

# CORPORATE GOVERNANCE REPORT



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

## INTRODUCTION

TF Bank AB is domiciled in Borås and is authorised by the Swedish Financial Supervisory Authority to conduct banking operations in Sweden, and also in Norway, Finland, Estonia, Latvia and Poland via bank branches. In addition, TF Bank conducts cross-border activities in Denmark, Lithuania, Germany, Austria and Spain in accordance with the Swedish Banking and Financing Business Act. The Bank also has five small service subsidiaries: TFB Service UAB, TFB Service SIA, TFB Service GmbH, TFB Service AB and TFBN Services S.L.. The shares in TF Bank AB have been listed on Nasdaq Stockholm's main market since 14 June 2016.

TF Bank conducts banking operations and is under the supervision of the Swedish Financial Supervisory Authority. TF Bank complies with several laws and regulations pertaining to good corporate governance and control of the business, such as the Swedish Banking and Financing Business Act (2004:297), the Consumer Credit Act (2010:1846), the Swedish Companies Act (2005:551), the Annual Accounts Act (1995:1554), Act (1995:1559) on Annual Accounts in Credit Institutions and Securities Companies Act, the Swedish Corporate Governance Code ("the Code"), Nasdaq's rulebook for issuers and International Financial Reporting Standards. TF Bank also adheres to several regulations and general guidelines issued by the Swedish Financial Supervisory and the European Banking Authority (EBA). TF Bank has prepared this Corporate Governance Report in accordance with the Annual Accounts Act and the Code.

## OWNERSHIP

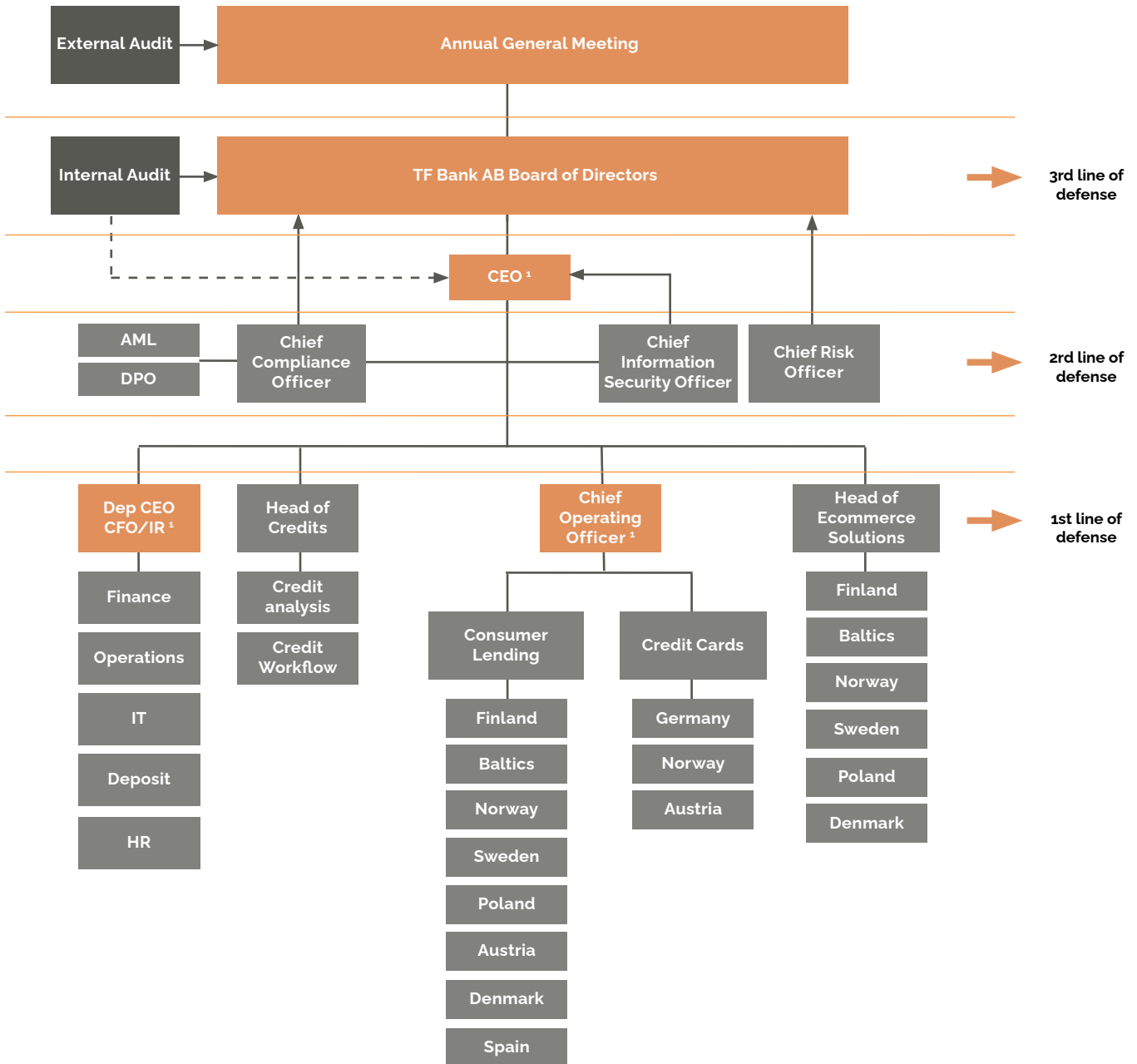
Ownership structure 31 December 2022:

