Corporate Participants

Joakim Jansson
Chief Executive Officer

Mikael Meomuttel
Chief Financial Officer, Deputy CEO & Head of Investor Relations

Introduction

Moderator: Hello and welcome to TF Banks Year-end report for 2025. Joining us to present are CEO Joakim Jansson and CFO Mikael Meomuttel.

After the presentation, there will be a Q&A, so if you call in and want to ask a question, press star 9 to raise your hand and then star 6 to unmute yourself when you're prompted. It is also fine to submit questions using the form on the right. With that, I'll hand over to Joakim.

Management presentation

Thank you very much. Good morning everyone.

We can go in and look at the highlights from the fourth quarter. And here you can see how we close the fourth quarter of 2025. The quarter was characterised by controlled growth where we further succeeded in strengthening our margins. Growth in local currency totalled 6 %. Summing up the quarter's activities, we get a final operating profit of SEK 242 million. Which is 29 % better than the corresponding period last year. And it is the Credit Card segment that drives EPS growth at the group level. What particularly pleases me is that the income is growing faster than the costs and if we compare it with how it looked a year ago, the cost/income ratio continues to improve. The business model scales well. During the quarter, we have seen a stable credit quality and what you have to keep in mind when analysing the loan loss ratio in TF Bank in particular is that we are undergoing strong change both in terms of business and geographical mix.
The work to change the Group's name to Avarda is ongoing, following the decision made by the general meeting during the fourth quarter. Having successfully combined strong growth with increased margins and a solid capital situation, the Board has decided to propose to the general meeting a dividend of SEK 5 per share. This corresponds to almost 50 % of the year's profit after tax which reflects the strength of what was delivered during the year.

As we have described for some time, the Group is undergoing a strategic transformation. Changing the corporate name is part of positioning the Group for continued expansion.
And as I said in the fourth quarter, an extraordinary general meeting made a resolution to change the Group's corporate name to Avarda Bank AB. A change of corporate name now requires relevant authority permits and will be executed during the spring. Let me take the background to the proposal and we have been through this before. Since the IPO in 2016, the Bank has developed from a Nordic niche bank to a European credit and payment platform, and we are now operating in 14 countries. Today, we have an attractive European positioning with Germany as the clearest example. And as you know, today's growth is primarily driven by Credit Cards and in markets outside the Nordics.
This means that the consumer lending business, which was the primary segment when TF Bank went public, now represents a much smaller portion of the loan portfolio than at the time of introduction. Consumer Lending in the Nordics now make up less than 25 % of the Bank's loan portfolio compared to around 70 % at introduction.
It also means that other KPIs become more interesting for the business today. If you look at them, you can see the Bank's journey during this period. Today we have more than 3 million users compared to 300,000 at IPO. Today we have a transaction volume of 46 billion compared to 3 billion at the time of introduction. This is quite a dramatic change.
Under the Avarda brand, we are now one of the leading BNPL players in the Nordics and it is now Avarda that we are building on to drive the Group's overall operations. By combining digital solutions, with an innovative and flexible approach, we are creating the foundation to achieve our current financial goals.
And we are laying the foundation for continued strong profitable growth in the European card and payment market.

Back to normal. Here we look at the growth in the loan book segment by segment in local currency. If we start with the whole Group, the quarter's organic growth was 6 % and year-on-year was 23 %.
Credit Cards, which represents the Bank's growth engine, grew by 10 % during the quarter. Grew 48 % year-on-year. E-commerce grew by 10 % during the quarter and 4 % year-on-year. And Consumer Lending was flat during the quarter in local currency, and 6 % year-on-year.

