



YEAR-END REPORT

January-December 2020

PERIOD IN BRIEF

JANUARY – DECEMBER 2020

COMPARED TO JANUARY – DECEMBER 2019 (unless otherwise stated)

- The loan portfolio amounted to SEK 7,922 million, the increase in local currencies was 30 % during the year
- Operating profit decreased by 9 % to SEK 263.1 million, which should be seen in the light of an extra loan loss provision of SEK 30 million and the strong expansion in Credit Cards and Ecommerce Solutions
- Earnings per share decreased by 9 % to SEK 9.13
- Cost/income ratio increased to 38.8 % (37.8)
- Total capital ratio has decreased to 17.3 % (17.4) during the year
- Return on equity amounted to 22.3 % (30.6)
- The Board proposes to the Annual General Meeting a dividend of SEK 1.00 per share for 2020

SIGNIFICANT EVENTS

JANUARY – DECEMBER 2020

- The strong growth for German credit cards has amounted to 358 %¹ and at the end of the year approximately 53,000 German credit cards have been issued.
- Within the Ecommerce Solutions segment 28 new agreements with Nordic merchants have been signed during the year.
- 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.

OCTOBER – DECEMBER 2020

COMPARED TO OCTOBER – DECEMBER 2019 (unless otherwise stated)

- The loan portfolio amounted to SEK 7,922 million, the increase in local currencies was 8 % during the quarter
- Operating profit increased by 2 % to SEK 76.9 million
- Earnings per share increased by 3 % to SEK 2.67
- Cost/income ratio increased to 40.6 % (39.2), the increase was an effect of investments in Ecommerce Solutions and Credit Cards

Continued high growth in the Ecommerce Solutions and Credit Cards segments. Our online payment solutions have been well received on the market.

LOAN PORTFOLIO ¹

31 DECEMBER 2020 COMPARED TO 31 DECEMBER 2019

SEK **7.9** BILLION **+30** %

TOTAL CAPITAL RATIO

31 DECEMBER 2020 COMPARED TO 31 DECEMBER 2019

17.3 % **-0.1** PERCENTAGE POINTS

OPERATING PROFIT

JAN-DEC 2020 COMPARED TO JAN-DEC 2019

SEK **263** MILLION **-9** %

RETURN ON EQUITY

JAN-DEC 2020 COMPARED TO JAN-DEC 2019

22.3 % **-8.3** PERCENTAGE POINTS

¹ Development of the loan portfolio in local currencies

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 Germany and Norway.



CEO'S COMMENTS

TF Bank's loan portfolio increased by 8% in local currencies during the fourth quarter. Nordic risk and the credit card initiative in Germany have been prioritised. For consumer loans in Norway and Finland, we soon intend to sign new agreements for continuing sales of past due loans, which provides comfort and predictability for the future. Overall, TF Bank is well positioned to continue expanding during 2021.

High growth in Ecommerce Solutions and Credit Cards

The development of the loan portfolio during the fourth quarter was characterised by continued high growth in the Ecommerce Solutions and Credit Cards segments. Our online payment solutions have been well received on the market, while both new and existing commercial partners have experienced successful sales during Black Week and Christmas on all markets. For Credit Cards, the development in Germany has been very positive in the last quarter and an increasing amount of customers are using our German credit cards. In Consumer Lending, we have focused on Nordic risk and the growth is generated in Norway and Finland.

Ambitious credit card initiative in Germany

The credit card balance in Germany continues to increase and amounted to EUR 50 million at the end of the fourth quarter. Approximately 53,000 German credit cards had been issued at year-end, corresponding to an increase of approximately 15,000 cards in three months. We can also see how the utilisation of the cards have increased during the last six months, which is important for the future profitability of the segment and in line with our expectations. The average exposure per card is around EUR 950 and the individual credit limits are based on the customer's creditworthiness. Through dynamic management of credit limits, we have gained good control over credit loss levels and our goal is to be able to further improve this with regard to future realised credit losses. Approximately half of the reported loan losses in Germany during 2020 relates to expected future losses on performing credit cards according to IFRS 9.

New forward flow contracts in Norway and Finland

The current standards to report loan losses, IFRS 9, mean that assumptions about the future have a significant impact on the loan loss level. For most banks, the reported loan losses have not been realised but instead reflect estimated future levels based on historic data. TF Bank's strategy has always been that the balance sheet shall include performing credits, meaning that past due loans are sold on a continuing basis through forward flow contracts. The strategy entails that loan losses are continuously realised and that our balance sheet is less exposed to assets with an uncertain valuation. Because of our strategy, we intend to sign new forward flow contracts in Finland and Norway during the beginning of 2021. The agreements comprise almost half of the bank's loan portfolio and the terms and conditions have not brought any significant effect on the results during the fourth quarter.

TF Bank's expansion continues in 2021

When summarising 2020, it can easily be described as a very special year. The ongoing pandemic changed the conditions on many levels and our planned strategy for growth and profitability had to be adjusted. We have been more restrictive in new lending in the Baltics and in Poland. We have increased the investments in Ecommerce Solutions and Credit Cards, providing conditions for continued high organic growth during the coming years. The plan is to continue TF Bank's expansion in 2021 and the proposed dividend of SEK 1.00 per share to the shareholders should be seen in the light of the ongoing pandemic and the growth prospects with high profitability that we foresee. TF Bank has more than 30 years of history and 2020 has only been a partial objective towards something much larger; the vision to build a consumer bank based in the Nordics with expanding operations in the rest of Europe.



Mattias Carlsson
President and CEO

KEY FIGURES, CONSOLIDATED

KEY FIGURES, CONSOLIDATED

SEK thousand	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Income statement				
Operating income	233,771	208,422	875,523	768,864
Operating expenses	-94,996	-81,758	-339,731	-290,875
Loan losses	-61,863	-51,410	-272,676	-188,634
Operating profit	76,912	75,254	263,116	289,355
Net profit	59,006	57,191	203,145	221,926
Earnings per share, SEK	2.67	2.58	9.13	10.01
Balance sheet				
Loans to the public	7,922,448	6,495,780	7,922,448	6,495,780
Deposits from the public	8,714,032	7,197,075	8,714,032	7,197,075
New lending	2,141,619	1,661,149	7,304,603	6,037,302
Key figures				
Operating income margin, %	12.2	13.7	12.2	13.7
Net loan loss ratio, %	3.8	3.4	3.8	3.4
Cost/Income ratio, %	40.6	39.2	38.8	37.8
Return on equity, %	22.3	30.6	22.3	30.6
Return on loans to the public, %	2.7	3.8	2.7	3.8
CET1 capital ratio, %	12.8	12.7	12.8	12.7
Tier 1 capital ratio, %	14.1	14.3	14.1	14.3
Total capital ratio, %	17.3	17.4	17.3	17.4
Employees (FTE)	228	185	212	174

CURRENCY RATES

SEK	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
EUR Income statement (average)	10.28	10.66	10.49	10.59
EUR Balance sheet (end of reporting period)	10.04	10.43	10.04	10.43
NOK Income statement (average)	0.95	1.06	0.98	1.07
NOK Balance sheet (end of reporting period)	0.95	1.06	0.95	1.06
PLN Income statement (average)	2.28	2.49	2.36	2.46
PLN Balance sheet (end of reporting period)	2.22	2.44	2.22	2.44

See separate section with definitions, page 45.

RESULTS AND FINANCIAL POSITION

JANUARY - DECEMBER 2020

COMPARED TO JANUARY - DECEMBER 2019

Operating profit

Operating profit decreased by 9 % to SEK 263.1 million (289.4). The result is lowered by increased provisions for expected credit losses according to IFRS 9, as well as the credit card initiative in Germany and the expansion for Ecommerce Solutions. Earnings per share decreased by 9 % to SEK 9.13 (10.01). Return on equity amounted to 22.3 % (30.6).

Operating income

TF Bank's operating income has increased by 14 % to SEK 875.5 million (768.9). The growth in the loan portfolio had a positive impact on net interest income in all segments. However, the operating income margin has decreased to 12.2 % (13.7), mainly because new lending within the Consumer Lending segment partly has been directed towards customers with slightly better credit quality.

Interest income

Interest income increased by 12 % to SEK 911.9 million (813.1). The growth in consumer loans in Norway as well as an increasing credit card balance in Germany have been the main drivers for the increase in interest income. Currency effects related to the weakened NOK however affect the income negatively compared to 2019.

Interest expense

TF Bank's interest expenses increased by 16 % to SEK 123.2 million (106.1). Higher deposit volumes in Germany and Norway as well as an increasing share of fixed-rate accounts are the primary drivers of the increase. However, decreased interest rates by the central banks in Norway and Poland during the first half of 2020 have had a gradually increasing positive effect on the funding cost during 2020.

