



INTERIM REPORT

January-June 2020

PERIOD IN BRIEF

JANUARY – JUNE 2020

COMPARED TO JANUARY – JUNE 2019 (unless otherwise stated)

- The loan portfolio has increased by 8 % to SEK 7,047 million since year-end
- Operating profit decreased by 17 % to SEK 113.6 million
- Earnings per share decreased by 17 % to SEK 3.92
- Cost/income ratio is unchanged at 37.8 % (37.8)
- Total capital ratio has increased to 17.5 % (17.4) since year-end
- Return on equity amounted to 25.2 % (34.3)
- Adjusted return on equity amounted to 25.2 % (31.7)

APRIL – JUNE 2020

COMPARED TO APRIL – JUNE 2019 (unless otherwise stated)

- The loan portfolio has increased by 1 % to SEK 7,047 million during the quarter
- Operating profit amounted to SEK 70.4 million (70.6)
- Earnings per share decreased by 2 % to SEK 2.41
- Cost/income ratio increased to 37.9 % (37.6)

SIGNIFICANT EVENTS

JANUARY – JUNE 2020

- Two significant Nordic merchants have signed cooperation agreements during the second quarter. The volume from these partners will gradually increase in the coming quarters.
- As a result of the uncertain macroeconomic situation an additional loan loss provision of SEK 30 million was made at the end of the first quarter of 2020.
- TF Bank has completed mergers of the three wholly owned subsidiaries BB Bank ASA, Avarða AB and Avarða Oy.
- The segment reporting has been expanded to three segments from the first quarter of 2020.

The bank's capital and liquidity position have been strengthened. In times of uncertainty, new opportunities usually arise, and in the coming six months of 2020 our ambition is to increase our market shares.

LOAN PORTFOLIO

30 JUNE 2020 COMPARED TO 31 DECEMBER 2019

SEK **7.0** BILLION **+8 %**

OPERATING PROFIT

JAN-JUN 2020 COMPARED TO JAN-JUN 2019

SEK **114** MILLION **-17 %**

TOTAL CAPITAL RATIO

30 JUNE 2020 COMPARED TO 31 DECEMBER 2019

17.5 % **+0.1** PERCENTAGE POINTS

RETURN ON EQUITY ¹

JAN-JUN 2020 COMPARED TO JAN-JUN 2019

25.2 % **-6.5** 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 45.

THE GROUP

TF Bank was founded 1987 and is an internet-based niche bank offering consumer banking services and e-commerce solutions through a proprietary IT platform with a high degree of automation. Deposit and lending activities are conducted in Sweden, Finland, Norway, Denmark, Estonia, Latvia, Lithuania, Poland, Germany and Austria through branch or cross-border banking. TF Bank is listed at Nasdaq Stockholm. From 2020 the operations are divided into three segments: Consumer Lending, Ecommerce Solutions and Credit Cards.

In the Consumer Lending segment, TF Bank offers unsecured consumer loans to creditworthy individuals. The product offering can differ between the various markets and is adjusted according to the specific conditions in each country. In the Ecommerce Solutions segment, TF Bank offers digital payment solutions, primarily to online retailers. Customers are mainly the end-consumers who use the bank's payment solutions. In the Credit Cards segment TF Bank offers Credit Cards to creditworthy individuals in Norway and Germany.



CEO'S COMMENTS

In the second quarter, the humanitarian consequences of Covid-19 have become increasingly evident in Europe. At the same time, the economic effects of the virus out-break are still difficult to overlook. We have therefore chosen a restrictive approach for the new lending within Consumer Lending over most of the quarter, which has strengthened the bank's capital and liquidity. The growth in the Ecommerce Solutions and Credit Cards segments has been strong during the quarter.

The Corona virus' effects on TF Bank

Three months ago, the uncertainty related to the new corona virus dominated. Today, we know more about the virus and in most countries where TF Bank operates, the spread was significantly limited. Our employees in Europe have gradually returned to their ordinary workplaces at the bank's offices. However, the virus continues to spread rapidly in other parts of the world, which makes the uncertainties around the global economic effects profoundly significant. The enormous stimulus that have been presented by governments and central banks across the world adds liquidity, but many companies will also need new equity in order to survive. TF Bank's customers are mainly private individuals and the corporate exposures only accounts for 0.2 % of the loan portfolio. We believe we are well prepared to handle the economic effects caused by Covid-19.

The development of the loan portfolio in the quarter

The new lending within our largest segment, Consumer Lending, has decreased during the second quarter. The decrease commenced in March when we decided on a more restrictive approach in our credit decisions, meanwhile demand also decreased. By the end of May, the previously introduced restrictions in Norway and Finland were eased, which had the effect that the segment's loan portfolio again showed growth in June. Within Ecommerce Solutions, we see indications that the Corona virus accelerates the consumer shift from brick and mortar stores to e-commerce. The segment's loan portfolio has seen a strong growth in the quarter, especially through current retailers in Finland and Estonia. The initiatives in the Credit Cards segment are developing according to plan and we continue to take market shares in Germany. The number of German credit cards amounted to approximately 32,000 by the end of June – an increase by 6,000 cards in the second quarter.

Growth within Ecommerce Solutions

Covid-19 has had a significant impact on e-commerce and the consumers' behaviour. We notice that the pandemic will accelerate the digital transformation through an increased consumption through digital channels, while at the same time new customer groups discover the advantages of e-commerce. In the initial phase of the pandemic, sectors have been affected in various directions within the e-commerce industry. Our retail partners within fashion experienced decreased revenues, while partners within outdoor, construction, interior design and gardening have been positively affected in the quarter. In June, we noticed a recovery within retail. The transaction volumes have grown significantly within the segment during the quarter, which, to most part, can be explained by the fact that several retail partners have been implemented in the previous quarters and the conversion from traditional retail to e-commerce has also created favourable conditions. Collaborations with brands such as Däck365, Finnish Design Shop, Preeco, Masku, Askö and Beijer Bygg have all created a solid platform for continued growth in the segment. Two significant Nordic merchants have also signed cooperation agreements during the second quarter. The volume from these partners will gradually increase in the coming quarters.

Outlook for the coming six-month period of 2020

Previous months have been characterised by uncertainty and with a more restrictive new lending within Consumer Lending the bank's capital and liquidity position have been strengthened. The CET1 capital ratio increased by 0,5 percentage points to 13.0 % in the second quarter and the liquidity reserve has increased by SEK 100 million to 1.9 billion. In times of uncertainty, new opportunities usually arise, and in the coming six months of 2020 our ambition is to increase our market shares. Our objective is continued growth within Ecommerce Solutions and Credit Cards. Within Consumer Lending, Nordic growth will be prioritized. The loan loss provision for future credit losses of SEK 30 million that was made by the end of the first quarter following the uncertain macroeconomic situation, is left unchanged. We still see no significant changes in the payment patterns of our customers, but are well aware of the fact that the period from notice and unemployment to payment problems are more extensive than a quarter. However, we see indications that the prices for past due loans have decreased, which will affect Consumer Lending in the second half of the year.



Mattias Carlsson
President and CEO

KEY FIGURES, CONSOLIDATED

KEY FIGURES, CONSOLIDATED

SEK thousand	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Income statement					
Operating income	210,315	188,827	423,636	364,796	768,864
Operating expenses	-79,752	-70,957	-160,223	-137,765	-290,875
Loan losses	-60,127	-47,287	-149,823	-90,823	-188,634
Operating profit	70,436	70,583	113,590	136,208	289,355
Net profit	53,543	54,565	87,756	105,079	221,926
Earnings per share, SEK	2.41	2.45	3.92	4.73	10.01
Balance sheet					
Loans to the public	7,046,747	5,625,145	7,046,747	5,625,145	6,495,780
Deposits from the public	7,794,006	6,215,603	7,794,006	6,215,603	7,197,075
New lending	1,480,982	1,473,405	3,234,446	2,891,576	6,037,302
Key figures					
Operating income margin, %	12.8	15.0	12.8	15.0	13.7
Net loan loss ratio, %	3.8	3.6	3.8	3.6	3.4
Cost/Income ratio, %	37.9	37.6	37.8	37.8	37.8
Return on equity, %	25.2	34.3	25.2	34.3	30.6
Adjusted return on equity, % ¹	25.2	31.7	25.2	31.7	30.6
Return on loans to the public, %	3.1	4.5	3.1	4.5	3.8
Adjusted return on loans to the public, % ¹	3.1	4.2	3.1	4.2	3.8
CET1 capital ratio, %	13.0	11.9	13.0	11.9	12.7
Tier 1 capital ratio, %	14.5	13.8	14.5	13.8	14.3
Total capital ratio, %	17.5	15.7	17.5	15.7	17.4
Employees (FTE)	204	170	200	164	174

CURRENCY RATES

SEK	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
EUR Income statement (average)	10.65	10.62	10.66	10.52	10.59
EUR Balance sheet (end of reporting period)	10.48	10.56	10.48	10.56	10.43
NOK Income statement (average)	0.97	1.09	0.99	1.08	1.07
NOK Balance sheet (end of reporting period)	0.96	1.09	0.96	1.09	1.06
PLN Income statement (average)	2.37	2.48	2.42	2.45	2.46
PLN Balance sheet (end of reporting period)	2.35	2.48	2.35	2.48	2.44

¹ Items affecting comparability in 2018 were attributable to reclassification of customer balances with inactive status that have arisen before 2018.

See separate section with definitions, page 45.

RESULTS AND FINANCIAL POSITION

JANUARY - JUNE 2020

COMPARED TO JANUARY - JUNE 2019

Operating profit

Operating profit decreased by 17 % to SEK 113.6 million (136.2). This period's result is impacted by an additional loan loss provision of SEK 30 million, as well as the credit card initiative in Germany. Earnings per share decreased by 17 % to SEK 3.92 (4.73) and the adjusted return on equity amounted to 25.2 % (31.7).

Operating income

TF Bank's operating income has increased by 16 % to SEK 423.6 million (364.8). The past year's growth in the loan portfolio had a positive impact on net interest income in all segments. However, the operating income margin has decreased to 12.8 % (15.0), mainly because the interest rate levels on new lending within the Consumer Lending segment are lower than the average interest rate level of the loan portfolio.

