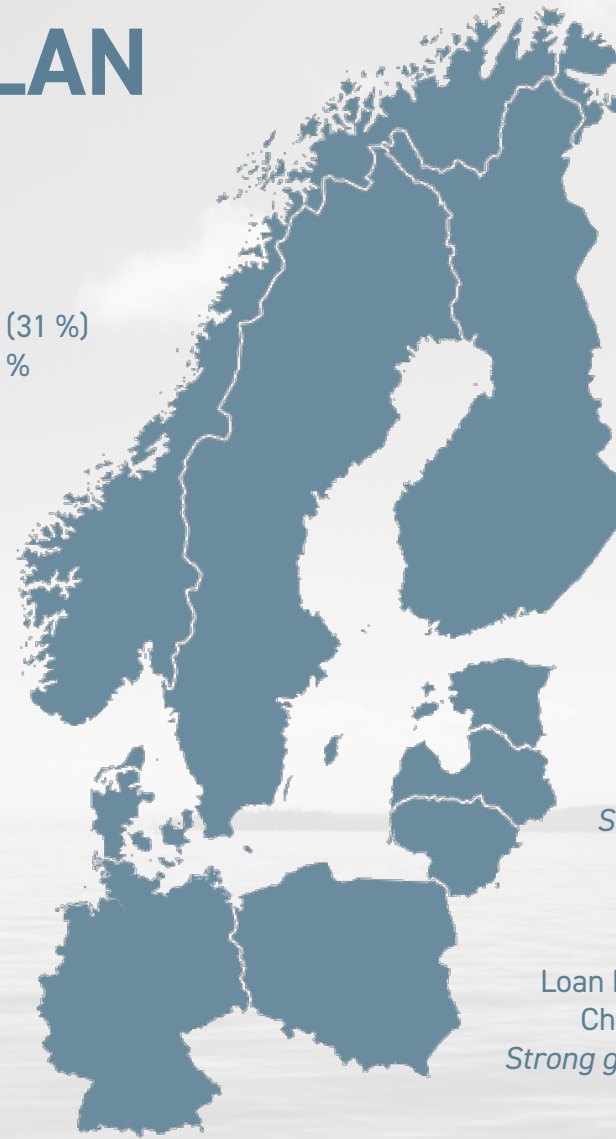
Loan book SEK 609m (16 %)  
Change H1'18: -3 %  
*Focus on profitability*

## Baltics

Loan book SEK 601m (16 %)  
Change H1'18: +50 %  
*Steady growth and profitability*

## Poland

Loan book SEK 319m (8 %)  
Change H1'18: +14 %  
*Strong growth in both segments*

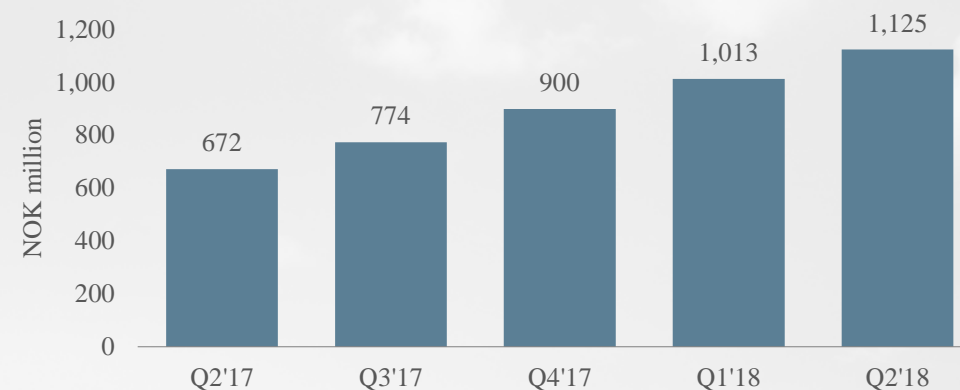


# NORWAY 2018

## Development

- Excellent credit quality
- New guidelines on unsecured lending has improved the relative attractiveness of BB Bank to new and old customers
- Largest market in the Groups business mix

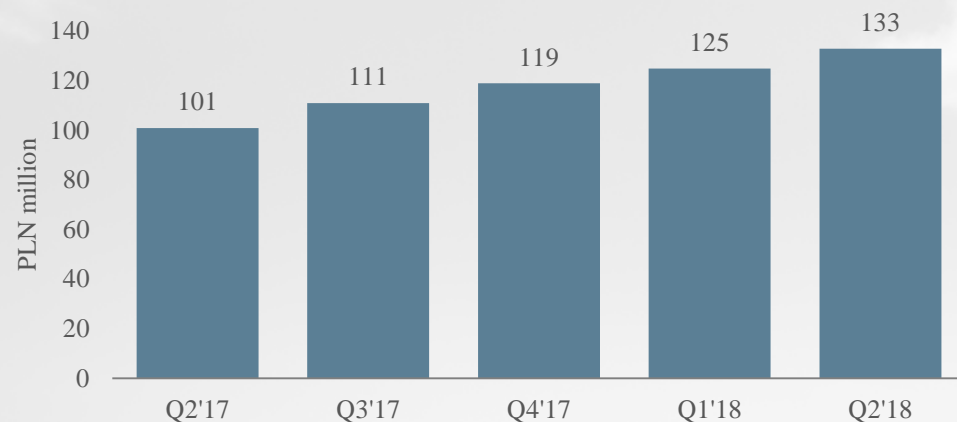
## Strong momentum continues



- More to come – strategic roadmap Norway
  - Strong and steady growth
  - Focus on credit quality