Net fee and commission income

Net fee and commission income increased by 36 % to SEK 84.6 million (62.1). The increase is driven by increasing commission income within the Ecommerce Solutions segment as well as the Group's lending growth over the past years. During 2020, 52 % of TF Bank's net fee and commission income derives from charges and 48 % from insurance premiums and other income.

Operating expenses

TF Bank's operating expenses have increased by 17 % to SEK 339.7 million (290.9). The increase is primarily related to the credit cards initiative in Germany and the expansion within Ecommerce Solutions, which generates higher sales-related expenses and more employees. The average number of Group full-time employees during 2020 amounted to 212 (174). The C/I ratio has increased to 38.8 % (37.8).

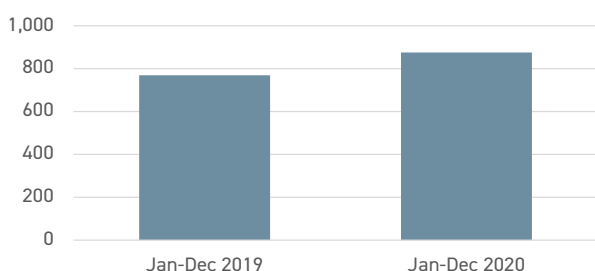
Net loan losses

Net loan losses increased by 45 % to SEK 272.7 million (188.6). The 2020 outcome is affected by an additional provision of SEK 30 million related to expected credit losses in accordance with IFRS 9. In addition, loan loss provisions in the Credit Cards segment have increased as a result of the growing volumes in Germany. The loan loss ratio amounted to 3.8 % (3.4).

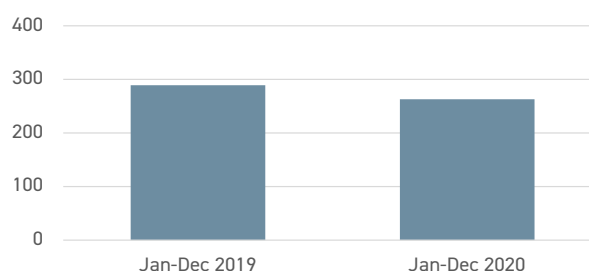
Tax expense

TF Bank's tax expense amounted to SEK 60.0 million (67.4). The average tax rate decreased to 22.8 % (23.3) compared to 2019. The tax rate was 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 - DECEMBER 2020

COMPARED TO 31 DECEMBER 2019 (unless otherwise stated)

Loans to the public

Loans to the public amounted to SEK 7,922 million, the increase in local currencies was 30 % during the year. TF Bank's new lending increased to SEK 7,305 million (6,037) compared with 2019.

During 2020, roughly a third of the growth of the loan portfolio was generated by consumer loans in Norway. Towards the end of the year, German credit cards and the Ecommerce Solutions segment have contributed with an increasingly significant share of the Group's growth.

Deposits from the public

Deposits from the public amounted to SEK 8,714 million, the increase in local currencies was 28 % during the year.

Deposit balances in local currencies have increased in Germany and Norway during the year. In Germany, the net inflow has mostly been related to accounts with a fixed term of two years. In Norway, a fixed rate account with a term of one year was launched during the fourth quarter of 2019, which generated significant deposits during the first half of 2020. At the end of the year, accounts with a fixed term comprise 32 % (23) of the Group's total deposits.

Investments

TF Bank's investments amounted to SEK 25.6 million compared to SEK 31.4 million during 2019. The investments relate to product development within all segments. Depreciation and amortisation on fixed assets and operating leases amounted to SEK 26.1 million (18.1).

Cash and cash equivalents

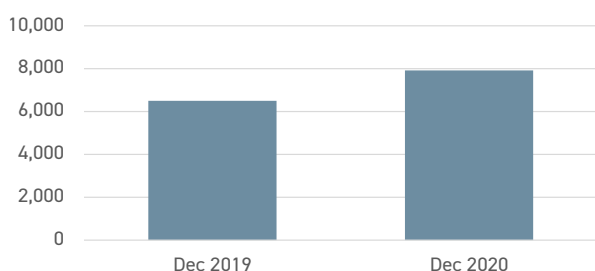
Cash and cash equivalents increased by SEK 306 million to SEK 2,119 million (1,813) during 2020. Hence, TF Bank's liquidity reserve amounts to 24 % (26) of deposits from the public. 55 % of the liquidity reserve is placed at central banks and in Swedish treasury bills, while the remaining part is placed in overnight accounts in various Nordic banks.

Capital adequacy

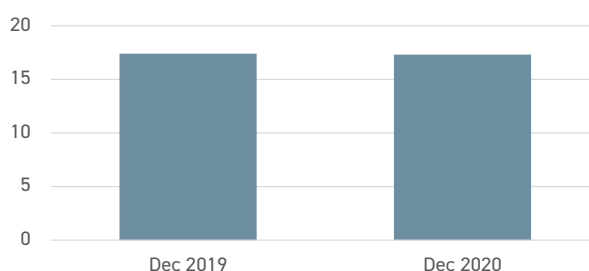
At the end of 2020, TF Bank's total capital ratio was 17.3 % (17.4), the tier 1 capital ratio was 14.1 % (14.3) and the CET1 capital ratio was 12.8 % (12.7). The total capital ratio is positively affected by 0.6 basis points of subordinated tier 2 capital intended to be repurchased during the first quarter of 2021. All capital ratios have also been affected by an increased phase-in of loan loss provisions according to the transitional rules, as well as the Board's dividend proposal of SEK 1.00 (0.00) per share.

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 year, 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

OCTOBER - DECEMBER 2020

COMPARED TO OCTOBER - DECEMBER 2019

Operating profit

Operating profit increased by 2 % to SEK 76.9 million (75.3). Higher operating income had a positive effect on the result, while expenses related to the credit cards initiative in Germany and the expansion in the Ecommerce Solutions segment lowers the result. Earnings per share for the quarter amounted to SEK 2.67 (2.58).

Operating income

The Group's operating income has increased by 12 % to SEK 233.8 million (208.4). Higher volumes for Norwegian consumer loans, German credit cards and the Ecommerce Solutions segment generate increasing income. Negative currency effects however weigh down the income compared to the fourth quarter of 2019.

Operating expenses

The Group's operating expenses have increased by 16 % to SEK 95.0 million (81.8). The increase is related to expenses for the German credit cards initiative and the expansion within the Ecommerce Solutions segment, which make the Group's C/I ratio to increase to 40.6 % (39.2).

Net loan losses

Net loan losses increased by 20 % to SEK 61.9 million (51.4). The Group's lending growth during the past years contributes to larger net loan losses in absolute terms compared to the corresponding quarter in 2019. The quarter's loan losses were however positively affected by a gradually improved credit quality in the Consumer Lending segment.

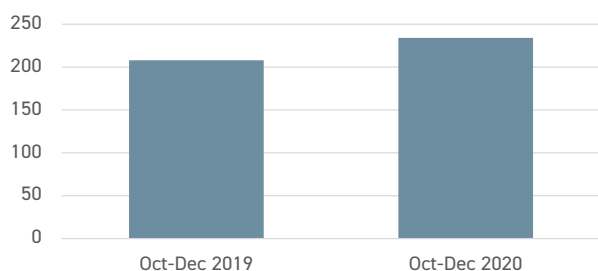
Tax expense

The Group's tax expense decreased to SEK 17.9 million (18.1). The average tax rate amounted to 23.3 % (24.0) during the quarter.

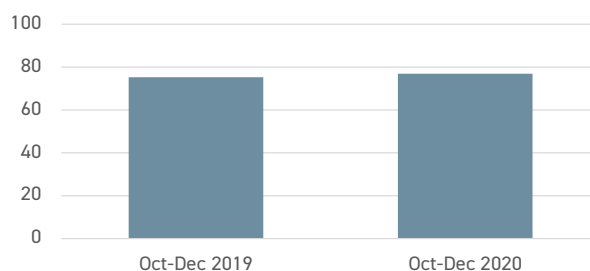
Loans to the public

Loans to the public amounted to SEK 7,922 million, the increase in local currencies was 8 % during the quarter. Consumer loans in Norway, German credit cards and the Nordic countries within the Ecommerce Solutions segment have been the primary growth drivers in the quarter. TF Bank's new lending increased to SEK 2,142 million (1,661) during the fourth quarter.

OPERATING INCOME (SEK million)



OPERATING PROFIT (SEK million)



CONSUMER LENDING

JANUARY - DECEMBER 2020

COMPARED TO JANUARY - DECEMBER 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 31 December 2020, the average loan amount per customer was approximately SEK 55 thousand.

The Nordic consumer loan portfolio comprises 74 % 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 comprises 26 % 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, new lending has been significantly reduced from the third quarter of 2020 and has been almost fully discontinued during the fourth quarter.