	Owner	Number of shares	Share of equity, %
1	TFB Holding AB	6,517,375	30.31
2	Tiberon AB	3,239,291	15.07
3	Erik Selin Fastigheter AB	2,697,195	12.55
4	Proventus Aktiebolag	1,109,300	5.16
5	Nordnet Pensionsförsäkring AB	932,158	4.34
6	Jack Weil	913,669	4.25
7	Merizole Holding LTD	531,995	2.47
8	Carnegie Micro Cap	388,009	1.80
9	Skandia fonder	282,032	1.31
10	Avanza Pension	271,109	1.26
11	Skandia livförsäkring	252,000	1.17
12	Futur Pension	217,050	1.01
13	Nordea Nordic Small cap	214,793	1.00
14	Ålandsbanken AB	209,000	0.97
15	Pareto Investment	204,178	0.95
16	BNY Mellon	203,336	0.95
17	Six Sis AG	201,500	0.94
18	Anders Klein	197,700	0.92
19	eQ Nordic Small Cap	182,211	0.85
20	AB Monarda	156,00	0.73
	Other shareholders	2,580,099	11.99
	<b>Total</b>	<b>21,500,000</b>	<b>100.00</b>

Source: Euroclear

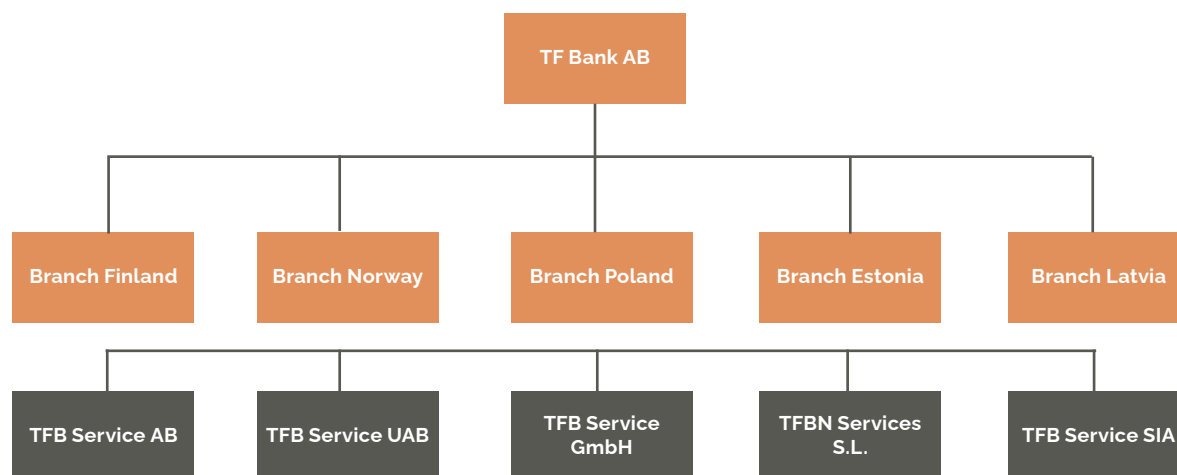
The largest owner, TFB Holding AB, with a total holding of 30.31 % as at 31 December 2021, is represented on the Nomination Committee through Paul Källenius.

