



ANNUAL REPORT 2020

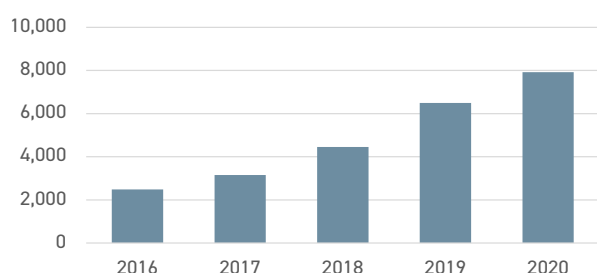
TF BANK IN BRIEF

TF Bank 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. The platform is designed for scalability and adaptability to different products, countries, currencies and digital banking solutions. TF Bank prioritises organic growth under controlled conditions and expansion is taking place in carefully selected segments and markets. The business is conducted in Sweden, Finland, Norway, Denmark, Estonia, Latvia, Lithuania, Poland, Germany and Austria through branch or cross-border banking.

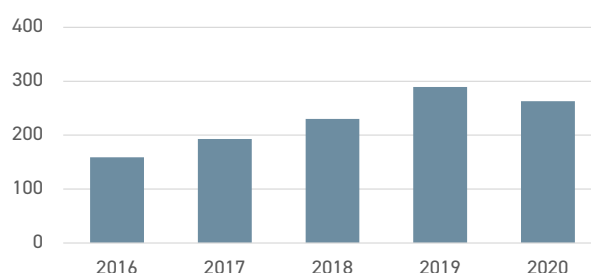
The business is divided into three segments: Consumer Lending with focus on unsecured consumer loans, Ecommerce Solutions with digital payment solutions primarily to online retailers and Credit Cards with focus on offering credit cards. The target group for all services is creditworthy individuals and the loan amounts are relatively small with short repayment terms. TF Bank also offers deposit products in several markets.



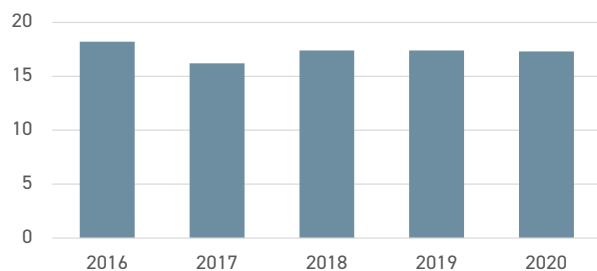
LOANS TO THE PUBLIC (SEK million)



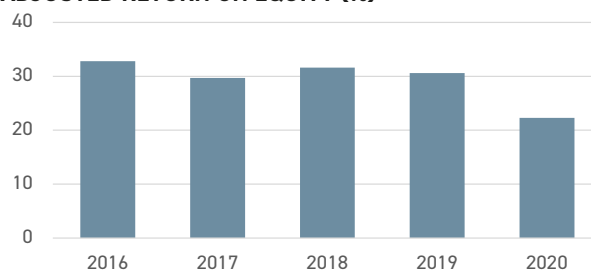
ADJUSTED OPERATING PROFIT (SEK million)¹



TOTAL CAPITAL RATIO (%)



ADJUSTED RETURN ON EQUITY (%)¹



¹ Items affecting comparability in 2016 comprised costs related to the IPO. Items affecting comparability in 2018 comprised reclassification of customer balances with inactive status that arose before 2018.

See separate section with definitions, page 103.

YEAR IN BRIEF

FINANCIAL PERFORMANCE 2020

- 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 2020

- The strong growth for German credit cards 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.

TF Bank has more than 30 years of history and has exhibited profitability even during the largest crises of recent decades. The pandemic is a new sort of crisis, but the bank's adaptable business model has so far proven its resilience and growth capability.

FINANCIAL CALENDAR

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

For further information, see www.tfbankgroup.com or Investor Relations at ir@tfbank.se.

The Annual General Meeting in 2021 will be held on Tuesday 4 May 2021. Notice of the Annual General Meeting will be published no later than Tuesday 6 April 2021. Due to the coronavirus and in order to reduce the risk of spreading the virus, the Board of Directors intends to resolve that the Annual General Meeting shall be conducted without the physical presence of shareholders, proxies and outsiders and that shareholders shall have the opportunity to exercise their voting rights only by mail before the meeting.

KEY FIGURES, CONSOLIDATED

SEK million	2020	2019
Operating income	876	769
Operating profit	263	289
Earnings per share, SEK	9.13	10.01
Loans to the public	7,922	6,496
New lending	7,305	6,037
Cost/Income ratio, %	38.8	37.8
Return on equity, %	22.3	30.6
Total capital ratio, %	17.3	17.4
Employees (FTE)	212	174

¹ Development of the loan portfolio in local currencies.

See separate section with definitions, page 103.

CEO'S COMMENTS

The pandemic changed the conditions for 2020

When we published the annual report for 2019 in March 2020, Covid-19 spread at a furious pace in Europe and it was difficult to obtain an overview of both the short- and long-term consequences. However, it was perfectly clear that the year would not turn out as we first had planned – but that we would also have an opportunity to demonstrate TF Bank's stable and adaptable business model in a new reality. In accordance with IFRS 9 and the uncertain macroeconomic situation, we made an extra loan loss provision of SEK 30 million in the end of the first quarter while also abandoning our financial target of an EPS of at least SEK 14.50 in 2020. In our operations during the year, we have increased our focus on Nordic risk and in the Consumer Lending segment, growth has primarily been generated in Norway and Finland. At the same time, the bank has increased its investment pace in Ecommerce Solutions and Credit Cards to create conditions for high organic growth going forward. All in all, and with TF Bank's strong progress during the second half of the year in mind, I am very pleased with how we have handled the effects of the pandemic so far.

High growth in Credit Cards and Ecommerce Solutions

As of 2020, TF Bank has reported a new third segment: Credit Cards. We made a small-scale launch of credit cards in Germany in 2019, and during 2020 we have seen an accelerating growth for the German credit cards; by the end of the year there were 53,000 cards issued with an exposure per card of approximately EUR 950. The individual credit limits are based on the customer's creditworthiness and we continuously develop the credit scoring model to optimise the future realised loan loss levels. The utilisation of the cards has gradually increased which provides the foundation for the future profitability of the segment. We will continue to deliver on our ambitious plan during 2021.

During the year, TF Bank's products in the Ecommerce Solutions segment have experienced a commercial breakthrough in the Nordic markets. The product Avar-da Checkout+ has been implemented by several larger retailers, and as a result the transaction volumes through Checkout+ have increased by 207 % compared to 2019. We continue to work with developing the offering and have among other activities in 2020 launched an AI based tool to minimise the number of returns among our partners. In the longer run, this will also be a tool that will contribute to decreasing transports.

Sustainability efforts with four focus areas

During 2020, the Board and management team of TF Bank have worked to develop the bank's sustainability program. Previously we have mostly focused on risk minimising activities, but our assessment is that TF Bank also has clear opportunities related to sustainability. Based on a materiality analysis, we have identified four focus areas where we believe that TF Bank can contribute: Responsible lending, Business ethics and governance, Attractive employer and Climate change. Given the nature of our business, responsible lending is particularly important to me, and we make every effort to ensure growth without exposing borrowers to unnecessary risks. I also believe it is important that TF Bank can contribute to energy transition by sales financing of green technology such as solar cells.

Within the framework of our efforts to be an attractive employer, we focus on competence. We often receive questions on the fact that TF Bank's management team is comprised of four men. It should be pointed out the number of people on the management team is small compared to our competitors, and that we will keep the group small to ensure efficiency. The Board is comprised of four women and two men.

TF Bank to strengthen its brand with a new profile

During spring 2021, TF Bank will launch a new graphic profile which has been developed to better reflect our brand with focus on responsible lending. The profile will gradually be rolled out in our different markets, starting in Sweden. An important aspect of the profile is that it has been adapted to work in all sorts of channels – from our digital solutions to the physical cards. It will also provide a more attractive impression which we hope will appeal to TF Bank's target groups when they evaluate our services. As a shareholder and reader of this annual report, we give you a sneak peak of the new profile on page 104.

The Board's dividend proposal

TF Bank's Board of Directors proposes that the 2021 Annual General Meeting resolves on a share dividend of SEK 1.00 per share. The proposal has been put forward following a careful assessment of the bank's future growth prospects in relation to existing and expected future capital requirements. The Board makes the assessment that the bank has good possibilities to grow with high profitability going forward, which is expected to create shareholder value over time. The margins to the requirements continue to be high following the proposed dividend and reflect the Board's wish to maintain a slightly increased capital buffer as of today. The dividend proposal meets by a good margin the recommendation on restrained share dividends that the Swedish Financial Supervisory Authority communicated on 18 December 2020.

