



INTERIM REPORT
January-September 2019

PERIOD IN BRIEF

JANUARY – SEPTEMBER 2019

COMPARED TO JANUARY – SEPTEMBER 2018 (unless otherwise stated)

- The loan portfolio has increased by 37 % to SEK 6,099 million since the start of the year
- Operating profit increased by 30 % to SEK 214.1 million
- Net profit increased by 30 % to SEK 164.7 million
- Earnings per share increased by 28 % to SEK 7.43
- Cost/income ratio decreased to 37.3 % (39.8)
- Total capital ratio has decreased to 17.2 % (17.4) since the start of the year
- Return on equity amounted to 33.8 % (30.9)
- Adjusted return on equity amounted to 31.4 % (30.9) ¹

JULY – SEPTEMBER 2019

COMPARED TO JULY – SEPTEMBER 2018 (unless otherwise stated)

- The loan portfolio has increased by 8 % to SEK 6,099 million during the quarter
- Operating profit increased by 24 % to SEK 77.9 million
- Net profit increased by 23 % to SEK 59.7 million
- Earnings per share increased by 25 % to SEK 2.69
- Cost/income ratio decreased to 36.5 % (39.0)

SIGNIFICANT EVENTS

JANUARY – SEPTEMBER 2019

- Within the segment Ecommerce Solutions several new agreements have been signed, and some Nordic retailers have also chosen to extend their existing agreements
- TF Bank has successfully issued subordinated Tier 2 bonds of SEK 100 million to optimise the capital structure and support further growth
- New agreements for continuing sale of past due loans have been signed in several markets

TF Bank continues to grow in the Nordics and the rest of Europe. Following a strong end, the loan portfolio increased by 8 % during the third quarter, hence passing SEK 6 billion.

LOAN PORTFOLIO

30 SEPTEMBER 2019 COMPARED TO 31 DECEMBER 2018

SEK **6.1** BILLION **+37 %**

OPERATING PROFIT

JAN-SEP 2019 COMPARED TO JAN-SEP 2018

SEK **214** MILLION **+30 %**

TOTAL CAPITAL RATIO

30 SEPTEMBER 2019 COMPARED TO 31 DECEMBER 2018

17.2 % **-0.2** PERCENTAGE POINTS

RETURN ON EQUITY ¹

JAN-SEP 2019 COMPARED TO JAN-SEP 2018

31.4 % **+0.5** PERCENTAGE POINTS

¹ Adjusted for items affecting comparability in 2018 attributable to reclassification of customer balances with inactive status that have arisen before 2018.

See separate section with definitions, page 41.

THE GROUP

TF Bank is an internet-based niche bank offering consumer banking services and Ecommerce Solutions through a proprietary IT platform with a high degree of automation. The platform is designed for scalability and adaptability to different products, countries, currencies and digital banking solutions. TF Bank carries out deposit-taking and lending activities for consumers in Sweden, Finland, Norway, Denmark, Estonia, Latvia, Lithuania, Poland, Germany and Austria through subsidiaries, branches or cross-border banking. In the Ecommerce Solutions segment, the Group offers next-generation payment and checkout solutions for online retailers in the Nordic countries, Estonia and Poland, and also credit cards in Norway and Germany.

TF Bank was founded in Sweden in 1987 and has from the start had a strong track record of profitable growth. From its Swedish base the Group has established a broad North European presence, and today serves more than 2 million customers through various brands and markets. TF Bank has been listed in the Mid Cap segment of Nasdaq Stockholm since 2016.



CEO'S COMMENTS

TF Bank continues to grow in the Nordics and the rest of Europe. Following a strong end, the loan portfolio increased by 8 % during the third quarter, hence passing SEK 6 billion. The operating profit increased by 24 % to SEK 78 million compared to the corresponding quarter in 2018. At the end of the period, TF Bank successfully issued subordinated Tier 2 bonds of SEK 100 million, which strengthen the capital base and provide opportunities for further growth.

Geographically diversified growth in the third quarter

TF Bank operates in 10 countries in the Nordic region and the rest of Europe. During the third quarter, the growth has been more geographically diversified than ever before. In Consumer Lending, the total growth has been above expectations. Norway and the Baltics, as well as Finland, have experienced positive development during the quarter. Ecommerce Solutions has exhibited a slightly lower-than-expected growth, mostly related to seasonal fluctuations in the Nordic operations that have been larger than in previous years. However, the geographical mix within the segment is very satisfying and the growth within the Estonian and Polish portfolios has continued. The credit cards in Germany progresses according to plan, further contributing to the geographical risk spread. Overall, the bank has several options to choose between when allocating capital.

Optimisation of the capital structure

At the end of the third quarter, TF Bank issued bonds of SEK 100 million, classified as Tier 2 capital. Following the issue, all three of the bank's capital ratios continued to have comfortable headroom to the legal requirements while enabling future growth with an optimised capital structure. The bonds carry an interest rate of 4.65 %, compared to 6.25 % in the corresponding issue carried out in December 2015. The development in the regulatory area seems to move towards increased capital requirements. We use Tier 1 and Tier 2 capital to meet the capital requirements to the greatest extent possible when our return on equity exceeds 30 %. TF Bank is well prepared for the future through our capital policy to always exceed all three levels of the legal capital requirements by at least 2.5 percentage points.

A changing macroeconomic environment

Over the past months, there has been an increasing number of signals that the state of the European economy is weakening. This can also be noticed in that the market's expectations on gradual rate hikes from the central banks have been replaced by hopes of an even more aggressive monetary policy. For TF Bank, this new situation means that the funding cost is expected to remain at low levels for a foreseeable time. At the same time, we are closely monitoring how the economy is developing in order to allocate capital to the regions that we believe have the best conditions. It is impossible to predict what appearance a time of weaker development will take, but from a historic perspective we can establish that it has been favourable to the bank as the competitors' risk appetite has decreased and our market share has increased.

Outlook for the last quarter of 2019

In the CEO comments of the last interim report, I stated that the growth in the loan portfolio has created a solid platform for increased income and improved earnings in the second half of 2019. Overall, the past quarter has met my expectations. The mix from a slightly slower than planned growth in Ecommerce Solutions and a higher growth in Consumer Lending has however resulted in an operating income margin somewhat below expectations. We work hard every day to create the best possible risk-adjusted return and to deliver according to the financial targets that the Board has resolved upon. At the same time, we are always humble for what the future holds and all our business decisions are based on our assessment of what is in most favour of the bank's shareholders in the long-term. The aim is to further strengthen our position as a prominent and profitable niche bank based in the Nordic region and with an expanding business in the rest of Europe.



*Mattias Carlsson
President and CEO*

KEY FIGURES, CONSOLIDATED

KEY FIGURES, CONSOLIDATED

SEK thousand	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Income statement					
Operating income	195,646	161,724	560,442	455,422	627,641
Operating profit	77,893	63,013	214,101	164,938	250,128
Net profit for the period	59,656	48,414	164,735	126,828	191,826
Earnings per share, SEK	2.69	2.16	7.43	5.80	8.75
Balance sheet					
Loans to the public	6,098,956	4,197,855	6,098,956	4,197,855	4,449,225
Deposits from the public	6,446,102	5,052,068	6,446,102	5,052,068	5,096,463
New lending	1,484,576	1,167,073	4,376,153	3,239,501	4,518,697
Key figures					
Operating income margin, %	14.3	16.7	14.3	16.7	16.3
Net loan loss ratio, %	3.5	4.1	3.5	4.1	3.9
Cost/Income ratio, %	36.5	39.0	37.3	39.8	39.4
Return on equity, %	33.8	30.9	33.8	30.9	34.5
Return on loans to the public, %	4.4	4.6	4.4	4.6	4.9
CET1 capital ratio, %	11.9	12.6	11.9	12.6	13.0
Tier 1 capital ratio, %	13.7	15.0	13.7	15.0	15.2
Total capital ratio, %	17.2	17.4	17.2	17.4	17.4
Employees (FTE)	183	145	170	136	140

ADJUSTED KEY FIGURES, CONSOLIDATED ¹

SEK thousand	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Income statement					
Operating profit	77,893	63,013	214,101	164,938	250,128
Items affecting comparability ¹	-	-	-	-	-20,295
Adjusted operating profit	77,893	63,013	214,101	164,938	229,833
Adjusted income tax expense	-18,237	-14,599	-49,366	-38,110	-53,837
Adjusted net profit for the period	59,656	48,414	164,735	126,828	175,996
Adjusted net profit attributable to the shareholders of the Parent Company	57,930	46,352	159,679	124,766	172,296
Adjusted earnings per share, SEK	2.69	2.16	7.43	5.80	8.01
Key figures					
Adjusted return on equity, %	31.4	30.9	31.4	30.9	31.6
Adjusted return on loans to the public, %	4.0	4.6	4.0	4.6	4.5

CURRENCY RATES

SEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
EUR Income statement (average)	10.66	10.41	10.57	10.22	10.25
EUR Balance sheet (end of reporting period)	10.73	10.29	10.73	10.29	10.28
NOK Income statement (average)	1.08	1.09	1.08	1.07	1.07
NOK Balance sheet (end of reporting period)	1.08	1.09	1.08	1.09	1.02
PLN Income statement (average)	2.47	2.42	2.46	2.41	2.41
PLN Balance sheet (end of reporting period)	2.45	2.41	2.45	2.41	2.39

¹ Adjusted for items affecting comparability in 2018 attributable to reclassification of customer balances with inactive status that have arisen before 2018.

See separate section with definitions, page 41.

RESULTS AND FINANCIAL POSITION

JANUARY - SEPTEMBER 2019

COMPARED TO JANUARY - SEPTEMBER 2018

Operating profit

Operating profit increased by 30 % to SEK 214.1 million (164.9). Higher interest income from the growing loan portfolio and a lower C/I ratio contributed to the increase. Earnings per share increased by 28 % to SEK 7.43 (5.80) and the adjusted return on equity was 31.4 % (30.9).¹

Operating income

The Group's operating income increased by 23 % to SEK 560.4 million (455.4). The growing loan portfolio has had a positive impact on net interest income during the interim period. However, the operating income margin has decreased to 14.3 % (16.7) mainly because the interest rate levels on new lending within Consumer Lending are slightly lower than the average interest rate level of the loan portfolio.

Interest income

Interest income increased by 24 % to SEK 591.9 million (476.8). The main drivers for the increase were growth in Norway and the Baltics as well as increasing volumes within Ecommerce Solutions. In addition, positive currency effects have contributed to slightly higher interest income compared to the corresponding period 2018.

Interest expense

The Group's interest expenses increased by 26 % to SEK 76.2 million (60.5). The increase is mainly attributable to higher deposit volumes in Germany and Norway. Interest rate hikes in Norway have affected the year's interest expense, but the effects are partly mitigated by the Group's liquidity reserve, which has decreased in size according to plan.

Net fee and commission income

Net fee and commission income increased by 21 % to SEK 45.2 million (37.2). The increase is mainly related to higher income within Ecommerce Solutions. During the interim period, 52 % of the Group's fee and commission income derives from charges and 48 % from insurance premiums and other income.