The loan portfolio

Loans to the public amounted to SEK 5,807 million, the increase in local currencies was 20 % during the year. The segment's new lending amounted to SEK 3,902 million (3,941). The share of loans that are more than 90 days past due increased during the year, mostly due to the expiration of some agreements for continuing sales of past due loans.

The underlying loan portfolio ¹ in Norway has increased by 31 % to NOK 2,287 million (1,751) during 2020. The growth in Norway is characterised by continued stable margins and favourable credit quality. The loan portfolio in Finland increased by 16 % to EUR 134 million (116). The regulatory interest rate cap that was implemented in

Finland on 1 July has had a slightly negative impact on the volumes during the second half of 2020. The Swedish loan portfolio amounted to SEK 457 million (456).

The underlying loan portfolio ¹ in the Baltics has increased by 13 % to EUR 134 million (119) during 2020. The growth has been driven by the loan portfolios in Latvia and Lithuania, while the portfolio in Estonia has decreased slightly. The new lending in the Baltics has been affected by a decided more restrictive approach since the second quarter of 2020. The Polish loan portfolio decreased to PLN 81.1 million (96.1).

Results

The operating profit for the segment decreased by 3 % to SEK 254.1 million (263.0). The result for the year is affected by increased provisions for expected credit losses due to the provisioning requirements in IFRS 9.

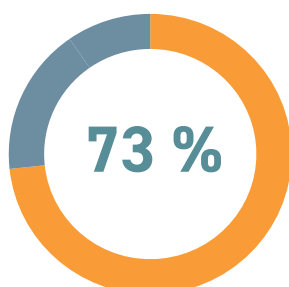
The operating income increased by 6 % to SEK 628.3 million (592.1). The increase is primarily related to the Norwegian loan portfolio. The operating income margin has decreased to 11.4 % (13.4) as the new lending has been directed towards customers with slightly stronger credit quality.

The operating expenses for the segment have increased by 1 % to SEK 178.1 million (176.7). The growth in Norway means that the segment's expenses have increased slightly compared to the previous year. The increase is however mitigated by lower marketing expenses in the Baltics, especially during the second quarter. The segment's C/I ratio has decreased to 28.3 % (29.8).

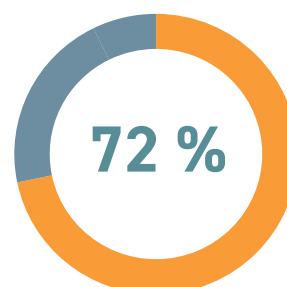
Net loan losses increased by 29 % to SEK 196.1 million (152.4). The increase is mainly related to an additional loan loss provision of SEK 30 million for expected credit losses due to the provisioning requirements in IFRS 9. The underlying credit quality has though been gradually improved over the year as the new lending partly has been directed towards customers with slightly stronger credit quality.

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 (see note 3 and 6).

ECOMMERCE SOLUTIONS

JANUARY - DECEMBER 2020

COMPARED TO JANUARY - DECEMBER 2019 (unless otherwise stated)

Overview

In the Ecommerce Solutions segment, TF Bank offers digital payment solutions primarily within e-commerce to creditworthy individuals. The customers are mainly end-consumers who use the bank's payment solutions when they make online purchases. The digital payment solutions are available in the Nordic region under the brand Avarda, and also in the Baltics and in Poland under the TF Bank brand. In total, the bank has had 196 active commercial partners during the fourth quarter.

Through the product Checkout+, the brand Avarda 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, Däck365 and Beijer Bygg during the last 12 months. In total, the transaction volumes through Checkout+ have increased by 207 % compared to last year. We optimise the offering to achieve our aim to be the retailers' best friend through initiatives such as Avarda Return Optimizer (ARO), which is an AI based tool to minimise the number of returns among our partners.

Loan portfolio

Loans to the public amounted to SEK 1,349 million, the increase in local currencies was 34 % during the year. The segment's new lending has increased to SEK 2,335 million (1,710). So far, the impact from the pandemic 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 849 million (685) and comprises 64 % of the segment. In Finland, the portfolio has increased by 44 % to EUR 52.9 million (36.8) during 2020. The increase is explained by a continued general growth of e-commerce while several new partners have been implemented during the year.

The Swedish portfolio has increased by 10 % to SEK 245 million (223) during the year. In Norway and Denmark, the loan balances amounted to NOK 40.4 million (35.8) and DKK 26.4 million (28.8) respectively.

The underlying loan portfolio ¹ in Estonia has increased by 63 % to EUR 17.1 million (10.5) during 2020. The increase is related to growth for existing larger retailers, but also a continued strong inflow of new partners. In Poland, the loan portfolio has increased by 34 % to PLN 133 million (99.0). By continuing to be flexible in the product offering, we gain market shares in the Polish market.

Results

The operating profit for the segment increased by 20 % to SEK 39.9 million (33.2). The increase is mainly related to growing net fee and commission income driven by increasing transaction volumes.

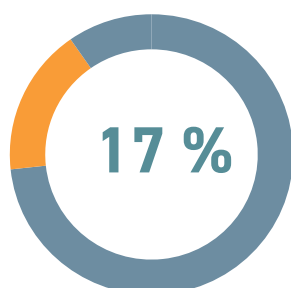
The operating income increased by 25 % to SEK 183.6 million (147.4). The increase is mainly attributable to higher volumes in several geographic markets compared to 2019. The operating income margin amounted to 15.3 % (15.2).

The operating expenses for the segment have increased by 16 % to SEK 108.3 million (93.0). The increase is partly explained by higher staff costs due to more employees, and partly by increased sales-related costs following larger volumes within the segment. The C/I ratio has decreased to 59.0 % (63.1).

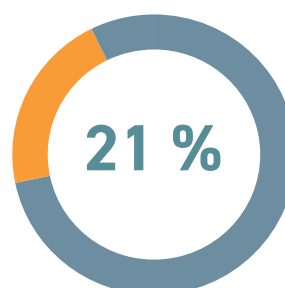
Net loan losses have increased to SEK 35.4 million (21.2). The main reason for the increase is that the loan losses in the comparison period were positively affected by one-time effects related to new agreements for continuing sales of past due loans. The ongoing pandemic has not affected the loan losses during the year.

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 (see note 3 and 6).

CREDIT CARDS

JANUARY - DECEMBER 2020

COMPARED TO JANUARY - DECEMBER 2019 (unless otherwise stated)

Overview

In the Credit Cards segment, TF Bank offers credit cards to creditworthy individuals in Germany and Norway. The business in Germany was started in the end of 2018, and the operations are conducted in-house. In our Berlin office, the employees are working with marketing and customer service. Also, an office in Szczecin has been established during 2020 to strengthen the administration function. Services like risk analysis, finance and IT are provided by central functions within the bank. In September 2020, a proprietary smartphone app was launched for German credit card customers. The product that is marketed in Germany is a so-called Mastercard Gold, and the individual exposure per card is around EUR 950. At the end of the year, approximately 53,000 German credit cards had been issued.

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 in the Norwegian market, Visa and Visa Gold. The individual exposure per card is around NOK 9,600. At the end of the year, approximately 19,000 Norwegian credit cards had been issued.

The loan portfolio

Loans to the public amounted to SEK 766 million, the increase in local currencies was 177 % during the year. The segment's new lending increased to SEK 1,068 million (386).

The underlying credit card portfolio ¹ in Germany has increased by EUR 39.1 million to EUR 50.0 during the year. The growth is related to an increased number of newly issued credit cards as well as increased utilisation of cards that previously have been issued. The lockdown of the German society due to the pandemic affected the

volumes negatively during the vast part of the second quarter. The German credit card portfolio has again exhibited strong growth since the third quarter of 2020.

The underlying credit card portfolio in Norway has increased by 19 % to NOK 183 million (154) during the year. The growth was moderate during the first half of the year due to relatively limited marketing activities in the end of 2019, as well as negative impact from the pandemic. Since the third quarter of 2020, the growth for the Norwegian credit card portfolio has increased.

Results

The operating result for the segment amounted to SEK -30.9 million (-6.8). The result is affected by the German credit card initiative through sales-related costs as well as provisions for expected credit losses according to IFRS 9.

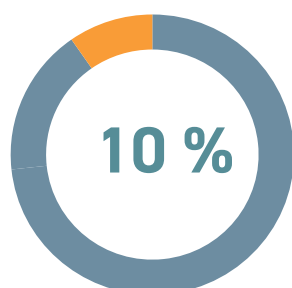
The operating income increased by 117 % to SEK 63.7 million (29.4). The increase is related to the expanding credit card business in Germany. The operating income margin amounted to 13.6 % (14.1) and was affected by the fact that new customers in Germany mainly are generated through loan intermediators.