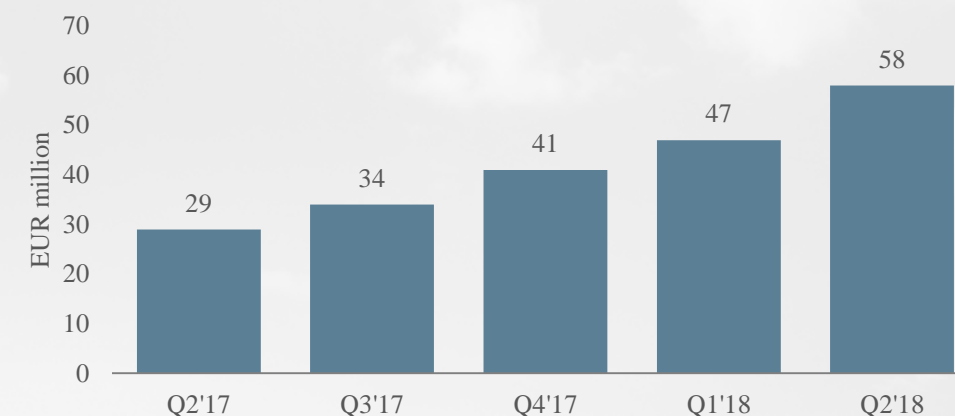
# GROWTH MARKETS POLAND AND THE BALTICS 2018

## Poland



- Strong sales in Ecommerce Solutions with strong margins. Scale up in H2 and beyond
- Sluggish growth in consumer loans but underlying asset quality improvement

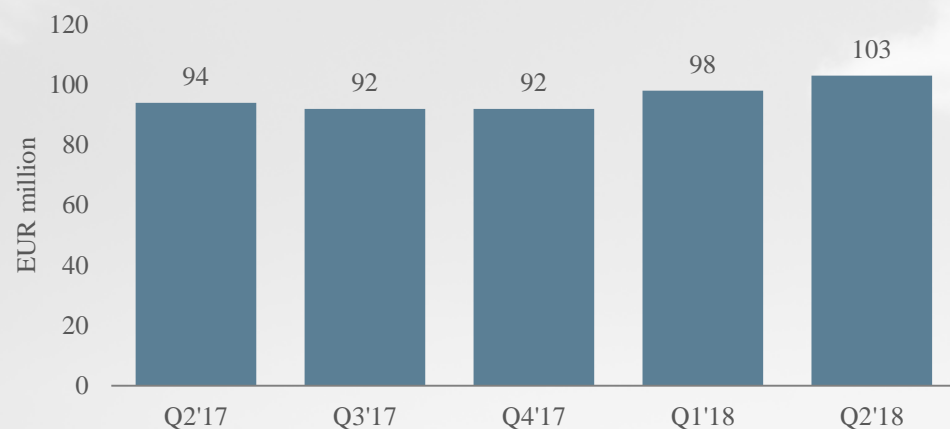
## Baltics



- Started Lithuanian operations
- Strong growth in Estonia and Latvia
- Good asset quality with long history of predictable default rates