Interest income

Interest income increased by 16 % to SEK 446.2 million (384.1). The growth in consumer loans in Norway as well as higher volumes within the Ecommerce Solutions and Credit Cards segments contribute to the increase in interest income. Currency effects related to the weakened NOK however affect the income negatively compared to the first half of 2019.

Interest expense

TF Bank's interest expenses increased by 28 % to SEK 63.5 million (49.7). Higher deposit volumes in Norway and Germany as well as interest rate hikes in Norway during 2019 contribute to the increase. Decreased interest rates by the central banks in Norway and Poland during the first half of 2020 have had a positive effect on the interest expense during the end of the interim period.

Net fee and commission income

Net fee and commission income increased by 34 % to SEK 40.5 million (30.2). The increase is driven by increasing commission income within Ecommerce Solutions as well as the Group's lending growth over the last two years. During the first half of 2020, 54 % of TF Bank's net fee and commission income derives from charges and 46 % from insurance premiums and other income.

Operating expenses

TF Bank's operating expenses have increased by 16 % to SEK 160.2 million (137.8). The increase is affected by, among other things, higher volumes within the Credit Cards segment. The Group's average number of full-time employees during the first half of the year amounted to 200 (164). The C/I ratio is unchanged at 37.8 % (37.8). The C/I ratio decreased for Consumer Lending and Ecommerce Solutions, but increased for Credit Cards.

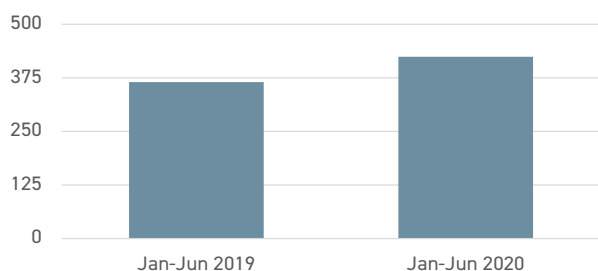
Net loan losses

Net loan losses increased by 65 % to SEK 149.8 million (90.8). This year's net loan losses include an additional loan loss provision of SEK 30 million related to expected credit losses as a result of the uncertain macroeconomic situation. Provisions for expected credit losses in the Credit Cards segment also affect the comparison with the first half of 2019. Excluding the extra provision of SEK 30 million and loan losses within Credit Cards, the net loan losses increased by 12 %.

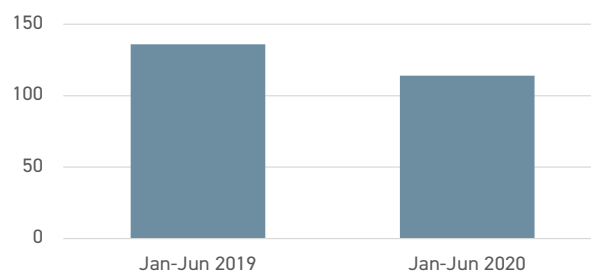
Tax expense

TF Bank's tax expense amounted to SEK 25.8 million (31.1). The average tax rate decreased to 22.7 % (22.9) during the first half of the year. The tax rate is among other things positively affected by the merger of the Norwegian subsidiary BB Bank ASA with TF Bank AB in the beginning of 2020.

OPERATING INCOME (SEK million)



OPERATING PROFIT (SEK million)



RESULTS AND FINANCIAL POSITION

JANUARY - JUNE 2020

COMPARED TO 31 DECEMBER 2019 (unless otherwise stated)

Loans to the public

Loans to the public have increased by 8 % to SEK 7,047 million (6,496) since the start of the year. Currency effects have affected growth negatively by 4 %. TF Bank's new lending increased to SEK 3,234 million (2,892) compared to the first half of 2019.

During the first half of the year, the loan portfolio's growth in local currencies has mainly been driven by consumer loans in Norway, as well as higher volumes within the Ecommerce Solutions and Credit Cards segments. Negative currency effects are however affecting the Norwegian loan balances converted to SEK. Since the end of the first quarter and onwards, new lending within Consumer Lending has been affected by Covid-19.

Deposits from the public

Deposits from the public have increased by 8 % to SEK 7,794 million (7,197) since the start of the year. Currency effects have affected deposit balances negatively by 3 %.

Deposit balances in local currencies have increased in Germany and Norway during the first half of the year. In Norway, a fixed term account was launched during the fourth quarter of 2019, which has generated significant deposits and improved the matching of terms between assets and liabilities. In Germany, the net inflow has mostly been related to accounts with a fixed term of two years.

Investments

TF Bank's investments amounted to SEK 12.9 million compared to SEK 17.1 million in the first half of 2019. The investments relate to product development within primarily the Consumer Lending and Ecommerce Solutions segments. Depreciation and amortisation on fixed assets increased to SEK 11.7 million (8.5).

Cash and cash equivalents

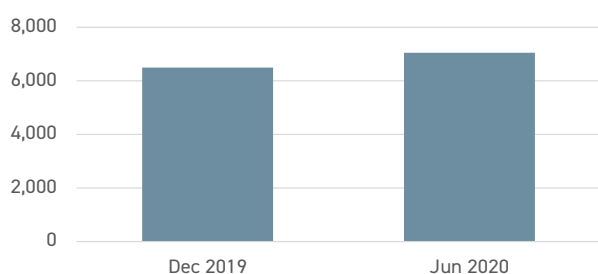
Cash and cash equivalents increased by SEK 116 million to SEK 1,929 million (1,813) during the first half of the year. TF Bank's liquidity reserve amounted to 25 % (26) of deposits from the public at the end of the second quarter. Of the liquidity reserve, 63 % is placed at central banks as well as in Swedish treasury bills, while the remaining part is placed in overnight accounts in various Nordic banks.

Capital adequacy

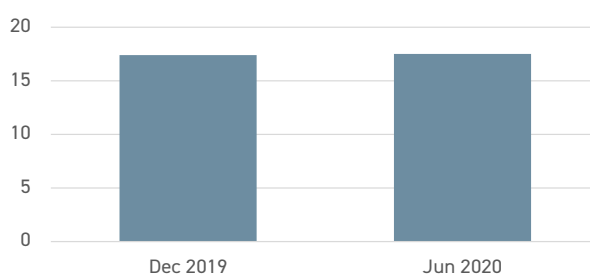
At the end of the second quarter, TF Bank's total capital ratio was 17.5 % (17.4), the tier 1 capital ratio was 14.5 % (14.3) and the CET1 capital ratio was 13.0 % (12.7). The increase is attributable to the bank's net profit during the interim period. At the same time, growth in the loan portfolio during the first half of the year has implied an increased capital requirement, and the capital ratios have also been negatively affected by an increased phase-in of loan loss provisions according to the transitional rules.

In March, the regulatory authorities in Sweden and Norway announced that the countercyclical buffer requirement was decreased with immediate effect. In Sweden, the requirement was decreased from 2.5 % to 0 %, while the Norwegian requirement was decreased from 2.5 % to 1.0 %. At the end of the second quarter, TF Bank's total capital requirement amounted to 11.8 %, the tier 1 capital requirement to 9.6 % and the CET1 capital requirement to 8.0 %.

LOANS TO THE PUBLIC (SEK million)



TOTAL CAPITAL RATIO (%)



RESULTS AND FINANCIAL POSITION

APRIL - JUNE 2020

COMPARED TO APRIL - JUNE 2019 (unless otherwise stated)

Operating profit

Operating profit amounted to SEK 70.4 million (70.6). Segment Credit Cards lowers the result for the Group by SEK -9.0 million (-1.0) related to the credit cards initiative in Germany. Earnings per share for the quarter decreased by 2 % to SEK 2.41 (2.45).

Operating income

The Group's operating income has increased by 11 % to SEK 210.3 million (188.8). The increase is mainly attributable to higher interest income related to the loan portfolio growth as well as increasing commission income within Ecommerce Solutions. Currency effects related to the weakening of the NOK affects the income negatively during the second quarter.

Operating expenses

The Group's operating expenses have increased by 12 % to SEK 79.8 million (71.0). Increasing volumes within the Credit Cards segment as well as more employees in the Group contribute to the increase. The average number of full-time employees amounted to 204 (170) during the second quarter. The Group's C/I ratio has increased to 37.9 % (37.6), mainly related to the credit cards initiative in Germany.

Net loan losses

Net loan losses increased by 27 % to SEK 60.1 million (47.3). The Group's lending growth during the past two years contribute to larger net loan losses in absolute terms. The increase is also affected by higher provisions for expected credit losses in Ecommerce Solutions as well as Credit Cards. Net loan losses within Consumer Lending increased by 6 % compared to the second quarter 2019. Covid-19 has not affected the loan losses for the quarter.

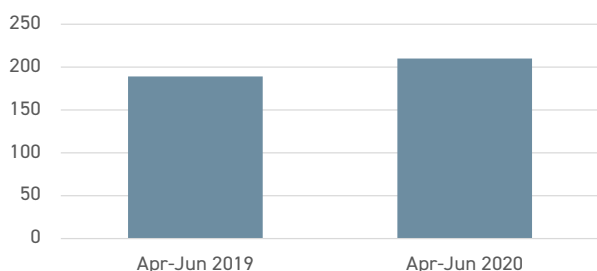
Tax expense

The Group's tax expense increased to SEK 16.9 million (16.0). The average tax rate amounted to 24.0 % (22.7) during the second quarter.

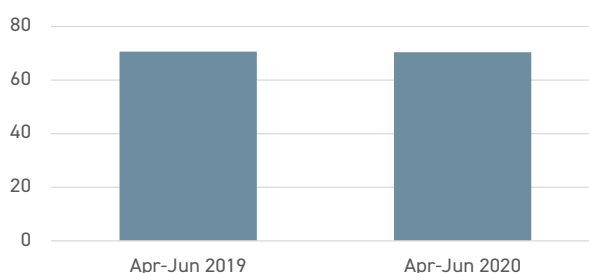
Loans to the public

Loans to the public have increased by 1 % to SEK 7,047 million (6,990) during the second quarter. Currency effects have affected growth negatively by 3 %. TF Bank's new lending increased to SEK 1,481 million (1,473) compared to the second quarter of 2019.