The operating expenses for the segment amounted to SEK 53.4 million (21.2). Higher volumes as well as the establishment of a local organisation for German credit cards affect the expenses during 2020. The C/I ratio amounted to 83.8 % (72.1). Increasing interest income in Germany is expected to generate a lower C/I ratio over time.

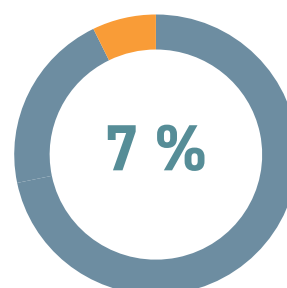
Net loan losses amounted to SEK 41.2 million (15.0). Provisions for expected credit losses in Germany in accordance with the applicable accounting standard IFRS 9 have a significant effect in comparison with 2019. The ongoing pandemic has not affected the net loan losses during the year.

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 (see note 3 and 6).

SIGNIFICANT EVENTS

Significant events, January - December 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 expanded 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.

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, it was resolved that earnings available for distribution was carried forward due to the communicated urge from Swedish FSA regarding dividends. John Brehmer was elected as 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 submitted 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 utilised for all warrants.

TF Bank's ecommerce initiative Avarda, which is part of the Ecommerce Solutions segment, have initiated a test period with Boozt regarding a payment solution for Booztlet during the third quarter.

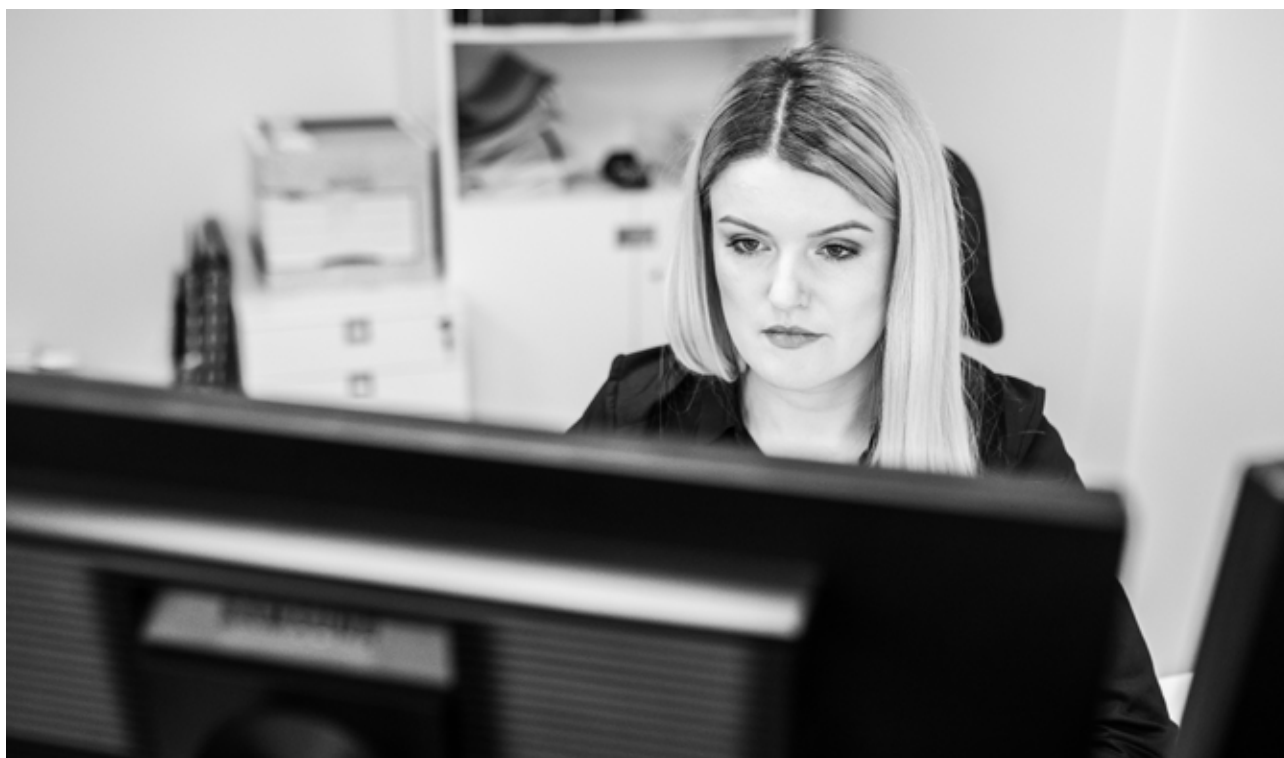
TF Bank has successfully issued subordinated Tier 2 bonds in the amount of SEK 100 million with final maturity in December 2030 and first call date in December 2025

Within the Ecommerce Solutions segment 28 new agreements with Nordic merchants have been signed during the year.

The strong growth for German credit cards has amounted to 358 % and at the end of the year approximately 53,000 German credit cards have been issued.

Events after the end of the reporting period

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



OTHER FINANCIAL INFORMATION

Annual General Meeting 2021

The Annual General Meeting 2021 will be held on Tuesday 4 May 2021. Shareholders who wish to submit a proposal for consideration at the Annual General Meeting must send a request to the Board of Directors not later than by Tuesday 16 March 2021. The request should be sent via email to ir@tfbank.se or by regular mail to TF Bank AB, Attn: Investor Relations, Box 947, SE-501 10 Borås. Notice of the Annual General Meeting will be published no later than Tuesday 6 April 2021.

Proposed dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 1.00 per share to be distributed for 2020. The total dividend payment to shareholders according to the proposal will be SEK 21.5 million. The dividend proposal has been made in consultation with the Swedish FSA.

The share

TF Bank was listed at Nasdaq Stockholm in the Mid Cap segment on 14 June 2016. The share trades under the ticker name TFBANK and the ISIN code is SE0007331608. At the end of December 2020, the share closed at SEK 86.80, a decrease of 25 % during the year. In total, 5.1 million shares worth approximately SEK 451 million were traded on Nasdaq Stockholm during 2020.

Institutions following TF Bank

ABG Sundal Collier, Carnegie and Pareto Securities are following the company. At the end of the year all institutions had issued a buy recommendation for the TF Bank 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 spread of Covid-19 continued to affect TF Bank's operations during the fourth quarter. In accordance with national recommendations, part of the bank's staff works remotely and travelling is severely limited. 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 year. Regarding approved government support measures, TF Bank has obtained support for reduced employer contributions and compensation for sick pay amounting to SEK 0.8 million during 2020, which has reduced the general administrative expenses.

During the second quarter of 2020, management choosed to be more restrictive with new lending within the Consumer Lending segment. When repayment ability is generally deemed to be worse, it is natural to be more selective in new lending. As the credit quality of the loan portfolio has remained stable, new lending within Consumer Lending has gradually increased as from the third quarter.

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. However, the assessment is that both Probability of Default (PD) and Loss Given Default (LGD) will be adversely affected. During the second half of 2020, incoming data regarding payment patterns among the bank's customers still show no significant changes that can be attributed to macroeconomic developments. However, it cannot be ruled out that some of the bank's customers will have payment difficulties in 2021 related to the macroeconomic development. Within Consumer Lending, several agreements regarding ongoing sales of past due loans expired without being renewed during the year. During the fourth quarter of 2020, TF Bank have received new agreement offers and the price levels are in line with, or slightly lower than, previous agreements in relevant markets. Due to the development during the second half of 2020, the bank has decided that the extra loan loss provision of SEK 30 million should be moved into the ordinary loan loss provisioning model as of December 31, 2020.

Uncertainty about the humanitarian and economic consequences of the pandemic remains high. It can therefore not be ruled out that TF Bank's operations, new lending and credit losses may be further negatively affected by Covid-19 in the future.

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.