Here, we present the Bank's performance market by market. We begin with Germany, which is the geographical core of the Bank's growing credit card business. We have seen a continued strong demand for the Bank's credit cards and we expect continued strong growth in the coming quarters.
Germany now exceeds 40 % of the Bank's loan book. In the German market, we have launched our e-commerce offer at the end of 2024. Initially, the customer base primarily consisted of Nordic merchants, but now we also have local customers. In 2025, we launched consumer lending in Germany. Of course, Germany also has great potential within that product offering, but as always when we enter a new market, we do so with caution and perseverance. But this means that we are now active in Germany across the full range of the Bank's offerings.
In Norway, both e-commerce solutions and consumer lending operations continue to grow. In Norway the same applies to credit cards. Above all, we see an improved profit in the credit card business. But it is our strongest market in the Nordics.
Otherwise, the focus is on maintaining profitability and credit quality in the Nordic markets.
Like with the Nordics, this also applies to the Baltics; Estonia, Latvia and Lithuania. In all three countries, the credit quality was stable and the business continues to develop in a positive direction.
In Austria, we see that the credit card business is developing well. Obviously, the Austrian market is a smaller market than the German one. But we see that our conditions for conducting a profitable business in Austria are good. And our profit margin in the market is also strong.
In Denmark, which is one of our newer markets, we feel confident about the credit quality, and we are also scaling the business at an increasingly rapid pace.
As we have mentioned previously, we have launched credit cards in Italy and Spain. We are in the early stages of a long journey to understand and grow these markets. They represent large and attractive markets for the Bank from a long-term perspective.

Here, we analyse performance by segment, starting with Credit Cards. The loan portfolio in the segment is now close to SEK 12 billion. The underlying loan book in the segment is growing by 48 % compared to the same period last year. We continue to grow in terms of the number of newly issued cards. We now have 401,000 active cards in Germany and that is an increase of 31 % compared to the previous year.
We also see an improved cost/income ratio in the segment, which shows that the business is scaling well. And in this case, when we are growing so fast, maintaining a strong bottom line and ensuring scalability are very important to us. And this is now having an impact on the entire company's cost/income ratio.

In the Ecommerce Solutions segment, we are now seeing the impact of the strong pipeline and new sales that we discussed in previous quarters. Transaction volumes increased by 37 % compared to the same period last year. The annual growth rate is now 4 % from previously standing still year-on-year. This is a signal that transaction volumes and transaction growth drives loan volumes and drives income increase. There is a natural cycle in how volumes and income develop in this segment. This effect becomes more pronounced in years like this one, when we experience strong underlying transaction growth in the second half of the year. To summarise the business as a whole, Mikael will shortly return to some extraordinary and more accounting-related items from this quarter, despite a challenging year for the sector, we have maintained solid profitability. At the same time, we continue to develop the business both geographically and across our offering, in line with the Group's overall strategy. I will return to this in more detail in my closing remarks.

In the Consumer Lending segment, we have had a controlled growth rate with focus on defending margins. I think the segment here delivers strongly and we have increased pressured margins in several markets. As I said, the offer is available in the German market, and Germany and Denmark can be expected to account for a large part of the growth in the segment going forward.
In connection with preparing the name change to Avarda for the business, we consolidate this business into a subsidiary. And the plan is to continue operating under the TF Bank brand for consumer lending and operations.
I will now hand over to Mikael for the continued presentation.

Great, thank you very much. If we turn the page, we can look at operating income. In the fourth quarter, operating income amounted to SEK 798 million, representing an increase of 22 % compared to the corresponding quarter in 2024. Growth in the credit card loan portfolio continues to be the main driver, as Joakim highlighted earlier, and this

growth is also reflected in higher income. The Group's operating income margin increased to 13.7 % in Q4, again driven primarily by the continued expansion of the credit card business.
Turning to loan losses, these amounted to SEK 277 million during the fourth quarter, with the loan loss ratio increasing to 4.8%. This reflects the growing share of Credit Cards within the Group, as this segment naturally carries a higher level of loan losses compared to other parts of the portfolio.
Looking at our most important metric, the risk-adjusted margin, we see that it remains strong at 8.9 %, unchanged from the previous quarter. On a year-on-year basis, however, the risk-adjusted margin has improved by 40 basis points.

Turning to operating expenses, these increased by 14 % to SEK 280 million in the fourth quarter. Despite this, the cost/income ratio improved to 35 %, which is just over two percentage points lower than the same period last year. As illustrated in the diagram, the Credit Card segment continues to show particularly strong efficiency, with a cost/income ratio of 29 % in Q4.
The positive trend, as Joakim mentioned earlier, is primarily driven by economies of scale within our business model, as well as increased automation of our processes. As credit cards continue to represent a growing share of the Bank, this has a clear and positive impact on the Group's cost/income ratio.
Looking at our second segment, Ecommerce Solutions, the cost/income ratio amounted to 63 %. This ratio has increased somewhat over the past year, mainly due to higher costs related to start-up activities in new markets, combined with an unchanged loan portfolio, which has affected income and, in turn, the cost/income ratio.
Turning to our third segment, Consumer Lending, the cost/income ratio was 31 % in Q4, slightly lower than in the corresponding quarter of 2024.