The economic downturn that has been created by the pandemic has once again put the focus on the relation between the state and the banks. Through clear requests that banks shall limit the dividends to their shareholders and instead use the earnings to maintain the lending to households and companies, the state overtakes the banks' decision on allocation of capital. Within the banking sector, the conditions to identify profitable business opportunities may look completely different. It should therefore be the banks themselves that own the right to make business-related decisions, while the existing capital requirement regulation provides the state with the right to regulate the banks' capital levels.

TF Bank's expansion continues in 2021

TF Bank has more than 30 years of history and has exhibited profitability even during the largest crises of recent decades. The pandemic is a new sort of crisis, but the bank's adaptable business model has so far proven its resilience and growth capability. A key component is that the loan portfolio consists of relatively small consumer credits with short repayment terms, but also that we have an organisation that is always on its toes and quickly can adapt to the current conditions. I would like to take the opportunity to thank all our employees for their extraordinary efforts during the past year.

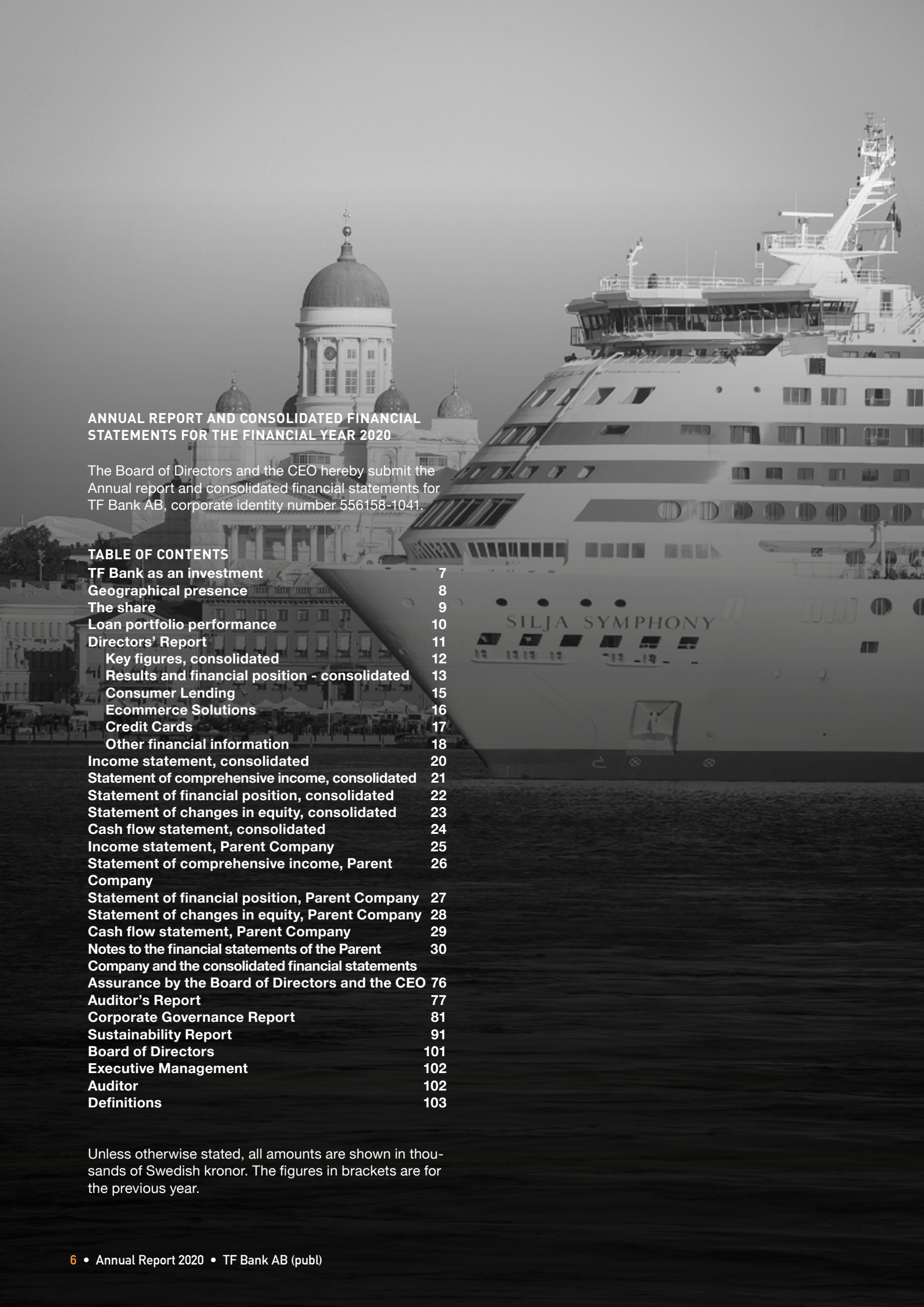
If the macroeconomic situation continues to stabilise, our assessment is that we will be able to resolve on new financial targets during the second half of 2021. Explicit growth targets have always been important for TF Bank as it sets a clear objective for the management team to continue delivering attractive risk-adjusted returns for our shareholders.

Looking ahead, we believe we have good conditions in place to continue our work towards the vision to build a consumer bank based in the Nordics with expanding operations in the rest of Europe.



Mattias Carlsson
President and CEO





ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2020

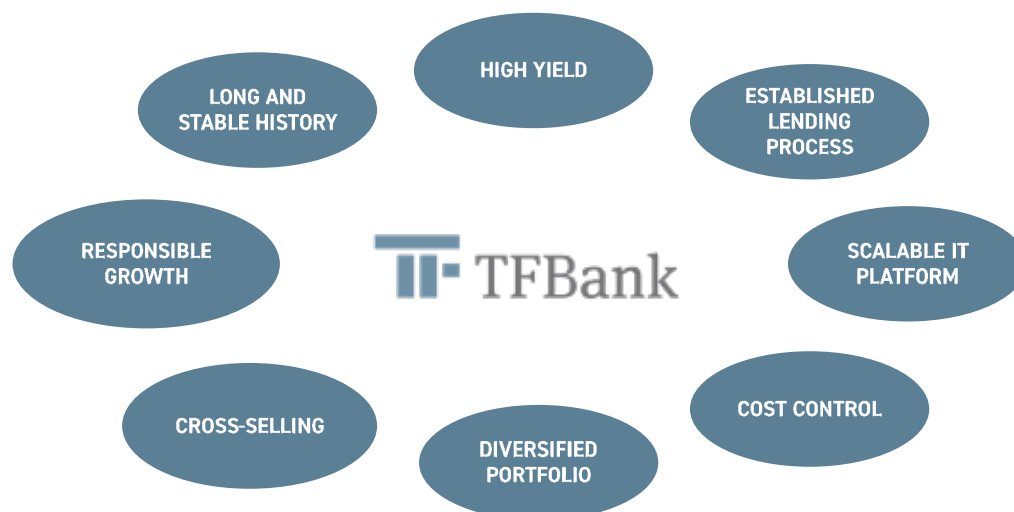
The Board of Directors and the CEO hereby submit the Annual report and consolidated financial statements for TF Bank AB, corporate identity number 556158-1041.

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Unless otherwise stated, all amounts are shown in thousands of Swedish kronor. The figures in brackets are for the previous year.

TF BANK AS AN INVESTMENT



Stable business model with over 30 years of high yields

TF Bank started offering consumer loans and retail finance already in 1987 and during its 30 years of operations in the consumer credit sector it has always been profitable – even during the major crises.

TF Bank operates in three complementary segments: Consumer Lending, Ecommerce Solutions and Credit Cards, all of which benefits from the Groups IT platform and models for credit scoring, as well as the strong opportunities for cross-selling.

Yields are driven by high growth and cost efficiency. High yields facilitate significant reinvestment in the business and attractive risk-adjusted returns for shareholders.

Responsible organic growth with a diversified portfolio

TF Bank prioritises organic growth under controlled conditions. A combination of well-developed lending processes and relatively small loan amounts enable us to take calculated risks that can quickly be adjusted to changing conditions at macro level. TF Bank's expansion is taking place within carefully selected segments and markets. Our lending activities have successfully expanded from the operations in Sweden to the other Nordic countries and new markets around the Baltic sea. 68 % of the loan portfolio is attributable to Sweden, Finland, Norway and Denmark, with the remaining 32 % attributable to the Baltic States, Poland, Germany and Austria.

Diversification also characterises TF Bank's deposit products. Deposit-taking in multiple markets offers alternative ways of financing growth in lending, facilitates geographic diversification to reduce risks and reduces financing costs.