Operating expenses

The Group's operating expenses increased by 15 % to SEK 209.1 million (181.1). The C/I ratio has decreased to 37.3 % (39.8) compared to the corresponding period 2018. The improvement of the C/I ratio derives from both segments. The increase in operating expenses in absolute numbers is mainly related to an increased number of employees, larger volumes and IT development. The average number of full-time employees during the interim period amounted to 170 (136).

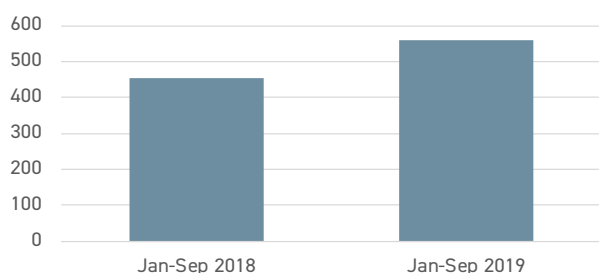
Net loan losses

Net loan losses increased by 25 % to SEK 137.2 million (109.4). The loan portfolio growth is the main reason for the increase. Several new agreements for continuing sale of past due loans were signed during the first quarter of 2019, which has increased the provisions for future loan losses somewhat. However, a gradually improving credit quality in the portfolio has resulted in a decrease of the loan loss ratio to 3.5 % (4.1).

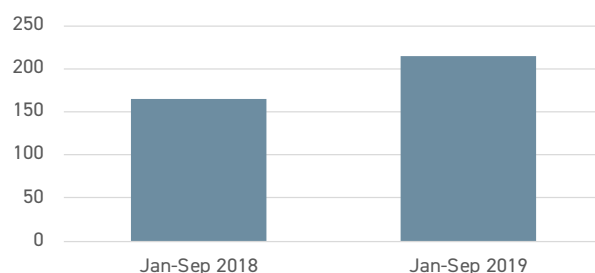
Tax expense

The Group's tax expense increased to SEK 49.4 million (38.1), related to an increased operating profit. The average tax rate amounted to 23.1 % (23.1) during the interim period and is affected by lower corporate tax in Sweden effective as of 2019 as well as a higher tax rate for the business in Norway.

OPERATING INCOME (SEK million)



OPERATING PROFIT (SEK million)



¹ Adjusted for items affecting comparability in 2018 attributable to reclassification of customer balances with inactive status that have arisen before 2018.

RESULTS AND FINANCIAL POSITION

JANUARY - SEPTEMBER 2019

COMPARED TO 31 DECEMBER 2018 (unless otherwise stated)

Lending

Since the start of the year, loans to the public have increased by 37 % to SEK 6,099 million (4,449). Currency effects have contributed positively to growth by 5 %. The underlying loan portfolio increased by 30 % in local currencies.¹ The Group's new lending increased to SEK 4,376 million (3,240) compared to the first nine months of 2018.

The consumer loans in Norway and the Baltics have been the primary drivers of the growing loan portfolio in 2019. The Norwegian portfolio comprises roughly 40 % of the Group's growth, while the corresponding figure in the Baltics is 27 %. Our other segment Ecommerce Solutions has also contributed to the increase of the loan portfolio through growth in several geographical markets.

Deposits

Deposits from the public have increased by 26 % to SEK 6,446 million (5,096) since the start of the year. Currency effects have contributed positively to growth by 5 %.

During the first nine months of the year, deposit volumes have increased significantly in Germany and Norway. In Germany, the net inflow to the savings account with a variable rate has been stable throughout the interim period. The increase in Norway is mainly related to an increase of the savings account rate in BB Bank during the first quarter 2019.

Investments

The Group's investments increased to SEK 24.9 million compared to SEK 12.8 million in the corresponding period 2018. The investments are mainly attributable to product development within the Ecommerce Solutions segment. Depreciation and amortisation on tangible and intangible assets increased to SEK 13.3 million (7.4). The increase is impacted by new accounting standards regarding leases, IFRS 16, effective as of 1 January 2019.

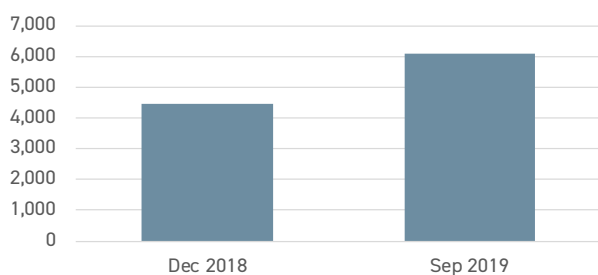
Cash and cash equivalents

The liquidity reserve amounted to SEK 1,398 million (1,465) at the end of the interim period. During the year, parts of existing cash and cash equivalents have been used to finance the lending growth, which results in a better adapted liquidity reserve. The Group's total available liquidity, including undrawn credit facility of SEK 32 million, has decreased to 22 % (29) of deposits from the public. The majority of the reserve is placed on overnight accounts in various Nordic banks and at central banks.

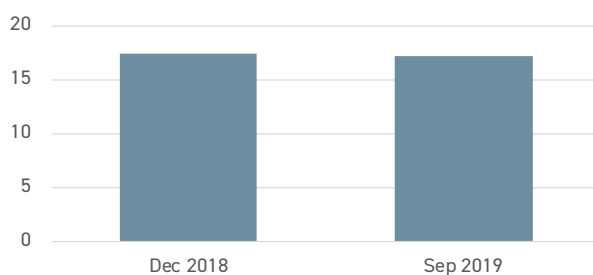
Capital adequacy

At the end of the interim period, the Group's total capital ratio was 17.2 % (17.4), the Tier 1 capital ratio was 13.7 % (15.2) and the CET1 capital ratio was 11.9 % (13.0). In 2019, the capital ratios have been impacted by the strong growth of the loan portfolio as well as foreseeable dividends to shareholders that have been deducted in accordance with the regulatory requirements. In the end of the third quarter, the bank raised SEK 100 million of Tier 2 capital, which strengthens the total capital ratio.

LOANS TO THE PUBLIC (SEK million)



TOTAL CAPITAL RATIO (%)



¹ Loans to the household sector, stage 1 and 2, gross.

RESULTS AND FINANCIAL POSITION

JULY - SEPTEMBER 2019

COMPARED TO JULY - SEPTEMBER 2018

Operating profit

Operating profit increased by 24 % to SEK 77.9 million (63.0). The increase is mainly attributable to higher interest income and an improved C/I ratio. Earnings per share in the quarter increased by 25 % to SEK 2.69 (2.16).

Operating income

The Group's operating income has increased by 21 % to SEK 195.6 million (161.7). The strong lending growth during the first half of 2019 has contributed to an increasing net interest income during the third quarter. However, seasonal fluctuations within the Ecommerce Solutions segment have had a negative effect on the income. A decreased liquidity reserve has positively affected the interest expenses in the quarter.

Operating expenses

The Group's operating expenses have increased by 13 % to SEK 71.4 million (63.0). Personnel costs in the third quarter have to some extent been positively affected by the holiday period. The C/I ratio decreased to 36.5 % (39.0) compared to the third quarter 2018. Economies of scale from the growing loan portfolio, which generates an increasing income, have affected the C/I ratio positively.

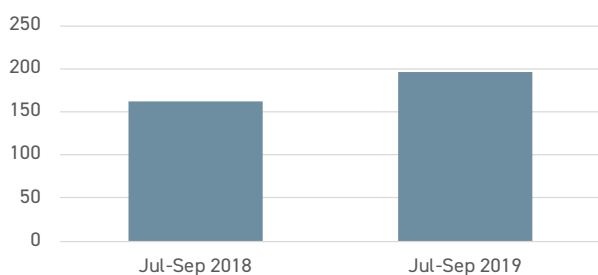
Net loan losses

Net loan losses increased by 30 % to SEK 46.4 million (35.7). The loan portfolio growth has resulted in increased loan losses in absolute numbers. To some extent, currency effects also impact the comparison with the third quarter of 2018. Despite this, the loan loss ratio has gradually improved over the last year, especially within the segment Ecommerce Solutions.

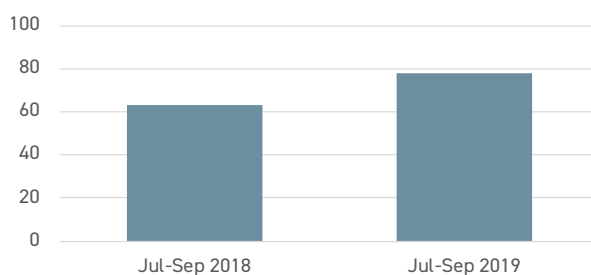
Tax expenses

The Group's tax expense increased to SEK 18.2 million (14.6). The average tax rate amounted to 23.4 % (23.2) in the quarter.

OPERATING INCOME (SEK million)



OPERATING PROFIT (SEK million)



CONSUMER LENDING

JANUARY - SEPTEMBER 2019

COMPARED TO JANUARY - SEPTEMBER 2018 (unless otherwise stated)

Overview

In the Consumer Lending segment, TF Bank offers unsecured consumer loans to creditworthy individuals in eight countries. The product offering can differ between the various markets and is adjusted according to the specific conditions in each country. As at 30 September 2019, the average loan amount per customer was approximately SEK 54,000 with an average maturity of approximately 24 months.

The Nordic consumer loan portfolio represents 71 % of the segment. The Nordic markets for consumer loans are characterised by credit information that is easy to access, a high share of credit intermediators, and have over the past few years mostly been driven by an increase in the average size of issued loans. In Norway, the bank offers slightly higher loan amounts than the average for the segment.

The Baltic and Polish consumer loan portfolio represents 29 % of the segment. Estonia is the Baltic market with characteristics that are most similar to the Nordic ones, with high internet usage and easy access to public data. During the second quarter of 2019, consumer loans were launched in Austria.

The loan portfolio

Loans to the public have increased by 40 % to SEK 4,858 million (3,466) since the start of the year. Currency effects positively contributed to growth by 6 %. The underlying loan portfolio has increased by 33 % in local currencies.¹ The segment's new lending amounted to SEK 2,897 million (1,938).

The underlying loan portfolio in Norway has increased by 48 % to NOK 1,633 million (1,106) during 2019. The growth in Norway is carried out with a maintained margin and credit quality. The loan portfolio in Finland exceeded a milestone during the third quarter – EUR 100 million – following an increase of 27 % to EUR 103 million (81.0) since the start of the year. The new lending in Finland has for some time been adapted to the regulatory interest rate cap that is effective as of 1 September 2019. In Sweden, the loan portfolio has decreased by 3 % to

SEK 443 million (468) since the start of the year.

The underlying loan portfolio in the Baltics has increased by 46 % to EUR 112 million (76.9) during 2019. It is primarily the portfolio in Latvia that has exhibited strong progress with a growth of 80 % to EUR 44.9 million (24.9). The growth in Estonia has slowed down slightly towards the end of the interim period and the portfolio has increased by 22 % to EUR 62.5 million (51.3). Consumer loans in Lithuania, which were launched in 2018, had a balance of EUR 5.1 million at the end of the period. The loan portfolio in Poland has increased by 8 % to PLN 94.2 million (87.1) during 2019.

Results

Operating profit for the segment has increased by 16 % to SEK 184.2 million (159.2). Higher interest income has a positive effect on the result in the interim period, while higher loan losses related to new agreements for continuing sale of past due consumer loans have a negative impact on the result.