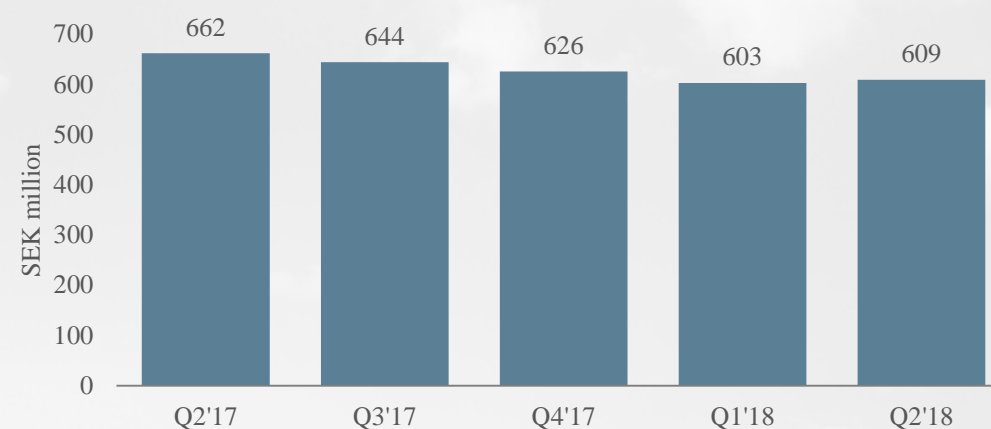
# CORE MARKETS FINLAND AND SWEDEN 2018

## Finland



- Strong sales in ecommerce
- Switch to growth from H2 in Consumer lending

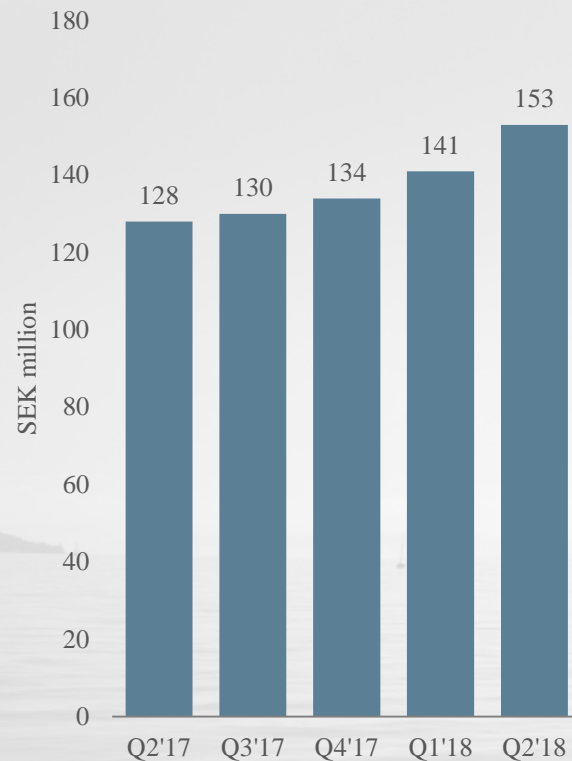
## Sweden



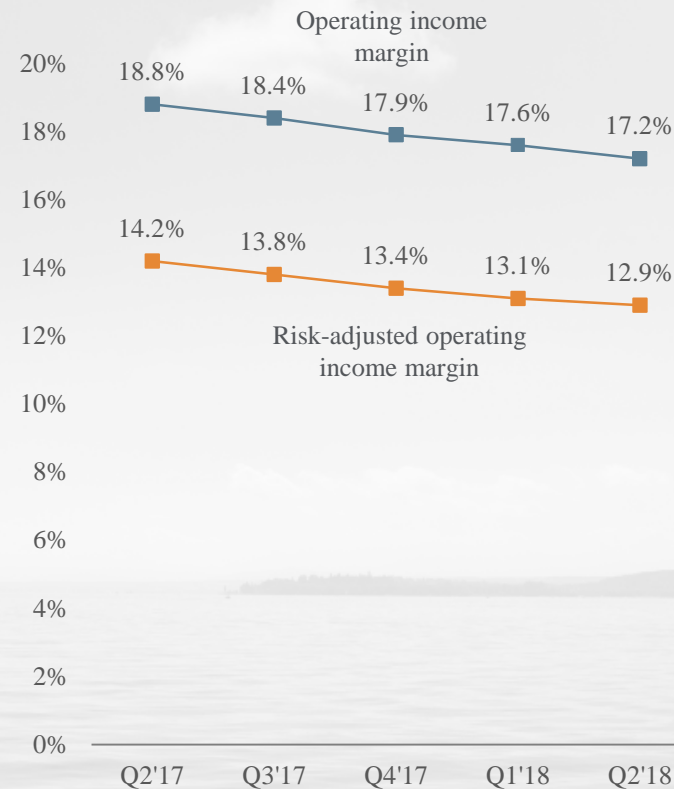
- Fierce competition and price pressure
- Seeking growth with attractive ROE in consumer loans
- Focus on optimizing distributions channels