Controlled cost basis results in industry-leading efficiency

Efficiency and cost control have been TF Bank's mantra from the beginning. To be able to take the step from decision to action without high costs and long lead times is one the business's biggest strengths. The high degree of automation in the company's IT platform is designed for scalability and adaptability to different products, countries, currencies and digital banking solutions. Thanks to our flat organisational structure, the scalable platform and cost control throughout the business, we are able to achieve a high level of efficiency. TF Bank's C/I ratio has for a long time been one of the lowest in the industry.

Ecommerce and credit cards offers new opportunities for growth

In the Ecommerce Solutions segment, TF Bank offers digital payment solutions primarily within e-commerce to creditworthy individuals in the Nordic states, Baltic states and Poland. The customers are mainly end-consumers who use the bank's payment solutions when they make online purchases. The products have over the past year experienced a commercial breakthrough with many new retailers and increased transaction volumes.

In the Credit Cards segment, TF Bank offers credit cards to creditworthy individuals in Germany and Norway. The number of issued cards has increased significantly over the past years and the utilisation rate has improved which is essential for the profitability going forward.

Together, the products in e-commerce and credit cards constitute new growth opportunities in line with TF Bank's focus on organic growth. The bank will continue to invest in the segments in the coming year.

GEOGRAPHICAL PRESENCE

Norway

Loan portfolio SEK 2,567 million
(33 %) ¹

Change 2020: +20 %

Continued positive long term outlook on the Norwegian economy. Focus on growth and margins.

Finland

Loan portfolio SEK 2,014 million
(26 %) ¹

Change 2020: +21 %

Improved credit quality for consumer loans. Focus on growth and margins.

Sweden

Loan portfolio SEK 735 million
(9 %) ¹

Change 2020: +4 %

Highly competitive market. Focus on profitability and ecommerce.

Baltic states

Loan portfolio SEK 1,526 million
(19 %) ¹

Change 2020: +12 %

Portfolio management and profitability focus in consumer lending. E-commerce considered a better risk.

Germany

Loan portfolio SEK 569 million
(7 %) ¹

Change 2020: +355 %

Credit card product in high demand. Focus on high growth.

Poland

Loan portfolio SEK 464 million
(6 %) ¹

Change 2020: +7 %

Reduced new lending volume within Consumer Lending. Focus on ecommerce and profitability.

¹ Share of the Group's loans to the public.

THE SHARE

The share

TF Bank was listed at Nasdaq Stockholm in the Mid Cap segment on 14 June 2016. The opening price was SEK 77.00. On the last trading day of 2020, the closing price of the share was SEK 86.80. Since the listing TF Bank has paid out a total of SEK 6.75 per share in dividend to shareholders. The market capitalisation at the end of the year was SEK 1,866 million.

Turnover and volume

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.

Share capital and number of shares

TF Bank's share capital was SEK 107,500,000. The company had 21,500,000 ordinary shares. According to the Articles of Association, the share capital must not be less than SEK 107,500,000 and must not exceed SEK 430,000,000. TF Bank has one class of share and each share carries one vote at the Annual General Meeting.

Dividend policy

TF Bank's dividend policy is to distribute surplus capital in relation to capital targets and the bank's capital planning.

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.

Ownership of TF Bank AB as at 31 December 2020

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

Source: Euroclear

21.5 million

Number of shares

SEK 64.80

Lowest closing price during 2020

1,989

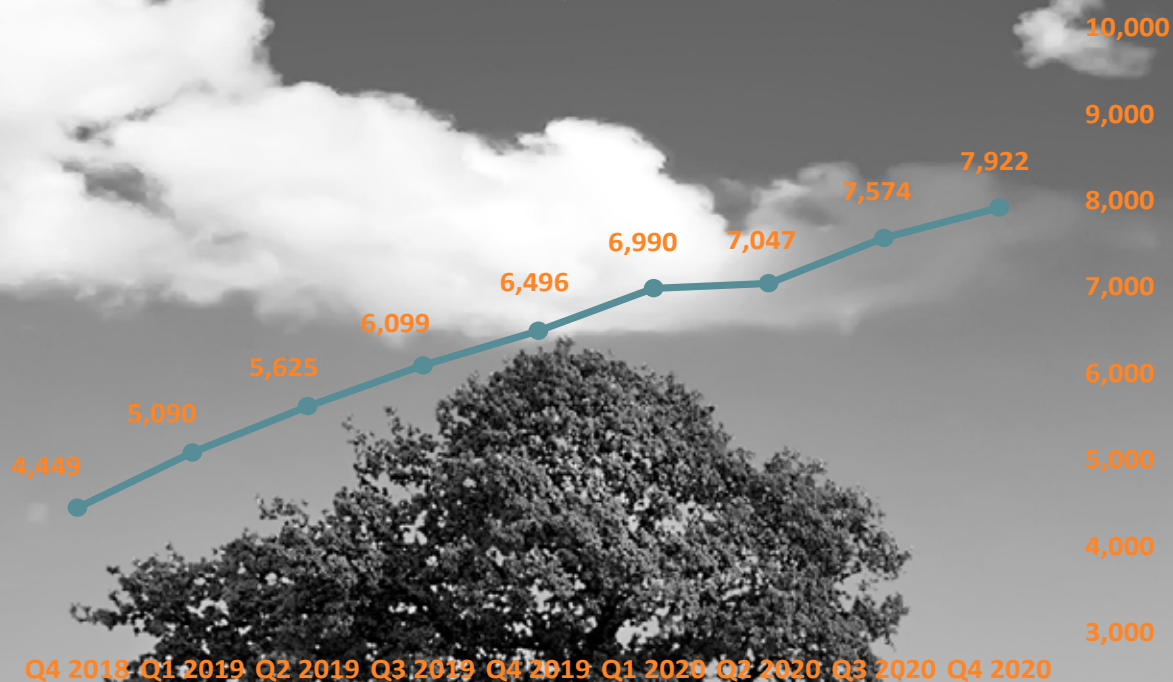
Number of shareholders 31 December 2020

SEK 128.00

Highest closing price during 2020



LOAN PORTFOLIO PERFORMANCE IN 2018-2020 (SEK MILLION)



DIRECTORS' REPORT

About the business

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.

Significant events during the year

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 legal 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 this.

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

Significant events after the end of the financial year

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

KEY FIGURES, CONSOLIDATED

KEY FIGURES, CONSOLIDATED

SEK thousand	2020	2019	2018	2017	2016
Income statement					
Operating income	875,523	768,864	627,641	511,570	440,799
Operating expenses	-339,731	-290,875	-247,536	-189,289	-170,131
Net loan losses	-272,676	-188,634	-150,272	-129,343	-111,569
Operating profit	263,116	289,355	250,128	192,938	139,824
Profit for the year	203,145	221,926	191,826	147,836	109,268
Earnings per share, SEK	9.13	10.01	8.75	7.04	5.47
Balance sheet					
Loans to the public	7,922,448	6,495,780	4,449,225	3,156,289	2,489,283
Deposits from the public	8,714,032	7,197,075	5,096,463	3,754,030	2,284,645
New lending	7,304,603	6,037,302	4,518,697	2,968,611	2,391,729
Key figures					
Operating income margin, %	12.2	13.7	16.3	17.9	20.2
Net loan loss ratio, %	3.8	3.4	3.9	4.5	5.1
Cost/Income ratio, %	38.8	37.8	39.4	37.0	38.6
Return on equity, %	22.3	30.6	34.5	29.7	29.1
Return on loans to the public, %	2.7	3.8	4.9	5.3	5.4
CET1 capital ratio, %	12.8	12.7	13.0	13.2	14.5
Tier 1 capital ratio, %	14.1	14.3	15.2	13.2	14.5
Total capital ratio, %	17.3	17.4	17.4	16.2	18.2
Employees (FTE)	212	174	140	110	98

ADJUSTED KEY FIGURES, CONSOLIDATED

SEK thousand	2020	2019	2018	2017	2016
Income statement					
Operating profit	263,116	289,355	250,128	192,938	139,824
Items affecting comparability ¹	-	-	-20,295	-	19,275
Adjusted operating profit	263,116	289,355	229,833	192,938	159,099
Adjusted tax on profit for the year	-59,971	-67,429	-53,837	-45,102	-34,797
Adjusted profit for the year	203,145	221,926	175,996	147,836	124,302
Adjusted earnings per share, SEK	9.13	10.01	8.01	7.04	6.16
Key figures					
Adjusted return on equity, %	22.3	30.6	31.6	29.7	32.8
Adjusted return on loans to the public, %	2.7	3.8	4.5	5.3	6.1

CURRENCY RATES

SEK	2020	2019	2018	2017	2016
EUR Income statement (average)	10.49	10.59	10.25	9.63	9.47
EUR Balance sheet (end of reporting period)	10.04	10.43	10.28	9.85	9.57
NOK Income statement (average)	0.98	1.07	1.07	1.03	1.02
NOK Balance sheet (end of reporting period)	0.95	1.06	1.02	1.00	1.05
PLN Income statement (average)	2.36	2.46	2.41	2.26	2.17
PLN Balance sheet (end of reporting period)	2.22	2.44	2.39	2.36	2.17

¹ Items affecting comparability in 2016 comprised costs related to the IPO. Items affecting comparability in 2018 comprised reclassification of customer balances with inactive status that arose before 2018.