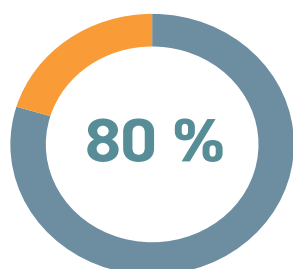
Operating income increased by 21 % to SEK 430.1 million (355.2). The increase is mainly related to the consumer loans in Norway and the Baltics. The operating income margin has decreased to 13.8 % (16.4), mainly due to slightly lower interest rate levels in the new lending compared to the average rate level of the loan portfolio.

The operating expenses for the segment have increased by 12 % to SEK 128.1 million (114.0). In absolute numbers, the increasing lending volumes result in increased direct and allocated group-common expenses for the segment. However, the segment's C/I ratio has decreased to 29.8 % (32.1) as a result of economies of scale from the loan portfolio growth.

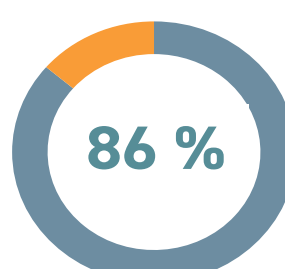
Net loan losses increased by 44 % to SEK 117.7 million (81.9). New agreements for continuing sale of past due loans have resulted in increased loan losses and higher provisions for future loan losses. Despite this, the loan loss ratio has decreased to 3.7% (3.9) in the interim period, which is primarily related to a gradually improved credit quality in the segment.

For further information about the loan portfolio and results of this segment, see Note 3 Operating segments.

SHARE OF THE GROUP'S LOANS TO THE PUBLIC



SHARE OF THE GROUP'S OPERATING PROFIT



¹ Loans to the household sector, stage 1 and 2, gross.

ECOMMERCE SOLUTIONS

JANUARY - SEPTEMBER 2019

COMPARED TO JANUARY - SEPTEMBER 2018 (unless otherwise stated)

Overview

In the Ecommerce Solutions segment, TF Bank offers digital payment solutions to both online and brick and mortar retailers, as well as credit cards to creditworthy individuals. Customers are mainly the end-consumers who use the bank's payment solutions when they shop. During the year, several new agreements have been signed and a number of large Nordic retailers have chosen to extend their existing agreements.

The digital payment solutions are available in the Nordic region, the Baltics and in Poland. In early 2018, the launch of Checkout+ was initiated in Sweden and Finland, followed by Norway and Denmark in 2019. Checkout+ includes all significant payment methods as well as CRM functionality, with the aim for TF Bank to support the retailers to build their respective brands and strengthen the loyalty with their customers throughout the customer journey.

The credit card offering is currently available in Norway and Germany. The offering in Norway has been part of the Group since the acquisition of the subsidiary BB Bank in July 2015. During 2019, the bank has also carried out a first marketing campaign in Germany with good results and satisfying risk levels of new customers.

Loan portfolio

Loans to the public has increased by 26 % to SEK 1,241 million (983) since the start of the year. Currency effects positively contributed to growth by 4 %. The underlying loan portfolio has increased by 18 % in local currencies.¹ The segment's new lending amounted to SEK 1,479 million (1,302).

The loan portfolio related to digital payment solutions amounts to SEK 1,021 million and represents 82 % of the segment. The underlying Nordic portfolio has increased by 10 % to SEK 676 million (617) since the start of the year. All portfolios in the Nordic region have exhibited growth during 2019, both from existing and new partners. However, the growth pace has been higher outside the Nordic region. The loan portfolio in Poland has increased

by 25 % to PLN 95.4 million (76.2), also driven by both existing and new partners. The growth in Estonia has been 152 % to EUR 8.2 million (3.2). The Estonian volumes are positively affected by the new agreement with Hansapost that was signed in February 2019.

The credit card portfolio amounts to SEK 220 million and represents 18 % of the segment. The underlying portfolio in Norway has decreased by 2 % to NOK 153 million (156). The credit cards in Germany, which were launched in the end of 2018, continues to build volumes and the loan balance amounted to EUR 4.4 million (0.2) at the end of the interim period.

Results

Operating profit for the segment has improved to SEK 29.9 million (5.7). The result in the interim period has been positively affected by increasing interest income, a decreasing C/I ratio and reduced loan losses, while the launch of credit cards in Germany lowers the result somewhat.

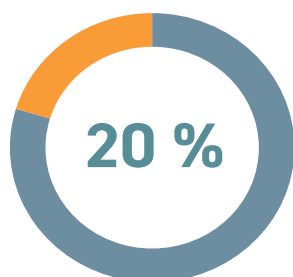
Operating income increased by 30 % to SEK 130.3 million (100.2). The increase is mainly attributable to existing and new partnerships within digital payment solutions in several markets. The operating income margin has decreased to 16.1 % (17.7) due to mix effects related to the growth.

The operating expenses for the segment have increased by 21 % to SEK 81.0 million (67.1). The launch of credit cards in Germany as well as costs related to more customers in the segment contribute to higher expenses than in the same period 2018. However, economies of scale have resulted in a decrease of the C/I ratio to 62.1 % (67.0).

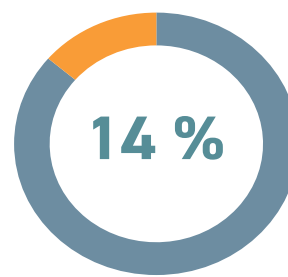
Net loan losses decreased by 29 % to SEK 19.5 million (27.4) and the loan loss ratio has improved to 2.7 % (4.9). The credit quality in the segment has exhibited positive development and new agreements for continuing sale of past due loans have been signed at higher prices. The new agreements also contribute to a slight decrease in the provisions for future loan losses.

For further information about the loan portfolio and results of this segment, see Note 3 Operating segments.

SHARE OF THE GROUP'S LOANS TO THE PUBLIC



SHARE OF THE GROUP'S OPERATING PROFIT



¹ Loans to the household sector, stage 1 and 2, gross.

ACCOUNTING POLICIES AND RISKS

Accounting policies

The interim report has been prepared in accordance with International Accounting Standards (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).

Changes have been made to the Group's accounting policies regarding leases in connection with the implementation of the IFRS 16 accounting standard, which the group has applied since 1 January 2019.

TF Bank has chosen to apply the simplified transition method, which means that the calculation of liability throughout the transition to IFRS 16 is based on the remaining lease payments for the leased asset. As a leased asset, TF Bank has classified the leases related to all the Group's offices. The lease obligation is valued at the present value of the remaining lease payments using the marginal loan interest rate on the first day of implementation. The amortization period has been equated with the remaining lease period for each individual contract. On ongoing bases, the asset arising from the lease contract is recognised as Tangible assets, and the lease obligation as

Other liabilities. The part relating to prepaid rent payments is recognised under Prepaid expenses and accrued income. The calculated interest expense for the lease cost is recognised in the income statement as Interest expenses. Neither lease contracts with a maturity of 12 months or less have been considered, nor leases for which the underlying asset has a low value. The comparative figures have not been recalculated. TF Bank has chosen to apply the standard at the Group level only.

For transition effects under the implementation of IFRS 16, see the interim report for January-March 2019.

The interim information on pages 4-38 is an integral part of this financial report.

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, 8 and 11. Further information can be found in notes 3 and 34 of the annual report 2018.

OTHER FINANCIAL INFORMATION

The TF Bank share

TF Bank was listed on the Nasdaq Stockholm's Mid Cap list on 14 June 2016. The TF Bank share trades under the ticker name TFBANK and the ISIN code is SE0007331608. As at end-September 2019, the share closed at SEK 109.50, an increase of 52 % since year-end. In total, 3.0 million shares worth approximately SEK 278 million were traded on Nasdaq Stockholm during the first nine months of 2019.

Financial targets

The Board of TF Bank has adopted the following financial targets:

Growth

TF Bank aims to achieve earnings per share of at least 14.50 SEK in 2020.

Efficiency

TF Bank aims to achieve a cost/income ratio of below 35 % in 2020.

Capital structure

TF Bank's aim is that all capital ratios should exceed the regulatory requirement (including pillar 2) by at least 2.5 percentage points.

Dividend policy

TF Bank's dividend policy is to distribute surplus capital in relation to capital targets and the bank's capital planning.

Institutions and analysts following TF Bank

ABG Sundal Collier, Carnegie and SEB. At the end of the third quarter 2019, all three institutions had issued a buy recommendation for the TF Bank share.

Significant events, January - September 2019

Within the segment Ecommerce Solutions an agreement with Estonia's largest online retailer Hansapost has been signed, and several Nordic retailers have also chosen to extend their existing agreements.

New agreements for continuing sale of past due loans have been signed in several markets. Agreements have been signed in segment Consumer Lending and Ecommerce Solutions.

A process has started to simplify the group structure by merging TF Bank with its wholly-owned subsidiaries BB Bank ASA, Avarda AB and Avarda Oy. The Boards of the companies have adopted joint merger plans and the mergers are expected to be completed by the turn of the year 2019/2020.

TF Bank has established lending operations in Austria within the segment Consumer Lending.

At the Annual General Meeting 7 May 2019, it was resolved to pay a dividend of SEK 2.30 per share. Mari Thjømøe was re-elected as a Chairman of the Board and the other members of the Board were also re-elected at the Meeting.

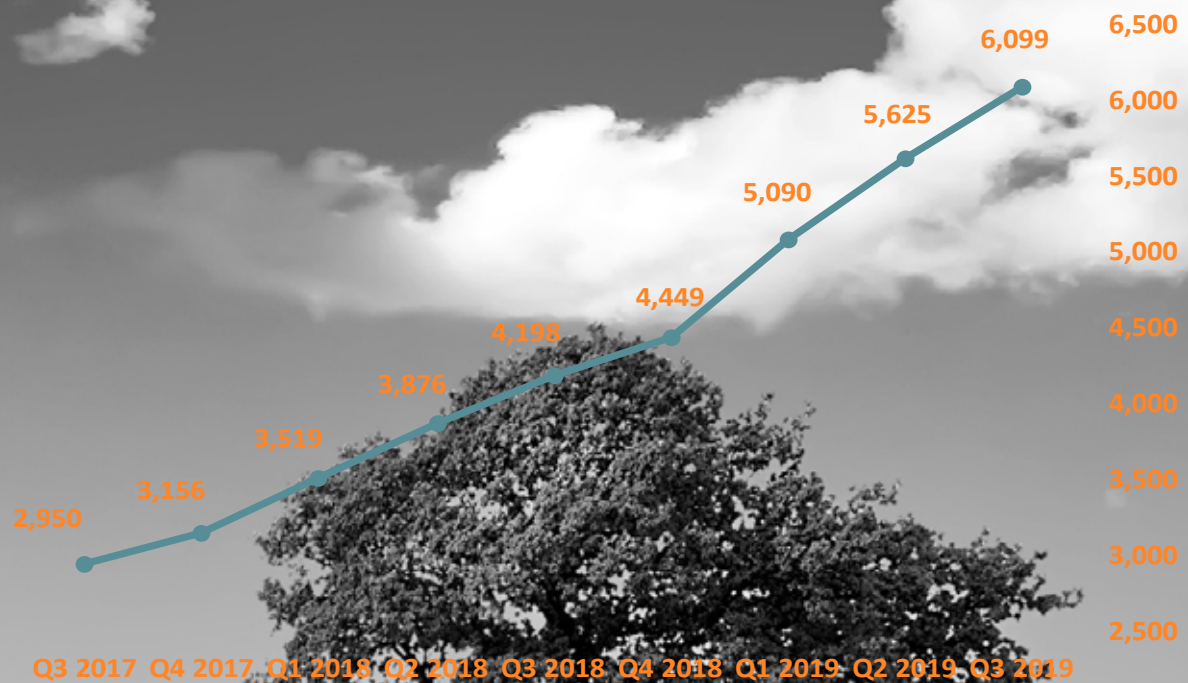
Operations in Germany have been strengthened by the appointment of a country manager, Lennart Swoboda, from 1 July 2019. Thereafter TF Bank has started a service subsidiary in Germany, TFB Service GmbH.