Looking at the Bank's operating profit, as Joakim noted earlier, it increased by 29 % to SEK 242 million in the fourth quarter. Once again, this strong performance was driven by the stable and solid development of the Credit Cards segment. Earnings per share for the quarter increased by a strong 36 % to SEK 2.83, supported in part by lower interest costs on our AT bonds, which also had a positive impact on overall results.
This means that EPS, the metric most closely followed by our shareholders, increased by 36 % during the quarter.
Profitability in Q4 was strong. The return on the loan portfolio amounted to 3.1 %, which is 50 basis points higher than in the corresponding period last year.
Despite the significantly higher level of capital in the Bank following the divestment of our NPL assets in December 2024, return on equity reached 25 % in Q4. When measured against a more normalised capital level, the return currently exceeds 30 %.

Looking at results by segment, we begin with Credit Cards. The segment delivered an operating profit of SEK 136 million in Q4, representing an increase of 81 % compared with the corresponding quarter in 2024.
Higher income from the growing loan portfolio, an improved risk-adjusted margin, and efficiency gains, resulting in a lower cost/income ratio, together drove strong profitability. As a result, the segment's return on the loan portfolio increased to 3.7 % in Q4, up from 2.8 % in the corresponding quarter of 2024.

Turning to the Ecommerce Solutions segment, operating profit amounted to SEK 13 million in the fourth quarter. Loan losses in the segment totalled SEK 35 million during the period. As Joakim mentioned earlier, these figures are affected by a negative impact of approximately SEK 10 million, related to updates in our models for expected future loan losses on NPLs. This impact is offset by a corresponding positive effect in the Consumer Lending segment, resulting in a neutral effect at the Group level, which is important to highlight. However, within the Ecommerce Solutions segment, the net effect was negative by SEK 10 million.
In addition, the segment incurred elevated start-up costs related to new partnerships, which affected the cost/income ratio in Q4, particularly within the support functions. Looking at the return on the loan portfolio, it amounted to 1.5 % for the quarter. However, when adjusting for the SEK 10 million effect, the return in Q4 is more normalised at 2.6 %.

I'll now move on to the next page and turn to the Consumer Lending segment. The segment delivered an operating profit of SEK 93 million, representing an increase of 17 % compared with the corresponding quarter last year. It is important to note that the Q4 result was positively impacted by a one-off effect of SEK 10 million, related to an update in the model for expected future loan losses on NPLs. This one-off effect affected both loan losses and collection costs, with approximately SEK 5 million recognised in loan losses and SEK 5 million in collection costs included in operating expenses. Looking at the segment's return on the loans to the public, it amounted to 3.1 % in Q4. Adjusted for this positive one-off effect, the normalised return was 2.8 %.

Let's turn to the Bank's funding and liquidity. Deposits in Germany remain by far our largest source of funding, with a deposit balance of nearly SEK 17.5 billion at year-end 2025. The Netherlands is our second-largest deposit market, with a deposit base of almost SEK 5 billion. I would also like to highlight that approximately 44 % of the Group's deposits are fixed-rate accounts. Looking at our liquidity position, the available liquidity reserve amounted to 18 % of the deposit balance at the end of the quarter, which is approximately one percentage point higher than in Q3. As before, the majority of our liquidity is invested in government bills with remaining maturities of up to 12 months, as well as in overnight placements with major Nordic banks. Turning to our liquidity ratios, the LCR and NSFR stood at 222 % and 115 %, respectively, in Q4. Both ratios increased slightly compared to Q3 and remain well above the regulatory minimum requirement of 100 %, indicating a very strong liquidity position.

