

CORPORATE GOVERNANCE REPORT

TF Bank AB (publ), corporate identity number 556158-1041

INTRODUCTION

Shares in TF Bank AB (publ) ("TF Bank") have been listed on Nasdaq Stockholm main market since 14 June 2016. The Company is the Parent Company in the TF Bank Group, which carries on banking business and is under the supervision of the Swedish Financial Supervisory Authority. TF Bank complies with several laws and regulations pertaining to good corporate governance and control of the business, such as the Swedish Banking and Financing Business Act (2004:297), the Consumer Credit Act (2010:1846), the Swedish Companies Act (2005:551), the Annual Accounts Act (1995:1554), Act (1995:1559) on Annual Accounts in Credit Institutions and Securities Companies Act, the Swedish Corporate Governance Code, Nasdaq Stockholm's regulations for issuers and International Financial Reporting Standards. TF Bank also adheres to a number of regulations and general guidelines issued by the Swedish Financial Supervisory and the European Banking Authority (EBA). TF Bank has prepared this Corporate Governance Report in accordance with the Annual Accounts Act and the Swedish Corporate Governance Code ("the Code").

TF Bank is domiciled in Borås and has six subsidiaries: Avarða AB, Avarða Oy, TFB Service UAB, TFB Service SIA, TFB Service GmbH and BB Bank ASA. TF Bank is authorised by the Swedish Financial Supervisory Authority to conduct banking operations. TF Bank carries on banking business in Sweden with the permission of the Swedish Financial Supervisory Authority and also in Finland, Estonia and Poland via bank branches. In addition, TF Bank conducts cross-border activities in Denmark, Latvia, Lithuania, Norway, Germany and Austria in accordance with the Swedish Banking and Financing Business Act.

TF Bank also conducts operations via a subsidiary in Norway (BB Bank ASA), which has been granted a banking licence from the Norwegian Supervisory Authority Finanstilsynet. Avarða has been granted permission to conduct consumer credit operations pursuant to the Certain Consumer Credit-related Operations Act (2014:275).

THE CODE

TF Bank adheres to the Code, which is a higher standard for good corporate governance than the minimum requirement pursuant to the Companies Act. No deviations from the Code occurred in 2019. Additionally, the Board of Directors regularly performs a systematic evaluation where Board members are offered the opportunity to give their views on working methods, Board materials, their own and other members' contributions to the Board's work in order to develop the work performed by the Board, and to provide the Nomination Committee with relevant information

required for decisions ahead of the AGM. The evaluation before the AGM in 2020 was carried out and the results of the evaluation have been presented to the Board of Directors and Nomination Committee.

OWNERSHIP

Ownership structure as at 31 December 2019 was as follows:

	Owner	Number of shares	Share of equity, %
1	TFB Holding AB	8,291,249	38.56
2	Erik Selin Fastigheter AB	2,500,000	11.63
3	Tiberon AB	2,190,329	10.19
4	Merizole Holding Ltd	1,507,495	7.01
5	Danica Pension Försäkringsaktiebolag	1,298,878	6.04
6	Proventus Aktiebolag	645,000	3.00
7	Nordnet Pensionsförsäkring AB	628,184	2.92
8	Skandia fonder	275,000	1.28
9	Carnegie fonder	237,761	1.11
10	PriorNilsson Sverige Aktiv	233,709	1.09
11	Pareto Nordic Return	196,000	0.91
12	PriorNilsson Idea	194,309	0.90
13	Evli Swedish Small Cap Fund	180,000	0.84
14	Avanza Pension	158,576	0.74
15	AB Monarda	154,842	0.72
16	Mattias Carlsson	154,432	0.72
17	Six Sis AG	149,019	0.69
18	AB Stena Metall Finans	135,595	0.63
19	Anders Klein	108,000	0.50
20	Handelsbanken Fonder	104,821	0.49
	Other shareholders	2,156,801	10.03
	Total	21,500,000	100.00

The largest owner, TFB Holding AB, with a total holding of 38.56 % as at 31 December 2019, is represented on the Company's Board of Directors through John Brehmer and on the Nomination Committee through Paul Källenius.