## CORPORATE GOVERNANCE AND RISK MANAGEMENT IN TF BANK



<sup>1</sup> Part of executive management.

## COMPANY STRUCTURE



List of companies included in consolidation for accounting and supervisory purposes:

Parent Company	Subsidiaries	Corporate identity number	Interest	Consolidation (supervisory/consolidation)
TF Bank AB		556158-1041		
	TFB Service AB	55930-467	100%	Full/full
	TFB Service UAB	304785170	100%	Full/full
	TFB Service GmbH	HRB 208869 B	100%	Full/full
	TFBN Service S.L.	B10781789	100%	Full/full
	TFB Service SIA	40203015782	100%	Full/full

### ARTICLES OF ASSOCIATION

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

### GENERAL MEETING OF SHAREHOLDERS

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

### Annual General Meeting 2022

The 2022 Annual General Meeting (AGM) was held on 3 May 2022. The AGM was conducted by postal voting in advance, without physical participation. The AGM resolved in accordance with all proposals of the Board and the Nomination Committee. Among other resolutions, the AGM resolved on a dividend of SEK 21,500,000, corresponding to SEK 1.00 per share. It was further resolved that SEK 1 229 326 044 should be balanced into new accounts. CEO and the Board of Directors were discharged from liability for the fiscal year 2021.

The AGM resolved that the Board should consist of six members. The AGM resolved to re-elect John Brehmer, Sara Mindus, Mari Thjømøe and Michael Lindengren, as well as new election of Fredrik Oweson and Niklas Johansson as members of the Board of Directors. Bertil Larsson and Charlotta Björnberg-Paul left the Board of Directors. John Brehmer was elected as Chairman of the Board. The AGM resolved to re-elect KPMG AB as the registered auditing firm, with Authorised Public Accountant Dan Beitner as auditor-in-charge, for the period until the end of the next AGM.

The AGM resolved to authorise the Board, on one or more occasions, to decide on new share issues, with or without deviation from shareholders' preferential rights, until the next AGM. The number of shares issued pursuant to the authorisation may not exceed an increase of twenty percent of the share capital based on the share capital of the Company at the time of the AGM 2022. It was also resolved to authorise the Board of Directors, to decide on the acquisition and transfer of own shares. A maximum of so many shares may be acquired that the Company's holdings, including shares that have otherwise been acquired and held, will not exceed five percent of all shares in the Company.

The AGM resolved to adopt a Share programme 2022 in accordance with the Board of Directors' proposal. The programme has a three year duration and means that senior executives, certain other directors, key persons and specialists, in aggregate up to 24 persons, conditional upon that that certain terms are met, may receive up to 26,000 shares in TF Bank provided that they have acquired a corresponding number of shares.

The full Articles of Association as well as minutes and information regarding the 2022 AGM are available at [www.tfbankgroup.com](http://www.tfbankgroup.com).

### **NOMINATION COMMITTEE**

According to a resolution by the 2021 AGM on the appointment of the Nomination Committee, the three largest shareholders in terms of voting power who wish to participate in the Nomination Committee will have the right to appoint one member each. The member representing the largest shareholder should be appointed Chairman of the Nomination Committee. The members of the Nomination Committee were appointed on the basis of the ownership structure as at 31 August 2022.

The Nomination Committee shall prepare proposals in the following matters to be submitted to the AGM:

- Proposal for a Chairman for the general meeting;
- Proposal for the Board of Directors;
- Proposal for Chairman of the Board;
- Proposals for Board fees with the distribution between the Chairman and other Board members, and fees for Committee work;
- Proposals for auditors; and
- Proposal for remuneration to the Company's auditors

The Nomination Committee shall apply Regulation 4.1 of the Code for the preparation of a proposal for the Board of Directors, in order to achieve a balanced Board composition in terms of broad range of qualifications.

The Nomination Committee ahead of the AGM in 2023 comprises:

- Paul Källenius, representing TFB Holding AB
- Erik Selin, representing Erik Selin Fastigheter AB
- Jonas Weil, representing Proventus Aktiebolag
- John Brehmer, Chairman of the Board of TF Bank AB
- Paul Källenius has been appointed Chairman of the Nomination Committee

Tiberon AB, the second largest shareholder, declined to be represented in the Nomination Committee. However, Tiberon AB's board member John Brehmer is a member of the Nomination Committee in his capacity as Chairman of TF Bank.