Turning to our capital ratios, the Bank's Common Equity Tier 1 ratio amounted to 13.0 %, the Tier 1 capital ratio to 14.2 %, and the total capital ratio to 16.1 % at the end of the quarter. It is important to note that these ratios are impacted by the deduction for the proposed dividend, amounting to SEK 323 million, which is included in the capital base. During Q4, we also issued new Tier 2 bonds totalling SEK 150 million, while redeeming existing Tier 2 bonds of SEK 100 million. Overall, we continue to maintain a comfortable buffer above regulatory capital requirements across all capital levels. As mentioned earlier, the Financial Supervisory Authority has also set our Pillar 2 guidance at 0 % of the risk exposure amount. This provides good visibility for our future capital planning and enables the Board to propose the dividend to the general meeting.
With that, I will hand over to Joakim.

Thank you. Looking ahead, we are continuing with our plan to transition to the Avarda name. We have already adapted the organisation and are preparing to operate the consumer lending business within a subsidiary under the TF Bank brand. This allows us to sharpen our focus on this business as an increasing share of the Group's operations is now outside the Nordics and concentrated on cards and payments. At the same time, we continue to run the business with discipline and a clear focus on achieving our financial targets. Our strategy is pan-European, with Germany as our largest and most important market. Demand for our card offering remains strong, and the majority of our future growth is expected to come from Germany. While several other markets are attractive, Germany will be the key driver of growth in the coming years. Becoming Avarda is more than just a name change. Over the past year, we have made significant progress in integrating our organisation and technical platforms to take our operations to the next level. While this may not be critical for our current generation of financial targets, it lays a strong foundation for the next phase of growth, which we are already working toward. We believe the connection between cards and payments will continue to strengthen going forward. With that, we will now open the floor for questions.

Question & Answer

Moderator: Thank you very much for the presentation. As mentioned, we will now move on to the Q&A session. If you have joined by phone and would like to ask a question, please press star 9 to raise your hand, and star 6 to unmute yourself when you are given the floor.

Our first question comes from **Patrik Brattelius** at **ABG**. You're very welcome.

Patrik Brattelius
Analyst, ABG Sundal Collier

I'd like to start with the Credit Cards segment. We've seen the net interest margin continue to increase steadily since early 2024, while growth in the segment has been quite strong. How should we think about front-book margins versus back-book margins? If growth had been faster, would that have had a negative impact on margins? How do you view this dynamic?

Joakim Jansson
CEO, TF Bank AB

All else being equal, if we aim to accelerate growth at a given point in time, sales costs will increase, and a larger portion of those costs is incurred upfront. This creates a constant tactical balance in how we manage sales activities and how much we are willing to invest per card on the margin.
When it comes to front-book versus back-book profitability, we are currently in a period where funding costs are gradually declining. This has had a positive effect over the period you refer to, and while there is still some way to go, the trajectory is fairly predictable as older, higher-cost funding runs off and is replaced by new funding at lower rates.
More broadly, even though we entered the German market back in 2017, we are still continuously learning. This means that, on average, our credit decision-making improves quarter by quarter. This has been a consistent trend over many years and has supported a gradual improvement in our risk-adjusted margins over time.

As we have discussed in recent quarters, the macroeconomic backdrop remains challenging, with ongoing geopolitical uncertainty. German households, which are the key driver for this segment, are somewhat under pressure. That said, we see loan losses remaining stable, and while volume growth may not be as strong as in a more normalised economic environment, the labour market in Germany remains resilient. Our expectation has been for a gradual economic recovery, although this has repeatedly been pushed out by renewed geopolitical developments.
Overall, while there are mixed short-term signals, the underlying trends for the segment remain positive, and the long-term trajectory continues to move in the right direction.

Patrik Brattelius
Analyst, ABG Sundal Collier

That sounds good. Just to follow up on your comment, do you believe there is still room for further margin expansion? Could you break that down a bit? Are we talking about an additional 20 to 30 basis points? The development so far has been impressive, so how should we think about this going forward?

Joakim Jansson
CEO, TF Bank AB

The margin improvement we are referring to is primarily driven by a continued decline in our funding costs. The exact pace and magnitude of this development will depend on how the deposit market evolves, which is inherently difficult to predict.
What we can observe, however, is the movement in marginal funding costs from the peak levels to where they are today. Based on this, we see that our average funding cost still has some room to decline further, which should continue to support margin expansion going forward.