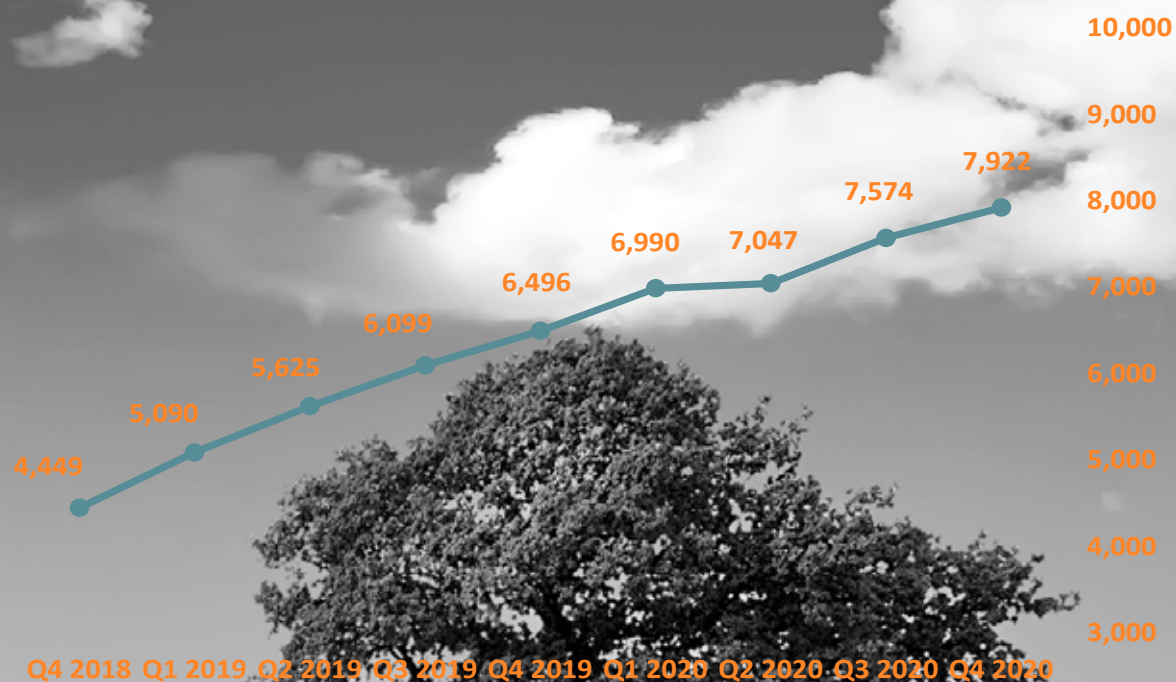
Parent company

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 period January - December 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	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
	3				
Operating income					
Interest income		237,199	221,224	911,945	813,117
Interest expense		-28,684	-29,914	-123,195	-106,133
Net interest income		208,515	191,310	788,750	706,984
Fee and commission income		28,985	19,205	103,556	72,561
Fee and commission expense		-6,056	-2,337	-18,968	-10,493
Net fee and commission income		22,929	16,868	84,588	62,068
Net results from financial transactions		2,327	244	2,185	-188
Total operating income		233,771	208,422	875,523	768,864
Operating expenses					
General administrative expenses		-81,558	-72,611	-296,063	-254,864
Depreciation and amortisation of tangible and intangible assets		-7,737	-4,832	-26,095	-18,128
Other operating expenses		-5,701	-4,315	-17,573	-17,883
Total operating expenses		-94,996	-81,758	-339,731	-290,875
Profit before loan losses		138,775	126,664	535,792	477,989
Net loan losses	2	-61,863	-51,410	-272,676	-188,634
Operating profit		76,912	75,254	263,116	289,355
Income tax expense		-17,906	-18,063	-59,971	-67,429
Net profit for the period		59,006	57,191	203,145	221,926
<i>Attributable to:</i>					
<i>Shareholders of the Parent Company</i>		<i>57,310</i>	<i>55,481</i>	<i>196,195</i>	<i>215,160</i>
<i>Additional tier 1 capital holders</i>		<i>1,696</i>	<i>1,710</i>	<i>6,950</i>	<i>6,766</i>
<i>Basic earnings per share (SEK)</i>		<i>2.67</i>	<i>2.58</i>	<i>9.13</i>	<i>10.01</i>
<i>Diluted earnings per share (SEK)</i>		<i>2.67</i>	<i>2.58</i>	<i>9.13</i>	<i>10.01</i>

STATEMENT OF COMPREHENSIVE INCOME, CONSOLIDATED

SEK thousand	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Net profit for the period	59,006	57,191	203,145	221,926
Other comprehensive income				
Items that may subsequently be reclassified to the income statement				
Gross exchange rate differences	-2	298	-2	1,174
Tax on exchange rate differences in the period	-	-2,436	-	1,668
Other comprehensive income, net of tax	-2	-2,138	-2	2,842
Total comprehensive income for the period	59,004	55,053	203,143	224,768
<i>Attributable to:</i>				
<i>Shareholders of the Parent Company</i>	<i>57,308</i>	<i>53,343</i>	<i>196,193</i>	<i>218,002</i>
<i>Additional tier 1 capital holders</i>	<i>1,696</i>	<i>1,710</i>	<i>6,950</i>	<i>6,766</i>

STATEMENT OF FINANCIAL POSITION, CONSOLIDATED

SEK thousand	Note	31 Dec 2020	31 Dec 2019
	2, 4, 5		
ASSETS			
Cash and balances with central banks		1,097,991	390,332
Treasury bills eligible for refinancing		60,022	60,051
Loans to credit institutions		961,478	1,362,459
Loans to the public	6	7,922,448	6,495,780
Shares		20,135	22,061
Goodwill		12,753	12,753
Intangible assets		61,762	56,163
Tangible assets		14,889	21,022
Other assets		36,379	18,998
Current tax assets		-	10,528
Deferred tax assets		47	2,943
Prepaid expenses and accrued income		29,061	15,158
TOTAL ASSETS		10,216,965	8,468,248
LIABILITIES AND EQUITY			
Liabilities			
Deposits and borrowings from the public	7	8,714,032	7,197,075
Other liabilities		65,045	75,440
Current tax liabilities		2,573	25,442
Deferred tax liabilities		5,642	143
Accrued expenses and prepaid income		101,075	77,497
Subordinated liabilities		245,053	197,583
Total liabilities		9,133,420	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		5,462	5,464
Retained earnings and net profit for the period		872,744	681,479
Total equity attributable to the shareholders of the Parent Company		983,545	795,068
Tier 1 capital instrument		100,000	100,000
Total equity attributable to the owners of the Parent Company		1,083,545	895,068
TOTAL LIABILITIES AND EQUITY		10,216,965	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	-	-	-	-	203,145	-	203,145
Gross exchange rate differences	-	-	-	-2	-	-	-2
Total comprehensive income for the period, net of tax	-	-	-	-2	203,145	-	203,143
Interest on Tier 1 capital	-	-	-	-	-6,950	-	-6,950
Redemption of warrants	-	-2,786	-	-	-4,938	-	-7,724
Other	-	-	-	-	8	-	8
Equity as at 31 Dec 2020	107,500	-	-2,161	5,462	872,744	100,000	1,083,545

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

CASH FLOW STATEMENT, CONSOLIDATED

SEK thousand	Jan-Dec 2020	Jan-Dec 2019
Operating activities		
Operating profit	263,116	289,355
<i>Adjustment for items not included in cash flow</i>		
Depreciation and amortisation of tangible and intangible assets	26,095	18,128
Accrued interest income and expense	6,813	-11,217
Other non-cash items	476	-14,173
Paid income tax	-72,312	-43,027
	224,188	239,066
Increase/decrease in loans to the public	-1,426,668	-2,046,555
Increase/decrease in other short-term receivables	38,318	22,448
Increase/decrease in deposits and borrowings from the public	1,516,957	2,100,612
Increase/decrease in other short-term liabilities	8,786	26,068
Cash flow from operating activities	361,581	341,639
Investing activities		
Investments in tangible assets	-1,808	-1,263
Investments in intangible assets	-23,753	-30,137
Cash flow from investing activities	-25,561	-31,400
Financing activities		
Issue of Tier 2 capital	100,000	100,000
Redemption of Tier 2 capital	53,000	-
Issue of Tier 1 capital	-	-110
Interest on Tier 1 capital	-6,950	-6,766
Redemption of warrants	-7,724	-
Dividends paid to shareholders	-	-49,450
Cash flow from financing activities	-32,326	43,674
Cash flow for the period	368,346	353,913
Cash and cash equivalents at the beginning of period	1,812,842	1,444,591
Exchange rate difference in cash and cash equivalents	-61,697	14,338
Cash and cash equivalents at the end of period	2,119,491	1,812,842
<i>Cash flow from operating activities includes interest expenses paid and interest payments received</i>		
Interest expenses paid	113,299	109,860
Interest payments received	771,836	710,958
Components of cash and cash equivalents		
Cash and balances with central banks	1,097,991	390,332
Treasury bills eligible for refinancing	60,022	60,051
Loans to credit institutions	961,478	1,362,459
Total cash and cash equivalents	2,119,491	1,812,842

NOTES

NOTE 1 General information

OWNERSHIP OF TF BANK AB AS AT 31 DECEMBER 2020 (ACCORDING TO THE SHAREHOLDERS' REGISTER)

Shareholder	%
TFB Holding AB	33.63
Tiberon AB	14.79
Erik Selin Fastigheter AB	12.51
Proventus Aktiebolag	5.16
Jack Weil	4.65
Nordnet Pensionsförsäkring AB	4.25
Merizole Holding LTD	2.36
Futur Pension	1.58
Skandia fonder	1.34
Carnegie fonder	1.20
Other shareholders	18.53
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 for this

Note 2 cont.