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graph TD; TFBankAB[TF Bank AB] -- 100% --> TFBServiceUAB[TFB Service UAB]; TFBankAB -- 100% --> AvardaAB[Avarda AB]; TFBankAB -- 100% --> BBBankASA[BB Bank ASA]; TFBServiceUAB -- 100% --> TFBServiceSIA[TFB Service SIA]; TFBServiceUAB -- 100% --> TFBServiceGmbH[TFB Service GmbH]; AvardaAB -- 100% --> AvardaOy[Avarda Oy];
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The organizational chart shows TF Bank AB at the top, with three direct subsidiaries: TFB Service UAB, Avarda AB, and BB Bank ASA, each held 100%. TFB Service UAB further holds 100% of TFB Service SIA and TFB Service GmbH. Avarda AB holds 100% of Avarda Oy. An orange box on the right lists branches: TF Bank AB, branch Poland; TF Bank AB, branch Finland; and TF Bank AB, branch Estonia.

Parent Company	Subsidiaries	Corporate identity number	Interest	Consolidation (superv./acc.)
TF Bank AB (publ)		556158-1041		
	Avarda AB	556986-5560	100%	Full/ Full
	Avarda Oy	2619111-6	100%	Full/ Full
	BB Bank ASA	935590221	100%	Full/ Full
	TFB Service UAB	304785170	100%	Full/ Full
	TFB Service SIA	40203015782	100%	Full/ Full
	TFB Service GmbH	HRB 208869 B	100%	Full/ Full

The Articles of Association are adopted by the AGM and contain mandatory information on the basic nature of TF Bank's operations. The Articles of Association, which are available on the Company's website www.tfbankgroup.com, set out, inter alia, the kind of business to be conducted by the Company, the limits for the share capital, share classes and number of votes per share, as well as the number of Board members. The Articles of Association do not contain any provisions on the appointment or dismissal of Board members or on amendments to the Articles of Association.

TF Bank's shareholders can exercise their decision-making rights at the General Meeting of Shareholders/Annual General Meeting. According to the Companies' Act, the Annual General Meeting is the Company's highest decision-making body, which takes decisions on such issues as amendments to the Articles of Association, discharge from liability, adoption of balance sheets and income statements, dividends, election of board members, auditors and fees to board members and auditors. The Companies Act and Articles of Association contain rules governing the AGM and what this should include.

The AGM passed a proposal for the Board of Directors to consist of six members. It was decided in accordance with the proposal that the Board members Mattias Carlsson, John Brebmer, Bertil Larsson, Tone Bjørnov, Charlotta Björnberg-Paul and Mari Thjømøe were re-elected. Mari Thjømøe was re-elected as Chairman of the Board. The AGM also resolved to pay a fee of SEK 600,000 to the Chairman of the Board, a fee of SEK 300,000 to Board members not employed by TF Bank, SEK 100,000 to the Chairman of the Board's Audit Committee, SEK 50,000 to other members of the Board's Audit Committee, and further resolved that the Auditor's fee be paid on an account basis.

The AGM resolved to authorise the Board of Directors to decide, on one or more occasions in the period up until the next AGM, on a new issue, with or without deviation from shareholders' preferential rights. The number of shares issued pursuant to the authorisation may correspond to an increase in share capital of not more than twenty (20) per cent based on the Company's share capital at the time of the AGM in 2019. The AGM also authorised the Board of Directors to decide, in the period up until the next AGM, on acquisitions and transfers of shares in TF Bank. The Company must not acquire more shares than that its holding, including shares otherwise acquired and held, does not at any given time exceed five (5) per cent of the total number of shares in the Company.

It was also decided regarding guidelines for remuneration of the executive management. Executive management comprises of the CEO of the bank and the directors reporting to the CEO and which are also a part of the Group Management.