OPERATING INCOME (SEK million)



OPERATING PROFIT (SEK million)



CONSUMER LENDING

JANUARY - JUNE 2020

COMPARED TO JANUARY - JUNE 2019 (unless otherwise stated)

Overview

In the Consumer Lending segment, TF Bank offers unsecured consumer loans to creditworthy individuals. The product offering can differ between the various markets and is adjusted according to the specific conditions in each country. As of 30 June 2020, the average loan amount per customer was approximately SEK 56 thousand.

The Nordic consumer loan portfolio represents 73 % 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 a well-functioning system for collection of unpaid debts. The average loan amount is slightly higher in Norway and Finland.

The Baltic and Polish consumer loan portfolio represents 27 % of the segment. Estonia is the country in the Baltics most similar to the Nordic markets, with high internet usage and easy access to public data. Latvia and Lithuania are fast-growing credit markets with several established Nordic players operating locally. In the Polish market, TF Bank uses various loan intermediators to generate new loans.

The loan portfolio

Loans to the public have increased by 6 % to SEK 5,440 million (5,145) since the start of the year. Currency effects have affected growth negatively by 5 %. The segment's new lending decreased to SEK 1,862 million (1,894). From the end of the first quarter and onwards, Covid-19 has affected the new lending.

The underlying loan portfolio ¹ in Norway has increased by 18 % to NOK 2,063 million (1,751) since the start of the year. The growth has been driven by strong volumes during the beginning of the year as well as at the end of the interim period. The loan portfolio in Finland increased by 7 % to EUR 124 million (116) and follows the same trend as in Norway. The Swedish loan portfolio has decreased by 6 % to SEK 431 million (456).

The underlying loan portfolio ¹ in the Baltics has increased by 5 % to EUR 125 million (119) since the start of the year. The new lending has been significantly lower during the second quarter. During the first half of the year, the portfolio in Latvia has increased by 12 % to EUR 55.2 million (49.4). In Estonia, the loan balance has decreased by 4 % to EUR 60.7 million (63.4). The loan portfolio in Lithuania has increased by EUR 2.7 million to EUR 9.3 million during 2020. The consumer loans in Poland amounted to PLN 98.6 million (96.1) at the end of the interim period.

Results

The operating profit for the segment decreased by 1 % to SEK 116.4 million (117.0). This period's result is impacted by an additional loan loss provision of SEK 30 million as a result of the uncertain macroeconomic situation and the provisioning requirements in IFRS 9.

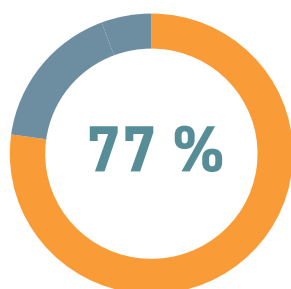
The operating income increased by 13 % to SEK 316.4 million (279.6). The increase is primarily related to the past year's growth in the Norwegian and Baltic loan portfolios. The operating income margin has decreased to 12.3 % (14.5) as a result of the interest rate levels of the new lending being lower than the portfolio's average interest rate level.

The operating expenses for the segment have increased by 3 % to SEK 86.7 million (84.5). The increase is among other things affected by the growth in the Norwegian market. Lower expenses related to marketing in the Baltics has affected the second quarter. The segment's C/I ratio has decreased to 27.4 % (30.2).

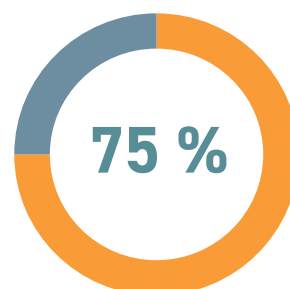
Net loan losses increased by 45 % to SEK 113.4 million (78.0). At the end of the first quarter, an additional loan loss provision of SEK 30 million was made related to expected credit losses as a result of the uncertain macroeconomic situation. Excluding this item, the segment's net loan losses increased by 7 % compared to the first half of 2019.

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 INCOME



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

ECOMMERCE SOLUTIONS

JANUARY - JUNE 2020

COMPARED TO JANUARY - JUNE 2019 (unless otherwise stated)

Overview

In the Ecommerce Solutions segment, TF Bank offers digital payment solutions primarily within e-commerce to credit-worthy individuals. The customers are mainly end-consumers who use the bank's payment solutions when they make purchases. The digital payment solutions are available in the Nordic region under the Avarda brand, and also in the Baltics and in Poland under the TF Bank brand.

Through the product Checkout+, the Avarda brand has over the past year experienced a commercial breakthrough in the Nordic markets. The market position has been strengthened with implementations of retailers such as Bubbleroom and Däck365 in the last quarter of 2019, followed by several new agreements with Nordic retailers such as Asko and Beijer Bygg during the first half of 2020. In the Baltics, TF Bank has continued to take market shares through the partnership with Estonia's leading online retailer Hansapost. We continue to optimise the offering within the segment to reach our objective to be the retailers' best friend.

Loan portfolio

Loans to the public have increased by 14 % to SEK 1,204 million (1,058) since the start of the year. Currency effects have affected growth negatively by 1 %. The segment's new lending amounted to SEK 1,050 million (864). So far, the impact from Covid-19 has been limited and there are indications that the spread of the coronavirus is accelerating the consumer shift from brick and mortar retailers to e-commerce.

The underlying Nordic loan portfolio ¹ amounts to SEK 776 million (685) and constitutes 66 % of the segment. In Finland, the portfolio has increased by 24 % to EUR 45.5 million (36.8) during the first half of the year. The increase is explained by a continued general growth in e-commerce while several new retailers also have been implemented.

The Swedish portfolio has increased by 2 % to SEK 227 million (223) during the first half of the year. In Norway and Denmark, the loan balances amounted to NOK 37.8 million (35.8) and DKK 25.7 million (28.8) respectively.

The underlying loan portfolio ¹ in Estonia has increased by 35 % to EUR 14.1 million (10.5). The increase is related to growth for existing retailers, but also a continued strong inflow of new partners. In Poland, the loan portfolio has increased by 9 % to PLN 108 million (99.0). By continuing to be flexible in the product marketing offering, we take market shares in the Polish market.

Results

The operating profit for the segment decreased by 21 % to SEK 15.9 million (20.2). The decline is related to higher loan losses due to positive one-time effects in the comparison period.

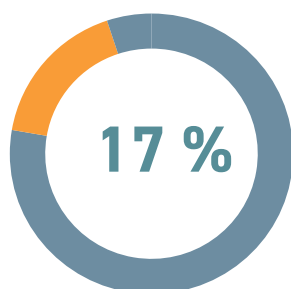
The operating income increased by 17 % to SEK 85.7 million (73.5). The increase is mainly attributable to higher volumes in several geographic markets compared to the first half of 2019. The operating income margin has however decreased to 14.8 % (17.5).

The operating expenses for the segment have increased by 12 % to SEK 51.2 million (45.5). The increase is partly explained by higher staff costs related to more employees, and partly by higher increased sales-related costs following larger volumes within the segment. The C/I ratio has decreased to 59.7 % (62.0), underlining the economies of scale in the segment's business model.

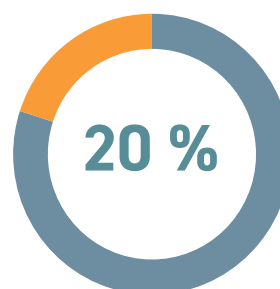
Net loan losses have increased to SEK 18.6 million (7.8). The main reason for the increase is that the loan losses in the comparison period were positively affected by one-time effects related to new agreements for continuing sales of past due loans. The loan loss ratio amounted to 3.0 % (2.8) by the end of the second quarter. Covid-19 has not affected the loan losses during the period.

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 INCOME



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

CREDIT CARDS

JANUARY - JUNE 2020

COMPARED TO JANUARY - JUNE 2019 (unless otherwise stated)

Overview

In the Credit Cards segment, TF Bank offers credit cards to creditworthy individuals in Norway and Germany. The offering in Norway has been part of the bank since the acquisition of the subsidiary BB Bank in July 2015. Since the start of 2020, the business is organised under TF Bank's Norwegian branch. Two credit card products are currently offered to the Norwegian market, Visa and Visa Gold. The individual exposure per card is around NOK 15,000. By the end of the second quarter 2020, approximately 19,000 Norwegian credit cards had been issued.

In the end of 2018, TF Bank initiated a credit card business in Germany. The operations are conducted in-house and since July 2019, a manager with responsibility to build the local organisation focused around marketing and customer service is active in Berlin. Services like risk analysis, finance and IT are provided by central functions within the bank. The product that is marketed in Germany is a Mastercard Gold, and the individual exposure is around EUR 1,400. At the end of the second quarter 2020, approximately 32,000 German credit cards had been issued.

The loan portfolio

Loans to the public have increased by 38 % to SEK 403 million (293) since the start of the year. Currency effects negatively affected growth by 5 %. The segment's new lending amounted to SEK 323 million (134).

The underlying credit card portfolio ¹ in Germany has increased by EUR 9.3 million to EUR 20.3 million since the start of the year. The increase is related to an increased utilisation of the high number of cards that were issued during the fourth quarter of 2019, as well as new marketing campaigns during 2020. The lockdown of the German society due to Covid-19 affected the volumes negatively during the month of April.

The underlying credit card portfolio ¹ in Norway has increased by 1 % to NOK 155 million (154) since the start of the year. The moderate growth during the first half of the year is mainly due to relatively limited marketing activities in the fourth quarter of 2019, as well as negative impact from Covid-19.

Results

The operating result for the segment amounted to SEK -18.7 million (-1.0). The result in the first half of 2020 is affected by the German credit card initiative as costs related to sales as well as provisions for expected credit losses constitute a significant part of the interest income.

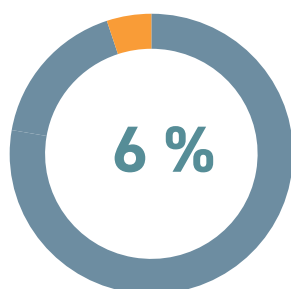
The operating income increased by 84 % to SEK 21.5 million (11.7). The increase is attributable to the expanding credit card business in Germany. The operating income margin amounted to 13.5 % (13.1) and was affected by the fact that new customers in Germany mainly are generated through loan intermediators.

The operating expenses for the segment amounted to SEK 22.4 million (7.7). Higher volumes as well as the establishment of a local organisation in Berlin affects the costs during 2020. The C/I ratio amounted to 104.0 % (65.7). Increasing interest income in Germany is expected to generate a lower C/I ratio over time.