Patrik Brattelius
Analyst, ABG Sundal Collier

Thank you. Turning to the Ecommerce Solutions segment, which has shown a less impressive development. Despite your constructive communication around this area, even when adjusting for the one-off effect in the quarter, performance in 2025 is still down significantly compared to 2024. We can see from the statistics that you have onboarded new partners and incurred upfront costs early in these collaborations. Could you elaborate on the dynamics here, specifically when these initiatives are expected to start translating into the numbers and when the segment could begin contributing positively to the Group's growth profile rather than acting as a drag, as it is today?

Mikael Meomuttel
CFO, Deputy CEO & Head of Investor Relations, TF Bank AB

I can start by addressing that. If we look back a few quarters, we were quite clear that the return levels we were reporting, around 30 % ROE, were not sustainable over the long term, given the competitive environment in this segment. That performance was largely driven by a specific set of circumstances. When interest rates increased, we shifted our focus more toward merchant-based business rather than end customers. That transition took some time, but once implemented, it also came with positive funding effects, as lower funding costs supported our net operating income margin. At the same time, the loan portfolio was declining, which meant that, from a short-term perspective, conditions were optimal for delivering very strong results.
However, from a long-term standpoint, that is not a healthy or sustainable situation. What we are seeing now is a return to growth, with new business coming into the portfolio. Naturally, new business carries an initial profitability gap before volumes build and transactions mature. As transaction volumes increase, and as these volumes increasingly become interest-bearing, as Joakim mentioned, we expect profitability to improve over time.
In short, this is a transition phase. We are rebuilding the portfolio and growing again, and while that temporarily weighs on profitability, it is the right foundation for sustainable long-term growth. It has been quite some time since we were in a phase of portfolio expansion like this, so it does take time for the full earnings effect to materialise.

Patrik Brattelius
Analyst, ABG Sundal Collier

Yes, but isn't there also a Q4 dynamic, where we see slightly higher transaction volumes in Q4, which could result in a declining portfolio in Q1 due to this seasonal effect?

Mikael Meomuttel
CFO, Deputy CEO & Head of Investor Relations, TF Bank AB

You will likely see a similar pattern, though not as pronounced as last year. One important factor is that many of the merchants we have onboarded now generate revenue primarily through transaction volumes rather than interest-bearing balances. This shift in customer behaviour is something we observe consistently.
Additionally, during Q4 we experienced the usual seasonal peak, including events like Black Friday. Sales picked up a little earlier, which also meant that we experienced returns, something that is quite unusual historically. As a result, they were carried over between Q4 and Q1, so you won't see them in the same way as this year. That's why you didn't see stronger growth than what we are seeing right now. Also, much of the growth was transaction volume-driven rather than interest income–driven during our Q4.

Patrik Brattelius
Analyst, ABG Sundal Collier

Okay, thanks. A final question concerns capital allocation going forward. We see that you are announcing a dividend, which implies a buffer of roughly 320 basis points above your total capital requirement. You are also above your 250-point target. Should we think about this going forward as roughly maintaining a 300-basis-point buffer above the capital requirement, with dividends adjusted accordingly? Or is there another framework we should use to understand your approach to capital allocation going forward?

Joakim Jansson
CEO, TF Bank AB

Our approach to capital planning is a bit more sophisticated and takes multiple dimensions into account. One important factor in our sector, for example, is the NPL position. As you know, we essentially cleared our NPLs a year ago, which means we now have a year's worth of loan book in addition to the assets we sold during the year. This is an important consideration when determining the capital we hold.
In general, we do not provide strict guidance on capital planning or dividend decisions. What we do is analyse the business carefully. For example, if EPS growth outpaces portfolio growth, this creates additional "room" for dividends in the capital structure rather than shrinking it. That is the lens through which we view capital allocation going forward.
Ultimately, the decision is taken by the Board after careful analysis. It's therefore difficult for us to provide a precise forward-looking rule.

Patrik Brattelius
Analyst, ABG Sundal Collier

Thanks for that. Thank you very much.

Moderator: Thank you very much for that. Then we move on to question time and let in the next questioner, **Emil Jonsson** from **DNB Carnegie**. Welcome.

Emil Jonsson
Analyst, DNB Carnegie

Good morning. I'd like to start by asking about competition in the credit card market in Germany. I understand the competitive environment remains favourable, but would you describe it as stable at this point, or is competition increasing?

Joakim Jansson
CEO, TF Bank AB

I would say the competitive environment in Germany is very stable. We have strong competitors, and overall it remains healthy.