The composition of the Nomination Committee was disclosed through a press release and on the Company's website on 28 October 2022.

### **BOARD OF DIRECTORS**

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

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

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

The Board's work follows annually established rules of procedure which comprise the matters to be dealt

with by the Board at each ordinary meeting and the division of duties within the Board, with special commitments for the Chairman. The rules of procedure also set out rules for financial reporting to the Board and more detailed rules for the responsibilities and powers of the CEO.

According to the Articles of Association, the Board of Directors should comprise not less than three and not more than ten ordinary members. Information about the Board representatives is available at [www.tfbankgroup.com](http://www.tfbankgroup.com) and on page 107.

### Significant matters

In 2022, the Board held eleven meetings, of which eight were ordinary meetings (four physical and four telephone meetings), one extra telephone meeting and two meetings that were held by correspondence.

Date	Significant matters raised at the board meetings
2022-01-24	Year-end report 2021
2022-03-17	The adoption of the Annual Report for 2021 and Pillar 3 report
2022-03-28	Notice to attend the AGM on May 3 2022
2022-04-18	Interim report Q1 2022 and resolution of ICAAP
2022-05-03 (const.)	Adoption of rules of procedures on the Board of Directors including rules of procedures on Audit Committee, Remuneration Committee and Risk and Compliance Committee respectively as well as adoption of CEO instructions. Appointment of authorised signatories
2022-06-17	Updates of policies and validation of model for loan loss provisions
2022-07-11	Interim report Q2 2022
2022-09-22	Strategy discussion and policy updates
2022-10-16	Interim report Q3 2022
2022-12-07	Decision to submit an application for permission to change the method of calculating the capital requirement for operational risk.
2022-12-15	Approval of budget 2023, Decision to determine the activity plan for the risk and compliance function for 2023.

Board attendance was as follows:

Board member	Independent of major shareholders	Attendance
John Brehmer (Chairman)	No	11 of 11
Bertil Larsson (resigned at the AGM)	Yes	3 of 11
Charlotta Björnberg-Paul (resigned at the AGM)	Yes	3 of 11
Mari Thjømøe	Yes	11 of 11
Sara Mindus	Yes	10 of 11
Michael Lindengren	Yes	11 of 11
Niklas Johansson (new elected at the AGM)	Yes	7 of 11
Fredrik Oweson (new elected at the AGM)	Yes	6 of 11

CEO Mattias Carlsson and CFO Mikael Meomuttel participated in all meetings.

### Reporting to the Board of Directors and Board committees

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

The overarching responsibilities of the Board of Directors cannot be delegated but the Board of Directors is assisted by three committees: The Remuneration Committee, the Audit Committee and Risk and Compliance Committee.

### Remuneration Committee

The Remuneration Committee's main role is to support the Board in its work to ensure that risks associated with TF Bank's remuneration system are measured, managed and reported. The Remuneration Committee is also responsible for assisting the Board in establishing standards and principles for decisions on remuneration of TF Bank's staff and Executive Management and in ensuring that the remunerations systems are compatible with applicable laws and regulations. The Board of Directors decides on remuneration of the CEO, Deputy CEO, Compliance Officer and Chief Risk Officer following the preparatory work of the Remuneration Committee.

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

The remuneration policy stipulates that remuneration and other benefits must be competitive in order to promote TF Bank's long-term interests and to discourage excessive risk-taking. A more detailed description of remuneration paid in 2022 can be found on TF Bank's website: [www.tfbankgroup.com](http://www.tfbankgroup.com). The Remuneration Committee shall meet at least twice a year and otherwise when required. Minutes shall be taken at each meeting and shall be provided to all board members.

In connection with the AGM, the Board of Directors appointed the Remuneration Committee by re-election of John Brehmer and new election of Fredrik Oweson.

During the year, all members of the Remuneration Committee have been members of the Board.

Board member Fredrik Oweson was appointed Chairman of the Remuneration Committee.