In September, TF Bank has successfully issued subordinated Tier 2 bonds of SEK 100 million to optimise the capital structure and support further growth.

Events after the end of the reporting period

No significant events have occurred after the end of the reporting period.

LOAN PORTFOLIO PERFORMANCE IN 2017-2019 (SEK MILLION)



INCOME STATEMENT, CONSOLIDATED

SEK thousand	Note	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
	3					
Operating income						
Interest income		207,795	170,360	591,893	476,754	657,241
Interest expense		-26,563	-21,468	-76,219	-60,505	-82,550
Net interest income		181,232	148,892	515,674	416,249	574,691
Fee and commission income		17,822	14,942	53,356	44,112	61,130
Fee and commission expense		-2,790	-2,663	-8,156	-6,908	-9,720
Net fee and commission income		15,032	12,279	45,200	37,204	51,410
Net results from financial transactions		-618	553	-432	1,969	1,540
Total operating income		195,646	161,724	560,442	455,422	627,641
Operating expenses						
General administrative expenses		-61,273	-56,053	-182,253	-163,045	-222,939
Depreciation and amortisation of tangible and intangible assets		-4,842	-2,557	-13,296	-7,392	-9,955
Other operating expenses		-5,237	-4,383	-13,568	-10,697	-14,642
Total operating expenses		-71,352	-62,993	-209,117	-181,134	-247,536
Profit before loan losses		124,294	98,731	351,325	274,288	380,105
Net loan losses	2	-46,401	-35,718	-137,224	-109,350	-150,272
Items affecting comparability		-	-	-	-	20,295
Operating profit		77,893	63,013	214,101	164,938	250,128
Income tax expense		-18,237	-14,599	-49,366	-38,110	-58,302
Net profit for the period		59,656	48,414	164,735	126,828	191,826
<i>Attributable to:</i>						
<i>Shareholders of the Parent Company</i>		<i>57,930</i>	<i>46,352</i>	<i>159,679</i>	<i>124,766</i>	<i>188,126</i>
<i>Additional tier 1 capital holders</i>		<i>1,726</i>	<i>2,062</i>	<i>5,056</i>	<i>2,062</i>	<i>3,700</i>
<i>Basic earnings per share (SEK)</i>		<i>2.69</i>	<i>2.16</i>	<i>7.43</i>	<i>5.80</i>	<i>8.75</i>
<i>Diluted earnings per share (SEK)</i>		<i>2.69</i>	<i>2.16</i>	<i>7.43</i>	<i>5.80</i>	<i>8.75</i>

STATEMENT OF COMPREHENSIVE INCOME, CONSOLIDATED

SEK thousand	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Net profit for the period	59,656	48,414	164,735	126,828	191,826
Other comprehensive income					
Items that may subsequently be reclassified to the income statement					
Gross fair value change relating to available-for-sale financial assets / fair value through other comprehensive income	-	-	-	-	-
Gross exchange differences	-145	232	876	1,194	1,302
Tax on exchange differences in the period	-317	-1,042	4,104	4,131	303
Other comprehensive income, net of tax	-462	-810	4,980	5,325	1,605
Total comprehensive income for the period	59,194	47,604	169,715	132,153	193,431
<i>Attributable to:</i>					
<i>Shareholders of the Parent Company</i>	<i>57,468</i>	<i>45,542</i>	<i>164,659</i>	<i>130,091</i>	<i>189,731</i>
<i>Additional tier 1 capital holders</i>	<i>1,726</i>	<i>2,062</i>	<i>5,056</i>	<i>2,062</i>	<i>3,700</i>

STATEMENT OF FINANCIAL POSITION, CONSOLIDATED

SEK thousand	Note	30 Sep 2019	31 Dec 2018
	2, 4, 5		
ASSETS			
Cash and balances with central banks		361,169	225,610
Treasury bills eligible for refinancing		61,041	70,118
Loans to credit institutions		953,793	1,148,863
Loans to the public	6	6,098,956	4,449,225
Shares		22,423	21,128
Goodwill		13,020	12,350
Intangible assets		52,729	38,199
Tangible assets		22,502	2,471
Other assets		17,409	23,596
Current tax assets		36,565	22,696
Deferred tax assets		8,602	7,254
Prepaid expenses and accrued income		8,063	22,578
TOTAL ASSETS		7,656,272	6,044,088
LIABILITIES AND EQUITY			
Liabilities			
Deposits and borrowings from the public	7	6,446,102	5,096,463
Other liabilities		58,674	29,897
Current tax liabilities		22,438	14,877
Deferred tax liabilities		5,288	5,852
Accrued expenses and prepaid income		84,737	71,781
Subordinated liabilities		197,306	98,570
Total liabilities		6,814,545	5,317,440
Equity			
Share capital		107,500	107,500
Other contributed capital		2,786	3,536
Reserves		5,441	461
Retained earnings and net profit for the period		626,000	515,151
Total equity attributable to the shareholders of the Parent Company		741,727	626,648
Tier 1 capital instrument		100,000	100,000
Total equity attributable to the owners of the Parent Company		841,727	726,648
TOTAL LIABILITIES AND EQUITY		7,656,272	6,044,088

STATEMENT OF CHANGES IN EQUITY, CONSOLIDATED

SEK thousand	Share capital ¹	Other contributed capital	Reserves	Retained earnings and net profit for the period	Tier 1 capital instrument	Total equity
Equity as at 31 Dec 2017	107,500	1,500	-1,144	432,950	-	540,806
Transition impact of implementation of IFRS 9	-	-	-	-55,415	-	-55,415
Equity as at 1 Jan 2018	107,500	1,500	-1,144	377,535	-	485,391
Net profit for the period	-	-	-	191,826	-	191,826
Gross exchange differences	-	-	1,302	-	-	1,302
Tax on exchange differences in the period	-	-	303	-	-	303
Total comprehensive income for the period, net of tax	-	-	1,605	191,826	-	193,431
Dividend	-	-	-	-48,375	-	-48,375
Issue of Tier 1 capital	-	-	-	-	100,000	100,000
Transaction costs, issue of Tier 1 capital	-	-	-	-1,982	-	-1,982
Tax effect, transaction costs issue of Tier 1 capital	-	-	-	436	-	436
Interest on Tier 1 capital	-	-	-	-3,700	-	-3,700
Share-based compensation	-	2,036	-	-589	-	1,447
Equity as at 31 Dec 2018	107,500	3,536	461	515,151	100,000	726,648
Equity as at 1 Jan 2019	107,500	3,536	461	515,151	100,000	726,648
Net profit for the period	-	-	-	164,735	-	164,735
Gross exchange differences	-	-	876	-	-	876
Tax on exchange differences in the period	-	-	4,104	-	-	4,104
Total comprehensive income for the period, net of tax	-	-	4,980	164,735	-	169,715
Dividend	-	-	-	-49 450	-	-49 450
Transaction costs, issue of Tier 1 capital	-	-	-	-110	-	-110
Interest on Tier 1 capital	-	-	-	-5 056	-	-5 056
Share-based compensation	-	-750	-	750	-	-
Other	-	-	-	-20	-	-20
Equity as at 30 Sep 2019	107 500	2 786	5 441	626 000	100 000	841 727

¹ Share capital comprises of 21 500 000 shares of SEK 5 each.

CASH FLOW STATEMENT, CONSOLIDATED

SEK thousand	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Operating activities			
Operating profit	214,101	164,938	250,128
<i>Adjustment for items not included in cash flow</i>			
Depreciation and amortisation of tangible and intangible assets	13,296	7,392	9,955
Accrued interest income and expense	-13,311	-9,961	-5,250
Other non-cash items	-24,009	-16,488	-14,772
Paid income tax	-51,569	-34,116	-62,760
	138,508	111,765	177,301
Increase/decrease in loans to the public	-1,649,731	-1,112,664	-1,364,034
Increase/decrease in other short-term receivables	22,287	28,964	36,172
Increase/decrease in deposits and borrowings from the public	1,349,639	1,298,038	1,342,433
Increase/decrease in other short-term liabilities	26,605	30,593	23,350
Cash flow from operating activities	-112,692	356,696	215,222
Investing activities			
Investments in tangible assets	-1,139	-1,553	-2,010
Investments in intangible assets	-23,742	-11,290	-17,882
Cash flow from investing activities	-24,881	-12,843	-19,893
Financing activities			
Issue of Tier 2 capital	100,000	-	-
Issue of Tier 1 capital	-110	98,454	98,454
Interest on Tier 1 capital	-5,056	-2,062	-3,700
Dividends paid	-49,450	-48,375	-48,375
Share-based remuneration	-	1,472	1,447
Cash flow from financing activities	45,384	49,489	47,826
Cash flow for the period	-92,189	393,342	243,155
Cash and cash equivalents at the beginning of period	1,444,591	1,188,389	1,188,389
Exchange difference in cash and cash equivalents	23,601	18,287	13,047
Cash and cash equivalents at the end of period	1,376,003	1,600,018	1,444,591
<i>Cash flow from operating activities includes interest expenses paid and interest payments received</i>			
Interest expenses paid	84,864	70,925	89,074
Interest payments received	533,614	459,908	636,754
Components of cash and cash equivalents			
Cash and balances with central banks	361,169	230,217	225,610
Treasury bills eligible for refinancing	61,041	150,292	70,118
Loans to credit institutions	953,793	1,219,509	1,148,863
Total cash and cash equivalents	1,376,003	1,600,018	1,444,591

NOTES

NOTE 1 General information

OWNERSHIP OF TF BANK AB AS AT 30 SEPTEMBER 2019 (ACCORDING TO THE SHAREHOLDERS' REGISTER)

Shareholder	%
TFB Holding AB	38.56
Erik Selin Fastigheter AB	11.63
Tiberon AB	10.19
Merizole Holding Ltd	7.01
Danica Pension Försäkringsaktiebolag	6.08
Nordnet Pensionsförsäkring AB	3.04
Proventus Aktiebolag	3.00
Prior & Nilsson Fond- och Kapitalförvaltning AB	2.17
Skandia fonder	1.32
Carnegie fonder	1.01
Other shareholders	15.99
Total	100.00

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

Parent Company

- TF Bank AB (556158-1041)

Branches

- TF Bank AB, branch Finland (2594352-3)
- TF Bank AB, branch Poland (PL9571076774)
- TF Bank AB, branch Estonia (14304235)

Subsidiaries

- Avarda AB (556986-5560) 100%
- Avarda Oy (2619111-6) 100%
- BB Bank ASA (935590221) 100%
- TFB Service SIA (40203015782) 100%
- TFB Service UAB (304785170) 100%
- TFB Service GmbH (HRB 208869 B) 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 the financial markets and seeks to minimise potential adverse effects on the Group's financial results. TF Bank uses derivative instruments to hedge foreign currency exposure and applies hedge accounting for some net investments in its foreign operations.