Emil Jonsson
Analyst, DNB Carnegie

And regarding e-commerce revenue—you mentioned that returns came earlier than historically. Should we expect a further slowing effect on e-commerce revenues in Q1, or have we already seen the full impact of the actions you took in 2025?

Joakim Jansson
CEO, TF Bank AB

No, absolutely not. These effects take several quarters to fully play out. The last major transaction occurred in Q2, so you can expect three to four quarters before the full impact is visible.

Emil Jonsson
Analyst, DNB Carnegie

Also, correct me if I'm wrong, but is the plan to sell off the remaining 20 % in Rediem in the next quarter?

According to the current plan, yes, during this quarter (Q1). However, everything is subject to regulatory and government approvals.

Emil Jonsson
Analyst, DNB Carnegie

Okay. And like the first sell-off, should we expect a one-off profit and some capital relief when the disappearance of the Rediem shares and the associated reversal?

Mikael Meomuttel
CFO, Deputy CEO & Head of Investor Relations, TF Bank AB

Yes, in short. However, the impact is very small and will be reported transparently in the comparative records. It's not material like the previous transactions, and we guide upfront on what to expect. It's not a large amount, and we have been providing guidance on this since the first press release.

Emil Jonsson
Analyst, DNB Carnegie

One last question. Has Rediem obtained SDR status now, or what is the status there?

Joakim Jansson
CEO, TF Bank AB

The way it works is that you register your interest and then need to demonstrate it over four consecutive quarters. Those four quarters have now passed. They are currently waiting for the next opportunity to notify the Financial Supervisory Authority. This will happen at the first possible reporting opportunity. That is how the process works technically.

Emil Jonsson
Analyst, DNB Carnegie

Once they have reported it to FI, does the authority need to give written approval before they can start acting as an SDR, or is it enough that they have reported the numbers?

Joakim Jansson
CEO, TF Bank AB

As I understand it, you report it, and it is the institution's own responsibility to ensure compliance with the regulatory requirements. Of course, the Financial Supervisory Authority may review the report in more detail, but once you have submitted it, you can start acting as an SDR. It primarily relates to how capital adequacy reporting should be conducted.

Emil Jonsson
Analyst, DNB Carnegie

Thank you very much. Those were all the questions I had.

Moderator: Thank you very much. We will now move on and give the floor to **Björn Olsson** at **SEB**.

Björn Olsson
Analyst, SEB

Then I'll start by asking about the Nordic consumer loan business. Last quarter you spoke more about strategic flexibility, but now you mention that it needs to stand on its own two feet. Should we interpret that as an intention to start growing the Nordic consumer loan segment again through this subsidiary?

Joakim Jansson
CEO, TF Bank AB

I think it's best seen as part of how we allocate capital across the Group to create maximum shareholder value. Generally, capital is allocated where there is a good return on equity. How the Nordic markets develop in the future will guide our approach. For some time now, we haven't allocated significant capital to the Nordic consumer lending market, so there's no automatic advantage just because the subsidiary is self-contained.
That said, the subsidiary operates under the same Group regulations and equity framework, and it contributes positively to the Group, which it does very well. But ultimately, it all depends on market conditions. That's the short answer.

Björn Olsson
Analyst, SEB

Okay, so does that mean… until further notice, we should see it as somewhat in run-off mode or…?

Joakim Jansson
CEO, TF Bank AB

No, that's not correct. The segment is still growing. Compared with Nordic BNP growth, our growth is healthy and aligned with regulatory expectations and applicable legislation. The focus remains on providing good loans to good customers.

Björn Olsson
Analyst, SEB

And in e-commerce, just to follow up on Patrik's question—though you may have partially answered it already—how should we think about the start-up costs purely in terms of timing? How long do these large contracts typically last, and in which quarter should we expect results to start picking up?