In 2022, the Remuneration Committee held two minuted meetings. Attendance at Committee meetings was as follows:

Board member	Attendance
Fredrik Oweson (Chairman)	2 of 2
John Brehmer	2 of 2

### Audit Committee

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

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

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

In connection with the AGM, the Board of Directors appointed the Audit Committee by re-electing John Brehmer and Michael Lindengren as well as by new election of Niklas Johansson. Mari Thjømøe was relieved from the committee at the AGM.

During the year, all members of the Audit Committee have been members of the Board.

Board member Michael Lindengren was re-elected as Chairman of the Audit Committee.

In 2022, the Audit Committee held eight minuted meetings. Attendance at Committee meetings was as follows:

Board member	Attendance
Michael Lindengren (Chairman)	8 of 8
John Brehmer	8 of 8
Niklas Johansson	4 of 8
Mari Thjømøe	3 of 8

CFO and Head of Group Accounting have participated in all meetings, CEO, Head of Internal Control and auditor-in-charge from KPMG have participated in several meetings.

### Risk and Compliance Committee

The Risk and Compliance Committee is responsible for preparing and following up issues concerning risk management, regulatory compliance, capitalisation and liquidity management. The Committee shall address the Company's overall current and future risk appetite and risk strategy and assist the Board when it monitors the executive management's implementation of the strategy.

The Risk and Compliance Committee shall ensure that the products that the Company offers its customers take into account the Company's business model and risk strategy. If the prices do not correctly reflect the risks in accordance with the business model and the risk strategy, the Risk and Compliance Committee shall draw up an action plan for the Board.

The Risk and Compliance Committee shall meet at least four times a year and otherwise as required. Minutes shall be drawn up at each meeting and shall be sent to all board members.

In the board meeting held immediately following the AGM, it was decided to appoint all Board members as members of the Risk and Compliance Committee with Niklas Johansson as the Committee Chairman.

During 2022, the Risk and Compliance Committee had three minuted meetings. The participation in the committee work has been as follows:

Board member	Attendance
Niklas Johansson (Chairman)	2 of 3
John Brehmer	3 of 3
Sara Mindus	3 of 3
Fredrik Oweson	2 of 3
Mari Thjømøe	2 of 3
Michael Lindengren	2 of 3

TF Bank's Chief Compliance Officer, Chief Risk Officer and Chief Credit Risk Officer have participated in all meetings. Chief Information Security Officer and CFO have attended some meetings.

### **Remuneration of Board members**

The 2022 AGM resolved on the following remuneration for Board members:

- Chairman of the Board SEK 1,200,000,
- Other members of the Board SEK 400,000,
- Chairman of the Audit Committee SEK 150,000,
- Other members of the Audit Committee SEK 70,000,
- Chairman of the Remuneration Committee SEK 100,000,
- Other members of the Remuneration Committee SEK 50,000,
- Chairman of the Risk and Compliance Committee SEK 150,000,
- Other members of the Risk and Compliance Committee SEK 75,000.

### **Evaluation of the Board's work**

The Board of Directors regularly performs a systematic evaluation where Board members are offered the opportunity to give their views on working methods, Board materials, their own and other members' contributions to the Board's work in order to develop the work performed by the Board, and to provide the Nomination Committee with relevant information required for decisions ahead of the AGM. The evaluation before the AGM in 2023 was carried out and the results of the evaluation have been presented to the Board of Directors and Nomination Committee.

### **CEO AND EXECUTIVE MANAGEMENT**

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

As at December 31, 2022, TF Bank's Executive Management comprised of Mattias Carlsson (CEO), Mikael Meomuttel (CFO) and Espen Johannesen (COO).

Further information about Executive Management representatives is available at [www.tfbankgroup.com](http://www.tfbankgroup.com) and on page 108.

### **Remuneration of senior executives**

The guidelines for remuneration of senior executives comprise CEO, CFO and other members of the Exec-

utive Management. The guidelines shall be applied on remuneration which has been agreed upon, and changes made to already agreed remuneration, after the guidelines have been adopted by the AGM. The AGM in 2021 adopted the following guidelines for remuneration of TF Bank's senior executives:

### **Guidelines for promoting the Bank's business strategy, long-term interests and sustainability**

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, Austria and Spain through branch or cross-border banking with the support of the Swedish banking license. From 2020 the operations are divided into three segments: Consumer Lending, Credit Cards and Ecommerce Solutions.