# SIGNIFICANT INCREASE IN OPERATING INCOME

## Operating income



## Operating income margin

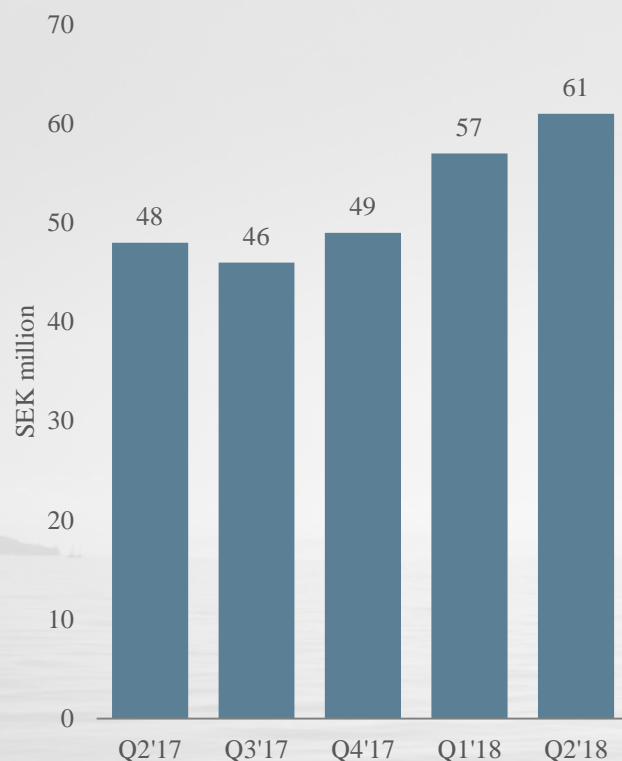


- **Operating income Q2 2018 vs. Q2 2017 +19 %**
  - Quarter-to-quarter increase: + SEK 12m
  - Momentum in Norway, the Baltics and Avarda
  - Positive impact from currency effects
- **Operating income margin: 17.2 %**
  - Growth in Norway (lower margins)
- **Risk-adjusted margin (adjusted for net loan losses): 12.9 %**

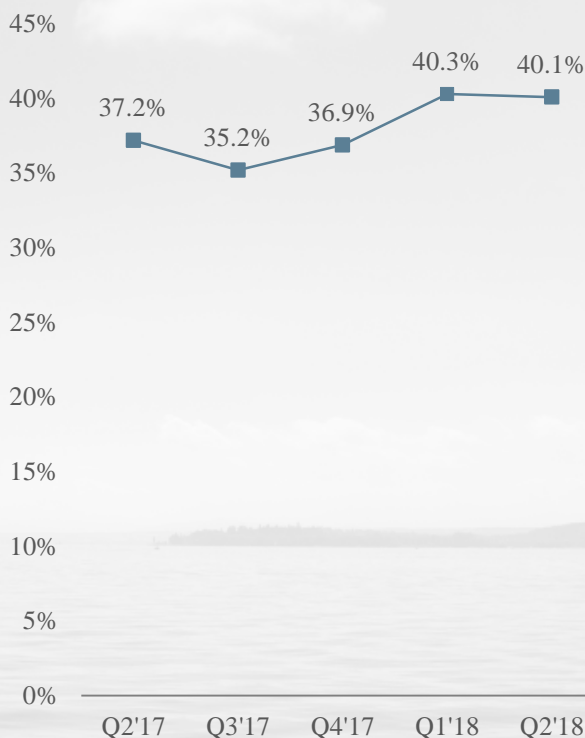


# OPERATING EXPENSES IN LINE WITH PLAN

## Operating expenses



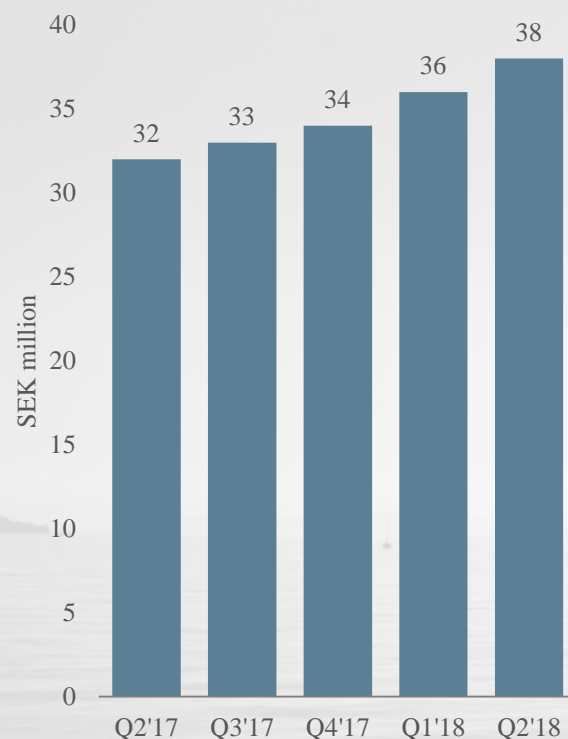
## Cost/income ratio



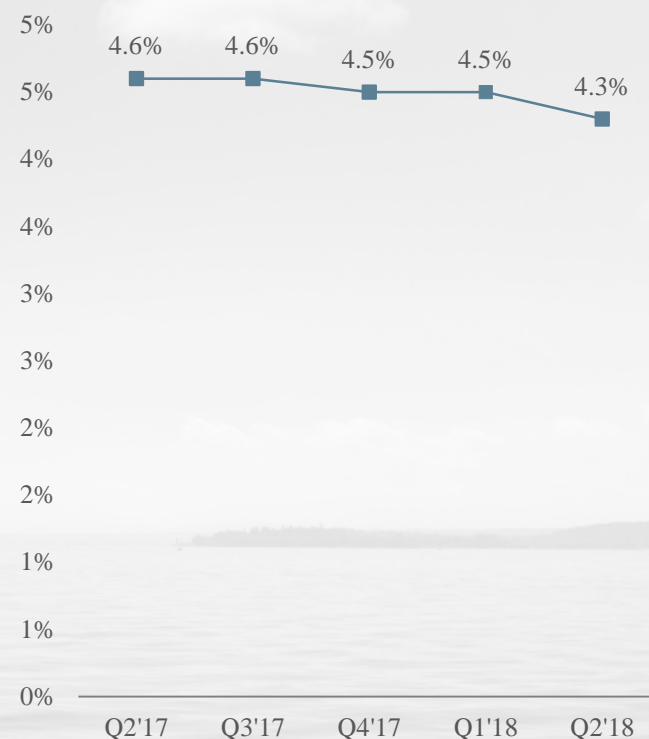
- **Operating expenses Q2 2018 vs. Q2 2017 +29 %**
  - Average number of employees 135 (106)
  - Investments in IT (Avarda)
  - Credit volume increased +58 %
- **Cost/Income ratio Q2 2018: 40.1 %**
  - Q1 2018: 40.3 %
  - Excluding Avarda: 35.6 %