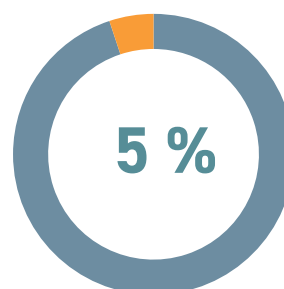
Net loan losses amounted to SEK 17.9 million (5.0). Provisions for expected credit losses in Germany in accordance with applicable accounting standards affects the comparison with the first half of 2019. However, the initial cash flow from loans that are past due over 90 days indicates that the current provisioning ratio for German credit cards is somewhat conservative. Covid-19 has not affected the loan losses during the period.

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 INCOME



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

SIGNIFICANT EVENTS

Significant events, January - June 2020

During January TF Bank has simplified the legal structure of the group by completion of the mergers of the three wholly owned subsidiaries BB Bank ASA, Avarda AB and Avarda Oy.

TF Bank has decided to expand the segment reporting to three segments as from the first quarter 2020. Ecommerce Solutions is split into two business segments, Ecommerce Solutions and Credit Cards.

Due to the communicated urge from Swedish FSA regarding dividends, the Board of Directors of TF Bank has, in connection with the presentation of the Annual report for 2019, decided to withdraw the dividend proposal of SEK 0.50 per share which was presented in the year-end report for 2019.

The countercyclical buffer requirements in Sweden and Norway have been decreased. Following the changes, TF Bank's total capital requirement amounts to 11.8 %.

As a result of the uncertain macroeconomic situation an additional loan loss provision of SEK 30 million was made at the end of the first quarter of 2020. The financial target of an EPS of at least SEK 14.50 in 2020 was also abandoned in connection with the announcement.

At the Annual General Meeting 7 May 2020, it was resolved that the disposal should be balanced into new accounts. John Brehmer was elected as a Chairman of the Board and Sara Mindus was new elected as member of the Board. CEO Mattias Carlsson was dismissed from the board of directors and the other members of the Board were re-elected at the Meeting.

The Board of Directors of TF Bank decided to submit an offer to the holders of warrants to repurchase their warrants. The offer included all outstanding warrants and meant that the holders were offered to sell their warrants to TF Bank at a price corresponding to the market value. The offer was utilized for all warrants.

Two significant Nordic merchants have signed cooperation agreements during the second quarter. The volume from these partners will gradually increase in the coming quarters.



OTHER FINANCIAL INFORMATION

The share

TF Bank was listed on the Nasdaq Stockholm's Mid Cap list on 14 June 2016. The share trades under the ticker name TFBANK and the ISIN code is SE0007331608.

At the end of June 2020, the share closed at SEK 82.40, a decrease of 29 % since year-end 2019. In total, 3.1 million shares worth approximately SEK 277 million were traded on Nasdaq Stockholm during the first half of 2020.

Institutions following TF Bank

ABG Sundal Collier, Carnegie and Pareto Securities are following the company. At the end of the second quarter 2020, two institutions had issued a buy recommendation for the TF Bank share and one institution a recommendation to hold the share.

Financial targets

The Board of Directors of TF Bank intends to establish new financial targets once the macroeconomic outlook has stabilised. Currently, TF Bank has the following targets:

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.

Covid-19

The uncertainty related to the spread of Covid-19 remains high and it is currently difficult to assess what impact the virus will have on TF Bank's operations in the future.

The safety of the bank's staff and the maintenance of well-functioning functions with external stakeholders is a priority. Since the start of the pandemic, management has had a close dialogue with the respective country managers to be informed of the situation locally in the countries where TF Bank conducts operations. No significant disruptions occurred in the bank's operations during the second quarter.

Due to the uncertainty prevailing as a result of Covid-19, management has chosen to be more restrictive with new lending within Consumer Lending. During the second quarter of 2020, the segment's new lending decreased by 36 % compared with the first quarter of 2020. The decline has been most distinct in the Baltic countries. Responsible granting of credit in times of uncertainty is beneficial both to our customers, society in general and us as lenders. Therefore, when repayment ability is generally deemed to be worse, it is natural to be more selective in new lending.

On April 5, TF Bank announced that as a result of the uncertain macroeconomic situation an additional loan loss provision of SEK 30 million was made at the end of the first quarter of 2020. Incoming data regarding payment patterns with the bank's customers show no significant changes that can be attributed to the macroeconomic development. However, the assessment is that both Probability of Default (PD) and Loss Given Default (LGD) will be adversely affected as from the second half of 2020. Our best estimate today is that the provision of SEK 30 million is sufficient to meet increased future credit losses related to a deterioration in macroeconomic development due to Covid-19.

ACCOUNTING POLICIES

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).

The accounting policies, computation methods and presentation used for the Group and Parent company are essentially unchanged from the 2019 Annual Report. The interim information on pages 4-44 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 2019.

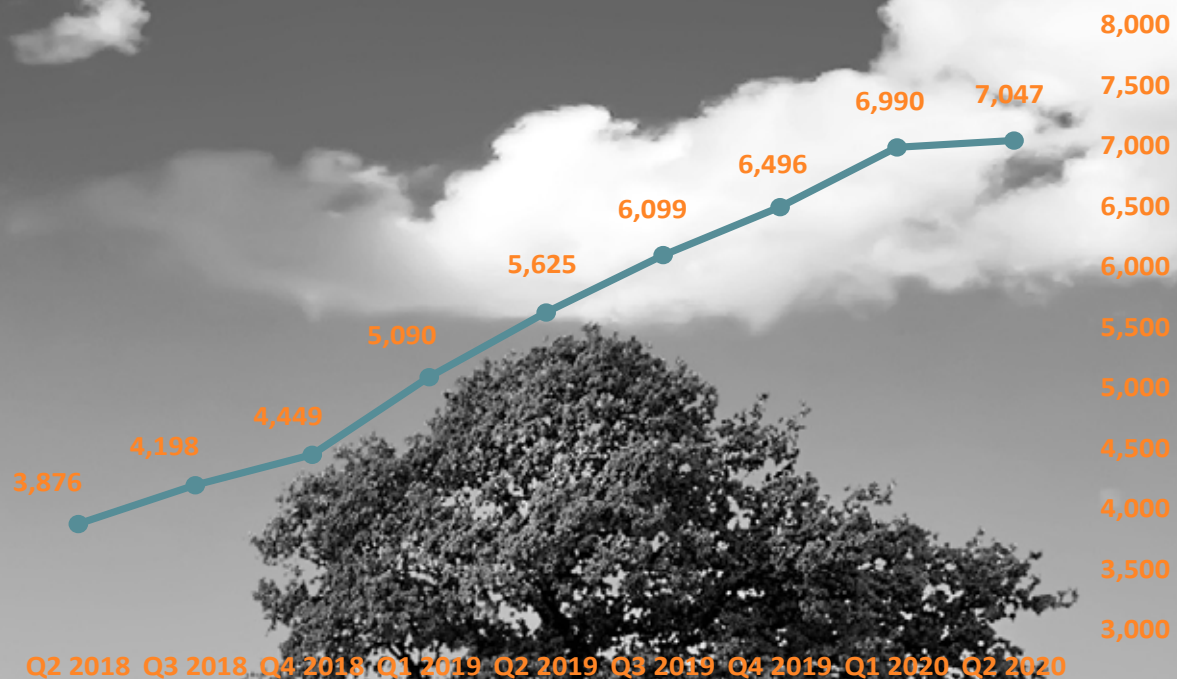
Parent company

TF Bank AB, corporate identity number 556158-1041, is a bank domiciled 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.

During January 2020, the three wholly owned subsidiaries BB Bank ASA, Avarða AB and Avarða Oy were merged with the Parent company TF Bank AB. Following the mergers, all operations subject to a banking license are conducted in the Parent company. In comparison with 2019, the changes in the legal group structure have a significant impact on the Parent company's income statement, statement of financial position and capital adequacy.

The Parent company's income statement, statement of financial position and capital adequacy are presented on pages 37-42. Comments on TF Bank's results and financial position for the interim period January - June 2020 can be found on page 6-8. The comments are presented in comparison with the Group's figures for 2019.

LOAN PORTFOLIO PERFORMANCE IN 2018-2020 (SEK MILLION)



INCOME STATEMENT, CONSOLIDATED

SEK thousand	Note	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
	3					
Operating income						
Interest income		220,534	199,400	446,209	384,098	813,117
Interest expense		-31,740	-26,353	-63,493	-49,656	-106,133
Net interest income		188,794	173,047	382,716	334,442	706,984
Fee and commission income		25,550	18,206	48,352	35,534	72,561
Fee and commission expense		-4,365	-2,130	-7,852	-5,366	-10,493
Net fee and commission income		21,185	16,076	40,500	30,168	62,068
Net results from financial transactions		336	-296	420	186	-188
Total operating income		210,315	188,827	423,636	364,796	768,864
Operating expenses						
General administrative expenses		-71,081	-61,379	-141,294	-120,980	-254,864
Depreciation and amortisation of tangible and intangible assets		-6,188	-4,349	-11,712	-8,454	-18,128
Other operating expenses		-2,483	-5,229	-7,217	-8,331	-17,883
Total operating expenses		-79,752	-70,957	-160,223	-137,765	-290,875
Profit before loan losses		130,563	117,870	263,413	227,031	477,989
Net loan losses	2	-60,127	-47,287	-149,823	-90,823	-188,634
Operating profit		70,436	70,583	113,590	136,208	289,355
Income tax expense		-16,893	-16,018	-25,834	-31,129	-67,429
Net profit for the period		53,543	54,565	87,756	105,079	221,926
<i>Attributable to:</i>						
Shareholders of the Parent Company		51,884	52,706	84,273	101,749	215,160
Additional tier 1 capital holders		1,659	1,859	3,483	3,330	6,766
<i>Basic earnings per share (SEK)</i>		<i>2.41</i>	<i>2.45</i>	<i>3.92</i>	<i>4.73</i>	<i>10.01</i>
<i>Diluted earnings per share (SEK)</i>		<i>2.41</i>	<i>2.45</i>	<i>3.92</i>	<i>4.73</i>	<i>10.01</i>