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. 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	31 Dec 2020	31 Dec 2019
Cash and balances with central banks		
AAA	179,280	152,219
AA+	871,221	188,584
AA-	35,627	37,033
A-	11,863	12,496
Treasury bills eligible for refinancing		
AAA	60,022	60,051
Loans to credit institutions		
A-1+	665,846	619,124
A-1	258,843	693,471
A-2	36,702	40,328
Unrated	87	9,536
Other assets		
A-1+	27,390	3,520
A-1	19,896	21,796
Unrated	8,077	14,839
Total	2,174,854	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 recognised 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 recognised in the income statement.

NET LOAN LOSSES

Group SEK thousand	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Change in provision for sold past due loans	-10,141	-29,175	-79,605	-113,159
Realised loan losses	-9,893	-16,929	-39,707	-48,648
Recovered from previous realised loan losses	174	1,682	468	6,949
Change in provision for expected loan losses, stage 1-3 ¹	-42,003	-6,988	-153,832	-33,776
Net loan losses	-61,863	-51,410	-272,676	-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	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Net interest income	146,339	153,412	590,219	562,723
Net fee and commission income	10,534	8,371	36,735	29,506
Net results from financial transactions	1,416	192	1,304	-145
Total operating income	158,289	161,975	628,258	592,084
General administrative expenses	-40,975	-41,865	-155,089	-151,979
Depreciation and amortisation of tangible and intangible assets	-2,738	-2,875	-11,984	-10,315
Other operating expenses	-3,135	-3,804	-11,026	-14,375
Total operating expenses	-46,848	-48,544	-178,099	-176,669
Profit before loan losses	111,441	113,431	450,159	415,415
Net loan losses	-39,452	-34,648	-196,074	-152,393
Operating profit	71,989	78,783	254,085	263,022

Balance sheet, SEK thousand	31 Dec 2020	31 Dec 2019
Loans to the public		
Household sector	5,807,224	5,144,824
Total loans to the public	5,807,224	5,144,824
Household sector		
Stage 1, net	5,360,722	4,851,249
Stage 2, net	202,687	192,081
Stage 3, net ¹	243,815	101,494
Total household sector	5,807,224	5,144,824

Key figures ²	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Operating income margin, %	11.4	13.4	11.4	13.4
Net loan loss ratio, %	3.5	3.5	3.5	3.5
Cost/Income ratio, %	29.6	30.0	28.3	29.8
New lending, SEK thousand	1,007,523	1,043,591	3,901,806	3,940,581

¹ The Group continuously sells part of the 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	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Net interest income	36,346	27,441	131,939	114,846
Net fee and commission income	13,902	8,587	51,176	32,587
Net results from financial transactions	482	42	458	-34
Total operating income	50,730	36,070	183,573	147,399
General administrative expenses	-26,676	-23,822	-95,528	-85,956
Depreciation and amortisation of tangible and intangible assets	-4,084	-1,672	-11,996	-6,765
Other operating expenses	-292	-112	-755	-297
Total operating expenses	-31,052	-25,606	-108,279	-93,018
Profit before loan losses	19,678	10,464	75,294	54,381
Net loan losses	-9,515	-10,021	-35,383	-21,223
Operating profit	10,163	443	39,911	33,158

Balance sheet, SEK thousand	31 Dec 2020	31 Dec 2019
Loans to the public		
Household sector	1,341,205	1,039,342
Corporate sector ²	8,030	18,780
Total loans to the public	1,349,235	1,058,122
Household sector		
Stage 1, net	1,258,251	956,843
Stage 2, net	73,598	75,954
Stage 3, net ³	9,356	6,545
Total household sector	1,341,205	1,039,342

Key figures ⁴	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Operating income margin, %	15.3	15.2	15.3	15.2
Net loan loss ratio, %	3.0	2.2	3.0	2.2
Cost/Income ratio, %	61.2	71.0	59.0	63.1
New lending, SEK thousand	723,295	453,175	2,334,580	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	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Net interest income	25,830	10,457	66,592	29,415
Net fee and commission income	-1,507	-90	-3,323	-25
Net results from financial transactions	429	10	423	-9
Total operating income	24,752	10,377	63,692	29,381
General administrative expenses	-13,907	-6,924	-45,446	-16,929
Depreciation and amortisation of tangible and intangible assets	-915	-285	-2,115	-1,048
Other operating expenses	-2,274	-399	-5,792	-3,211
Total operating expenses	-17,096	-7,608	-53,353	-21,188
Profit before loan losses	7,656	2,769	10,339	8,193
Net loan losses	-12,896	-6,741	-41,219	-15,018
Operating profit	-5,240	-3,972	-30,880	-6,825

Balance sheet, SEK thousand	31 Dec 2020	31 Dec 2019
Loans to the public		
Household sector	765,989	292,834
Total loans to the public	765,989	292,834
Household sector		
Stage 1, net	720,073	271,004
Stage 2, net	15,021	15,281
Stage 3, net	30,895	6,549
Total household sector	765,989	292,834

Key figures ¹	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Operating income margin, %	13.6	14.1	13.6	14.1
Net loan loss ratio, %	8.8	7.2	8.8	7.2
Cost/Income ratio, %	69.1	73.3	83.8	72.1
New lending, SEK thousand	410,801	164,384	1,068,217	386,368

¹ See separate section with definitions, page 45.

Note 3 cont.

GROUP INFORMATION

Income statement, SEK thousand	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Operating income				
Consumer Lending	158,289	161,975	628,258	592,084
Ecommerce Solutions	50,730	36,070	183,573	147,399
Credit Cards	24,752	10,377	63,692	29,381
Total operating income	233,771	208,422	875,523	768,864
Operating profit				
Consumer Lending	71,989	78,783	254,085	263,022
Ecommerce Solutions	10,163	443	39,911	33,158
Credit Cards	-5,240	-3,972	-30,880	-6,825
Total operating profit	76,912	75,254	263,116	289,355

Balance sheet, SEK thousand	31 Dec 2020	31 Dec 2019
Loans to the public		
Consumer Lending	5,807,224	5,144,824
Ecommerce Solutions	1,349,235	1,058,122
Credit Cards	765,989	292,834
Total loans to the public	7,922,448	6,495,780

NOTE 4 Classification of financial assets and liabilities

Group 31 Dec 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	-	-	1,097,991	-	-	1,097,991
Treasury bills eligible for refinancing	-	60,022	-	-	-	60,022
Loans to credit institutions	-	-	961,478	-	-	961,478
Loans to the public	-	-	7,922,448	-	-	7,922,448
Shares	20,135	-	-	-	-	20,135
Goodwill	-	-	-	-	12,753	12,753
Intangible assets	-	-	-	-	61,762	61,762
Tangible assets	-	-	-	-	14,889	14,889
Current tax assets	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	47	47
Prepaid expenses and accrued income	-	-	-	-	29,061	29,061
Derivatives	27,390	-	-	-	-	27,390
Other assets	-	-	-	-	8,989	8,989
Total assets	47,525	60,022	9,981,917	-	127,501	10,216,965
Liabilities						
Deposits and borrowings from the public	-	-	8,714,032	-	-	8,714,032
Current tax liabilities	-	-	-	-	2,573	2,573
Deferred tax liabilities	-	-	-	-	5,642	5,642
Accrued expenses and prepaid income	-	-	-	-	101,075	101,075
Subordinated liabilities	-	-	245,053	-	-	245,053
Derivatives	-	-	-	-	-	-
Other liabilities	-	-	-	-	65,045	65,045
Total liabilities	-	-	8,959,085	-	174,335	9,133,420

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, 31 Dec 2020 SEK thousand	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills eligible for refinancing	60,022	-	-	60,022
Shares	19,896	239	-	20,135
Derivatives	-	27,390	-	27,390
Total assets	79,918	27,629	-	107,547
Liabilities				
Derivatives	-	-	-	-
Total liabilities	-	-	-	-

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				
Derivatives	-	2,967	-	2,967
Total liabilities	-	2,967	-	2,967

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 13.82 % as at 31 December 2020 and 16.09 % as at 31 December 2019.

Note 5 cont.