The remuneration and other terms of employment of the executive management of the bank are to be designed in such a way that they (i) are in accordance with and promotes an effective risk management and discourages excessive risk-taking and (ii) secures the ability to attract and retain competence required. The total remuneration can consist of fixed salary, pensions, variable remuneration and other economic benefits. A complete protocol and information regarding the Annual General Meeting 2019 are available at www.tfbankgroup.com.

NOMINATION COMMITTEE

According to a decision by the AGM in 2019 on appointment of the Nomination Committee, the three largest shareholders in terms of voting power who wish to participate in the Nomination Committee will have the right to appoint one member each. The member representing the largest shareholder should be appointed Chairman of the Nomination Committee. The members of the Nomination Committee are appointed on the basis of the ownership structure as at 31 August 2019.

The Nomination Committee should prepare proposals in the following matters to be submitted to the AGM for decision-making:

- proposal for a Chairman for the shareholders' meeting;
 - proposal for the Board of Directors;
 - proposal for Chairman of the Board;
 - proposals for Board fees, including distribution between Chairman and other Board members, and fees for Committee work;
 - proposals for auditors; and
 - proposal for remuneration of the Company's auditors
- the Nomination Committee shall apply Regulation 4.1 of the Code for the preparation of a proposal for the Board of Directors, in order to achieve a balanced Board composition in terms of broad range of qualifications.

The Nomination Committee for the AGM in 2020 comprises:

- Paul Källenius, representing TFB Holding AB
- Erik Selin, representing Erik Selin Fastigheter AB
- Jonas Weil, representing Merizole Holding AB
- Mari Thjømøe, Chairman of the Board of TF Bank AB
- Paul Källenius has been appointed Chairman of the Nomination Committee.

The composition of the Nomination Committee was disclosed through press release and on the Company's website on 25 October 2019.

BOARD OF DIRECTORS

The Board of Directors has ultimate responsibility for TF Bank's organisation and management. In addition, the Board should supervise the CEO and ensure that TF Bank's financial position is examined in a satisfactory manner. The decisions taken by the Board should seek to promote shareholders' interests with respect to value generation and returns. The Board's duties and working methods are governed by the Companies Act, the Articles of Association and the Board's Rules of Procedure (see below). The duties and work of TF Bank, as a regulated company, are also governed by the Banking and Financing Business Act.

The Board of Directors is responsible for considering TF Bank's risk-taking and has established rules for a resolutions procedure, financial reporting and financing. There are also guidelines for work in other areas, such as: environment, ethics, quality, information, staff, IT and security monitoring and communication.

The Board's work follows annually established rules of procedure which comprise the matters to be dealt with by the Board at each ordinary meeting and the division of duties within the Board, with special commitments for the Chairman. The rules of procedure also set out rules for financial reporting to the Board and more detailed rules for the responsibilities and powers of the CEO.

According to the Articles of Association, the Board of Directors should comprise not less than three (3) and not more than ten (10) ordinary members. The AGM in 2019 resolved that the Board of Directors should comprise six ordinary Board members without alternate members. Mattias Carlsson, John Brehmer, Bertil Larsson, Tone Bjørnov, Charlotta Björnberg-Paul were elected members of the Board. Mari Thjømøe was elected Chairman of the Board. Further information about the Board representatives is available at www.tfbankgroup.com and on page 97.

Significant issues

In 2019, the Board held eighteen (18) meetings, of which six (6) were ordinary meetings, five (5) were additional/telephone meetings and seven (7) meetings were held by correspondence.