The Board of Directors establishes written policies and guidelines. Compliance with the governing documents as well as the level of credit risk in the Group 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, which has the ultimate responsibility for managing credit risk. The Board of Directors has issued a credit policy which establishes the framework for the Group's lending activities. A credit committee monitors the development of the level of credit risk in the loan portfolios on a continuous basis. It makes decisions on, and implements, changes to the Group's lending within the framework of the established credit policy and also proposes amendments to the policy to the Board of Directors. A report on performance is provided at every 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 and/or external credit assessments in accordance with the limits set by the Board of Directors. The Group's use of credit limits for loans to the public is strictly limited and is regularly monitored. The Group cannot enter into credit agreements with legal entities without the approval of the Board of Directors. By only approving counterparties with an external credit rating and by setting limits for the maximum exposure to each counterparty, the Board of Directors also limits the credit risk relating to cash and cash equivalents.

The Group's credit approval process maintains high standards regarding ethics, quality and control. Despite credit risk being the largest risk exposure for the Group, the provision for credit losses is small in proportion to the outstanding loan volume (see Note 6). The reason for this is that the Group regularly sells past due loans to debt collection agencies in markets where the Board of Directors considers the price level to be favourable for the Group's performance and risk profile. This is currently the case for most markets. As a result, the Group continuously realises expected credit losses through the sale of past due loans. The remaining portfolio has a limited number of non-performing loans (stage 3) and consequently a relatively low level of provisions.

Note 2 cont.

The objective of the Group's process for monitoring past due payments and unsettled receivables is to minimise credit losses by detecting payment issues early and implementing rapid intervention where needed. The monitoring is supported by a separate "pre-collection" system for past due payments involving automatic monitoring and reminders when payments are past due.

The Group's loans to the public consist 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 at the same time the size of provisions in relation to credit volume is low.

The handling of applications from new customers is based primarily on information provided by the customer, information about customers in similar sociodemographic groups and other variables about the individual customer retrieved from external sources. How the specified information is used and weighted in the model is determined from a risk perspective through in-depth analysis of the individual customer and the Group's existing customer base. In order to make a risk assessment that is as precise, cost-effective and accurate as possible, the Group can use both internal ratings and ratings from external suppliers. Both models are performed independently, but both can be used in the Group's credit policy. The complete model is only used for new customers; existing customers have payment history and similar updated variables that have been proven to be a good source of 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	30 Sep 2019	31 Dec 2018
Cash and balances with central banks		
AAA	149,666	82,067
AA+	194,113	135,021
AA-	5,688	-
A-	11,702	8,522
Treasury bills eligible for refinancing		
AAA	61,041	70,118
Loans to credit institutions		
A-1+	460,786	253,214
A-1	463,499	859,703
A-2	20,003	28,502
Unrated	9,505	7,444
Other assets		
A-1+	3,699	5,944
A-1	22,153	20,871
Unrated	13,909	17,568
Total	1,415,764	1,488,974

Other assets include derivatives with a positive value and level 1 liquid asset consisting of investment in the DNB Global Treasury Fund.

Note 2 cont.

Impairment of financial assets

As a result of the transition to IFRS 9, the Group introduced a new model for calculating loan loss provisions based on expected loan losses. Financial assets that are subject to impairment losses are divided into three categories based on the risk of default. The first category includes assets where no significant increase in credit risk has occurred at the reporting date, in the other, a significant increase in credit risk has occurred, i.e. the loan is 30 days past due or more, and in the third category there is objective evidence of impairment, i.e. the loan is more than 90 days past due. For assets in the first category, write-downs are based on expected losses over the next 12 months, while for category two and three, expected losses are reported over the entire lifetime of the asset. Expected loan losses are calculated based on historical data of default for each period.

The provisions under IFRS 9 are calculated by multiplying the exposure at default with the probability of default and the loss given default. TF Bank's model for calculating provisions according to IFRS 9 is based on historical probability of default in each market. The model is supplemented by the company's assumptions about the future based on the current loan portfolio and adjustments due to the expected macroeconomic scenario. The value of the estimated provisions is discounted at the original borrowing rate.

The provision for non-performing loans (stage 3) is made with the difference between the asset's carrying amount and the present value of future cash flows, discounted by the original borrowing rate. The expected future cash flow is based on calculations that take into account historical repayment rates applied to each generation of non-performing loans.

Loans sold are written off against the reserve for losses and the difference between the value of the asset and the present value is recognised as a realised loan loss. Non-performing loans (stage 3) are recognised as realised loan losses when they have been transferred for long-term monitoring by the debt collection agency, the customer is confirmed deceased or another loss event has been identified. Amounts received from previously realised loan losses are recognised in the income statement.

NET LOAN LOSSES

Group SEK thousand	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Change in provision for sold non-performing loans	-30,030	-27,555	-83,985	-81,549	-110,670
Realised loan losses	-10,859	-9,054	-31,719	-28,216	-39,384
Recovered from previous write-offs	1,977	3,402	5,268	6,595	8,540
Change in provision for expected loan losses, stage 1-3	-7,489	-2,511	-26,788	-6,180	-8,758
Net loan losses	-46,401	-35,718	-137,224	-109,350	-150,272

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

NOTE 3 Operating segments

The CEO has ultimate responsibility for the decisions 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 operating profit.

CONSUMER LENDING

Income statement, SEK thousand	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Net interest income	143,851	118,105	409,311	335,012	456,493
Net fee and commission income	7,143	5,960	21,135	18,443	25,561
Net results from financial transactions	-482	443	-337	1,755	1,412
Total operating income	150,512	124,508	430,109	355,210	483,466
General administrative expenses	-37,235	-35,470	-110,114	-101,479	-138,395
Depreciation and amortisation of tangible and intangible assets	-2,769	-1,313	-7,440	-3,825	-5,131
Other operating expenses	-3,598	-3,269	-10,571	-8,737	-11,757
Total operating expenses	-43,602	-40,052	-128,125	-114,041	-155,283
Profit before loan losses	106,910	84,456	301,984	241,169	328,183
Net loan losses	-39,719	-27,918	-117,745	-81,946	-113,376
Operating profit	67,191	56,538	184,239	159,223	214,807
Key figures ¹					
Operating income margin, %	13.8	16.4	13.8	16.4	15.8
Net loan loss ratio, %	3.7	3.9	3.7	3.9	3.7
Cost/Income ratio, %	29.0	32.2	29.8	32.1	32.1

ECOMMERCE SOLUTIONS

Income statement, SEK thousand	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Net interest income	37,381	30,787	106,363	81,237	118,198
Net fee and commission income	7,889	6,319	24,065	18,761	25,849
Net results from financial transactions	-136	110	-95	214	128
Total operating income	45,134	37,216	130,333	100,212	144,175
General administrative expenses	-24,038	-20,583	-72,139	-61,566	-84,544
Depreciation and amortisation of tangible and intangible assets	-2,073	-1,244	-5,856	-3,567	-4,824
Other operating expenses	-1,639	-1,114	-2,997	-1,960	-2,885
Total operating expenses	-27,750	-22,941	-80,992	-67,093	-92,253
Profit before loan losses	17,384	14,275	49,341	33,119	51,922
Net loan losses	-6,682	-7,800	-19,479	-27,404	-36,896
Operating profit	10,702	6,475	29,862	5,715	15,026
Key figures ¹					
Operating income margin, %	16.1	17.7	16.1	17.7	18.0
Net loan loss ratio, %	2.7	4.9	2.7	4.9	4.6
Cost/Income ratio, %	61.5	61.6	62.1	67.0	64.0

¹ See separate section with definitions, page 41.

Note 3 cont.

CONSUMER LENDING

Balance sheet, SEK thousand	30 Sep 2019	31 Dec 2018
Loans to the public		
Household sector	4,858,283	3,466,309
Total loans to the public	4,858,283	3,466,309
Household sector		
Stage 1, net	4,613,671	3,287,807
Stage 2, net	169,536	130,138
Stage 3, net ¹	75,076	48,364
Total household sector	4,858,283	3,466,309

ECOMMERCE SOLUTIONS

Balance sheet, SEK thousand	30 Sep 2019	31 Dec 2018
Loans to the public		
Household sector	1,221,362	982,916
Corporate sector ²	19,311	-
Total loans to the public	1,240,673	982,916
Household sector		
Stage 1, net	1,140,743	899,857
Stage 2, net	67,411	70,469
Stage 3, net ¹	13,208	12,590
Total household sector	1,221,362	982,916

GROUP

Income statement, SEK thousand	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Operating income					
Consumer Lending	150,512	124,508	430,109	355,210	483,466
Ecommerce Solutions	45,134	37,216	130,333	100,212	144,175
Total operating income for the Group	195,646	161,724	560,442	455,422	627,641
Operating profit					
Consumer Lending	67,191	56,538	184,239	159,223	214,807
Ecommerce Solutions	10,702	6,475	29,862	5,715	15,026
Items affecting comparability	-	-	-	-	20,295
Total operating profit for the Group	77,893	63,013	214,101	164,938	250,128

Balance sheet, SEK thousand	30 Sep 2019	31 Dec 2018
Loans to the public		
Consumer Lending	4,858,283	3,466,309
Ecommerce Solutions	1,240,673	982,916
Total loans to the public for the Group	6,098,956	4,449,225

¹ The group continuously sells delinquent loans before they reach category 3.

² Lending to the corporate sector consists entirely of a loan to one of the segments partners in digital payment solutions.

NOTE 4 Classification of financial assets and liabilities

Group 30 Sep 2019 SEK thousand	Financial instru- ments at fair value through profit or loss	Fair value through other com- prehensive income	Amortised cost	Derivatives used for hedge accounting	Non- financial assets and liabilities	Total
	Compulsory					
Assets						
Cash and balances with central banks	-	-	361,169	-	-	361,169
Treasury bills eligible for refinancing	-	61,041	-	-	-	61,041
Loans to credit institutions	-	-	953,793	-	-	953,793
Loans to the public	-	-	6,098,956	-	-	6,098,956
Shares	22,423	-	-	-	-	22,423
Goodwill	-	-	-	-	13,020	13,020
Intangible assets	-	-	-	-	52,729	52,729
Tangible assets	-	-	-	-	22,502	22,502
Current tax assets	-	-	-	-	36,565	36,565
Deferred tax assets	-	-	-	-	8,602	8,602
Prepaid expenses and accrued income	-	-	-	-	8,063	8,063
Derivatives	2,949	-	-	750	-	3,699
Other assets	-	-	-	-	13,710	13,710
Total assets	25,372	61,041	7,413,918	750	155,191	7,656,272
Liabilities						
Deposits and borrowings from the public	-	-	6,446,102	-	-	6,446,102
Current tax liabilities	-	-	-	-	22,438	22,438
Deferred tax liabilities	-	-	-	-	5,288	5,288
Accrued expenses and prepaid income	-	-	-	-	84,737	84,737
Subordinated liabilities	-	-	197,306	-	-	197,306
Derivatives	228	-	-	35	-	263
Other liabilities	-	-	-	-	58,411	58,411
Total liabilities	228	-	6,643,408	35	170,874	6,814,545

Note 4 cont.