STATEMENT OF COMPREHENSIVE INCOME, CONSOLIDATED

SEK thousand	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Net profit for the period	53,543	54,565	87,756	105,079	221,926
Other comprehensive income					
Items that may subsequently be reclassified to the income statement					
Gross exchange rate differences	-28	823	0	1,021	1,174
Tax on exchange rate differences in the period	-	1,106	-	4,421	1,668
Other comprehensive income, net of tax	-28	1,929	0	5,442	2,842
Total comprehensive income for the period	53,515	56,494	87,756	110,521	224,768
<i>Attributable to:</i>					
<i>Shareholders of the Parent Company</i>	<i>51,856</i>	<i>54,635</i>	<i>84,273</i>	<i>107,191</i>	<i>218,002</i>
<i>Additional tier 1 capital holders</i>	<i>1,659</i>	<i>1,859</i>	<i>3,483</i>	<i>3,330</i>	<i>6,766</i>

STATEMENT OF FINANCIAL POSITION, CONSOLIDATED

SEK thousand	Note	30 Jun 2020	31 Dec 2019
	2, 4, 5		
ASSETS			
Cash and balances with central banks		1,141,693	390,332
Treasury bills eligible for refinancing		80,029	60,051
Loans to credit institutions		706,900	1,362,459
Loans to the public	6	7,046,747	6,495,780
Shares		20,160	22,061
Goodwill		12,753	12,753
Intangible assets		60,537	56,163
Tangible assets		17,858	21,022
Other assets		23,282	18,998
Current tax assets		29,076	10,528
Deferred tax assets		1,229	2,943
Prepaid expenses and accrued income		14,790	15,158
TOTAL ASSETS		9,155,054	8,468,248
LIABILITIES AND EQUITY			
Liabilities			
Deposits and borrowings from the public	7	7,794,006	7,197,075
Other liabilities		64,782	75,440
Current tax liabilities		24,964	25,442
Deferred tax liabilities		3,596	143
Accrued expenses and prepaid income		97,944	77,497
Subordinated liabilities		198,138	197,583
Total liabilities		8,183,430	7,573,180
Equity			
Share capital		107,500	107,500
Other contributed capital		-	2,786
Net investment hedges		-2,161	-2,161
Foreign currency reserve		5,464	5,464
Retained earnings and net profit for the period		760,821	681,479
Total equity attributable to the shareholders of the Parent Company		871,624	795,068
Tier 1 capital instrument		100,000	100,000
Total equity attributable to the owners of the Parent Company		971,624	895,068
TOTAL LIABILITIES AND EQUITY		9,155,054	8,468,248

STATEMENT OF CHANGES IN EQUITY, CONSOLIDATED

SEK thousand	Share capital ¹	Other contributed capital	Net investment hedges	Foreign currency reserve	Retained earnings and net profit for the period	Tier 1 capital instrument	Total equity
Equity as at 1 Jan 2019	107,500	3,536	2,781	-2,320	515,151	100,000	726,648
Net profit for the period	-	-	-	-	221,926	-	221,926
Gross exchange rate differences	-	-	-6,610	7,784	-	-	1,174
Tax on exchange rate differences in the period	-	-	1,668	-	-	-	1,668
Total comprehensive income for the period, net of tax	-	-	-4,942	7,784	221,926	-	224,768
Dividend to shareholders	-	-	-	-	-49,450	-	-49,450
Transaction costs, issue of Tier 1 capital	-	-	-	-	-110	-	-110
Interest on Tier 1 capital	-	-	-	-	-6,766	-	-6,766
Share-based compensation	-	-750	-	-	750	-	-
Other	-	-	-	-	-22	-	-22
Equity as at 31 Dec 2019	107,500	2,786	-2,161	5,464	681,479	100,000	895,068
Equity as at 1 Jan 2020	107,500	2,786	-2,161	5,464	681,479	100,000	895,068
Net profit for the period	-	-	-	-	87,756	-	87,756
Gross exchange rate differences	-	-	-	-	-	-	-
Total comprehensive income for the period, net of tax	-	-	-	-	87,756	-	87,756
Interest on Tier 1 capital	-	-	-	-	-3,483	-	-3,483
Redemption of warrants	-	-2,786	-	-	-4,938	-	-7,724
Other	-	-	-	-	7	-	7
Equity as at 30 Jun 2020	107,500	-	-2,161	5,464	760,821	100,000	971,624

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

CASH FLOW STATEMENT, CONSOLIDATED

SEK thousand	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Operating activities			
Operating profit	113,590	136,208	289,355
<i>Adjustment for items not included in cash flow</i>			
Depreciation and amortisation of tangible and intangible assets	11,712	8,454	18,128
Accrued interest income and expense	120	-14,364	-11,217
Other non-cash items	562	-16,799	-14,173
Paid income tax	-44,860	-37,464	-43,027
	81,124	76,035	239,066
Increase/decrease in loans to the public	-550,967	-1,175,920	-2,046,555
Increase/decrease in other short-term receivables	7,498	7,036	22,448
Increase/decrease in deposits and borrowings from the public	596,931	1,119,140	2,100,612
Increase/decrease in other short-term liabilities	11,510	29,756	26,068
Cash flow from operating activities	146,096	56,047	341,639
Investing activities			
Investments in tangible assets	-579	-814	-1,263
Investments in intangible assets	-12,343	-16,256	-30,137
Cash flow from investing activities	-12,922	-17,070	-31,400
Financing activities			
Issue of Tier 2 capital	-	-	100,000
Issue of Tier 1 capital	-	-	-110
Interest on Tier 1 capital	-3,483	-3,330	-6,766
Redemption of warrants	-7,724	-	-
Dividends paid to shareholders	-	-49,450	-49,450
Cash flow from financing activities	-11,207	-52,780	43,674
Cash flow for the period	121,967	-13,803	353,913
Cash and cash equivalents at the beginning of period	1,812,842	1,444,591	1,444,591
Exchange rate difference in cash and cash equivalents	-6,187	18,171	14,338
Cash and cash equivalents at the end of period	1,928,622	1,448,959	1,812,842
<i>Cash flow from operating activities includes interest expenses paid and interest payments received</i>			
Interest expenses paid	61,761	61,131	109,860
Interest payments received	386,233	340,541	710,958
Components of cash and cash equivalents			
Cash and balances with central banks	1,141,693	337,911	390,332
Treasury bills eligible for refinancing	80,029	61,064	60,051
Loans to credit institutions	706,900	1,049,984	1,362,459
Total cash and cash equivalents	1,928,622	1,448,959	1,812,842

NOTES

NOTE 1 General information

OWNERSHIP OF TF BANK AB AS AT 30 JUNE 2020 (ACCORDING TO THE SHAREHOLDERS' REGISTER)

Shareholder	%
TFB Holding AB	33.60
Tiberon AB	14.79
Erik Selin Fastigheter AB	12.60
Proventus Aktiebolag	5.16
Jack Weil	4.65
Pension, Futur	4.54
Nordnet Pensionsförsäkring AB	2.80
Merizole Holding LTD	2.36
Skandia fonder	1.32
Carnegie fonder	1.20
Other shareholders	16.98
Total	100.00

In the beginning of 2020, mergers between TF Bank AB and its wholly owned subsidiaries Avarda AB, Avarda Oy and BB Bank ASA. Avarda Oy's operations are conducted through the branch in Finland and BB Bank ASA's operations are conducted through a newly established branch in Norway.

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)
- BB - TF Bank Norge NUF (923 194 592)

Subsidiaries

- 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 setting limits for the maximum exposure to each counterparty, the Board of Directors 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

Note 2 cont.

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.

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.

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 Jun 2020	31 Dec 2019
Cash and balances with central banks		
AAA	180,394	152,219
AA+	911,527	188,584
AA-	37,199	37,033
A-	12,573	12,496
Treasury bills eligible for refinancing		
AAA	80,029	60,051
Loans to credit institutions		
A-1+	362,659	619,124
A-1	283,591	693,471
A-2	45,917	40,328
Unrated	14,733	9,536
Other assets		
A-1+	16,709	3,520
A-1	19,920	21,796
Unrated	6,576	14,839
Total	1,971,827	1,852,997

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

The Group has a 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 second, 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 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 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 current value of the asset and the present value is reported as a recognized loan loss. Non-performing loans (stage 3) are reported as reported loan losses when a loss event has been identified. Amounts received from previously identified loan losses are recognized in the income statement.

NET LOAN LOSSES

Group SEK thousand	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Change in provision for sold past due loans	-22,372	-29,924	-53,471	-53,956	-113,159
Realised loan losses	-9,893	-10,563	-21,647	-20,860	-48,648
Recovered from previous realised loan losses	119	1,841	179	3,291	6,949
Change in provision for expected loan losses, stage 1-3 ¹	-27,981	-8,641	-74,884	-19,298	-33,776
Net loan losses	-60,127	-47,287	-149,823	-90,823	-188,634

Loan losses are attributable to Loans to the public and classified as amortised cost.

¹ Including net change from a review of provisions in the portfolio with loans past due 90 days or more within the segment Consumer Lending during the fourth quarter of 2019.

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. Management evaluates the operating segments' performance based on operating profit.

CONSUMER LENDING

Income statement, SEK thousand	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Net interest income	147,253	137,222	298,680	265,460	562,723
Net fee and commission income	8,940	7,614	17,385	13,992	29,506
Net results from financial transactions	262	-231	328	145	-145
Total operating income	156,455	144,605	316,393	279,597	592,084
General administrative expenses	-36,519	-36,839	-75,964	-72,879	-151,979
Depreciation and amortisation of tangible and intangible assets	-3,289	-2,407	-6,235	-4,671	-10,315
Other operating expenses	-1,583	-4,281	-4,463	-6,973	-14,375
Total operating expenses	-41,391	-43,527	-86,662	-84,523	-176,669
Profit before loan losses	115,064	101,078	229,731	195,074	415,415
Net loan losses	-41,257	-38,925	-113,366	-78,026	-152,393
Operating profit	73,807	62,153	116,365	117,048	263,022

Balance sheet, SEK thousand	30 Jun 2020	31 Dec 2019
Loans to the public		
Household sector	5,440,088	5,144,824
Total loans to the public	5,440,088	5,144,824
Household sector		
Stage 1, net	5,101,839	4,851,249
Stage 2, net	182,853	192,081
Stage 3, net ¹	155,396	101,494
Total household sector	5,440,088	5,144,824

Key figures ²	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Operating income margin, %	12.3	14.5	12.3	14.5	13.4
Net loan loss ratio, %	3.7	3.7	3.7	3.7	3.5
Cost/Income ratio, %	26.5	30.1	27.4	30.2	29.8
New lending, SEK thousand	726,792	920,150	1,861,767	1,893,784	3,940,581

¹ The group continuously sells a majority of past due loans before they reach stage 3.