See separate section with definitions, page 103.

RESULTS AND FINANCIAL POSITION – CONSOLIDATED

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).

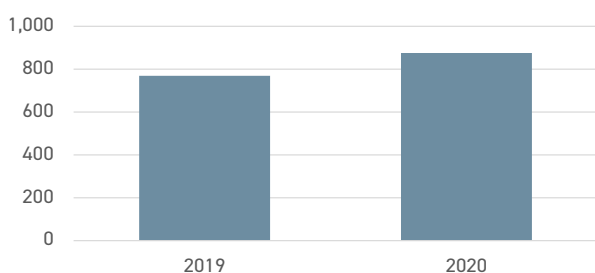
Net loan losses

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).

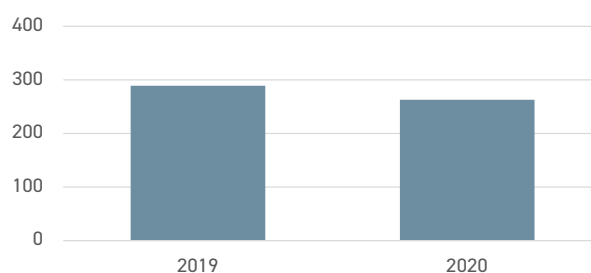
Tax expense

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 – CONSOLIDATED

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

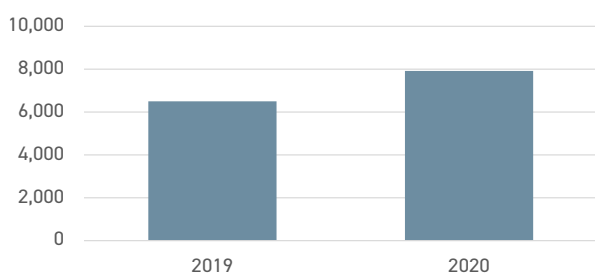
Cash and cash equivalents increased by SEK 306 million to SEK 2,119 million (1,813) during 2020. Hence, TF Bank's liquidity reserve amounts to 24 % (26) of deposits from the public. 55 % of the liquidity reserve is placed at central banks and in Swedish treasury bills, while the remaining part is placed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

Capital adequacy

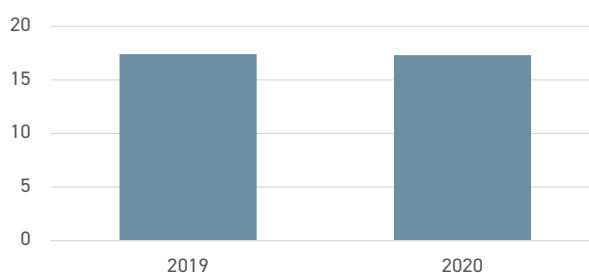
At the end of 2020, TF Bank's total capital ratio was 17.3 % (17.4), the tier 1 capital ratio was 14.1 % (14.3) and the CET1 capital ratio was 12.8 % (12.7). The total capital ratio is positively affected by 0.6 basis points of subordinated tier 2 capital intended to be repurchased during the first quarter 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 legal 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 (%)



CONSUMER LENDING

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.

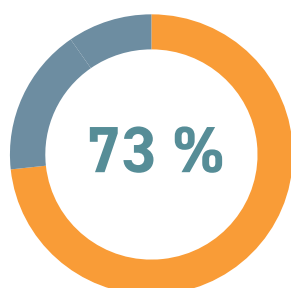
The operating income increased by 6 % to SEK 628.3 million (592.1). The increase is primarily related to the Norwegian loan portfolio. The operating income margin has decreased to 11.4 % (13.4) as the new lending has been directed towards customers with slightly stronger credit quality.

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).

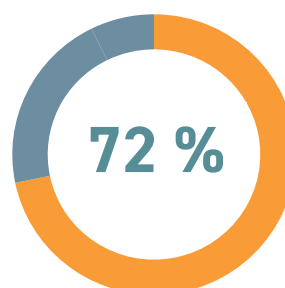
Net loan losses increased by 29 % to SEK 196.1 million (152.4). The increase is mainly related to an additional provision of SEK 30 million for expected credit losses due to the provisioning requirements in IFRS 9. The underlying credit quality has though been gradually improved over the year as the 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 4 Segment reporting.

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 4 and 23).

ECOMMERCE SOLUTIONS

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.

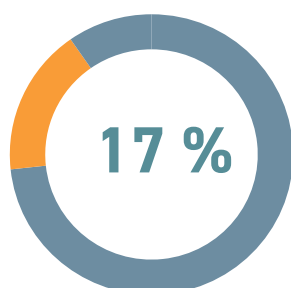
The operating income increased by 25 % to SEK 183.6 million (147.4). The increase is mainly attributable to higher volumes in several geographic markets compared to 2019. The operating income margin amounted to 15.3 % (15.2).

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).

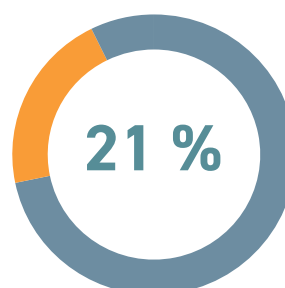
Net loan losses have increased to SEK 35.4 million (21.2). The main reason for the increase is that the loan losses in the comparison period were positively affected by one-time effects related to new agreements for continuing sales of past due loans. The ongoing pandemic has not affected the loan losses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

For further information about the loan portfolio and results of this segment, see Note 4 Segment reporting.

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 4 and 23).

CREDIT CARDS

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 credit card portfolio ¹ 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.

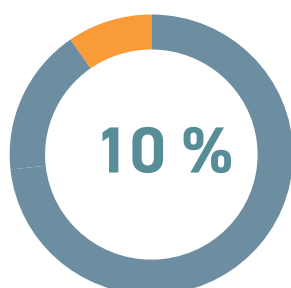
The operating income increased by 117 % to SEK 63.7 million (29.4). The increase is related to the expanding credit card business in Germany. The operating income margin amounted to 13.6 % (14.1) and was affected by the fact that new customers in Germany mainly are generated through loan intermediators.

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.

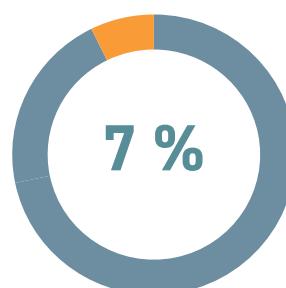
Net loan losses amounted to SEK 41.2 million (15.0). Provisions for expected credit losses in Germany in accordance with the applicable accounting standard IFRS 9 have a significant effect in comparison with 2019. The ongoing pandemic has not affected the net loan losses during the year.

For further information about the loan portfolio and results of this segment, see Note 4 Segment reporting.

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 4 and 23).

OTHER FINANCIAL INFORMATION

Annual General Meeting 2021

The Annual General Meeting 2021 will be held on Tuesday 4 May 2021. Notice of the Annual General Meeting will be published no later than Tuesday 6 April 2021. Due to the coronavirus and in order to reduce the risk of spreading the virus, the Board of Directors intends to resolve that the Annual General Meeting shall be conducted without the physical presence of shareholders, proxies and outsiders and that shareholders shall have the opportunity to exercise their voting rights only by mail before the meeting.

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.

Financial targets

If the macroeconomic situation continues to stabilise the Board of Directors intends to resolve on new financial targets during the second half of 2021. 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.

Remuneration of senior executives

In accordance with the requirements regarding disclosure of information in FFFS 2011:1, information on e.g. remuneration framework is provided on the Group's website www.tfbankgroup.com. Salaries and other remuneration for the CEO and other senior executives comprise fixed salary, variable remuneration, commission-based compensation, other benefits and pension. External Board members receive fees determined by the Annual General Meeting.

Commission-based compensation

Additional commission-based compensation is paid on the basis of individual accomplishment 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.

Share-based remuneration

At the Annual General Meetings in 2018 a subscription warrant programme was adopted comprising a total of 1,372,338 warrants. The subscription warrants were subscribed for by senior executives. Payment corresponding to the market value has been made and was recognised as other contributed capital under equity. In 2020, the Board of Directors submitted an offer to the holders of the warrants to repurchase their warrants. The offer was utilised for all warrants.

Pensions

The Company's pension obligations are covered through payments to an ITP occupational pension plan. The retirement age for the CEO is 65 and annual supplementary payments are made to a defined contribution plan. The retirement age for other senior executives is between 65 and 67 depending on country of residence and annual supplementary payments are made to a defined contribution plan.