A successful implementation of the Bank's business strategy and the safeguarding of the Bank's long-term interests, including its sustainability, requires the Bank to be able to recruit and retain qualified members of staff. This means that the Bank must be able to offer a competitive remuneration package. The guidelines enable the Bank to offer a competitive remuneration package to its executive management.

Variable cash remuneration which are compromised by these guidelines should aim to promote the Company's business strategy and long-term interests, including its sustainability.

### **The forms of remuneration, etc.**

The remuneration shall be competitive and may comprise the following components: fixed salary, variable remuneration, pensions and other economic benefits. In addition, the Annual General Meeting may decide upon, for example, share- and share price-related remuneration.

The fulfilment of criteria for variable cash remuneration must be measurable over a time period of one or several years. The variable cash remuneration may amount to a maximum of 100 per cent of the total fixed salary during the measurement period.

Furthermore, the following applies in accordance with the regulations in place with regards to remuneration in banks. Variable remuneration can be emanated in the form of shares, and there shall be a limit to the maximum result. Payment of variable remuneration shall be postponed and be made conditional on that the criteria on which the remuneration is based was shown to be sustainable in the long-term and on that the Bank's position has not declined substantially. If



the conditions for payment are not met, the remuneration shall be cancelled in whole or in part.

Pension benefits, including health insurance, shall be premium-determined, insofar as the executive is not covered by a collective bargaining agreement and/or premium based benefit. Pension premiums for defined contribution schemes may amount to a maximum of 25 per cent of pension-based income.

Regarding employment conditions that are governed by rules other than Swedish, in so far as pension benefits and other benefits are concerned, appropriate adjustments are made to comply with such mandatory rules or fixed local practices, whereby the general purpose of these guidelines should be met as far as possible.

#### **Termination of employment**

In the event of termination of employment by the Bank, the notice period may not exceed 12 months. Fixed salary during the notice period and severance pay may not, in total, exceed an amount corresponding to the fixed salary for 6-12 months. In the event of termination by the executive, the notice period may not exceed six months, and there will be no right to receive severance pay.

Furthermore, compensation for any commitment to restrict competition may be received. Such remuneration shall compensate for any loss of income and shall only be paid to the extent that the former executive has no right to severance pay. The remuneration shall be based on the fixed salary at the time of termination and shall be paid during the period subject to the restriction of competition, which shall not exceed 6-12 months after termination of employment.

#### **Criteria for distributing variable remuneration**

The variable remuneration shall be linked to pre-determined and measurable criteria that may be financial or non-financial. The criteria may also be individualised quantitative or qualitative goals. The criteria must be designed to promote the Bank's business strategy and long-term interests including its sustainability, for example by having a clear link to the business strategy or promoting the long-term development of the executive.

When the measurement period for fulfilment of the criteria for payment of variable remuneration has been completed, the extent to which the criteria have been met shall be assessed and determined, respectively. The Board of Directors are responsible for such an assessment in respect of variable cash remuneration to senior executives. The fulfilment of financial criteria must be determined based on the latest financial information published by the Company.

#### **Salary and terms of employment for the employees**

In preparing the Board's proposal for these remuneration guidelines, salaries and terms of employment for the Bank's employees have been considered in that information about employees' total remuneration, the components of the remuneration and the increase and rate of remuneration over time have been part of the Board's decision when evaluating the reasonableness of the guidelines and the limitations that follow.

#### **The decision-making process to establish, review and implement the guidelines**

The Board of Directors shall establish proposals for new guidelines when there is a need for significant changes, at least every 4 years. The proposals shall be submitted for the resolution at the AGM. The guidelines shall apply until new guidelines have been adopted by the AGM. The board shall also follow and evaluate programs for variable remuneration for the executives, the application of guidelines for remuneration senior executives, as well as current remuneration structures and remuneration levels in the Bank. The CEO and other members of executive management shall not attend board meeting when decisions are being made about remuneration-related issues, insofar as they are affected by the issues.

#### **Deviations from the guidelines**

The Board of Directors may decide to temporarily deviate from the guidelines, in whole or part, if there are special reasons that motivate such action in an individual case and deviation is necessary to meet the Bank's long-term interests, including its sustainability, or to ensure the Bank's financial viability.