² See separate section with definitions, page 45.

Note 3 cont.

ECOMMERCE SOLUTIONS ¹

Income statement, SEK thousand	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Net interest income	29,971	29,273	61,399	57,202	114,846
Net fee and commission income	12,984	8,129	24,251	16,256	32,587
Net results from financial transactions	58	-52	72	33	-34
Total operating income	43,013	37,350	85,722	73,491	147,399
General administrative expenses	-24,740	-21,457	-46,000	-42,156	-85,956
Depreciation and amortisation of tangible and intangible assets	-2,583	-1,694	-4,851	-3,325	-6,765
Other operating expenses	-142	-78	-335	-63	-297
Total operating expenses	-27,465	-23,229	-51,186	-45,544	-93,018
Profit before loan losses	15,548	14,121	34,536	27,947	54,381
Net loan losses	-9,923	-4,733	-18,587	-7,774	-21,223
Operating profit	5,625	9,388	15,949	20,173	33,158

Balance sheet, SEK thousand	30 Jun 2020	31 Dec 2019
Loans to the public		
Household sector	1,186,395	1,039,342
Corporate sector ²	17,176	18,780
Total loans to the public	1,203,571	1,058,122
Household sector		
Stage 1, net	1,113,381	956,843
Stage 2, net	67,719	75,954
Stage 3, net ³	5,295	6,545
Total household sector	1,186,395	1,039,342

Key figures ⁴	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Operating income margin, %	14.8	17.5	14.8	17.5	15.2
Net loan loss ratio, %	3.0	2.8	3.0	2.8	2.2
Cost/Income ratio, %	63.9	62.2	59.7	62.0	63.1
New lending, SEK thousand	595,644	477,274	1,049,891	864,060	1,710,353

¹ The comparative figures for 2019 are restated due to that Ecommerce Solutions has been divided into two segments, Ecommerce Solutions and Credit Cards.

² Lending to the corporate sector consists of a loan in stage 1 to one of the segments foreign partners.

³ The group continuously sells a majority of past due loans before they reach stage 3.

⁴ See separate section with definitions, page 45.

Note 3 cont.

CREDIT CARDS

Income statement, SEK thousand	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Net interest income	11,570	6,552	22,637	11,780	29,415
Net fee and commission income	-739	333	-1,136	-80	-25
Net results from financial transactions	16	-13	20	8	-9
Total operating income	10,847	6,872	21,521	11,708	29,381
General administrative expenses	-9,822	-3,083	-19,330	-5,945	-16,929
Depreciation and amortisation of tangible and intangible assets	-316	-248	-626	-458	-1,048
Other operating expenses	-758	-870	-2,419	-1,295	-3,211
Total operating expenses	-10,896	-4,201	-22,375	-7,698	-21,188
Profit before loan losses	-49	2,671	-854	4,010	8,193
Net loan losses	-8,947	-3,629	-17,870	-5,023	-15,018
Operating profit	-8,996	-958	-18,724	-1,013	-6,825

Balance sheet, SEK thousand	30 Jun 2020	31 Dec 2019
Loans to the public		
Household sector	403,088	292,834
Total loans to the public	403,088	292,834
Household sector		
Stage 1, net	375,453	271,004
Stage 2, net	15,527	15,281
Stage 3, net ¹	12,108	6,549
Total household sector	403,088	292,834

Key figures ²	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Operating income margin, %	13.5	13.1	13.5	13.1	14.1
Net loan loss ratio, %	9.6	4.3	9.6	4.3	7.2
Cost/Income ratio, %	100.5	61.1	104.0	65.7	72.1
New lending, SEK thousand	158,545	75,982	322,789	133,733	386,368

¹ The group continuously sells a majority of past due loans before they reach stage 3.

² See separate section with definitions, page 45.

Note 3 cont.

GROUP INFORMATION

Income statement, SEK thousand	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Operating income					
Consumer Lending	156,455	144,605	316,393	279,597	592,084
Ecommerce Solutions	43,013	37,350	85,722	73,491	147,399
Credit Cards	10,847	6,872	21,521	11,708	29,381
Total operating income	210,315	188,827	423,636	364,796	768,864
Operating profit					
Consumer Lending	73,807	62,153	116,365	117,048	263,022
Ecommerce Solutions	5,625	9,388	15,949	20,173	33,158
Credit Cards	-8,996	-958	-18,724	-1,013	-6,825
Total operating profit	70,436	70,583	113,590	136,208	289,355

Balance sheet, SEK thousand	30 Jun 2020	31 Dec 2019
Loans to the public		
Consumer Lending	5,440,088	5,144,824
Ecommerce Solutions	1,203,571	1,058,122
Credit Cards	403,088	292,834
Total loans to the public	7,046,747	6,495,780

NOTE 4 Classification of financial assets and liabilities

Group 30 Jun 2020 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	-	-	1,141,693	-	-	1,141,693
Treasury bills eligible for refinancing	-	80,029	-	-	-	80,029
Loans to credit institutions	-	-	706,900	-	-	706,900
Loans to the public	-	-	7,046,747	-	-	7,046,747
Shares	20,160	-	-	-	-	20,160
Goodwill	-	-	-	-	12,753	12,753
Intangible assets	-	-	-	-	60,537	60,537
Tangible assets	-	-	-	-	17,858	17,858
Current tax assets	-	-	-	-	29,076	29,076
Deferred tax assets	-	-	-	-	1,229	1,229
Prepaid expenses and accrued income	-	-	-	-	14,790	14,790
Derivatives	16,709	-	-	-	-	16,709
Other assets	-	-	-	-	6,573	6,573
Total assets	36,869	80,029	8,895,340	-	142,816	9,155,054
Liabilities						
Deposits and borrowings from the public	-	-	7,794,006	-	-	7,794,006
Current tax liabilities	-	-	-	-	24,964	24,964
Deferred tax liabilities	-	-	-	-	3,596	3,596
Accrued expenses and prepaid income	-	-	-	-	97,944	97,944
Subordinated liabilities	-	-	198,138	-	-	198,138
Derivatives	-	-	-	-	-	-
Other liabilities	-	-	-	-	64,782	64,782
Total liabilities	-	-	7,992,144	-	191,286	8,183,430

Note 4 cont.

Group 31 Dec 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	-	-	390,332	-	-	390,332
Treasury bills eligible for refinancing	-	60,051	-	-	-	60,051
Loans to credit institutions	-	-	1,362,459	-	-	1,362,459
Loans to the public	-	-	6,495,780	-	-	6,495,780
Shares	22,061	-	-	-	-	22,061
Goodwill	-	-	-	-	12,753	12,753
Intangible assets	-	-	-	-	56,163	56,163
Tangible assets	-	-	-	-	21,022	21,022
Current tax assets	-	-	-	-	10,528	10,528
Deferred tax assets	-	-	-	-	2,943	2,943
Prepaid expenses and accrued income	-	-	-	-	15,158	15,158
Derivatives	3,520	-	-	-	-	3,520
Other assets	-	-	-	-	15,478	15,478
Total assets	25,581	60,051	8,248,571	-	134,045	8,468,248
Liabilities						
Deposits and borrowings from the public	-	-	7,197,075	-	-	7,197,075
Current tax liabilities	-	-	-	-	25,442	25,442
Deferred tax liabilities	-	-	-	-	143	143
Accrued expenses and prepaid income	-	-	-	-	77,497	77,497
Subordinated liabilities	-	-	197,583	-	-	197,583
Derivatives	447	-	-	2,520	-	2,967
Other liabilities	-	-	-	-	72,473	72,473
Total liabilities	447	-	7,394,658	2,520	175,555	7,573,180

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.

Group, 30 Jun 2020 SEK thousand	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills eligible for refinancing	80,029	-	-	80,029
Shares	19,920	240	-	20,160
Derivatives	-	16,709	-	16,709
Total assets	99,949	16,949	-	116,898
Liabilities				
Subordinated liabilities	198,138	-	-	198,138
Derivatives	-	-	-	-
Total liabilities	198,138	-	-	198,138

Group, 31 Dec 2019 SEK thousand	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills eligible for refinancing	60,051	-	-	60,051
Shares	21,796	265	-	22,061
Derivatives	-	3,520	-	3,520
Total assets	81,847	3,785	-	85,632
Liabilities				
Subordinated liabilities	197,583	-	-	197,583
Derivatives	-	2,967	-	2,967
Total liabilities	197,583	2,967	-	200,550

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 15.07 % as at 30 June 2020 and 16.09 % as at 31 December 2019.

Note 5 cont.