Period of notice and severance pay

According to an agreement between TF Bank AB and the CEO, the period of notice is six months (12 months in the case of termination by the Company). If termination is initiated by the Company, basic salary is payable during the period of notice, however variable remuneration, if agreed before the notice was issued, is not payable. Severance pay is adjusted for salary that the CEO receives from a new employer.

OTHER FINANCIAL INFORMATION

Covid-19

The spread of Covid-19 have affected TF Bank's operations during the year. 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. 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. Within Consumer Lending, several agreements regarding ongoing sales of past due loans expired without being renewed during the year. After the market for selling past due loans recovered during the year, the bank entered into new forward flow agreements in Finland and Norway at the beginning of 2021. The agreements cover almost half of the bank's loan portfolio and provides comfort and predictability for the future.

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.

Risks and uncertainties

TF Bank is exposed to 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 established policies and instructions for lending and other activities. For a more detailed description of financial risks and the use of financial instruments, as well as capital adequacy, see Notes 3 and 35.

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 through 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.

Comments on the Parent company's results and financial position for 2020 can be found on page 13-14. The comments are presented in comparison with the Group's figures for 2019.

Sustainability report

TF Bank's sustainability report is prepared in accordance with the requirements of the Annual Accounts Act (chapter 6, paragraph 12) on sustainability reporting. The scope is defined on pages 91 to 99.

The results and financial position of the Group and the company are shown in the below income statements and statements of financial position, statements of equity and cash flow statements, as well as accompanying notes.

INCOME STATEMENT, CONSOLIDATED

SEK thousand	Note	2020	2019
Operating income	2,3,4		
Interest income	7	911,945	813,117
Interest expense	8	-123,195	-106,133
Net interest income		788,750	706,984
Fee and commission income		103,556	72,561
Fee and commission expense		-18,968	-10,493
Net fee and commission income	9	84,588	62,068
Net results from financial transactions	10	2,185	-188
Total operating income		875,523	768,864
Operating expenses			
General administrative expenses	11,12,13	-296,063	-254,864
Depreciation and amortisation of tangible and intangible assets	14,15	-26,095	-18,128
Other operating expenses	16	-17,573	-17,883
Total operating expenses		-339,731	-290,875
Profit before loan losses		535,792	477,989
Net loan losses	17	-272,676	-188,634
Operating profit		263,116	289,355
Tax on profit for the year	18	-59,971	-67,429
Profit for the year		203,145	221,926
<i>Profit for the year attributable to:</i>			
<i>Shareholders of the Parent Company</i>		196,195	215,160
<i>Additional tier 1 capital holders</i>		6,950	6,766
<i>Basic earnings per share (SEK)</i>		9.13	10.01
<i>Diluted earnings per share (SEK)</i>		9.13	10.01

STATEMENT OF COMPREHENSIVE INCOME, CONSOLIDATED

SEK thousand	2020	2019
Profit for the year	203,145	221,926
Other comprehensive income		
Items that may subsequently be reclassified to the income statement		
Gross exchange rate differences	-2	1,174
Tax on exchange rate differences during the year	-	1,668
Other comprehensive income for the year, net of tax	-2	2,842
Total comprehensive income for the year	203,143	224,768
<i>Comprehensive income for the year attributable to:</i>		
<i>Shareholders of the Parent Company</i>	<i>196,193</i>	<i>218,002</i>
<i>Additional tier 1 capital holders</i>	<i>6,950</i>	<i>6,766</i>

STATEMENT OF FINANCIAL POSITION, CONSOLIDATED

SEK thousand	Note	31 Dec 2020	31 Dec 2019
	2,3,5,6,19,20		
ASSETS			
Cash and balances with central banks		1,097,991	390,332
Treasury bills eligible for refinancing	21	60,022	60,051
Loans to credit institutions	22	961,478	1,362,459
Loans to the public	4,23	7,922,448	6,495,780
Shares		20,135	22,061
Goodwill	24	12,753	12,753
Intangible assets	14	61,762	56,163
Tangible assets	15	14,889	21,022
Other assets	25	36,379	18,998
Current tax assets		-	10,528
Deferred tax assets	26	47	2,943
Prepaid expenses and accrued income		29,061	15,158
TOTAL ASSETS		10,216,965	8,468,248
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	27	-	-
Deposits and borrowings from the public	28	8,714,032	7,197,075
Other liabilities	29	65,045	75,440
Current tax liabilities		2,573	25,442
Deferred tax liabilities	26	5,642	143
Accrued expenses and prepaid income	30	101,075	77,497
Subordinated liabilities	31	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 year		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 year	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
Profit for the year	-	-	-	-	221,926	-	221,926
Gross exchange rate differences	-	-	-6,610	7,784	-	-	1,174
Tax on exchange rate differences in the year	-	-	1,668	-	-	-	1,668
Total comprehensive income for the year (net of tax)	-	-	-4,942	7,784	221,926	-	224,768
Dividend paid to shareholders	-	-	-	-	-49,450	-	-49,450
Transaction costs, issue of Tier 1 capital	-	-	-	-	-110	-	-110
Interest Tier 1 capital	-	-	-	-	-6,766	-	-6,766
Share-based remuneration	-	-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
Profit for the year	-	-	-	-	203,145	-	203,145
Gross exchange rate differences	-	-	-	-2	-	-	-2
Total comprehensive income for the year (net of tax)	-	-	-	-2	203,145	-	203,143
Interest Tier 1 capital	-	-	-	-	-6,950	-	-6,950
Share-based remuneration	-	-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	2020	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	-
Dividend paid to shareholders	-	-49,450
Cash flow from financing activities	32,326	43,674
Cash flow for the year	368,346	353,913
Cash and cash equivalents at the beginning of the year	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 the year	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

INCOME STATEMENT, PARENT COMPANY

SEK thousand	Note	2020	2019
	2,3		
Operating income			
Interest income	7	911,945	575,453
Interest expense	8	-122,648	-70,111
Net interest income		789,297	505,342
Fee and commission income		103,556	36,807
Fee and commission expense		-18,968	-5,545
Net fee and commission income	9	84,588	31,262
Net results from financial transactions	10	2,185	-6,205
Total operating income		876,070	530,399
Operating expenses			
General administrative expenses	11,12,13	-302,508	-177,416
Depreciation and amortisation of tangible and intangible assets	14,15,24	-20,674	-7,066
Other operating expenses	16	-17,573	-16,786
Total operating expenses		-340,755	-201,268
Profit before loan losses		535,315	329,131
Net loan losses	17	-272,676	-145,770
Operating profit		262,639	183,361
Appropriations	32	-	20,659
Tax on profit for the year	18	-59,920	-42,272
Profit for the year		202,719	161,748

STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY

SEK thousand	2020	2019
Profit for the year	202,719	161,748
Other comprehensive income		
Items that may subsequently be reclassified to the income statement		
Exchange rate differences during the year, net of tax	-	-
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	202,719	161,748

STATEMENT OF FINANCIAL POSITION, PARENT COMPANY

SEK thousand	Note	31 Dec 2020	31 Dec 2019
	2,3,5,6,19,20		
ASSETS			
Cash and balances with central banks		1,097,991	238,113
Treasury bills eligible for refinancing	21	60,022	60,051
Loans to credit institutions	22	960,989	1,022,247
Loans to the public	23	7,922,448	4,305,139
Shares		20,135	21,796
Shares in group companies	34	316	515,511
Goodwill	24	11,477	-
Intangible assets	14	61,762	28,156
Tangible assets	15	2,658	1,665
Other assets	25	36,154	7,429
Current tax assets		-	11,162
Deferred tax assets	26	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	28	8,714,032	5,136,820
Other liabilities	29	52,864	36,497
Current tax liabilities		1,832	-
Deferred tax liabilities	26	5,642	7
Accrued expenses and prepaid income	30	100,318	56,700
Subordinated liabilities	31	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
Comprehensive income for the year		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