Group 31 Dec 2018 SEK thousand	Financial instru- ments at fair value through profit or loss	Fair value through other com- prehensive income	Amortised cost	Derivatives used for hedge accounting	Non- financial assets and liabilities	Total
	Compulsory					
Assets						
Cash and balances with central banks	-	-	225,610	-	-	225,610
Treasury bills eligible for refinancing	-	70,118	-	-	-	70,118
Loans to credit institutions	-	-	1,148,863	-	-	1,148,863
Loans to the public	-	-	4,449,225	-	-	4,449,225
Shares	21,128	-	-	-	-	21,128
Goodwill	-	-	-	-	12,350	12,350
Intangible assets	-	-	-	-	38,199	38,199
Tangible assets	-	-	-	-	2,471	2,471
Current tax assets	-	-	-	-	22,696	22,696
Deferred tax assets	-	-	-	-	7,254	7,254
Prepaid expenses and accrued income	-	-	-	-	22,578	22,578
Derivatives	4,400	-	-	1,544	-	5,944
Other assets	-	-	-	-	17,652	17,652
Total assets	25,528	70,118	5,823,698	1,544	123,200	6,044,088
Liabilities						
Deposits and borrowings from the public	-	-	5,096,463	-	-	5,096,463
Current tax liabilities	-	-	-	-	14,877	14,877
Deferred tax liabilities	-	-	-	-	5,852	5,852
Accrued expenses and prepaid income	-	-	-	-	71,781	71,781
Subordinated liabilities	-	-	98,570	-	-	98,570
Derivatives	3	-	-	24	-	27
Other liabilities	-	-	-	-	29,870	29,870
Total liabilities	3	-	5,195,033	24	122,380	5,317,440

NOTE 5 Financial assets and liabilities measured at fair value

Fair value

For financial instruments measured at fair value in the balance sheet, disclosures are required on fair value measurement by level according to the fair value hierarchy below:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Other observable inputs for assets or liabilities are quoted market prices included in Level 1, either directly, i.e. in the form of quoted prices, or indirectly, i.e. derived from quoted prices (Level 2).
- Data for 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.

Note 5 cont.

Group, 30 Sep 2019 SEK thousand	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills eligible for refinancing	61,041	-	-	61,041
Shares	22,153	270	-	22,423
Derivatives	-	3,699	-	3,699
Total assets	83,194	3,969	-	87,163
Liabilities				
Subordinated liabilities	197,306	-	-	197,306
Derivatives	-	263	-	263
Total liabilities	197,306	263	-	197,569

Group, 31 Dec 2018 SEK thousand	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills eligible for refinancing	70,118	-	-	70,118
Shares	20,872	256	-	21,128
Derivatives	-	5,944	-	5,944
Total assets	90,990	6,200	-	97,190
Liabilities				
Subordinated liabilities	98,570	-	-	98,570
Derivatives	-	27	-	27
Total liabilities	98,570	27	-	98,597

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 information. An instrument is classified as Level 2 if all significant inputs required for fair value measurement of 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 measure financial instruments include:

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

For loans to the public the fair value is based on discounted cash flows using an interest rate based on the market rate at the balance sheet date, which was 16.39 % as at 30 September 2019 and 18.18 % as at 31 December 2018.

Note 5 cont.

Group 30 Sep 2019 SEK thousand	Carrying amount	Fair value	Fair value gain (+)/Fair value loss (-)
Assets			
Cash and balances with central banks	361,169	361,169	-
Treasury bills eligible for refinancing	61,041	61,041	-
Loans to credit institutions	953,793	953,793	-
Loans to the public	6,098,956	6,098,956	-
Shares	22,423	22,423	-
Derivatives	3,699	3,699	-
Total assets	7,501,081	7,501,081	-
Liabilities			
Deposits from the public	6,446,102	6,446,102	-
Subordinated liabilities	197,306	197,306	-
Derivatives	263	263	-
Total liabilities	6,643,671	6,643,671	-

Group 31 Dec 2018 SEK thousand	Carrying amount	Fair value	Fair value gain (+)/Fair value loss (-)
Assets			
Cash and balances with central banks	225,610	225,610	-
Treasury bills eligible for refinancing	70,118	70,118	-
Loans to credit institutions	1,148,863	1,148,863	-
Loans to the public	4,449,225	4,449,225	-
Shares	21,128	21,128	-
Derivatives	5,944	5,944	-
Total assets	5,920,888	5,920,888	-
Liabilities			
Deposits from the public	5,096,463	5,096,463	-
Subordinated liabilities	98,570	98,570	-
Derivatives	27	27	-
Total liabilities	5,195,060	5,195,060	-

NOTE 6 Loans to the public

Group SEK thousand	30 Sep 2019	31 Dec 2018
Loans to the household sector	6,079,645	4,449,225
Loans to the corporate sector ¹	19,311	-
Total loans to the public	6,098,956	4,449,225
Loans to the household sector, gross		
Stage 1, gross	5,837,421	4,257,021
Stage 2, gross	256,503	219,972
Stage 3, gross ²	160,588	115,241
Total loans to the household sector, gross	6,254,512	4,592,234
Provisions for expected loan losses		
Stage 1	-83,007	-69,357
Stage 2	-19,556	-19,365
Stage 3 ²	-72,304	-54,287
Total provisions for expected loan losses	-174,867	-143,009
Loans to the household sector, net		
Stage 1, net	5,754,414	4,187,664
Stage 2, net	236,947	200,607
Stage 3, net ²	88,284	60,954
Total loans to the household sector, net	6,079,645	4,449,225
<i>Geographic distribution of net loans</i>		
Norway	2,037,109	1,374,840
Finland	1,513,700	1,195,871
Estonia	770,187	542,419
Sweden	691,437	661,445
Latvia	477,447	257,082
Poland	450,674	370,854
Lithuania	54,175	6,417
Germany	49,780	1,870
Denmark	42,410	38,427
Austria	12,037	-
Total loans, net book value	6,098,956	4,449,225

CHANGE IN PROVISION FOR NET LOAN LOSSES

Group SEK thousand	30 Sep 2019	31 Dec 2018
Opening balance	-143,009	-131,544
Change in provision for sold non-performing loans	-83,853	-110,669
Reversal of provision for sold non-performing loans	83,853	110,669
Change in provision for expected loan losses in stage 1	-11,030	-3,323
Change in provision for expected loan losses in stage 2	567	-1,220
Change in provision for expected loan losses in stage 3	-16,222	-4,009
Exchange rate fluctuations	-5,173	-2,913
Closing balance	-174,867	-143,009

¹ Lending to the corporate sector consists entirely of a loan to one of the partners in digital payment solutions.

² The group continuously sells delinquent loans before they reach category 3.

NOT 7 Deposits and borrowings from the public

Group SEK thousand	30 Sep 2019	31 Dec 2018
Germany	2,790,389	1,685,381
Norway	1,925,195	1,306,408
Sweden	1,247,319	1,518,869
Finland	483,199	585,805
Total deposits and borrowings from the public	6,446,102	5,096,463

Deposits and borrowings from the public only occur in the household sector. All deposits in Sweden, Finland and Norway are payable on demand. Deposits in Germany are payable on demand and on maturity.

CHANGES IN DEPOSITS AND BORROWINGS FROM THE PUBLIC

Group SEK thousand	30 Sep 2019	31 Dec 2018
Opening balance	5,096,463	3,754,030
Change	1,112,193	1,218,522
Exchange rate fluctuations	237,446	123,911
Closing balance	6,446,102	5,096,463

NOTE 8 Capital adequacy analysis**Background**

Information about the Group's capital adequacy includes information in accordance with Chapter 6, Sections 3-4 of the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2008:25) on annual accounts of credit institutions and securities companies and related information contained in articles 92(3)(d, f) 436(b) and 438 of Regulation (EU) No 575/2013 and Chapter 8, Section 7 of the Swedish Financial Supervisory Authority's regulations and general guidelines on regulatory requirements and capital buffers (FFFS 2014:12) and column A, Annex 6 of the Commission Implementing Regulation (EU) No 1423/2013. and in accordance with the Swedish Financial Supervisory Authority's regulations (FFFS 2019:2) on amendments for regulations and general guidelines (FFFS 2008:25). Other information required pursuant to FFFS 2014:12 and Regulation (EU) No 575/2013 is provided on the bank's website www.tfbankgroup.com.

TF Bank is the responsible institution and is under the supervision of the Swedish Financial Supervisory Authority. As a result, the company is subject to the rules governing credit institutions in Sweden. TF Bank AB was listed on the stock exchange in 2016, which means that the stock exchange rules are also applicable.

Information about own funds and capital requirements

The Group and Parent Company's statutory capital requirements are governed by the Swedish Special Supervision of Credit Institutions and Investment Firms Act (2014:968), Regulation (EU) No 575/2013, the Act on Capital Buffers (2014:966) and the Swedish Financial Supervisory Authority's regulations and general recommendations on regulatory requirements and capital buffers (FFFS 2014:12).

The purpose of the regulations is to ensure that the Group and Parent Company are able to manage risks and protect customers. The regulations state that own funds must cover the capital requirements including the minimum capital requirements according to Pillar 1 and applicable buffer requirements.

The bank reports to the Swedish Financial Supervisory Authority both on an individual basis for TF Bank AB and on a consolidated basis with TF Bank AB as the Parent Company.

On 20 March 2019 the Swedish FSA approved TF Bank's application to include the interim profit in own funds at Group and Parent Company level subject to the auditor's review of the surplus, that the surplus has been calculated in accordance with applicable accounting rules, that the foreseeable costs and dividends have been deducted in accordance with Regulation (EU) No 575/2013 and that the calculation has been made in accordance with Regulation (EU) No 241/2014. The Group's CET1 capital complies with the requirements of Regulation (EU) No 575/2013.

IFRS 9 Transitional arrangements

The Bank has notified the Swedish Financial Supervisory Authority that the Bank, at Group and Parent Company level, applies the transitional arrangements according to Article 473a of 2017/2395/EU pursuant to paragraphs 2 and 4. Table according to "Final Report on the guidelines on uniform disclosure of IFRS 9 transitional arrangements", EBA, 12/01/2018, is included in the information published under Part 8 of 575/2013/EU and can be found on the Bank's website www.tfbankgroup.com.

Leverage ratio

The leverage ratio is a non-risk sensitive capital requirement defined in Regulation (EU) no 575/2013 (CRR). The ratio states the amount of equity in relation to total assets including items that are not recognized in the balance sheet and is calculated by the Tier 1 capital as a percentage of the total exposure measure. Group's leverage ratio was 10.1 % per 30 September 2019 and 11.2% per 31 December 2018.

Note 8 cont.