Group 30 Jun 2020 SEK thousand	Carrying amount	Fair value	Fair value gain (+)/Fair value loss (-)
Assets			
Cash and balances with central banks	1,141,693	1,141,693	-
Treasury bills eligible for refinancing	80,029	80,029	-
Loans to credit institutions	706,900	706,900	-
Loans to the public	7,046,747	7,046,747	-
Shares	20,160	20,160	-
Derivatives	16,709	16,709	-
Total assets	9,012,238	9,012,238	-
Liabilities			
Deposits from the public	7,794,006	7,794,006	-
Subordinated liabilities	198,138	198,138	-
Derivatives	-	-	-
Total liabilities	7,992,144	7,992,144	-

Group 31 Dec 2019 SEK thousand	Carrying amount	Fair value	Fair value gain (+)/Fair value loss (-)
Assets			
Cash and balances with central banks	390,332	390,332	-
Treasury bills eligible for refinancing	60,051	60,051	-
Loans to credit institutions	1,362,459	1,362,459	-
Loans to the public	6,495,780	6,495,780	-
Shares	22,061	22,061	-
Derivatives	3,520	3,520	-
Total assets	8,334,203	8,334,203	-
Liabilities			
Deposits from the public	7,197,075	7,197,075	-
Subordinated liabilities	197,583	197,583	-
Derivatives	2,967	2,967	-
Total liabilities	7,397,625	7,397,625	-

NOTE 6 Loans to the public

Group SEK thousand	30 Jun 2020	31 Dec 2019
Loans to the household sector	7,029,571	6,477,000
Loans to the corporate sector ¹	17,176	18,780
Total loans to the public	7,046,747	6,495,780
Loans to the household sector, gross		
Stage 1, gross	6,709,274	6,167,888
Stage 2, gross	302,489	311,638
Stage 3, gross ²	342,372	223,773
Total loans to the household sector, gross	7,354,135	6,703,299
Provisions for expected loan losses, household sector		
Stage 1	-118,601	-88,792
Stage 2	-36,390	-28,322
Stage 3 ²	-169,573	-109,185
Total provisions for expected loan losses, household sector	-324,564	-226,299
Loans to the household sector, net		
Stage 1, net	6,590,673	6,079,096
Stage 2, net	266,099	283,316
Stage 3, net ²	172,799	114,588
Total loans to the household sector, net	7,029,571	6,477,000
<i>Geographic distribution of net loans</i>		
Norway	2,267,354	2,140,257
Finland	1,886,297	1,671,639
Estonia	794,142	783,695
Sweden	685,870	709,750
Latvia	562,690	503,732
Poland	452,085	433,828
Germany	247,469	124,940
Lithuania	99,031	70,106
Denmark	36,569	40,813
Austria	15,240	17,020
Total loans, net book value	7,046,747	6,495,780

CHANGE IN PROVISION FOR NET LOAN LOSSES

Group SEK thousand	30 Jun 2020	31 Dec 2019
Opening balance	-226,299	-143,009
Change in provision for sold loans	-53,471	-113,159
Reversal of provision for sold loans	53,471	113,159
Change in provision for expected loan losses in stage 1	-30,683	-18,517
Change in provision for expected loan losses in stage 2	-8,224	-8,691
Change in provision for expected loan losses in stage 3	-62,746	-54,375
Exchange rate differences	3,388	-1,707
Closing balance	-324,564	-226,299

¹ Lending to the corporate sector consists of a loan in stage 1 to one of the segments foreign partners in Ecommerce Solutions.

² The group continuously sells a majority of past due loans before they reach stage 3.

NOTE 7 Deposits and borrowings from the public

Group SEK thousand	30 Jun 2020	31 Dec 2019
Germany	3,827,466	3,288,116
Norway	2,534,317	2,245,601
Sweden	1,054,764	1,221,550
Finland	377,459	441,808
Total deposits and borrowings from the public	7,794,006	7,197,075

Deposits from the public only occur in the household sector. Deposits in Sweden, Norway and Germany are payable on demand and on maturity. Deposits in Finland are payable on demand. Deposits with maturity amounts to 29 % (23) of total deposits from the public.

CHANGES IN DEPOSITS AND BORROWINGS FROM THE PUBLIC

Group SEK thousand	30 Jun 2020	31 Dec 2019
Opening balance	7,197,075	5,096,463
Change	837,999	1,973,123
Exchange rate differences	-241,068	127,489
Closing balance	7,794,006	7,197,075

NOTE 8 Capital adequacy analysis

TF Bank has simplified the group structure by merging TF Bank with its wholly owned subsidiaries BB Bank ASA, Avarda AB and Avarda Oy. This means that the bank no longer has a consolidated situation in accordance with capital adequacy regulatory framework. This simplified capital adequacy analysis for the Group is prepared solely for comparability between periods.

THE GROUP'S CAPITAL SITUATION

Group SEK thousand	30 Jun 2020	31 Dec 2019
Common Equity Tier 1 capital (CET1)	858,261	793,733
Additional Tier 1 capital (AT1)	100,000	100,000
Tier 2 capital	198,138	197,583
Own funds ¹	1,156,399	1,091,316
Risk exposure amount	6,604,022	6,266,037
- of which: credit risk	5,644,336	5,309,328
- of which: credit valuation adjustment	5,649	2,672
- of which: market risk	-	-
- of which: operational risk	954,037	954,037
Capital ratios		
CET1 capital ratio, %	13.0	12.7
Tier 1 capital ratio, %	14.5	14.3
Total capital ratio, %	17.5	17.4

¹ After any regulatory adjustments.

Note 8 cont.

THE GROUP'S CAPITAL REQUIREMENTS

Group SEK thousand	30 Jun 2020		31 Dec 2019	
	Amount	Percent ¹	Amount	Percent ¹
Capital requirement				
CET1 capital requirement	297,181	4.5	281,972	4.5
Tier 1 capital requirement	396,241	6.0	375,962	6.0
Total capital requirement	528,322	8.0	501,283	8.0
Institution-specific buffer requirement				
Total buffer requirement	184,913	2.8	230,590	3.7
- of which, capital conservation buffer requirement	165,101	2.5	156,651	2.5
- of which, countercyclical buffer requirement	19,812	0.3	73,939	1.2
Total CET1 capital requirement including buffer requirement				
CET1 capital requirement including buffer requirement	482,094	7.3	512,562	8.2
CET1 capital available to use as buffer	561,080	8.5	511,761	8.2
Additional capital requirement under Pillar 2				
CET1 capital	44,021	0.7	38,287	0.6
Tier 1 capital	53,454	0.8	46,492	0.7
Total capital	66,032	1.0	57,431	0.9
- of which, concentration risk	65,245	1.0	55,548	0.9
- of which, currency risk	787	0.0	1,883	0.0
Total capital requirement (including Pillar 2)				
CET1 capital	526,115	8.0	550,849	8.8
Tier 1 capital	634,608	9.6	653,044	10.4
Total capital	779,266	11.8	789,304	12.6

GROUP'S OWN FUNDS

Group SEK thousand	30 Jun 2020	31 Dec 2019
CET1 capital		
Share capital	107,500	107,500
Other contributed capital	-	2,786
Reserves	3,303	3,303
Retained earnings including net profit for the period	760,821	681,479
Adjustments to CET1 capital:		
- Deduction of foreseeable costs and dividends ²	-16,972	-
- Transitional arrangements IFRS 9	76,899	67,581
- Intangible assets	-73,290	-68,916
Total CET1 capital	858,261	793,733
Additional Tier 1 capital		
Perpetual subordinated loan	100,000	100,000
Tier 2 capital		
Fixed term subordinated loan	198,138	197,583
Own funds	1,156,399	1,091,316

¹ Capital requirements expressed as a percentage of the risk exposure amount.

² Deduction of dividends from own funds have been made in accordance with the Board of Directors' proposal to the Annual General Meeting and the dividend policy for interim results.

Note 8 cont.

SPECIFICATION OF RISK EXPOSURE AMOUNT AND CAPITAL REQUIREMENT

Group SEK thousand	30 Jun 2020		31 Dec 2019	
	Risk exposure amount	Capital requirement 8 %	Risk exposure amount	Capital requirement 8 %
Credit risk under the standardised approach				
Corporate exposures	18,251	1,460	19,097	1,528
Household exposures	5,239,376	419,150	4,823,663	385,893
Exposures secured by collateral	237	19	276	22
Exposures in default	192,581	15,406	127,657	10,213
Exposures to institutions with a short-term credit assessment	157,796	12,624	288,975	23,118
Equity exposures	240	19	264	21
Other items	35,855	2,868	49,396	3,952
Total	5,644,336	451,546	5,309,328	424,747
Credit valuation adjustment				
Standardised method	5,649	452	2,672	214
Total	5,649	452	2,672	214
Market risk¹				
Foreign exchange risk	-	-	-	-
Total	-	-	-	-
Operational risk				
Standardised approach	954,037	76,323	954,037	76,323
Total	954,037	76,323	954,037	76,323
Total risk exposure amount and total capital requirement	6,604,022	528,321	6,266,037	501,284

¹ The capital requirement for foreign exchange risk is calculated in accordance with Article 351 of Regulation (EU) 575/2013.

NOTE 9 Pledged assets, contingent liabilities and commitments

Group SEK thousand	30 Jun 2020	31 Dec 2019
Pledged assets		
Loans	-	31,737
Other assets	-	414
Total	-	32,151

The subsidiary BB Bank continuously pledged parts of its loans as collateral in 2019. The pledge was related to collateral for BB Bank's credit facility of NOK 30 million. As a result of the merger between TF Bank AB and BB Bank ASA in the beginning of 2020, the credit facility was closed and there are no longer any pledged assets in the Group.

Group SEK thousand	30 Jun 2020	31 Dec 2019
Commitments		
Unutilized credit limits	692,219	535,974
Future total minimum lease payments for non-cancellable operating leases	28,678	24,279
Total	720,897	560,253

According to the Board's assessment, TF Bank AB has no contingent liabilities.

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	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
<i>The following transactions took place between companies within the Group:</i>					
General administrative expenses	-822	-450	-1,539	-697	-2,033
Total	-822	-450	-1,539	-697	-2,033
<i>The following transactions have been made with other related parties:</i>					
Interest income (transaction costs)	-13,067	-18,975	-25,955	-35,790	-71,212
General administrative expenses	-826	-1,220	-1,686	-2,343	-4,584
Total	-13,893	-20,195	-27,641	-38,133	-75,796
<i>Acquisition of assets and liabilities from other related parties:</i>					
Ecommerce Solutions	176,221	233,264	353,314	424,254	793,497
Total	176,221	233,264	353,314	424,254	793,497

Group SEK thousand	30 Jun 2020	31 Dec 2019
<i>Assets at the end of the period as a result of transactions with other related parties:</i>		
Other assets	665	100
Total	665	100
<i>Liabilities at the end of the period as a result of transactions with other related parties:</i>		
Other liabilities	385	6,565
Total	385	6,565