Group 31 Dec 2020 SEK thousand	Carrying amount	Fair value	Fair value gain (+)/Fair value loss (-)
Assets			
Cash and balances with central banks	1,097,991	1,097,991	-
Treasury bills eligible for refinancing	60,022	60,022	-
Loans to credit institutions	961,478	961,478	-
Loans to the public	7,922,448	7,922,448	-
Shares	20,135	20,135	-
Derivatives	27,390	27,390	-
Total assets	10,089,464	10,089,464	-
Liabilities			
Deposits from the public	8,714,032	8,714,032	-
Subordinated liabilities	245,053	245,053	-
Derivatives	-	-	-
Total liabilities	8,959,085	8,959,085	-

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	31 Dec 2020	31 Dec 2019
Loans to the household sector	7,914,418	6,477,000
Loans to the corporate sector ¹	8,030	18,780
Total loans to the public	7,922,448	6,495,780
Loans to the household sector, gross		
Stage 1, gross	7,466,964	6,167,888
Stage 2, gross	327,956	311,638
Stage 3, gross ²	512,298	223,773
Total loans to the household sector, gross	8,307,218	6,703,299
Provisions for expected loan losses, household sector		
Stage 1	-127,918	-88,792
Stage 2	-36,650	-28,322
Stage 3 ²	-228,232	-109,185
Total provisions for expected loan losses, household sector	-392,800	-226,299
Loans to the household sector, net		
Stage 1, net	7,339,046	6,079,096
Stage 2, net	291,306	283,316
Stage 3, net ²	284,066	114,588
Total loans to the household sector, net	7,914,418	6,477,000
<i>Geographic distribution of net loans</i>		
Norway	2,566,609	2,140,257
Finland	2,014,444	1,671,639
Estonia	786,207	783,695
Sweden	735,373	709,750
Latvia	583,551	503,732
Germany	568,511	124,940
Poland	464,299	433,828
Lithuania	155,985	70,106
Denmark	35,763	40,813
Austria	11,706	17,020
Total loans, net book value	7,922,448	6,495,780

CHANGE IN PROVISION FOR NET LOAN LOSSES

Group SEK thousand	31 Dec 2020	31 Dec 2019
Opening balance	-226,299	-143,009
Change in provision for sold loans	-79,605	-113,159
Reversal of provision for sold loans	79,605	113,159
Change in provision for expected loan losses in stage 1	-43,728	-18,517
Change in provision for expected loan losses in stage 2	-9,757	-8,691
Change in provision for expected loan losses in stage 3	-128,858	-54,375
Exchange rate differences	15,842	-1,707
Closing balance	-392,800	-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 part of the past due loans before they reach stage 3.

NOTE 7 Deposits and borrowings from the public

Group SEK thousand	31 Dec 2020	31 Dec 2019
Germany	4,657,899	3,288,116
Norway	2,715,914	2,245,601
Sweden	1,002,111	1,221,550
Finland	338,108	441,808
Total deposits and borrowings from the public	8,714,032	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 32 % (23) of total deposits from the public.

CHANGES IN DEPOSITS AND BORROWINGS FROM THE PUBLIC

Group SEK thousand	31 Dec 2020	31 Dec 2019
Opening balance	7,197,075	5,096,463
Change	2,008,132	1,973,123
Exchange rate differences	-491,175	127,489
Closing balance	8,714,032	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, Avarða AB and Avarða 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	31 Dec 2020	31 Dec 2019
Common Equity Tier 1 capital (CET1)	972,387	793,733
Additional Tier 1 capital (AT1)	100,000	100,000
Tier 2 capital	245,053	197,583
Own funds ¹	1,317,440	1,091,316
Risk exposure amount	7,594,155	6,266,037
- of which: credit risk	6,450,650	5,309,328
- of which: credit valuation adjustment	7,491	2,672
- of which: market risk	-	-
- of which: operational risk	1,136,014	954,037
Capital ratios		
CET1 capital ratio, %	12.8	12.7
Tier 1 capital ratio, %	14.1	14.3
Total capital ratio, %	17.3	17.4

¹ After any regulatory adjustments.

Note 8 cont.

THE GROUP'S CAPITAL REQUIREMENTS

Group SEK thousand	31 Dec 2020		31 Dec 2019	
	Amount	Percent ¹	Amount	Percent ¹
Capital requirement				
CET1 capital requirement	341,737	4.5	281,972	4.5
Tier 1 capital requirement	455,649	6.0	375,962	6.0
Total capital requirement	607,532	8.0	501,283	8.0
Institution-specific buffer requirement				
Total buffer requirement	212,636	2.8	230,590	3.7
- of which, capital conservation buffer requirement	189,854	2.5	156,651	2.5
- of which, countercyclical buffer requirement	22,782	0.3	73,939	1.2
Total CET1 capital requirement including buffer requirement				
CET1 capital requirement including buffer requirement	554,373	7.3	512,562	8.2
CET1 capital available to use as buffer	630,650	8.3	511,761	8.2
Additional capital requirement under Pillar 2				
CET1 capital	49,743	0.7	38,287	0.6
Tier 1 capital	60,402	0.8	46,492	0.7
Total capital	74,614	1.0	57,431	0.9
- of which, concentration risk	73,425	1.0	55,548	0.9
- of which, currency risk	1,189	0.0	1,883	0.0
Total capital requirement (including Pillar 2)				
CET1 capital	604,116	8.0	550,849	8.8
Tier 1 capital	728,687	9.6	653,044	10.4
Total capital	894,783	11.8	789,304	12.6

GROUP'S OWN FUNDS

Group SEK thousand	31 Dec 2020	31 Dec 2019
CET1 capital		
Share capital	107,500	107,500
Other contributed capital	-	2,786
Reserves	3,301	3,303
Retained earnings including net profit for the period	872,744	681,479
Adjustments to CET1 capital:		
- Deduction of foreseeable costs and dividends ²	-21,500	-
- Transitional arrangements IFRS 9	84,857	67,581
- Intangible assets	-61,762	-56,163
- Goodwill	-12,753	-12,753
Total CET1 capital	972,387	793,733
Additional Tier 1 capital		
Perpetual subordinated loan	100,000	100,000
Tier 2 capital		
Fixed term subordinated loan	245,053	197,583
Own funds	1,317,440	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.

Note 8 cont.

SPECIFICATION OF RISK EXPOSURE AMOUNT AND CAPITAL REQUIREMENT

Group SEK thousand	31 Dec 2020		31 Dec 2019	
	Risk exposure amount	Capital requirement 8 %	Risk exposure amount	Capital requirement 8 %
Credit risk under the standardised approach				
Corporate exposures	8,927	714	19,097	1,528
Household exposures	5,857,782	468,623	4,823,663	385,893
Exposures secured by collateral	217	17	276	22
Exposures in default	327,336	26,187	127,657	10,213
Exposures to institutions with a short-term credit assessment	209,092	16,727	288,975	23,118
Equity exposures	239	19	264	21
Other items	47,057	3,765	49,396	3,952
Total	6,450,650	516,052	5,309,328	424,747
Credit valuation adjustment				
Standardised method	7,491	599	2,672	214
Total	7,491	599	2,672	214
Market risk¹				
Foreign exchange risk	-	-	-	-
Total	-	-	-	-
Operational risk				
Standardised approach	1,136,014	90,881	954,037	76,323
Total	1,136,014	90,881	954,037	76,323
Total risk exposure amount and total capital requirement	7,594,155	607,532	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	31 Dec 2020	31 Dec 2019
Pledged assets		
Loans	-	31,737
Other assets	-	414
Total	-	32,151

The subsidiary BB Bank ASA continuously pledged parts of its loans as collateral in 2019. The pledge was related to collateral for BB Bank ASA'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	31 Dec 2020	31 Dec 2019
Commitments		
Unutilized credit limits	957,332	535,974
Future total minimum lease payments for non-cancellable operating leases	25,024	24,279
Total	982,356	560,253

According to the Board's assessment, TF Bank 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	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
<i>The following transactions took place between companies within the Group:</i>				
General administrative expenses	-940	-914	-3,250	-2,033
Total	-940	-914	-3,250	-2,033
<i>The following transactions have been made with other related parties:</i>				
Interest income (transaction costs)	-20,240	-18,174	-57,440	-71,212
General administrative expenses	-715	-1,101	-3,301	-4,584
Total	-20,955	-19,275	-60,741	-75,796
<i>Acquisition of assets and liabilities from other related parties:</i>				
Ecommerce Solutions	146,269	185,544	630,718	793,497
Total	146,269	185,544	630,718	793,497

Group SEK thousand	31 Dec 2020	31 Dec 2019
<i>Assets and liabilities at the end of the period as a result of transactions with other related parties:</i>		
Other assets	781	100
Other liabilities	343	6,565