STATEMENT OF CHANGES IN EQUITY, PARENT COMPANY

SEK thousand	Restricted equity				Non-restricted equity			Total equity
	Share capital ¹	Statutory reserve	Development costs fund	Other contributed capital	Tier 1 capital instrument	Retained earnings	Profit for the year	
Equity as at 1 Jan 2019	107,500	1,000	15,940	3,536	100,000	281,397	182,994	692,367
Profit for the year	-	-	-	-	-	-	161,748	161,748
Net exchange rate differences	-	-	-	-	-	-	-	-
Total comprehensive income for the year (net of tax)	-	-	-	-	-	-	161,748	161,748
Transfer of previous year's profit	-	-	-	-	-	182,994	-182,994	-
Dividend paid to shareholders	-	-	-	-	-	-49,450	-	-49,450
Capitalisation of development costs	-	-	16,000	-	-	-16,000	-	-
Amortisation of capitalised development costs	-	-	-4,476	-	-	4,476	-	-
Transaction costs, issue of Tier 1 capital	-	-	-	-	-	-110	-	-110
Interest Tier 1 capital	-	-	-	-	-	-6,766	-	-6,766
Share-based remuneration	-	-	-	-750	-	750	-	-
Other	-	-	-	-	-	-19	-	-19
Equity as at 31 Dec 2019	107,500	1,000	27,464	2,786	100,000	397,272	161,748	797,770
Equity as at 1 Jan 2020	107,500	1,000	27,464	2,786	100,000	397,272	161,748	797,770
Profit for the year	-	-	-	-	-	-	202,719	202,719
Net exchange rate differences	-	-	-	-	-	-	-	-
Total comprehensive income for the year (net of tax)	-	-	-	-	-	-	202,719	202,719
Transfer of previous year's profit	-	-	-	-	-	161,748	-161,748	-
Development costs from merger	-	-	28,007	-	-	-28,007	-	-
Capitalisation of development costs	-	-	18,408	-	-	-18,408	-	-
Amortisation of capitalised development costs	-	-	-12,117	-	-	12,117	-	-
Interest Tier 1 capital	-	-	-	-	-	-6,950	-	-6,950
Share-based remuneration	-	-	-	-2,786	-	-4,938	-	-7,724
Merger results	-	-	-	-	-	97,890	-	97,890
Equity as at 31 Dec 2020	107,500	1,000	61,762	-	100,000	610,724	202,719	1,083,705

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

CASH FLOW STATEMENT, PARENT COMPANY

SEK thousand	2020	2019
Operating activities		
Operating profit	262,639	183,361
<i>Adjustment for items not included in cash flow</i>		
Depreciation and amortisation of tangible and intangible assets	20,674	7,066
Accrued interest income and expense	6,813	-7,539
Other non-cash items	476	-12,051
Paid income tax	-72,364	-33,937
	218,238	136,900
Increase/decrease in loans to the public	-1,426,668	-1,227,981
Increase/decrease in other short-term receivables	37,360	19,063
Increase/decrease in deposits and borrowings from the public	1,516,957	1,075,424
Increase/decrease in other short-term liabilities	6,060	-27,412
Cash flow from operating activities	351,947	-24,006
Investing activities		
Investments in tangible assets	-1,581	-736
Investments in intangible assets	-23,753	-15,730
Investments in subsidiaries	-	-81,639
Cash flow from investing activities	-25,334	-98,105
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	-
Dividend paid to shareholders	-	-49,450
Cash flow from financing activities	32,326	43,674
Cash flow for the year	358,939	-78,437
Cash and cash equivalents at the beginning of the year	1,320,411	1,387,803
Cash and cash equivalents from merger	500,528	-
Exchange rate difference in cash and cash equivalents	-60,876	11,045
Cash and cash equivalents at the end of the year	2,119,002	1,320,411
<i>Cash flow from operating activities includes interest expenses paid and interest payments received</i>		
Interest expenses paid	112,752	66,384
Interest payments received	771,836	524,487
Components of cash and cash equivalents		
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
Total cash and cash equivalents	2,119,002	1,320,411

NOTES

TO THE FINANCIAL STATEMENTS OF THE GROUP AND THE PARENT COMPANY

NOTE 1 General information

TF Bank AB, corporate identity number 556158-1041, is authorised to conduct banking business.

TF Bank AB is a limited liability company registered in Borås, Sweden. The address of the head office is PO Box 947, SE-501 10 Borås.

The term "Group" refers to TF Bank AB together with its branches and subsidiaries:

Branches

- TF Bank AB, Finland branch (2594352-3)
- TF Bank AB, Poland branch (PL9571076774)
- TF Bank AB, Estonia branch (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%

On 18 March 2021, the Board of Directors approved this Annual Report for publication, for adoption by the AGM in 2021.

NOTE 2 Accounting Policies

The most significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been applied consistently to all reporting periods presented in these consolidated financial statements, unless otherwise stated.

The consolidated financial statements for the TF Bank AB Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of these standards as adopted by the European Union (EU). In addition, 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 regulations and general guidelines issued by the Swedish Financial Supervisory Authority (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) and the Swedish Financial Supervisory Authority's regulations FFFS 2008:25. So-called legally restricted IFRS means that IFRS, as adopted by the EU, are applied in the preparation of the financial statements, subject to the restrictions and additions that follow from RFR 2 Accounting for Legal Entities, issued by the Swedish Financial Reporting Board, and FFFS 2008:25. This means that the Parent Company, with the exception of that stated below, has applied the same accounting policies as the Group.

Estimates and Judgements

Preparation of the consolidated financial statements in compliance with IFRS requires the use of some critical estimates for accounting purposes. Estimates and judgements are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions about the future. The resulting estimates for accounting purposes by definition rarely correspond to the actual results.

The areas that involve a high degree of judgement, are complex, or where assumptions and estimates have a material impact on the consolidated financial statements primarily comprise provisions for expected loan losses and goodwill impairment testing.

Provisions for expected loan losses

TF Bank has a forward-looking model for impairments in accordance with IFRS 9, where expected credit losses on financial assets are calculated at the first accounting date. A loan loss reserve is recognised for all financial assets that are valued at amortised cost. These are calculated using models developed by the bank, all of which are based on the calculation of expected loan loss. This is done by calculating the product of probability of default, loss given default and exposure in default. The Group's issued loans that are due for payment without being paid by the debtor are sold to debt collection companies in different countries depending on geographical market. To make provisions for expected loan losses, careful analysis of available data is required to make reliable forecasts of the future. TF Bank uses analyses of historical outcomes, available customer information and macro data to make as reasonable assumptions about the future as possible. For more detailed information on impairment tests and credit risks, see the section Impairment of financial assets in this note, the section on Credit risks in Note 3 and Note 23.

Impairment testing of Goodwill

Impairment testing of Goodwill is subject to many different estimates and assessments of the future. TF Bank annually examines whether there is a need for impairment of goodwill for the cash-generating unit. The calculations are based on estimated future cash flows after tax, which are based on financial forecasts approved by company management. Important assumptions regarding forecasts made include the average loan portfolio, new lending, margins and assessments of future developments. For more information, see section Goodwill in this note and Note 24.

GROUP

New standards and amendments and interpretations of existing standards that have been adopted by the Group

As a result of the Covid-19 pandemic, the IASB made an amendment to the IFRS 16 Leasing in May 2020, which gave lessees an opportunity to report qualified rent reductions in the same way as they would if they did not constitute an amendment to the agreement. TF Bank has not applied this and it has thus had no effect on the financial statements.

No other new standards, amendments, interpretations and annual improvement projects that have entered into force have caused any significant changes on TF Bank's financial reports.

New standards and amendments and interpretations of existing standards that have not yet come into force and have not been adopted by the Group in advance

The International Accounting Standard Board (IASB) and the IFRS Interpretations Committee have issued the following standards, amendments to standards and interpretations to be applied for 2021 or later. The IASB allows early adoption of these. TF Bank has not applied the following changes in the 2020 annual report.

Insurance contracts (IFRS 17)

IFRS 17 was issued in May 2017 and is to be applied from January 1, 2021, with the proposed change of the application date to January 1, 2023. The standard has not yet been adopted by the EU. The new standard establishes principles for accounting, presentation, valuation and disclosure of insurance contracts. The standard will have no impact on the Group's financial reports.

Other changes in IFRS and Swedish regulations

Other new or amended IFRS standards or interpretations or changes in Swedish regulations issued but not yet applied are not expected to have any significant effect on the Group's financial position, results, cash flow or note disclosures.

Consolidated financial statements

The consolidated financial statements include subsidiaries in which the Group has a controlling interest. The Group controls a company when it is exposed to or has the right to variable returns from its involvement in the company and has the ability to influence the return

Note 2 cont.

through its control over the company. Subsidiaries are included in the consolidated financial statements from the date control was acquired by the Group. They are excluded from consolidation from the date control ceases.

The Group uses the acquisition method to account for its business acquisitions, which means that the subsidiaries' entire equity is eliminated on acquisition. The Group's equity therefore includes only that part of the subsidiaries' equity that has arisen after acquisition.

When the Group ceases to have a controlling interest, any remaining holding is valued at fair value as at the date the controlling interest was lost. The change in fair value is recognised in the income statement. The fair value is used upon initial recognition and forms the basis for future recognition of the remaining holding as associate, joint venture or financial asset. All amounts relating to the divested asset that were previously recognised in other comprehensive income are reported as if the Group had directly disposed of the assets or liabilities. This may result in amounts that were previously recognised in other comprehensive income being reclassified to the income statement.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The currency used in the consolidated financial statements is Swedish kronor (SEK), which is the Parent Company's functional currency and the Group's presentation currency.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the exchange rates that prevailed at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rate prevailing at the reporting date are recognised in the income statement. An exception to this are hedging transactions which qualify as cash flow or net investment hedges, in which case gains/losses are recognised in other comprehensive income.