INCOME STATEMENT, PARENT COMPANY

SEK thousand	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Operating income					
Interest income	220,534	141,572	446,208	277,788	575,453
Interest expense	-31,611	-16,835	-63,239	-33,249	-70,111
Net interest income	188,923	124,737	382,969	244,539	505,342
Fee and commission income	25,550	9,049	48,352	18,510	36,807
Fee and commission expense	-4,365	-1,079	-7,852	-2,920	-5,545
Net fee and commission income	21,185	7,970	40,500	15,590	31,262
Net results from financial transactions	337	-4,159	421	-17,749	-6,205
Total operating income	210,445	128,548	423,890	242,380	530,399
Operating expenses					
General administrative expenses	-72,689	-43,637	-144,431	-85,123	-177,416
Depreciation and amortisation of tangible and intangible assets	-4,913	-1,597	-9,194	-3,047	-7,066
Other operating expenses	-2,474	-5,313	-7,190	-7,934	-16,786
Total operating expenses	-80,076	-50,547	-160,815	-96,104	-201,268
Profit before loan losses	130,369	78,001	263,075	146,276	329,131
Net loan losses	-60,127	-37,533	-149,823	-75,469	-145,770
Operating profit	70,242	40,468	113,252	70,807	183,361
Appropriations	-	-	-	-	20,659
Income tax expense	-16,893	-9,042	-25,833	-15,864	-42,272
Net profit for the period	53,349	31,426	87,419	54,943	161,748

STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY

SEK thousand	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Net profit for the period	53,349	31,426	87,419	54,943	161,748
Other comprehensive income					
Items that may subsequently be reclassified to the income statement					
Exchange rate differences during the period, net of tax	-	-	-	-	-
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income for the period	53,349	31,426	87,419	54,943	161,748

STATEMENT OF FINANCIAL POSITION, PARENT COMPANY

SEK thousand	30 Jun 2020	31 Dec 2019
ASSETS		
Cash and balances with central banks	1,141,693	238,113
Treasury bills eligible for refinancing	80,029	60,051
Loans to credit institutions	706,175	1,022,247
Loans to the public	7,046,747	4,305,139
Shares	20,160	21,796
Shares in group companies	315	515,511
Goodwill	12,115	-
Intangible assets	60,537	28,156
Tangible assets	2,219	1,665
Other assets	23,111	7,429
Current tax assets	29,792	11,162
Deferred tax assets	1,229	1,548
Prepaid expenses and accrued income	15,153	12,560
TOTAL ASSETS	9,139,275	6,225,377
LIABILITIES AND EQUITY		
Liabilities		
Deposits and borrowings from the public	7,794,006	5,136,820
Other liabilities	49,362	36,497
Current tax liabilities	24,960	-
Deferred tax liabilities	3,596	7
Accrued expenses and prepaid income	97,342	56,700
Subordinated liabilities	198,138	197,583
Total liabilities	8,167,404	5,427,607
Equity		
Restricted equity		
Share capital	107,500	107,500
Statutory reserve	1,000	1,000
Development costs fund	60,190	27,464
Other contributed capital	-	2,786
Total restricted equity	168,690	138,750
Non-restricted equity		
Tier 1 capital instrument	100,000	100,000
Retained earnings	615,762	397,272
Total comprehensive income for the period	87,419	161,748
Total non-restricted equity	803,181	659,020
Total equity	971,871	797,770
TOTAL LIABILITIES AND EQUITY	9,139,275	6,225,377

NOTE 11 Capital adequacy analysis

Background

Information about the bank's capital adequacy includes information in accordance with Chapter 6, Sections 3-4 of the Swedish FSA'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 FSA'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 FSA'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 FSA. 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 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 that Parent Company can 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.

Reporting to the Swedish FSA is only made for the legal entity TF Bank AB after the group structure was simplified by merging TF Bank AB with its wholly owned subsidiaries BB Bank ASA, Avarda AB and Avarda Oy.

On 7 February 2020 the Swedish FSA approved TF Bank's application to include the interim profit in own funds for TF Bank AB subject to the auditor's review of the surplus, and 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 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 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. TF Bank's leverage ratio was 10.2 % per 30 June 2020 and 12.9 % per 31 December 2019.

THE PARENT COMPANY'S CAPITAL SITUATION

Parent company SEK thousand	30 Jun 2020	31 Dec 2019
Common Equity Tier 1 capital (CET1)	859,146	729,710
Additional Tier 1 capital (AT1)	100,000	100,000
Tier 2 capital	198,138	197,583
Own funds ¹	1,157,284	1,027,293
Risk exposure amount	6,588,816	5,035,725
- of which: credit risk	5,629,130	4,120,480
- of which: credit valuation adjustment	5,649	2,363
- of which: market risk	-	178,343
- of which: operational risk	954,037	734,539
Capital ratios		
CET1 capital ratio, %	13.0	14.5
Tier 1 capital ratio, %	14.6	16.5
Total capital ratio, %	17.6	20.4

¹ After any regulatory adjustments.

Note 11 cont.

THE PARENT COMPANY'S CAPITAL REQUIREMENTS

Parent company SEK thousand	30 Jun 2020		31 Dec 2019	
	Amount	Percent ¹	Amount	Percent ¹
Capital requirement				
CET1 capital	296,497	4.5	226,608	4.5
Tier 1 capital	395,329	6.0	302,144	6.0
Total capital	527,105	8.0	402,858	8.0
Institution-specific buffer requirement				
Total buffer requirement	184,487	2.8	173,229	3.4
- of which, capital conservation buffer requirement	164,720	2.5	125,893	2.5
- of which, countercyclical buffer requirement	19,766	0.3	47,336	0.9
Total CET1 capital requirement including buffer requirement				
CET1 capital requirement including buffer requirement	480,984	7.3	399,837	7.9
CET1 capital available to use as buffer	562,649	8.5	503,102	10.0
Additional capital requirement under Pillar 2				
CET1 capital	43,881	0.7	32,742	0.7
Tier 1 capital	53,285	0.8	39,758	0.8
Total capital	65,822	1.0	49,113	1.0
- of which, concentration risk	65,074	1.0	46,795	0.9
- of which, currency risk	748	0.0	2,318	0.1
Total capital requirement (including Pillar 2)				
CET1 capital	524,865	8.0	432,579	8.6
Tier 1 capital	633,100	9.6	515,131	10.2
Total capital	777,414	11.8	625,200	12.4

THE PARENT COMPANY'S OWN FUNDS

Parent company SEK thousand	30 Jun 2020	31 Dec 2019
CET1 capital		
Share capital	107,500	107,500
Other reserves	61,190	28,464
Other contributed capital	-	2,786
Retained earnings including net profit for the period	703,181	559,020
Adjustments to CET1 capital:		
- Deduction of foreseeable costs and dividends ²	-16,972	-
- Transitional arrangements IFRS 9	76,899	60,096
- Intangible assets	-72,652	-28,156
Total CET1 capital	859,146	729,710
Additional Tier 1 capital		
Perpetual subordinated loan	100,000	100,000
Tier 2 capital		
Fixed term subordinated loan	198,138	197,583
Own funds	1,157,284	1,027,293

¹ Capital requirements expressed as a percentage of the risk exposure amount.

² Deduction of dividends from own funds have been made in accordance with the Board of Directors' proposal to the Annual General Meeting and the dividend policy for interim results.

Note 11 cont.

SPECIFICATION OF RISK EXPOSURE AMOUNT AND CAPITAL REQUIREMENT

Parent company SEK thousand	30 Jun 2020		31 Dec 2019	
	Risk exposure amount	Capital requirement 8 %	Risk exposure amount	Capital requirement 8 %
Credit risk under the standardised approach				
Institute exposures	-	-	1,761	141
Corporate exposures	18,251	1,460	270,774	21,662
Household exposures	5,239,376	419,150	3,006,377	240,510
Exposures secured by collateral	237	19	-	-
Exposures in default	192,581	15,406	92,312	7,385
Exposures to institutions with a short-term credit assessment	157,560	12,605	217,425	17,394
Equity exposures	556	44	515,511	41,241
Other items	20,569	1,646	16,320	1,306
Total	5,629,130	450,330	4,120,480	329,639
Credit valuation adjustment				
Standardised method	5,649	452	2,363	189
Total	5,649	452	2,363	189
Market risk ¹				
Foreign exchange risk	-	-	178,343	14,267
Total	-	-	178,343	14,267
Operational risk				
Standardised approach	954,037	76,323	734,539	58,763
Total	954,037	76,323	734,539	58,763
Total risk exposure amount and total capital requirement	6,588,816	527,105	5,035,725	402,858

¹ 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 interim report has not been reviewed by the company's auditor.

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, 13 July 2020

John Brehmer
Chairman

Mari Thjømøe

Bertil Larsson

Charlotta Björnberg-Paul

Tone Bjørnov

Sara Mindus

Mattias Carlsson
President and CEO

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 NET PROFIT

Net profit for the period adjusted for items affecting comparability in 2018 attributable to reclassification of customer balances with inactive status that have arisen before 2018.

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 loans 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.

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.

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.

NEW LENDING

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

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

15 October 2020 Interim report January - September 2020

28 January 2021 Year-end report January - December 2020

This is information which TF Bank is required to disclose under the EU Market Abuse Regulation. The information was submitted for publication on 14th July 2020 at 07:00 CET.

PRESENTATION FOR INVESTORS, ANALYSTS AND MEDIA

A live conference call will be held on 14th July 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 9260. 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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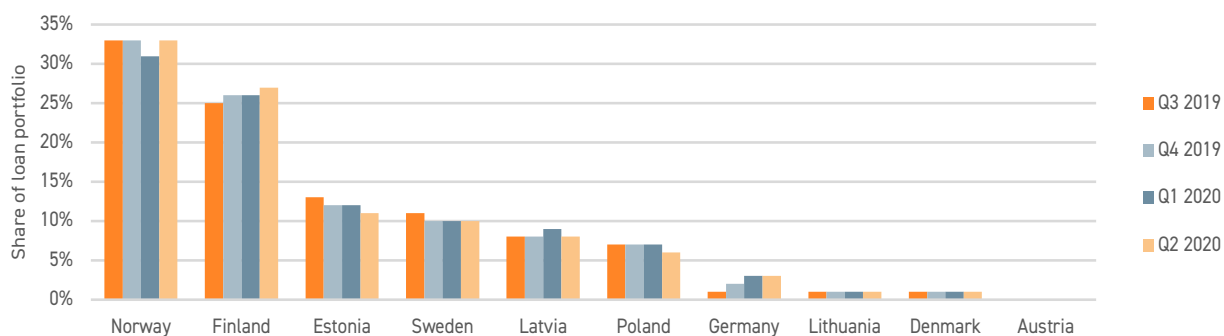
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TF BANK'S GEOGRAPHICAL PRESENCE



SHARE OF LOAN PORTFOLIO BY COUNTRY AND QUARTER





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