Date	Significant issues raised at the board meetings
2019-01-17	Budget for 2019 was decided, CCO provided training for the Board of Directors and an updated Governance Policy was adopted
2019-02-06	Year-end report 2018, report on internal control and audit of management's administration
2019-03-21	Decision on cooperation agreement, adoption of Annual Report 2018, decision to initiate merger process of Avar-da Group and BB Bank ASA, adoption of financial policy and whistleblowing policy
2019-03-26	Decision on shareholders contribution to BB Bank ASA
2019-04-24	Interim report Q1 2019 and decision on Investor Rela-tions Plan
2019-05-07	Adoption of rules of procedures on the Board of Direc-tors including rules of procedures on Audit Committe and Remuneration Committee respectively as well as adoption of CEO instructions. Appointment of author-ised signatories
2019-05-22	Adoption of ICAAP 2019 and risk policy
2019-05-31	Adoption of merger plans for Avar-da Group and BB Bank ASA
2019-07-16	Interim report Q2 2019 and adoption of capital policy
2019-09-15	The board of Directors decided to issue Tier 2 Capital (T2 bonds) of SEK 100 million
2019-09-19	Adoption of various policy documents
2019-10-23	Interim report Q3 2019
2019-11-12	Decision on bond prospectus (T2 bonds)
2019-12-17	Adoption of various policy documents

Board attendance was as follows:

Board member	Independent of the largest shareholder	Attendance
Mattias Carlsson	No	18 of 18
John Brehmer	No	18 of 18
Tone Bjørnov	Yes	16 of 18
Bertil Larsson	Yes	17 of 18
Mari Thjomøe (Chairman)	Yes	18 of 18
Charlotta Björnberg-Paul	Yes	18 of 18

CEO Mattias Carlsson attended 18 meetings and CFO Mikael Meomuttel attended 12 meetings.

The responsibilities and duties of the Board of Directors include establishing objectives and strategies for the Compa-ny's operations, striving to ensure that the organisation and operation of the Company's business is characterised by in-ternal governance and control, preparing internal regulations on risk management and risk control and regularly following up compliance, ensuring that there is an audit function and monitoring the Company's financial position. Furthermore, it is the task of the Board of Directors to appoint the CEO, adopt instructions for the CEO's work and monitor the out-come of this work. The Board of Directors receives regular reports from internal and external auditors and from the CEO and CFO.

Reporting to the Board of Directors and Board committees

The Board of Directors receives a monthly financial report, including balance sheet and income statements as well as information on the Company's capital and liquidity situation. Additionally, the CEO, CFO and the risk control, compli-ance and credit risk functions report directly to the Board of Directors at each scheduled Board meeting.

The overarching responsibilities of the Board of Directors cannot be delegated but the Board of Directors is assisted by two committees: The Audit Committee and the Remunera-tion Committee (see below).

Remuneration Committee

The duties of the Remuneration Committee are discharged by the entire Board of Directors. The Remuneration Com-mittee shall meet twice (2) a year and its main role is to sup-port the Board in its work to ensure that risks associated with TF Bank's remuneration system are measured, managed and reported. The Remuneration Committee is also responsible for assisting the Board in setting standards and principles for decisions on remuneration of TF Bank's staff and Executive Management and in ensuring that the remunerations systems are compatible with applicable laws and regulations. The Board of Directors decides on remuneration of the CEO, Deputy CEO, Compliance Officer and Chief Risk Officer following the preparatory work of the Remuneration Com-mittee.

The Remuneration Committee shall prepare a remuneration policy for the Company and present it to the Board of Direc-tors for approval. The Board of Directors must adopt at least once (1) a year a remuneration policy covering all TF Bank staff in accordance with the Swedish Financial Supervisory Authority's regulations on remuneration systems in credit institutions and investment firms. Adoption of the remunera-tion policy is based on an analysis that is performed annually in order to identify employees whose work has had a signifi-cant impact on TF Bank's risk profile.

The remuneration policy stipulates that remuneration and other benefits must be competitive in order to promote TF Bank's long-term interests and to discourage excessive risk-taking. A more detailed description of remuneration paid in 2019 can be found on TF Bank's website: www.tfbankgroup.com.

The Remuneration Committee held two minuted meetings in 2019, which were attended by all Board members.

Audit Committee

The Audit Committee is responsible for the preparation of the Board's work on quality assurance of the Company's financial reporting, internal control and risk management. The Audit Committee carries out the preparatory work by

looking at critical accounting issues and the financial reports submitted by the Company.