THE GROUP'S CAPITAL SITUATION

Group SEK thousand	30 Sep 2019	31 Dec 2018
Common Equity Tier 1 capital (CET1)	676,286	580,533
Additional Tier 1 capital (AT1)	100,000	100,000
Tier 2 capital	197,306	98,570
Own funds ¹	973,592	779,103
Risk exposure amount	5,671,615	4,466,109
- of which: credit risk	4,878,894	3,655,211
- of which: credit valuation adjustment	2,716	2,692
- of which: market risk	-	18,201
- of which: operational risk	790,005	790,005
Capital ratios		
CET1 capital ratio, %	11.9	13.0
Tier 1 capital ratio, %	13.7	15.2
Total capital ratio, %	17.2	17.4

THE GROUP'S CAPITAL REQUIREMENTS

Group SEK thousand	30 Sep 2019		31 Dec 2018	
	Amount	Percent ²	Amount	Percent ²
Capital requirement				
CET1 capital requirement	255,223	4.5	200,975	4.5
Tier 1 capital requirement	340,297	6.0	267,967	6.0
Total capital requirement	453,729	8.0	357,289	8.0
Institution-specific buffer requirement				
Total buffer requirement	200,775	3.5	154,527	3.5
- of which, capital conservation buffer requirement	141,790	2.5	111,653	2.5
- of which, countercyclical buffer requirement	58,985	1.0	42,875	1.0
Total CET1 capital requirement including buffer requirement				
CET1 capital requirement including buffer requirement	455,998	8.0	355,503	8.0
CET1 capital available to use as buffer	421,063	7.4	379,558	8.5
Additional capital requirement under Pillar 2				
CET1 capital	33,868	0.6	26,737	0.6
Tier 1 capital	42,855	0.8	32,467	0.7
Total capital	50,802	0.9	40,106	0.9
- of which, concentration risk	49,742	0.9	39,742	0.9
- of which, currency risk	1,060	0.0	364	0.0
Total capital requirement (including Pillar 2)				
CET1 capital	489,866	8.6	382,240	8.6
Tier 1 capital	583,927	10.3	454,961	10.2
Total capital	705,306	12.4	551,922	12.4

¹ After any regulatory adjustments.

² Capital requirements expressed as a percentage of the risk exposure amount.

See separate section with definitions, page 41.

Note 8 cont.

GROUP'S OWN FUNDS

Group SEK thousand	30 Sep 2019	31 Dec 2018
CET1 capital		
Share capital	107,500	107,500
Other contributed capital	2,786	3,536
Reserves	5,441	461
Retained earnings including net profit for the period	626,000	515,151
Adjustments to CET1 capital:		
- Deduction of foreseeable costs and dividends ¹	-52,880	-49,450
- Transitional arrangements IFRS 9	56,547	56,071
- Intangible assets	-65,749	-50,549
- Deferred tax assets that rely on future profitability	-3,359	-2,187
Total CET1 capital	676,286	580,533
Additional Tier 1 capital		
Perpetual subordinated loan	100,000	100,000
Tier 2 capital		
Fixed term subordinated loan	197,306	98,570
Own funds	973,592	779,103

SPECIFICATION OF RISK EXPOSURE AMOUNT AND CAPITAL REQUIREMENT

Group SEK thousand	30 Sep 2019		31 Dec 2018	
	Risk exposure amount	Capital requirement 8 %	Risk exposure amount	Capital requirement 8 %
Credit risk under the standardised approach				
Corporate exposures	19,505	1,560	8	1
Household exposures	4,519,387	361,551	3,306,104	264,488
Secured by collateral	288	23	292	23
Exposures in default	98,619	7,890	64,296	5,144
Exposures to institutions with a short-term credit assessment	198,771	15,902	243,071	19,446
Equity exposures	270	22	256	20
Other items	42,054	3,364	41,184	3,295
Total	4,878,894	390,312	3,655,211	292,417
Credit valuation adjustment				
Standardised method	2,716	217	2,692	215
Total	2,716	217	2,692	215
Market risk ²				
Foreign exchange risk	-	-	18,201	1,456
Total	-	-	18,201	1,456
Operational risk				
Standardised approach	790,005	63,200	790,005	63,200
Total	790,005	63,200	790,005	63,200
Total risk exposure amount and total capital requirement	5,671,615	453,729	4,466,109	357,288

¹ Deduction of dividends from own funds has been made in accordance with the Board of Directors' proposal to the Annual General Meeting 2019 and the dividend policy.

² The capital requirement for foreign exchange risk is calculated in accordance with Article 351 of Regulation (EU) 575/2013.

NOTE 9 Pledged assets

Group SEK thousand	30 Sep 2019	31 Dec 2018
Group liabilities		
<i>Relating to borrowing from credit institutions</i>		
Loans	32,403	30,735
Other assets	440	445
Total	32,843	31,180

The subsidiary BB Bank continuously pledges some of its loans as collateral. The pledge relates to collateral for BB Bank's credit facility of NOK 30 million. As at 30 September 2019 nothing was drawn from the facility.

NOTE 10 Transactions with related parties

Consortio Invest AB, 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 Consortio Group. All transactions are priced at market.

Group SEK thousand	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
<i>The following transactions took place between companies within the Group:</i>					
General administrative expenses	-422	-162	-1,119	-496	-977
Total	-422	-162	-1,119	-496	-977
<i>The following transactions have been made with other related parties:</i>					
Interest income (transaction costs)	-17,239	-15,289	-53,037	-47,760	-64,743
General administrative expenses	-1,139	-1,155	-3,483	-3,462	-4,599
Total	-18,378	-16,444	-56,520	-51,222	-69,342
<i>Acquisition of assets and liabilities from other related parties:</i>					
Ecommerce Solutions	183,699	150,864	607,954	513,556	693,685
Total	183,699	150,864	607,954	513,556	693,685

Group SEK thousand	30 Sep 2019	31 Dec 2018
<i>Assets at the end of the period as a result of transactions with other related parties:</i>		
Other assets	23	1
Total	23	1
<i>Liabilities at the end of the period as a result of transactions with other related parties:</i>		
Other liabilities	574	2,596
Total	574	2,596

PARENT COMPANY

JANUARY - SEPTEMBER 2019

COMPARED TO JANUARY - SEPTEMBER 2018 (unless otherwise stated)

Overview

TF Bank AB, corporate identity number 556158-1041, is a bank registered in Borås, Sweden. The company has a license to provide banking services. The bank carries out deposit and lending activities in Sweden, Finland, Norway, Denmark, Estonia, Latvia, Lithuania, Poland, Germany and Austria via branch or cross-border banking.

Operating income

The Parent company's operating income amounted to SEK 381.3 million (336.1). A higher net interest income from the growing loan portfolio is the main reason for the increase. Net results from financial transactions affects operating income by SEK -15.3 million (-15.1), which is mainly due to the fact that exchange differences on shares in foreign subsidiaries are not translated at current exchange rates, while debt instruments used to finance the shares are translated.

Operating expenses

Operating expenses amounted to SEK 144.5 million (124.5). The increase is mainly related to higher staff costs and expenses attributable to higher new lending and more customers. The average number of full-time employees was 113 (91) during the first nine months of 2019.

Net loan losses

Net loan losses amounted to SEK 111.5 million (89.9). The loan portfolio growth is the main reason for the increase. Several new agreements for continuing sale of past due loans were signed during the first quarter of 2019, which has increased the provisions for future loan losses slightly.

Operating profit

The Parent company's operating profit amounted to SEK 125.3 million (121.6) during the first nine months of 2019. Net result from financial transactions impacts the operating profit by SEK -15.3 million (-15.1).

Loans to the public

Loans to the public have increased to SEK 4,020 million (3,077) since the start of the year. The increase during 2019 is mainly related to the consumer loans in the Baltics and in Finland, as well as growth in several markets within the Ecommerce Solutions segment. The amount includes loans to the subsidiary Avarda of SEK 241 million (255).

Deposits from the public

Deposits from the public have increased to SEK 4,716 million (4,061) since the start of the year. The deposit volumes have increased significantly in Germany during 2019, while the Swedish and Finnish deposit balance has decreased.

Loans to credit institutions

Loans to credit institutions amounted to SEK 866 million (1,174) at the end of the interim period. The loans are placed on overnight accounts in various Nordic banks. The amount includes loans to the subsidiary BB Bank of SEK 54 million (133).

Shares in group companies

Shares in Group companies amounted to SEK 483 million (434) at the end of the interim period. The increase is mainly explained by two new issues in BB Bank during the interim period.

Capital adequacy

At the end of the interim period, the Parent company's total capital ratio was 20.0 % (20.4), the Tier 1 capital ratio was 15.7 % (17.8) and the CET1 capital ratio was 13.5 % (15.3). In 2019, the capital ratios have been impacted by the strong growth of the loan portfolio as well as foreseeable dividends to shareholders that have been deducted in accordance with the regulatory requirements. By the end of the third quarter, the bank raised SEK 100 million of Tier 2 capital, which strengthens the total capital ratio.

INCOME STATEMENT, PARENT COMPANY

SEK thousand	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Operating income					
Interest income	145,900	130,456	423,688	372,053	528,995
Interest expense	-17,201	-15,857	-50,450	-44,884	-61,398
Net interest income	128,699	114,599	373,238	327,169	467,597
Fee and commission income	8,971	8,781	27,481	27,058	36,267
Fee and commission expense	-1,195	-1,274	-4,115	-3,029	-4,417
Net fee and commission income	7,776	7,507	23,366	24,029	31,850
Net results from financial transactions	2,465	4,092	-15,284	-15,118	1,664
Total operating income	138,940	126,198	381,320	336,080	501,111
Operating expenses					
General administrative expenses	-41,491	-37,886	-126,614	-110,995	-150,088
Depreciation and amortisation of tangible and intangible assets	-1,985	-1,426	-5,032	-4,251	-5,671
Other operating expenses	-4,943	-3,663	-12,877	-9,293	-12,449
Total operating expenses	-48,419	-42,975	-144,523	-124,539	-168,208
Profit before loan losses	90,521	83,223	236,797	211,541	332,903
Net loan losses	-36,057	-30,469	-111,526	-89,923	-124,940
Operating profit	54,464	52,754	125,271	121,618	207,963
Appropriations	-	-	-	-	13,149
Income tax expense	-11,917	-12,226	-27,781	-27,767	-38,118
Net profit for the period	42,547	40,528	97,490	93,851	182,994

STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY

SEK thousand	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Net profit for the period	42,547	40,528	97,490	93,851	182,994
Other comprehensive income					
Items that may subsequently be reclassified to the income statement					
Exchange differences during the period, net of tax	-	-	-	-	-
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income for the period	42,547	40,528	97,490	93,851	182,994