Group companies

The results and financial position of all Group entities whose functional currency is different from the presentation currency are translated into the Group's presentation currency as follows:

- The assets and liabilities of each of the balance sheets are translated at the exchange rates prevailing at the balance sheet date.
- The income and expenses of each of the income statements are translated at average exchange rates for the year, unless these average rates are not a reasonable approximation of the cumulative effect of the rates prevailing at the transaction date, in which case income and expenses are translated at the rates prevailing at the transaction date.
- All foreign exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are recognised as assets and liabilities of the foreign entity and translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on the acquisition are recognised in other comprehensive income.

Segment reporting

Operating segments are accounted for in a way that is compatible with the internal reports submitted to the function responsible for the allocation of resources and the evaluation of the results of the operating segments. In the Group, this function has been identified as the CEO.

Tangible assets

Tangible assets are recognised at cost less depreciation. Expenditure to improve the performance of assets, compared with their original level, increases the carrying value of the asset. Expenditure on repair and maintenance are reported as expenses. Tangible assets are systematically depreciated over the estimated useful life of the asset. The depreciable amount is determined taking into account the residual value of the asset, if applicable. The straightline method of depreciation is used for all types of tangible assets. The following depreciation periods are used:

IT equipment	36 months
Other equipment	60 months

The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted, if appropriate. The carrying amount of an asset is immediately written down to its recoverable amount if the carrying amount of the asset exceeds its estimated recoverable amount.

Intangible assets

Developments costs which are directly attributable to the development and testing of identifiable and unique software products that are controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software to make it available for use.
- The company's intention is to complete the software and use or sell it.
- It is possible to use or sell the software.
- It can be demonstrated how the software will generate probable future economic benefits.
- Adequate, technical, financial and other resources to complete the development and to use or sell the software are available.
- The expenditure attributable to the software during its development can be reliably measured.

Intangible assets are recognised at cost less amortisation. Intangible assets are amortised on a straight-line basis over their useful lives, up to a maximum of 60 months, from the date the asset is ready for use.

The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted, if appropriate. The carrying amount of an asset is immediately written down to its recoverable amount if the carrying amount of the asset exceeds its estimated recoverable amount.

Goodwill

Goodwill arises on the acquisition of subsidiaries and refers to the amount by which the purchase price, any non-controlling interests in the acquired company and the fair value as at the date of acquisition of the previously held equity interest in the acquired company exceeds the fair value of identifiable acquired net assets. If the amount is less than the fair value of the acquired company's net assets, in the case of acquisitions at a low cost, the difference is recognised directly through profit or loss.

Goodwill is tested for impairment on an annual basis or more frequently if events or changes in circumstances suggest that the asset might be impaired. The carrying amount of the cash-generating unit to which the goodwill is allocated is compared with the recoverable amount, which is the greater of the value in use and the fair value less costs to sell.

Any impairment is immediately recognised as an expense and is not reversed.

Note 2 cont.

Financial instruments – classification, recognition and measurement

All financial instruments are classified as belonging to one of the following categories:

Financial assets

- Financial assets at fair value through profit or loss:
 - Mandatory
 - Upon initial recognition measured at fair value through profit or loss
- Fair value through other comprehensive income
- Amortised cost
- Derivatives used for hedge accounting

Financial liabilities

- Financial liabilities at fair value through profit or loss:
 - Mandatory
 - Upon initial recognition measured at fair value through profit or loss
- Amortised cost
- Derivatives used for hedge accounting

All financial assets and liabilities are measured at fair value on initial recognition. The classification of financial instruments into different categories determines how each financial instrument is measured in the balance sheet and how changes in its value are recognised. Note 5 Classification of financial assets and liabilities contains a table which shows the different categories to which the financial instruments in TF Bank's balance sheet belong.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities measured at fair value through profit or loss are measured at fair value less transaction costs. All value changes in these items are recognised immediately through profit or loss under Net gains/losses on financial transactions. The category consists of two subcategories: Mandatory and Upon initial recognition measured at fair value through profit or loss. The subcategory Mandatory consists of derivatives held for trading.

Fair value through other comprehensive income

Financial assets classified to the category Fair value through other comprehensive income are measured at fair value. Changes in fair value, other than interest, are recognised through other comprehensive income. Interest is recognised through profit or loss under the items Interest income or Interest expense.

Amortised cost

This category includes financial assets and liabilities measured at amortised cost. Financial assets and liabilities measured at amortised cost are initially recognised at fair value including transaction costs in the balance sheet. After initial recognition, the instrument in this category is measured at amortised cost using the effective interest rate method less credit loss provisions for financial assets. Loans to the public are described in more detail in Note 23 Loans to the public.

Derivatives used for hedge accounting

Financial assets and liabilities classified to the category Derivatives held for hedge accounting comprise derivative instruments held as foreign exchange hedges of net investments in foreign subsidiaries. Changes in fair value are recognised through other comprehensive income in the consolidated financial statements. The Group has no longer any derivatives as hedging instruments due to the merger between TF Bank AB and its subsidiaries BB Bank ASA, Avarða AB and Avarða Oy in beginning of 2020.

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 stages based on the risk of default. The first stage 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, a default event has occurred, i.e. the loan is more than 90 days past due. For assets in

the first stage, impairment is based on expected credit losses over the next 12 months, while for stage two and three, expected credit 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) comprises the difference between the asset's carrying amount and the present value of future cash flows, discounted at the original effective interest 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.

Derivative instruments and hedging activities

Derivative instruments are recognised in the statement of financial position on the contract date and measured at fair value, both on initial recognition and at subsequent remeasurements. The method used to report gains or losses arising on remeasurement depends on whether the derivative has been identified as a hedging instrument and, if so, the nature of the hedged item. For 2019 the Group designates certain derivatives as hedges of net investments in foreign operations (hedge of net investment) but after the merger in the beginning of 2020 there are no hedging activities within the Group.

When the transaction is concluded, the Group documents the relationship between the hedging instrument and the hedged item, as well as the Group's risk management objective and risk management strategy in respect of the hedge. The Group also documents its assessment, both at inception of the hedging relationship and on an ongoing basis, of whether the derivative instruments used for hedging transactions are effective in offsetting the changes in fair value or cash flows attributable to the hedged items.

Information on fair value of various derivative instruments held for hedging purposes is provided in Note 3. The entire fair value of a derivative designated as a hedging instrument is classified as a current asset or liability when the hedged item has a remaining term of less than 12 months. Derivative instruments held for trading are always classified as current assets or liabilities.

The effective portion of changes in the fair value of a derivative instrument designated as the hedging instrument in a hedge of a net investment in foreign operations and which qualifies as hedge accounting is recognised in other comprehensive income. The portion of gains or losses on a hedging instrument that is deemed to be effective is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised in the income statement.

Accumulated gains and losses in equity are recognised in the income statement on disposal or partial disposal of the foreign operation.

Issued debt and equity instruments

A financial instrument issued by TF Bank are classified either as a financial liability or as equity. Issued financial instruments are classified as a financial liability if the contract terms and conditions mean that TF Bank has an obligation to pay using either cash or another financial asset. If this is not the case, the instrument is usually an equity instrument and classified as equity, less transaction costs.

The issued financial instruments classified as financial liabilities are bonds over ten years with possible voluntary redemption after five years. The interest terms are Stibor plus margin and the interest

Note 2 cont.

is paid quarterly. The financial instrument classified as equity is a bond that runs over ten years with possible voluntary redemption after five years from the date of issue. The interest terms are Stibor plus margin and the interest is paid quarterly. For more detailed terms, see the prospectus on the Group's website www.tfbank-group.com.

Income taxes

Current tax expense is calculated based on tax rates enacted or substantively enacted at the reporting date in the country in which the company operates and generates taxable income. Management regularly assesses the statements made in tax returns regarding situations where applicable tax rate are subject to interpretation and, when deemed appropriate, makes provisions for amounts that will probably have to be paid to the taxation authorities.

Recognised income tax expense comprises tax payable or receivable for the financial year and any adjustment to the tax payable or receivable in respect of previous years. For items recognised in the income statement, the corresponding tax effects are also recognised in the income statement. The tax effects of items recognised directly in equity are recognised in equity.

Deferred income tax is calculated using tax rates (and laws) that were enacted or announced at the balance sheet date and which are expected to be applied when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be used.