# STABLE NET LOAN LOSS RATIO

## Net loan losses



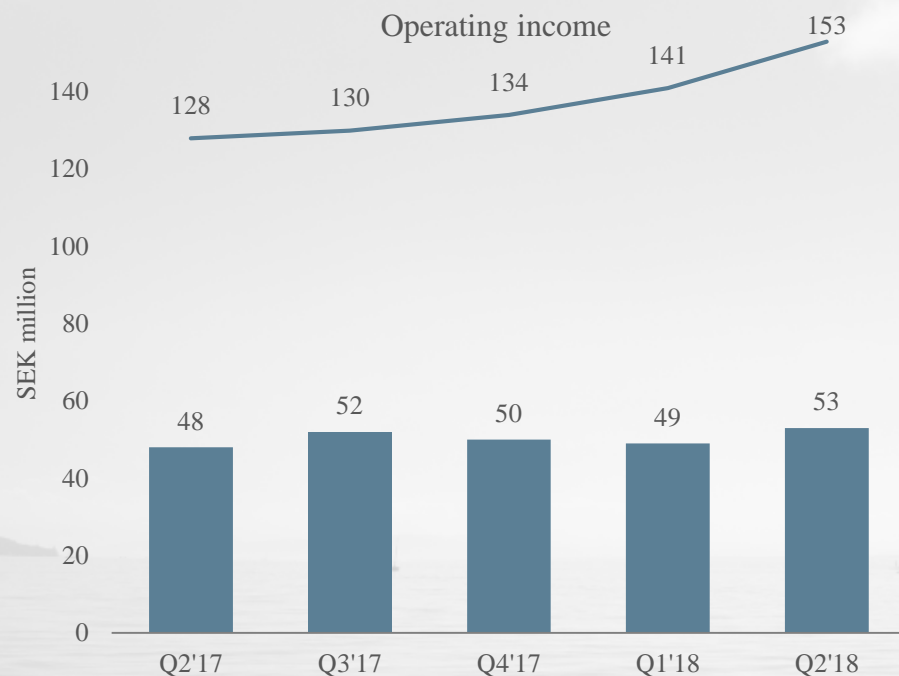
## Net loan loss ratio



- **Clean balance sheet policy**
  - NPLs are generally sold on forward flow basis after approx. 72 days
- **Net loan losses Q2 2018 vs. Q2 2017 +17 %**
  - Loan book growth and currency effects
  - New accounting standard, IFRS 9 (expected loss model)
- **Net loan loss ratio Q2 2018: 4.3 %**
  - Slight improvement in the last quarter

# CONTINUED GROWTH FOR OPERATING PROFIT

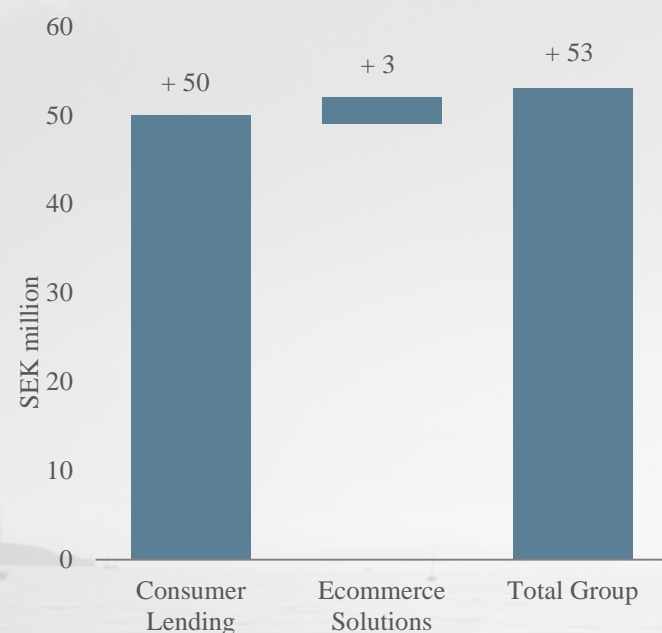
## Operating profit



- **Operating profit Q2 2018 vs. Q2 2017 +11 %**
  - Main driver: Loan book growth
- **Bridge between operating profit and EPS**
  - Operating profit +11 %
  - Minority interests -2 %
  - Earnings per share +9 %
- **Earnings per share rolling 12 months 7.34**
  - Excluding Avarda: 8.03