In addition, the Audit Committee must meet with the Company's auditor on a regular basis to monitor adherence to accounting policies, obtain information about changes in current regulations as well as information about the focus and scope of the audit, and to discuss coordination of the external and internal audit and the view of the Company's risks. The Audit Committee must also review and monitor the impartiality and independence of the auditor, paying particular attention to whether the auditor provides the Company with services other than audit services.

The Audit Committee must also evaluate the work carried out by the auditor and inform the Company's Nomination Committee of the outcome of the evaluation and assist the Nomination Committee in the preparation of proposals for auditor and setting the fee for the audit work. The Audit Committee shall meet at least four times per financial year and otherwise as required. Minutes must be taken at each meeting and distributed to all Board members.

In connection with the AGM, the Board of Directors appointed the Audit Committee by re-electing Tone Bjørnov and Mari Thjømøe and John Brehmer.

All members of the Audit Committee have been members of the Board.

Board member Tone Bjørnov is Chairman of the Audit Committee.

In 2019, the Audit Committee held seven (7) minuted meetings. Attendance at Committee meetings was as follows:

Board member	Attendance
Tone Bjørnov (Chairman)	7 of 7
Mari Thjømøe	7 of 7
John Brehmer	6 of 7

The CEO, CFO and Head of Group Accounting were present at all meetings and the Bank's principal auditor from PwC also attended several meetings.

Remuneration of Board members

In accordance with the decision taken at the AGM in 2019, the following remuneration was paid to Board members:

- Chairman of the Board SEK 600,000,
- Board members not employed by the bank SEK 300,000
- Chairman of the Audit Committee SEK 100,000, and
- other members of the Audit Committee SEK 50,000.

CEO AND EXECUTIVE MANAGEMENT

The CEO is responsible for the management of the Company in accordance with the Swedish Companies Act and the instructions of the Board of Directors. The CEO is responsible for keeping the Board of Directors informed of the Company's operations and for ensuring that the Board of Directors is provided with as true and accurate information as possible on which to base decisions.

As at 31 December 2019, TF Bank's Executive Management comprised: Mattias Carlsson (CEO) and Mikael Meomuttel (CFO), Espen Johannesen (Head of Consumer Lending), Mikael Johansson (Head of Ecommerce Solutions).

Further information about the Executive Management representatives is available at www.tfbankgroup.com and on page 99.

Remuneration of senior executives

The AGM in 2019 adopted the following guidelines for remuneration of TF Bank's senior executives:

Remuneration and other terms and conditions of employment shall be designed to (i) be compatible with and promote effective risk management and discourage excessive risk-taking and (ii) safeguard access to the senior executives the Bank needs. The guidelines, which apply until the next AGM, must be applied to every remuneration commitment and change in remuneration. The Board of Directors shall make decisions on the terms and conditions of remuneration and may deviate from the guidelines in individual cases if there are special reasons to do so.

Remuneration may consist of these components: fixed remuneration in the form of basic salary, benefits and pension, and variable remuneration. There should be an appropriate balance between fixed and variable remuneration. Every senior executive will receive a basic salary and may be entitled to both the general benefits offered to all employees and special benefits. Pension benefits will generally be paid in accordance with the rules, collective agreements and practice in the country where the senior executive is permanently resident. Pension benefits may be defined benefit pensions according to collective agreements and/or defined contribution pensions and vested once earned. The Board of Directors must set a ceiling for pensionable salary. If the case of termination of employment is by the Bank, salary may be paid for a notice period of 6–12 months. In addition, severance pay may be paid for 6–12 months. The combined amount of fixed salary during notice period and severance payment must not exceed an amount corresponding to fixed salary over two years. Variable remuneration can be paid in the form of shares and there must be limits for the maximum outcome. Payment of variable remuneration must be deferred and be conditional on the criteria on which the

remuneration is based being shown to have been sustainable in the long term and the position of the Group not having deteriorated significantly. If the conditions for payment are not met, remuneration will expire in whole or in part. The essential terms of incentive schemes shall be decided by the Annual General Meeting.