INCOME STATEMENT, PARENT COMPANY

SEK thousand	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Operating income				
Interest income	237,199	151,765	911,945	575,453
Interest expense	-28,539	-19,661	-122,648	-70,111
Net interest income	208,660	132,104	789,297	505,342
Fee and commission income	28,985	9,326	103,556	36,807
Fee and commission expense	-6,056	-1,430	-18,968	-5,545
Net fee and commission income	22,929	7,896	84,588	31,262
Net results from financial transactions	2,327	9,079	2,185	-6,205
Total operating income	233,916	149,079	876,070	530,399
Operating expenses				
General administrative expenses	-83,031	-50,802	-302,508	-177,416
Depreciation and amortisation of tangible and intangible assets	-6,258	-2,034	-20,674	-7,066
Other operating expenses	-5,747	-3,909	-17,573	-16,786
Total operating expenses	-95,036	-56,745	-340,755	-201,268
Profit before loan losses	138,880	92,334	535,315	329,131
Net loan losses	-61,863	-34,244	-272,676	-145,770
Operating profit	77,017	58,090	262,639	183,361
Appropriations	-	20,659	-	20,659
Income tax expense	-17,856	-14,491	-59,920	-42,272
Net profit for the period	59,161	64,258	202,719	161,748

STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY

SEK thousand	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Net profit for the period	59,161	64,258	202,719	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	59,161	64,258	202,719	161,748

STATEMENT OF FINANCIAL POSITION, PARENT COMPANY

SEK thousand	31 Dec 2020	31 Dec 2019
ASSETS		
Cash and balances with central banks	1,097,991	238,113
Treasury bills eligible for refinancing	60,022	60,051
Loans to credit institutions	960,989	1,022,247
Loans to the public	7,922,448	4,305,139
Shares	20,135	21,796
Shares in group companies	316	515,511
Goodwill	11,477	-
Intangible assets	61,762	28,156
Tangible assets	2,658	1,665
Other assets	36,154	7,429
Current tax assets	-	11,162
Deferred tax assets	47	1,548
Prepaid expenses and accrued income	29,447	12,560
TOTAL ASSETS	10,203,446	6,225,377
LIABILITIES AND EQUITY		
Liabilities		
Deposits and borrowings from the public	8,714,032	5,136,820
Other liabilities	52,864	36,497
Current tax liabilities	1,832	-
Deferred tax liabilities	5,642	7
Accrued expenses and prepaid income	100,318	56,700
Subordinated liabilities	245,053	197,583
Total liabilities	9,119,741	5,427,607
Equity		
Restricted equity		
Share capital	107,500	107,500
Statutory reserve	1,000	1,000
Development costs fund	61,762	27,464
Other contributed capital	-	2,786
Total restricted equity	170,262	138,750
Non-restricted equity		
Tier 1 capital instrument	100,000	100,000
Retained earnings	610,724	397,272
Total comprehensive income for the period	202,719	161,748
Total non-restricted equity	913,443	659,020
Total equity	1,083,705	797,770
TOTAL LIABILITIES AND EQUITY	10,203,446	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 is a listed company 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 31 December 2020 and 12.9 % per 31 December 2019.

THE PARENT COMPANY'S CAPITAL SITUATION

Parent company SEK thousand	31 Dec 2020	31 Dec 2019
Common Equity Tier 1 capital (CET1)	973,823	729,710
Additional Tier 1 capital (AT1)	100,000	100,000
Tier 2 capital	245,053	197,583
Own funds ¹	1,318,876	1,027,293
Risk exposure amount	7,582,576	5,035,725
- of which: credit risk	6,438,797	4,120,480
- of which: credit valuation adjustment	7,491	2,363
- of which: market risk	-	178,343
- of which: operational risk	1,136,288	734,539
Capital ratios		
CET1 capital ratio, %	12.8	14.5
Tier 1 capital ratio, %	14.2	16.5
Total capital ratio, %	17.4	20.4

¹ After any regulatory adjustments.

Note 11 cont.

THE PARENT COMPANY'S CAPITAL REQUIREMENTS

Parent company SEK thousand	31 Dec 2020		31 Dec 2019	
	Amount	Percent ¹	Amount	Percent ¹
Capital requirement				
CET1 capital	341,216	4.5	226,608	4.5
Tier 1 capital	454,955	6.0	302,144	6.0
Total capital	606,606	8.0	402,858	8.0
Institution-specific buffer requirement				
Total buffer requirement	212,312	2.8	173,229	3.4
- of which, capital conservation buffer requirement	189,564	2.5	125,893	2.5
- of which, countercyclical buffer requirement	22,748	0.3	47,336	0.9
Total CET1 capital requirement including buffer requirement				
CET1 capital requirement including buffer requirement	553,528	7.3	399,837	7.9
CET1 capital available to use as buffer	632,607	8.3	503,102	10.0
Additional capital requirement under Pillar 2				
CET1 capital	49,662	0.7	32,742	0.7
Tier 1 capital	60,304	0.8	39,758	0.8
Total capital	74,493	1.0	49,113	1.0
- of which, concentration risk	73,294	1.0	46,795	0.9
- of which, currency risk	1,199	0.0	2,318	0.1
Total capital requirement (including Pillar 2)				
CET1 capital	603,190	8.0	432,579	8.6
Tier 1 capital	727,571	9.6	515,131	10.2
Total capital	893,411	11.8	625,200	12.4

THE PARENT COMPANY'S OWN FUNDS

Parent company SEK thousand	31 Dec 2020	31 Dec 2019
CET1 capital		
Share capital	107,500	107,500
Other reserves	62,762	28,464
Other contributed capital	-	2,786
Retained earnings including net profit for the period	813,443	559,020
Adjustments to CET1 capital:		
- Deduction of foreseeable costs and dividends ²	-21,500	-
- Transitional arrangements IFRS 9	84,857	60,096
- Intangible assets	-61,762	-28,156
- Goodwill	-11,477	-
Total CET1 capital	973,823	729,710
Additional Tier 1 capital		
Perpetual subordinated loan	100,000	100,000
Tier 2 capital		
Fixed term subordinated loan	245,053	197,583
Own funds	1,318,876	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.

Note 11 cont.

SPECIFICATION OF RISK EXPOSURE AMOUNT AND CAPITAL REQUIREMENT

Parent company SEK thousand	31 Dec 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	8,927	714	270,774	21,662
Household exposures	5,857,782	468,623	3,006,377	240,510
Exposures secured by collateral	217	17	-	-
Exposures in default	327,336	26,187	92,312	7,385
Exposures to institutions with a short-term credit assessment	208,994	16,720	217,425	17,394
Equity exposures	555	44	515,511	41,241
Other items	34,986	2,799	16,320	1,306
Total	6,438,797	515,104	4,120,480	329,639
Credit valuation adjustment				
Standardised method	7,491	599	2,363	189
Total	7,491	599	2,363	189
Market risk ¹				
Foreign exchange risk	-	-	178,343	14,267
Total	-	-	178,343	14,267
Operational risk				
Standardised approach	1,136,288	90,903	734,539	58,763
Total	1,136,288	90,903	734,539	58,763
Total risk exposure amount and total capital requirement	7,582,576	606,606	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, 27 January 2021

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 readers 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.

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 amount 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

19 March 2021	Annual report 2020 is published
19 April 2021	Interim report January - March 2021
4 May 2021	Annual General Meeting 2021
13 July 2021	Interim report January - June 2021

This is information which TF Bank is required to disclose under the EU Market Abuse Regulation. The information was submitted for publication on 28th January 2021 at 07:00 CET.

PRESENTATION FOR INVESTORS, ANALYSTS AND MEDIA

A live conference call will be held on January 28th 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 2706 or +44 (0)33 3300 9273. 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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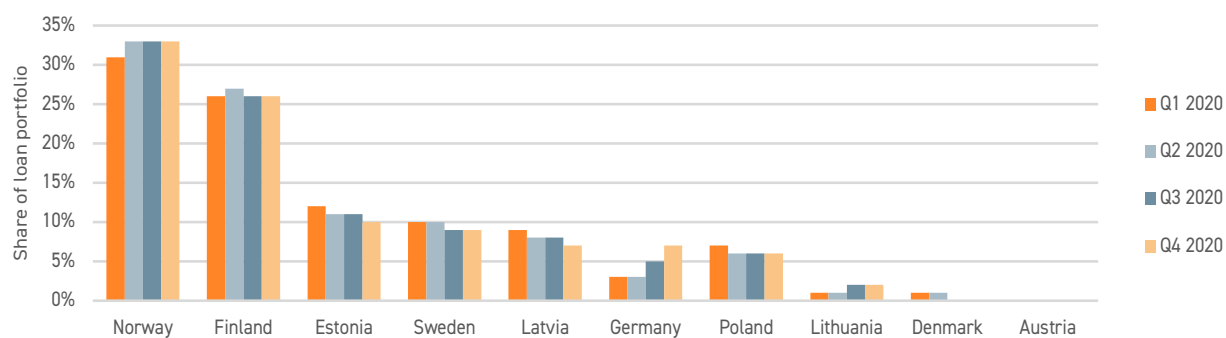
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TF BANK'S GEOGRAPHICAL PRESENCE



SHARE OF LOAN PORTFOLIO BY COUNTRY AND QUARTER





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