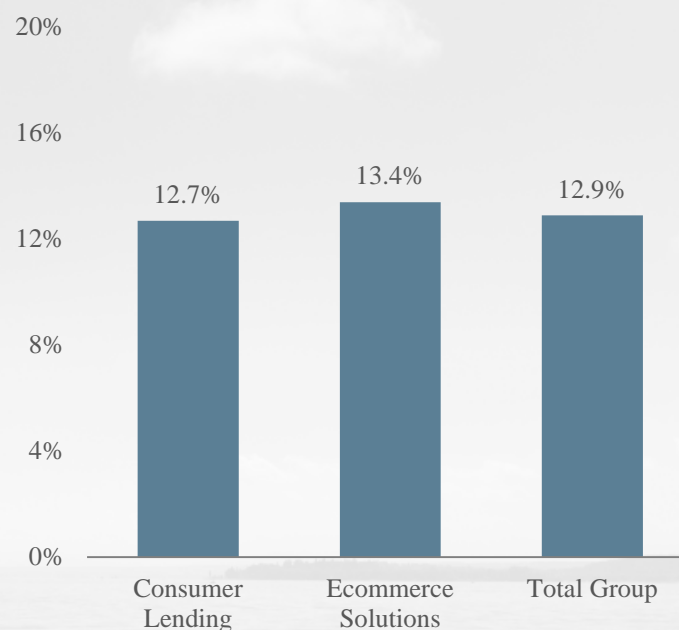
# KPIs PER SEGMENT – Q2 2018

## Operating profit



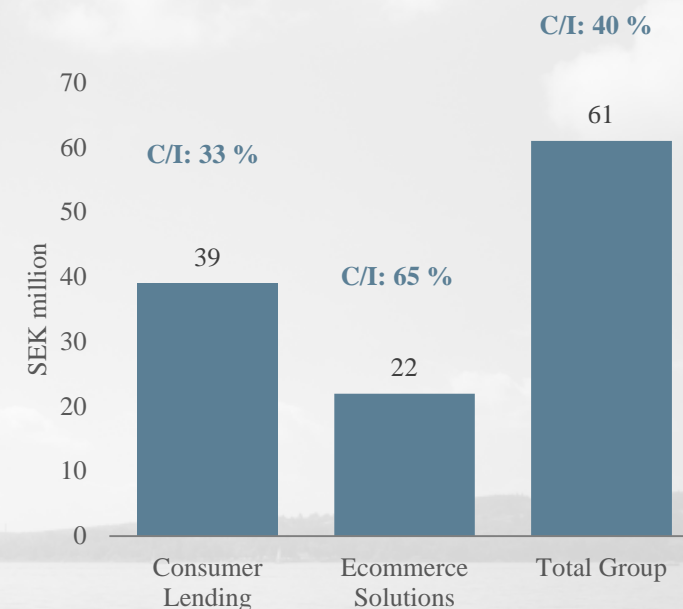
- Operating profit, Group SEK 53 million
  - Consumer Lending SEK 50 million
  - Ecommerce Solutions SEK 3 million

## Risk-adjusted margin <sup>1)</sup>



- Risk-adjusted margin <sup>1)</sup>, Group 12.9 %
  - Consumer Lending 12.7 %
  - Ecommerce Solutions 13.4 %