STATEMENT OF FINANCIAL POSITION, PARENT COMPANY

SEK thousand	30 Sep 2019	31 Dec 2018
ASSETS		
Cash and balances with central banks	211,504	143,543
Treasury bills eligible for refinancing	61,041	70,118
Loans to credit institutions	865,556	1,174,142
Loans to the public	4,019,981	3,077,158
Shares	22,153	20,871
Shares in group companies	482,706	433,872
Intangible assets	26,312	18,725
Tangible assets	1,850	1,696
Other assets	7,397	9,585
Current tax assets	36,863	23,178
Deferred tax assets	3,921	3,921
Prepaid expenses and accrued income	6,220	20,526
TOTAL ASSETS	5,745,504	4,997,335
LIABILITIES AND EQUITY		
Liabilities		
Deposits and borrowings from the public	4,715,917	4,061,396
Other liabilities	16,159	66,294
Deferred tax liabilities	743	1,308
Accrued expenses and prepaid income	59,497	56,741
Subordinated liabilities	197,306	98,570
Total liabilities	4,989,622	4,284,309
Untaxed reserves	20,659	20,659
Equity		
Restricted equity		
Share capital	107,500	107,500
Statutory reserve	1,000	1,000
Development expenditure fund	25,200	15,940
Other contributed capital	2,786	3,536
Total restricted equity	136,486	127,976
Non-restricted equity		
Tier 1 capital instrument	100,000	100,000
Retained earnings	401,247	281,397
Total comprehensive income for the period	97,490	182,994
Total non-restricted equity	598,737	564,391
Total equity	735,223	692,367
TOTAL LIABILITIES AND EQUITY	5,745,504	4,997,335

NOTE 11 Capital adequacy analysis

THE PARENT COMPANY'S CAPITAL SITUATION

Parent company SEK thousand	30 Sep 2019	31 Dec 2018
Common Equity Tier 1 capital (CET1)	623,603	590,586
Additional Tier 1 capital (AT1)	100,000	100,000
Tier 2 capital	197,306	98,570
Own funds ¹	920,909	789,156
Risk exposure amount	4,611,807	3,870,836
- of which: credit risk	3,796,306	3,102,680
- of which: credit valuation adjustment	2,506	2,496
- of which: market risk	147,880	100,545
- of which: operational risk	665,115	665,115
Capital ratios		
CET1 capital ratio, %	13.5	15.3
Tier 1 capital ratio, %	15.7	17.8
Total capital ratio, %	20.0	20.4

THE PARENT COMPANY'S CAPITAL REQUIREMENTS

Parent company SEK thousand	30 Sep 2019		31 Dec 2018	
	Amount	Percent ²	Amount	Percent ²
Capital requirement				
CET1 capital	207,531	4.5	174,188	4.5
Tier 1 capital	276,708	6.0	232,250	6.0
Total capital	368,945	8.0	309,667	8.0
Institution-specific buffer requirement				
Total buffer requirement	157,724	3.4	131,996	3.4
- of which, capital conservation buffer requirement	115,295	2.5	96,771	2.5
- of which, countercyclical buffer requirement	42,429	0.9	35,225	0.9
Total CET1 capital requirement including buffer requirement				
CET1 capital requirement including buffer requirement	365,255	7.9	306,183	7.9
CET1 capital available to use as buffer	416,072	9.0	416,398	10.8
Additional capital requirement under Pillar 2				
CET1 capital	22,403	0.5	24,891	0.6
Tier 1 capital	27,203	0.6	30,225	0.8
Total capital	33,604	0.7	37,337	1.0
- of which, concentration risk	30,618	0.7	35,326	0.9
- of which, currency risk	2,986	0.0	2,011	0.1
Total capital requirement (including Pillar 2)				
CET1 capital	387,658	8.4	331,074	8.6
Tier 1 capital	461,635	10.0	394,471	10.2
Total capital	560,272	12.1	478,999	12.4

¹ After any regulatory adjustments.

² Capital requirements expressed as a percentage of the risk exposure amount.

See separate section with definitions, page 41.

Note 11 cont.

THE PARENT COMPANY'S OWN FUNDS

Parent company SEK thousand	30 Sep 2019	31 Dec 2018
CET1 capital		
Share capital	107,500	107,500
Other reserves	42,314	33,054
Other contributed capital	2,786	3,536
Retained earnings including net profit for the period	498,737	464,391
Adjustment to CET1 capital:		
- Deduction of foreseeable costs and dividends ¹	-52,880	-49,449
- Transitional arrangements IFRS 9	51,458	50,279
- Intangible assets	-26,312	-18,725
Total CET1 capital	623,603	590,586
Additional Tier 1 capital		
Perpetual subordinated loan	100,000	100,000
Tier 2 capital		
Fixed term subordinated loan	197,306	98,570
Own funds	920,909	789,156

SPECIFICATION OF RISK EXPOSURE AMOUNT AND CAPITAL REQUIREMENT

Parent company SEK thousand	30 Sep 2019		31 Dec 2018	
	Risk exposure amount	Capital requirement 8 %	Risk exposure amount	Capital requirement 8 %
Credit risk under the standardised approach				
Institute exposures	10,815	865	26,690	2,135
Corporate exposures	260,390	20,831	256,948	20,556
Household exposures	2,793,276	223,462	2,097,425	167,794
Exposures in default	69,368	5,549	42,827	3,426
Exposures to institutions with a short-term credit assessment	169,476	13,558	220,710	17,657
Equity exposures	482,706	38,616	433,872	34,710
Other items	10,275	822	24,208	1,937
Total	3,796,306	303,703	3,102,680	248,215
Credit valuation adjustment				
Standardised method	2,506	200	2,496	200
Total	2,506	200	2,496	200
Market risk ²				
Foreign exchange risk	147,880	11,830	100,545	8,044
Total	147,880	11,830	100,545	8,044
Operational risk				
Standardised approach	665,115	53,209	665,115	53,209
Total	665,115	53,209	665,115	53,209
Total risk exposure amount and total capital requirement	4,611,807	368,942	3,870,836	309,668

¹ Deduction of dividends from own funds has been made in accordance with the Board of Directors' proposal to the Annual General Meeting 2019 and the dividend policy.

² The capital requirement for foreign exchange risk is calculated in accordance with Article 351 of Regulation (EU) 575/2013.

ASSURANCE BY THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors and the CEO certify that the interim report gives a true and fair view of the operations, financial position and results of the Parent Company and the Group and describes the material risks and uncertainties that the Parent Company and the Group are exposed to.

Borås, 23 October 2019

Mari Thjømøe
Chairman

John Brehmer

Bertil Larsson

Charlotta Björnberg-Paul

Tone Bjørnov

Mattias Carlsson
President and 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 of 30 September 2019 and the nine-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 23 October 2019
PricewaterhouseCoopers AB

Martin By
Authorised Public Accountant
Auditor in Charge

Frida Main
Authorised Public Accountant

DEFINITIONS

TF Bank uses Alternative Performance Measures that are not defined in the applicable financial reporting framework (IFRS). The Alternative Performance Measures are used to increase understanding of the bank's financial performance among users of the financial statements. Alternative Performance Measures may be calculated in different ways and do not need to be comparable with similar key ratios used by other companies. TF Bank definitions of the Alternative Performance Measures are shown below.

ADJUSTED EARNINGS PER SHARE

Adjusted net profit for the period attributable to the shareholders of the parent company divided by the average number of outstanding shares.

ADJUSTED OPERATING PROFIT

Operating profit for the period excluding items affecting comparability.

ADJUSTED RETURN ON EQUITY

Adjusted net profit for the period attributable to the shareholders of the parent company divided by average equity attributable to the shareholders of the parent company. Rolling 12 months.

ADJUSTED RETURN ON LOANS TO THE PUBLIC

Adjusted net profit for the year attributable to the shareholders of the parent company divided by average lending to the public. Rolling 12 months.

CET1 CAPITAL RATIO

CET1 capital as a percentage of total risk exposure amount.

COST/INCOME RATIO

Operating expenses divided by operating income.

NEW LENDING

New loans (the cash flow) in the period. For Ecommerce Solutions the volume is reduced by product returns.

EARNINGS PER SHARE

Net profit for the period attributable to the shareholders of the parent company divided by the average number of outstanding shares.

EMPLOYEES (FTE)

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

ITEMS AFFECTING COMPARABILITY

Items affecting comparability in 2018 were attributable to reclassification of customer balances with inactive status that have arisen before 2018.

LEVERAGE RATIO

Tier 1 capital as a percentage of total assets including off-balance sheet items.

NET LOAN LOSS RATIO

Net loan losses divided by average loans to the public. Rolling 12 months.

OPERATING INCOME MARGIN

Total operating income divided by average loans to the public. Rolling 12 months.

RETURN ON EQUITY

Net profit for the period attributable to the shareholders of the parent company as a percentage of equity attributable to the shareholders of the parent company. Rolling 12 months.

RETURN ON LOANS TO THE PUBLIC

Net profit for the period attributable to the shareholders of the parent company divided by average loans to the public. Rolling 12 months.

TIER 1 CAPITAL RATIO

Tier 1 capital, i.e., CET1 capital and Additional Tier 1 capital, as a percentage of total risk exposure amount.

TOTAL CAPITAL RATIO

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

FINANCIAL CALENDAR AND CONTACTS

FINANCIAL CALENDAR

6 February 2020	Year-end report January - December 2019
27 March 2020	Annual report 2019 is published
16 April 2020	Interim report January - March 2020
7 May 2020	Annual General Meeting 2020
14 July 2020	Interim report January - June 2020
15 October 2020	Interim report January - September 2020

This is information which TF Bank is required to disclose under the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication on 24 October 2019 at 07:00 CET.

PRESENTATION FOR INVESTORS, ANALYSTS AND MEDIA

A live conference call will be held on 24 October at 08:15 CET, where CEO Mattias Carlsson and CFO Mikael Meomuttel will present the report and answer questions. The presentation material is written in English while the conference call will be held in Swedish. To participate, call +46 (0)8 5664 2692 or +44 (0)33 3300 9270. International investors will have an opportunity to ask questions in English during the Q&A session. A recording of the conference call, including the presentation material, will be available on the bank's website, www.tfbankgroup.com/en/section/investor-relations.

CONTACTS

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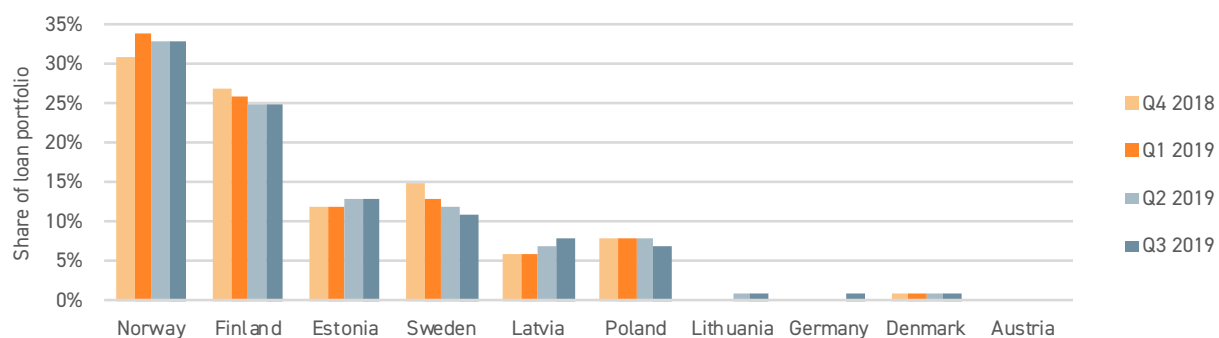
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TF BANK'S GEOGRAPHICAL PRESENCE



SHARE OF LOAN PORTFOLIO BY COUNTRY AND QUARTER





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