Commission-based compensation for senior executives

In 2019, commission-based compensation amounted to SEK 2,005,000 (374,000). Additional commission-based compensation is paid on the basis of individual attainment of financial targets established for the year. TF Bank has ensured that all targets related to commission-based compensation for the fiscal year can be measured in a reliable way. None of the commission-based compensation payments are qualifying payments for pension purposes.

INTERNAL GOVERNING DOCUMENTS

In addition to laws, ordinances, regulations, etc. TF Bank has a number of internal governing documents relating to daily management. These have been adopted by the Board of Directors, CEO or other managers and include the Articles of Association, the Board of Directors' Rules of Procedure, instructions for the Audit Committee and Remuneration Committee, instructions for the CEO and financial reporting to the Board, insider policy, risk management policy, credit policy, remuneration policy, management of ethical issues and conflicts of interest (code of conduct), outsourcing, business continuity, liquidity management, financial policy, capital policy, governing documents for risk control, compliance and internal audit, handling of complaints and anti-money laundering and terrorist financing policy. All governing documents are available on the intranet.

EXTERNAL AUDITORS

The Company's external auditors are appointed by the Annual General Meeting. It is the responsibility of the external auditors to review the Annual Report and the financial statements, the Board of Directors and the CEO. In 2019, PricewaterhouseCoopers AB was appointed auditor of the Company with Authorised Public Accountant Martin By as auditor-in-charge.

Information about fees and reimbursement of expenses for the auditors is presented in Note 10.

INTERNAL CONTROL AND RISK MANAGEMENT

First line of defence

TF Bank's activities primarily comprise three business units (deposits, loans and ecommerce) and four support functions, Credits, Finance, Operations and IT. Risk management is based on the business and support units and includes all employees. In the first line of defence, managers of units/

functions are responsible for daily risk management and compliance, and for taking appropriate action in the event of unwanted risk exposure or failing compliance within the respective business areas. Reporting lines are to the immediate manager, the Compliance function, the Risk Control function or the CEO.

Second line of defence - Compliance and Risk Control

The independent control functions Compliance and Risk Control examine, evaluate and report to the Executive Management and the Board of Directors regarding risks and compliance. The work of both functions is governed by instructions established by the Board of Directors. The control functions in the second line of defence are responsible for reviewing risk management and compliance in the first line of defence but should also provide support for the latter.

An independent review of compliance with external and internal regulations is carried out by the Compliance function in accordance with applicable laws and regulations in the countries where TF Bank has operations, as well as the Swedish Financial Supervisory Authority's (or equivalent) regulations and general guidelines on governance and control in credit institutions. The Compliance function is subordinate to the CEO and reports directly to the Board of Directors and is regularly reviewed by the internal audit function. TF Bank's Compliance Officer is Niclas Carling. The Compliance function is independent of all business units and support functions.

Independent risk control and monitoring of risk management in TF Bank is carried out by the internal independent Risk Control function in accordance with the Swedish Financial Supervisory Authority's regulations and general guidelines on governance, risk management and control in credit institutions as well as applicable guidelines and recommendations issued by the EBA. The Risk Control function too is subordinate to the CEO and reports directly to the Board of Directors and is regularly reviewed by the internal audit function. Reporting to the Board of Directors covers the Company's capital position, liquidity risk, credit risk, market risk and operational risk, including any incidents.

TF Bank's Chief Risk Officer is Magnus Löfgren. The Risk Control function seeks to ensure that all risks in the business are identified and highlighted. The function's responsibilities include independent monitoring and analysis of how risks at an aggregate level develop over time, and to report on these to the Board of Directors and management. The function's responsibilities also include contributing to the further development of risk management processes, for instance by providing methods for identification, measurement, analysis and reporting of risks. The Risk Control function works independently of all business units and support functions.

Third line of defence - Internal audit

TF Bank's internal audit is an independent audit function, reporting directly to the Board of Directors. The internal audit is primarily responsible for providing the Board of Directors with reliable and objective evaluation of risk management, financial reporting, and control and governance processes in order to reduce the occurrence of risks and improve the control structure. TF Bank's internal audit carried out by KPMG AB and the person principally responsible for the task is Åsa Feivik. The audits are performed according to an audit plan adopted by the Board of Directors.