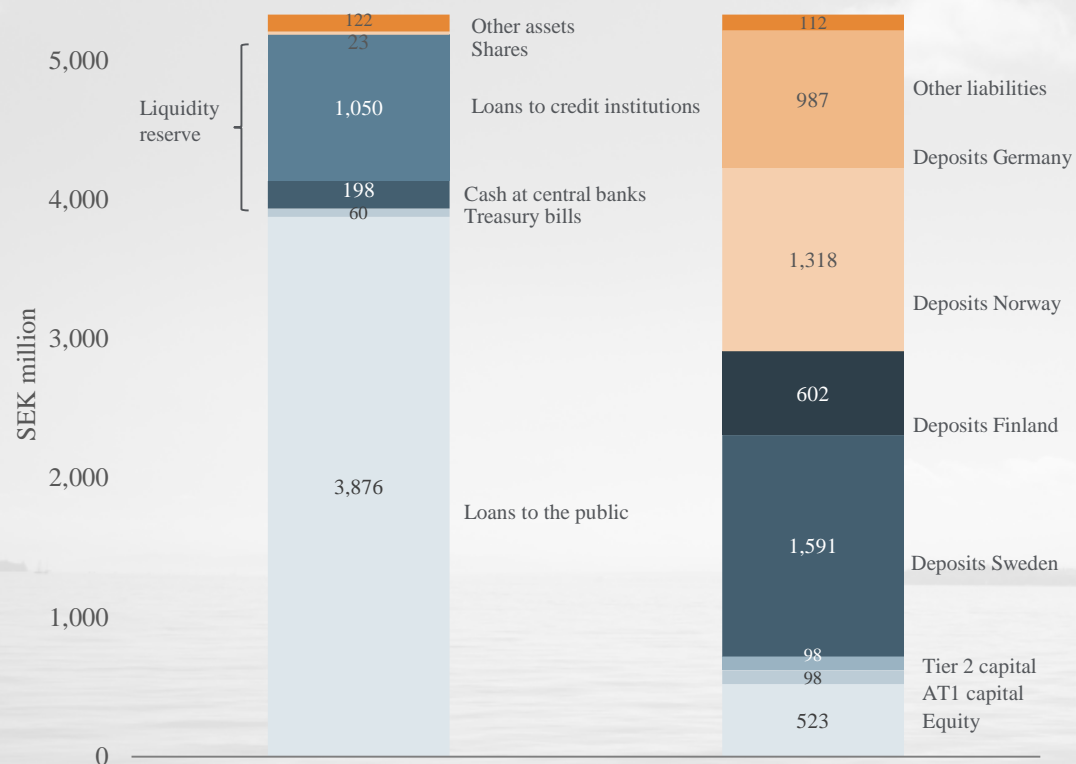
## Operating expenses



- Operating expenses, Group SEK 61 million
  - Consumer Lending SEK 39 million
  - Ecommerce Solutions SEK 22 million

# FURTHER DIVERSIFICATION OF DEPOSITS AND STRONG LIQUIDITY POSITION

## Assets and liabilities



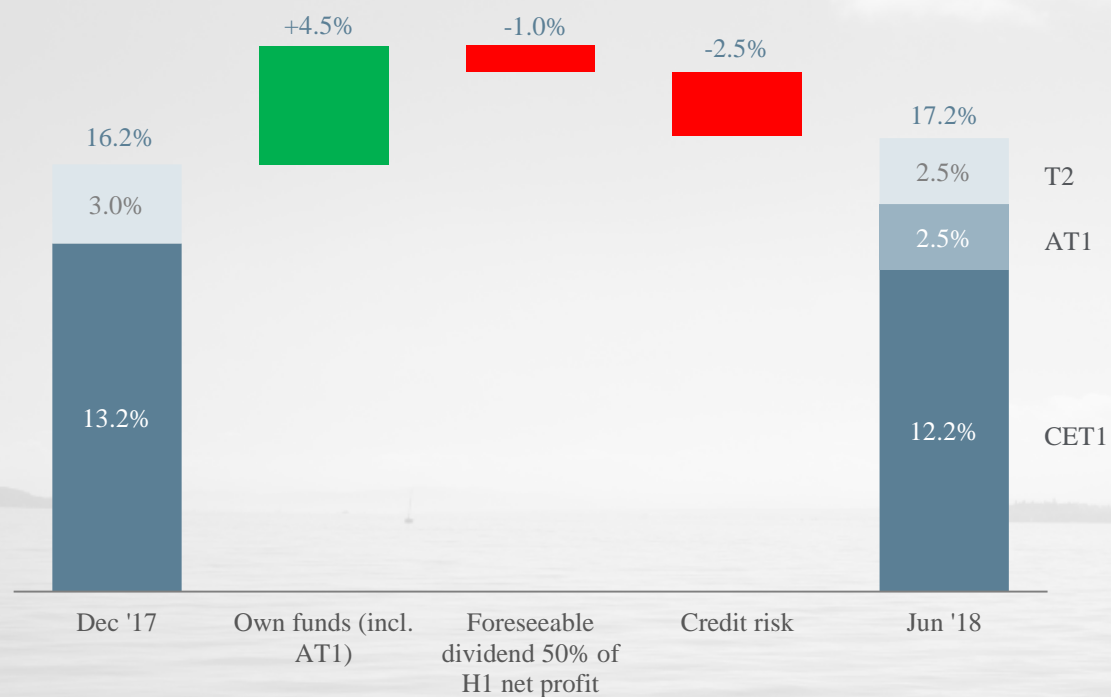
<sup>1)</sup> The liquidity reserve includes undrawn credit facilities of SEK 33 million.