Joakim Jansson
CEO, TF Bank AB

It varies significantly. Start-up costs can be viewed in two ways. First, there are the pure integration costs incurred initially to onboard a merchant. Second, there are the net set-up costs, which represent transaction costs minus the income generated from loan volumes or interest-bearing balances. This net is typically negative at first, because you need transaction volume to build an interest-bearing portfolio. There you see the inverse relationship with the income from the interest-bearing balance, which depends on the customer conversion rate. The timing and magnitude are unique for each market and merchant and can also vary over time. The timing varies, but generally you don't need a full year, though almost a full year, to reach the long-term level where the existing customer volume has been built up and the core of the book becomes roughly the same size as the new additions. We can never know this in advance; it is an assumption we make. How long it takes and where it ends up is unique for each merchant and also depends on macroeconomic conditions. Generally speaking, for larger merchants, we expect the last major contracts from last year to settle in Q2, or potentially early Q3. From there, it typically takes three to four quarters to fully reach the expected balance and contribution, most likely.

Björn Olsson
Analyst, SEB

You also mentioned building a new technical platform. Can you explain what that means? Does it increase scalability for handling volume, and will it incur additional costs, either one-off or ongoing?

Joakim Jansson
CEO, TF Bank AB

We are continuously investing in our technical platform. Generally, we take a conservative approach to accruing costs and incorporate them into ongoing business planning. By combining functionality for payments, cards, and

loans in a single platform, we achieve two key benefits: scalability, allowing us to handle larger volumes efficiently, and the other is flexibility—the ability to design and launch new products and services.
We see this as a major enabler for growth over the next five to ten years, and the foundation we are laying now will support that future expansion.

Björn Olsson
Analyst, SEB

But really, then, no major cost impact?

Joakim Jansson
CEO, TF Bank AB

No, nothing to think about in that perspective.

Björn Olsson
Analyst, SEB

And on deposits, as you showed, Germany is the primary driver of deposit funding, can you give a sense of how the sentiment is developing on the deposit side? Have you had to raise rates? Is there more price pressure, or less? How do you see it?

Mikael Meomuttel
CFO, Deputy CEO & Head of Investor Relations, TF Bank AB

If you take the overall picture of our interest expenses relative to interest-bearing liabilities, that's essentially how you should look at it. There are periods when we need to increase funding to support growth, and this is balanced with the mix between fixed-rate deposits and overnight funding. Overall, funding costs have improved gradually, even if the pace is slow. That's the general answer. If the general answer had been that we needed to raise our rates for German customers, it would also have an impact across the entire book.

Joakim Jansson
CEO, TF Bank AB

It's important to see this in context: funding in Germany is very stable. The cost is largely determined by central bank rates, and then, as Mikael mentioned, by the terms of the deposits we offer. The actual level depends on both our own needs and market conditions, which can fluctuate somewhat over time.

Björn Olsson
Analyst, SEB

I see. But what about market competition? For example, with Swedish niche banks on Raisin—do you notice a difference compared with central rates or Stibor? Is there any significant pricing pressure?

Joakim Jansson
CEO, TF Bank AB

Not in a permanent sense. From time to time, competitors may raise or lower rates, and we adjust depending on our own funding needs. But there's no ongoing disruption in the market; it's simply normal fluctuations.

Björn Olsson
Analyst, SEB

Yes, great. One last question then. Joakim, you mentioned that German households continue to feel some pressure. If you grew the credit card portfolio by roughly 25,000 cards this quarter, should we think of that as roughly the pace you expect to maintain, assuming the economic environment for German households stays about the same, or how should we look at that?

Joakim Jansson
CEO, TF Bank AB

Yes, absolutely. What really determines growth is the cost of sales. We believe the pace we are seeing now is healthy, both in terms of new cards issued and overall portfolio growth. The loan loss line is relatively resilient because we have a large and diversified customer base, so it's less sensitive to general economic fluctuations.
Of course, growth also depends on the broader German economy and household demand. Uncertainty among German households remains higher than normal, despite a stable labour market. This is partly due to the ongoing

geopolitical situation. Ultimately, the health of the German labour market and investment in the economy will support future growth. Even with geopolitical uncertainty, we expect continued investment and economic activity in Germany, which bodes well for the credit card business.

Björn Olsson
Analyst, SEB

Many thanks.

Mikael Meomuttel
CFO, Deputy CEO & Head of Investor Relations, TF Bank AB

Thanks

Moderator: Thank you. That concludes the questions for today. Thanks to everyone who called in and asked questions, and to everyone who watched. I will now hand over to Joakim for a brief closing.

Joakim Jansson
CEO, TF Bank AB

Then I want to thank you very much for the attention and I wish you a nice day and a still lovely report season.