#### **Commission-based compensation for senior executives**

In 2022, commission-based compensation amounted to SEK 300 thousand (1,136). Additional commission-based compensation is paid on the basis of individual attainment of financial targets established for the year. TF Bank has ensured that all targets related to commission-based compensation for the fiscal year can be measured in a reliable way. None of the commission-based compensation payments are qualifying payments for pension purposes.

#### **INTERNAL GOVERNING DOCUMENTS**

In addition to laws, ordinances, regulations, etc. TF Bank has a number of internal governing documents relating to daily management. These have been adopted by the Board of Directors, CEO or other managers and include the Articles of Association, the Board of Directors' Rules of Procedure, instructions for the Audit Committee and Remuneration Committee, instructions for the CEO and financial reporting to the Board, insider policy, risk

management policy, credit policy, remuneration policy, management of ethical issues and conflicts of interest (code of conduct), outsourcing, business continuity, liquidity management, financial policy, capital policy, governing documents for risk control, compliance and internal audit, handling of complaints and anti-money laundering and terrorist financing policy. All governing documents are available on the intranet.

### **EXTERNAL AUDITORS**

The Company's external auditors are appointed by the AGM. It is the responsibility of the external auditors to review the Annual Report and the financial statements, as well as the work of the Board of Directors and the CEO. In 2022, KPMG AB was appointed auditor of the Company with Authorised Public Accountant Dan Beitner as auditor in charge.

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

### **INTERNAL CONTROL AND RISK MANAGEMENT**

#### **First line of defence**

TF Bank's activities primarily comprise three business areas; Consumer Lending, Credit Cards and Ecommerce Solutions, and four company-wide support functions, Credits, Finance, Operations, HR and IT.

Risk management is based on the business and support units and includes all employees. In the first line of defence, managers of units/functions are responsible for daily risk management and compliance, and for taking appropriate action in the event of unwanted risk exposure or failing compliance within the respective business areas. Reporting lines are to the immediate manager, the Compliance function, Risk Control and Information Security functions or the CEO.

#### **Second line of defence - Compliance, Information Security and Risk Control**

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

An independent review of compliance with external and internal regulations is carried out by the Compliance function in accordance with applicable

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

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

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

Information security is achieved by analysing the Bank's processes and defining vulnerability based on confidentiality, accuracy, availability and traceability. The function is responsible for defining appropriate levels of security measures, including policies and routines, processes, organisational structures and functions in software and hardware based on the Bank's information assets and its risk classification. The work of the information security function is based on TF Bank's Information Security instruction and Instruction for classification, marking and handling of information and IT systems. TF Bank's Chief Information Security Officer (CISO) is Navaz Sumar.

### **Third line of defence - Internal audit**

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

The internal audit function reviews and assesses whether systems, internal controls and procedures are appropriate and effective and issues recommendations and monitors adherence to the recommendations. In 2022, the audit performed by the internal audit function in addition to the mandatory areas included TF Bank's handling of the requirements related to the regulations regarding compensation systems, management of credit risks, and measures against money laundering and financing of terrorism.

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

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

TFB Service UAB, TFB Service SIA, TFB Service GmbH, TFBN Service S.L. and TFB Service AB are 100 % owned by TF Bank. All companies are wholly owned subsidiaries and as the sole or majority shareholder, TF Bank is able to control the companies by exercising its voting rights at the AGM. Through its shareholding, TF Bank is also able to determine the board that is elected at each company's AGM.

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

The Board of Directors is responsible for the internal control of TF Bank AB and its subsidiaries according to the Swedish Companies Act and the Swedish Annual Accounts Act.

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

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

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

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

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

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

### **FURTHER INFORMATION**

Further information regarding corporate governance in TF Bank is available at [www.tfbankgroup.com](http://www.tfbankgroup.com).

## **THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT**

*To the Annual General Meeting of TF Bank AB (publ), organisation number 556158-1041.*

### **Assignment and responsibility allocation**

The Board of Directors is responsible for that the corporate governance statement on pages 81-91 has been prepared in accordance with the Annual Accounts Act.

### **Focus and scope of the audit**

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

### **Statement**

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

Stockholm 17 March 2023  
KPMG AB

Dan Beitner  
*Authorised Public Accountant*  
*Auditor in Charge*