- **Cost-efficient funding from diversified retail deposits**
  - Sweden (SEK 1.6 billion)
  - Finland (SEK 0.6 billion)
  - Norway (SEK 1.3 billion)
  - Germany (SEK 1.0 billion)
- **Strong liquidity position**
  - Liquidity reserve 30 % of deposits <sup>1)</sup>
  - Supports further loan book growth
- **Tier 1 capital issued in June**
  - SEK 100 million



# CAPITAL RATIOS STRENGTHENED BY AT1 ISSUE IN Q2 2018

## Capital ratios



- Capital ratios 30 June (31 March)
  - CET1 capital ratio: 12.2 % (12.5 %)
  - T1 capital ratio: 14.7 % (12.5 %)
  - Total capital ratio: 17.2 % (15.1 %)
- Headroom to legal requirements (incl. Pillar 2)
  - CET1 capital requirement: 8.6 %
  - T1 capital requirement: 10.2 %
  - Total capital requirement: 12.4 %
- Comments on capital ratios
  - Optimized capital structure with issued AT1 Capital
  - Foreseeable dividend 50 % of net profit (policy)
  - IFRS 9 effects phased in during 2018-2023

# OUTCOME FINANCIAL TARGETS 6M 2018

<b>Growth</b>	<i>Over the medium-term, the Company aims to achieve an EPS growth of <b>at least 20 percent</b></i>	<b>9 %</b>
<b>Efficiency</b>	<i>Over the medium-term, the Company aims to achieve a cost-to-income ratio of <b>below 35 percent</b></i>	<b>40.2 %</b>
<b>Capital structure</b>	<i>The Company aims to maintain a total capital ratio of <b>at least 14.5 percent</b></i>	<b>17.2 %</b>
<b>Dividend policy</b>	<i>A pay-out ratio of <b>approximately 50 percent</b> of its annual consolidated net profit <sup>1)</sup></i>	<b>N/A</b>

<sup>1)</sup> Attributable to the shareholders of the parent company

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

# LOOKING AHEAD INTO H2 2018

- Continued expansion in ecommerce solutions in Finland; Sweden and Norway next
- Leverage on the platform in consumer lending
- Lithuania launch
- Continued strong competition especially in the Nordics
- Gradually improving financial performance in ecommerce segment as income grows and opex are mainly in place

# Q&A Session

# Board of Directors



**Mari Thjømøe**  
*Chairman of the Board  
since 2018  
Board member since  
2017*



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



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



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



**Bertil Larsson**  
*Board member since  
2007*



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



# EXECUTIVE MANAGEMENT TEAM



**Mattias Carlsson**  
*CEO*

Education: MEng., engineering physics, Uppsala University.

Current commitments: BB Bank ASA (board member), Avarda AB (board member), Avarda Oy (board member), Smedslättens Tennisbanor Aktiebolag (chairman), Qred AB (chairman), and Tronstad Consulting AB (board member).



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

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

At TF Bank since 2009, 2014 deputy CEO and from 2018 also the Group's Head of IR. Previously, among other things, been Financial Controller at Consortio Fashion Group AB (CFG).

Current commitments: Avarda AB (board member)



**Espen Johannesen**  
*Head of Consumer Lending*

Education: Executive M.B.A Management control Norwegian School of Economics (NHH), Bachelor of economics, Business BI Norwegian School of Management

At BB Bank since 2010.



**Mikael Johansson**  
*Head of Ecommerce Solutions*

Education: MSc Business Administration and Mathematics Stockholms universitet

With the Group since 2016 as CEO of Avarda. Previously, among other things, at GE Commercial Finance and as CEO of Santander Consumer Bank Sweden.

Current commitments: Svenska Bilhandlare AB (chairman) and Sticklinge Management AB (alternate member)

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



**Vilma Sool**  
*Regional manager  
Baltics  
Head of Estonia*

10 years of experience in the consumer finance sector – developed and led Bigbank Swedish branch.



**Juho Maanpää**  
*Head of Finland*

Extensive consumer finance experience in Finland within operations management, credit risk and digital marketing. Worked at TF Bank since 2013.



**Juris Pūce**  
*Head of Latvia*

Before joining TF Bank in 2016, worked for seven years in Bigbank, serving as country manager in Latvia and Spain as well as fulfilled various roles with credit management services provider Creditreform.



**Björn Skytt**  
*CIO*

Before joining TF Bank in 2010 worked as integration manager for ICA Banken and prior to that as project manager and system manager for SKF's financial and treasury systems.



**Olga Bliumenzon**  
*Head of Lithuania*

International communication degree holder with experience in consumer lending in Lithuania and Spain, business development in FINTEC, and IT project management.



**Wojciech Drozd**  
*Head of Poland*

Sales leader with 20+ years of extensive consumer finance and retail banking experience: in GE Money Bank Poland and Bank BPH.



**Karin Zandrén**  
*Head of Sweden*

With TF Bank since 2009. More than 10+ years in the consumer finance sector. Previously worked with Citibank as Lending Product Manager and with GE Money as Online Sales & Marketing Manager.



**Krzysztof Blach**  
*Credit Manager*

Credit Risk Manager with 15 years of experience in retail banking sector. Worked for GE Money Bank and BPH Bank in Poland holding various roles and for KBC Group across Europe.

<sup>1)</sup> Excluding Espen Johannesen, Head of Norway, as he is also the Head of Consumer Lending and consequently a member of the Executive Management Team as shown on p. 24.

# Contact

## Investor relations

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