The internal audit function reviews and assesses whether systems, internal controls and procedures are appropriate and effective and issues recommendations and monitors adherence to the recommendations. In 2019, the audit performed by the internal audit function included procedures for deposit systems, control, measures against money laundering and terrorism financing, financial reporting, as well as the function of compliance and risk control.

The Board of Directors issues and revises all the policies that form the framework for the business at least annually.

INFORMATION IN ACCORDANCE WITH CHAPTER 6, SECTION 2 OF THE ACT (2014:968) ON SPECIAL SUPERVISION OF CREDIT INSTITUTIONS AND INVESTMENT FIRMS AND CHAPTER 8, SECTION 2 OF THE FINANCIAL SUPERVISORY AUTHORITY'S REGULATIONS ON PRUDENTIAL REQUIREMENTS AND CAPITAL BUFFERS (FFFS 2014:12)

TFB Service UAB, TFB Service SIA, TFB Service GmbH and BB Bank ASA are 100% owned by TF Bank. Avarða AB is 100% owned by TF Bank. Avarða Oy is 100% owned by Avarða AB. All companies are wholly owned subsidiaries and as the sole or majority shareholder, TF Bank is able to control the companies by exercising its voting rights at general meetings of shareholders. Through its shareholding, TF Bank is also able to determine the board that is elected at each company's general meeting.

THE BOARD OF DIRECTORS' DESCRIPTION OF INTERNAL CONTROL AND RISK MANAGEMENT RELATING TO FINANCIAL REPORTING

The Board of Directors is responsible for the internal control of both the TF Bank Group and TF Bank AB (publ), according to the Swedish Companies Act and the Swedish Annual Accounts Act.

Internal control relating to financial reporting is a process designed to provide reasonable assurance regarding the reliability of external financial reporting and whether the financial statements are prepared in accordance with generally

accepted accounting principles, applicable laws and regulations and other requirements for companies whose negotiable debt instruments are admitted to trading on a regulated market. The internal regulatory framework of policies, instructions and procedure and process descriptions constitutes the primary tool for safeguarding financial reporting. The effectiveness and practicality of control mechanisms are reviewed on an annual basis by the control functions and internal audit function.

The internal control activities form part of TF Bank's administrative procedures. TF Bank's internal control is based on a control environment that covers values and management culture, followup, a clear and transparent organisational structure, segregation of duties, the duality principle and quality and efficiency of internal communications. The basis for internal control of financial reporting also comprises a control environment covering organisation, decision-making pathways, powers and responsibilities that are documented and communicated in governing documents and job descriptions for control functions.

TF Bank takes a proactive approach to risk management, focusing on ongoing controls and training as well as follow-up. Risk management is an integral part of the business. The control activities include both general and detailed controls intended to prevent and detect errors and discrepancies so that these can be rectified. The control activities are developed and documented at company and departmental level, at an appropriate level based on the risk of errors and the effect of such errors. The manager responsible for each function is the person who in the first instance is responsible for managing the risks associated with the activities and financial reporting processes of their department (so-called "first line of defence").

The procedures and processes relating to financial reporting are also performed by TF Bank's Risk Control function ("second line of defence"). The control consists of an assessment of whether existing procedures and processes are adequate and of spot checks.

Monthly financial reports are submitted to the Board of Directors and the financial position of the Company and the Group is discussed each board meeting. The Board of Directors receives a report from the Risk Control function and the Compliance function before all scheduled meetings.

FURTHER INFORMATION

Further information about corporate governance is available at www.tfbankgroup.com.

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the annual meeting of the shareholders in TF Bank AB (publ), corporate identity number 556158-1041.

Engagement and responsibility

The Board of Directors is responsible for that the corporate governance statement on pages 84-90 has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm 27 March 2020
PricewaterhouseCoopers AB

Martin By
Authorised Public Accountant
Auditor in Charge

Frida Main
Authorised Public Accountant