Employee benefits

Pension plans are funded through payments to insurance companies. The Group only has defined contribution plans. A defined contribution pension plan is a pension plan under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or constructive obligation to pay further contributions if this legal entity does not hold sufficient assets to pay all benefits to employees in respect of their service in the current or previous years.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is more probable than not that an outflow of resources is required to settle the obligation, and the amount can be reliably estimated. Provisions for restructuring are recognised when a detailed and formal restructuring plan has been approved and a valid expectation has been raised in those affected. Provisions for future warranty claims refer to the near future and are based on historical information about warranty claims and current trends that may suggest future claims could differ from historical claims. No provisions are made for future operating losses.

Where there are a number of similar obligations, the probability that an outflow of resources will be required for settlement is assessed for this entire class of obligations as a whole. A provision is recognised even if the probability of an outflow in respect of any one item in this class of obligations is small.

Interest income

Interest income is recognised in the income statement over the expected life using the effective interest method. Transaction costs related to loans payable and loans receivable are therefore recognised as part of the loan. Transaction costs refer to commission. Transaction costs and arrangement fees are recognised on a straight-line basis over the expected term of the loan. Invoicing and notification charges are included in interest income according to the effective interest rate method.

The Group regularly makes amortisation of assets and unappropriated funds for which the Group has not been able to repay or locate counterparties. They are recognised as interest income as they are directly linked to the Group's lending to the public.

Commission income and expense

TF Bank recognises reminder fees, insurance premium fees and other fees and in commission income. Commission income is recognised in the income statement in the period it is earned. Commission expense are expenses attributable to services and charges that relate to fees earned from insurance premiums.

Net results from financial transactions

This item relates to foreign currency translation of assets and liabilities in foreign currencies and changes in the fair value of derivatives relating to forward contracts to hedge foreign exchange risk.

Cash flow statement

The cash flow statement is prepared according to the indirect method. Recognised cash flow comprises only transactions that involve cash receipts or disbursements. Cash and cash equivalents include Cash and balances with central banks, Treasury bills eligible for refinancing, etc. and Loans to credit institutions.

THE PARENT COMPANY USED THE ABOVE ACCOUNTING POLICIES AS WELL AS THE ADDITIONAL POLICIES BELOW

Shares and participations in subsidiaries

Shares and participations in subsidiaries are recognised at cost plus transaction costs after deduction of any impairment losses. Where there is an indication that shares and participations have become impaired, an estimate is made of the recoverable amount. If this is lower than the carrying amount, an impairment loss is recognised. Impairment losses are recognised under the items Gains/losses on participations in Group companies and Gains/losses on participations in associates.

Untaxed reserves

Sums allocated to untaxed reserves in the Parent Company comprise taxable temporary differences. Because of the relationship between accounting and taxation, the deferred tax liability attributable to the untaxed reserves is not recognised separately.

The untaxed reserves are therefore recognised at the gross amount. Appropriations are recognised at the gross amount in the income statement.

Dividend

Dividends to TF Bank's shareholders are recognised as a liability in the Company's financial statements in the period the dividend is approved by TF Bank's shareholders.

Group contributions

In accordance with the general rule in RFR 2, group contributions from the Parent Company to subsidiaries are recognised as an increase in participating interests in Group companies. The subsidiaries recognise received group contributions under appropriations.

Goodwill

Goodwill has an indefinite useful life and in accordance with RFR 2, the parent company deprecates the item over 60 months.

NOTE 3 Financial risks and financial risk management

Financial risks

The Group's activities are exposed to a variety of financial risks: market risk (considerable currency and interest rate risk, 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 in its consolidated financial statements for net investments in foreign operations.

TF Bank has designed an operating structure to ensure good risk management. The overall risk policy constitutes the Board of Directors and the management's fundamental policy documents regarding risk management which aims to minimise any potential adverse effects for the Group's financial results. The Board establishes written policies with regards both the overall risk management and for the specific areas.

Market risk

(i) Currency risk

The Group's currency risk is partly structural (translation risk) and partly operational (transaction risk).

Translation risk arises when the Group has holdings in foreign operations whose net assets are exposed to currency risks when they are consolidated into the Group at SEK. TF Bank has a subsidiary in Latvia, TFB Service SIA (EUR), a subsidiary in Lithuania, TFB Service UAB (EUR) and a subsidiary in Germany, TFB Service GmbH (EUR). Currency exposure arising from the net assets of the Group's foreign operations must be hedged as far as possible in accordance with the financial policy adopted by the Board. Until 2019, TF Bank applied hedge accounting for holdings in now merged companies BB Bank ASA (NOK) and Avarða Oy (EUR) with hedging instruments in the form of derivatives and deposits and borrowings from the public. With the mergers in the beginning of 2020 between TF Bank AB and the above-mentioned subsidiaries, the Group no longer has any hedging instruments at the end of 2020. The following summary of hedged net assets and hedging instruments refers to the comparison year:

Group SEK thousand	2020	2019
Hedged net assets		
Net investment in BB Bank ASA	-	442,301
Net investment in Avarða Oy	-	98,462
Total	-	540,763
Hedging instruments		
Currency forward contract as hedging instrument (nominal amount)	-	392,262
Deposits and borrowings from the public in NOK as hedging instrument	-	145,990
Total	-	538,252

Derivative instruments are held only for the purpose of hedging financial risk and not for speculative purposes. Where derivative instruments do not meet the criteria for hedge accounting, they are classified as being held for trading and are measured at fair value through the income statement. They are classified as current assets or current liabilities if they are expected to be settled within 12 months after the reporting date.

HEDGE RESERVE

Group SEK thousand	Spot component of a currency forward contract and exchange rate differences relating to the hedged portion of deposits in NOK
Opening balance 1 January 2019	2,781
Change in fair value of hedging instruments recognised through other comprehensive income	-6,610
Deferred tax	1,668
Closing balance 31 December 2019	-2,161
Opening balance 1 January 2020	-2,161
Change in fair value of hedging instruments recognised through other comprehensive income	-
Deferred tax	-
Closing balance 31 December 2020	-2,161

Note 3 cont.

The effects of hedge accounting for the impact of currency risks on the Group's financial position and results are shown below:

Group SEK thousand	2020	2019
Derivative instrument NOK		
Carrying amount	-	1,981
Nominal amount	-	293,692
Maturity date	-	2020-01-03
Hedge ratio	-	1:1
Forward rate	-	SEK 1,0489 : 1 NOK
Derivative instrument EUR		
Carrying amount	-	389
Nominal amount	-	98,570
Maturity date	-	2020-01-03
Hedge ratio	-	1:1
Forward rate	-	SEK 10,48619 : 1 EUR
Hedging instrument deposits		
Carrying amount	-	145,990
Carrying amount NOK thousand	-	138,000
Hedge ratio	-	1:1

Operational currency risk refers to exchange rate risks arising from the Group's foreign currency denominated positions in financial instruments. Currency risk involves the following currencies: EUR, NOK, DKK and PLN. Currency risk arises when future business transactions or recognised assets or liabilities are expressed in a currency other than the Company's functional currency. According to the Company's financial policy, currency risk is managed through the statement of financial position. The Company uses forward contracts for EUR, NOK, DKK and PLN. Forward contracts normally have a maturity of between 1-3 months to minimise the impact on results of changes in exchange rates. See Note 19.

TF Bank assesses its future capital requirements under Pillar 2 for currency risk through stress tests involving the impact on net positions of exchange rate movements of 9.0 %. Other variables are kept constant. TF Bank has chosen the level 9.0 % by analyzing the biggest exchange rate movements between specific dates in the period 2010-2020 for the currencies in which the bank has the biggest exposure. TF Bank has chosen to calculate worst case scenarios with 99.999 % confidence based on the largest movement in each currency. The stress tests resulted in the following outcomes on positions excluding tax effects:

CURRENCY

SEK thousand	2020	2019
EUR	+/- 683	+/- 1,535
NOK	+/- 376	+/- 105
DKK	+/- 18	+/- 34
PLN	+/- 113	+/- 210

Because of the regulatory capital requirement under Pillar 1 in place as at 31 December 2020, the level was replaced with capital adequacy of 8 % according to the standardised approach.

(ii) Interest rate risk

Because floating interest rates apply to most of liabilities and assets, the Group's interest rate risk is minimal.

Under the financial policy and liquidity policy, holdings of securities with a remaining term of up to 12 months are permitted. Not more than 30 % of the Company's accessible liquidity must have a remaining term of more than six months. Because the Group's holding of treasury bills as at the reporting date stood at SEK 60 million (60), the impact of this interest rate risk on results was also negligible in the above scenario. Other assets in the liquidity portfolio comprised various bank balances at floating rates, which involve very limited interest rate risk.

Credit risk

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.

Note 3 cont.

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 has a claims and collections unit which deals with existing customers in financial difficulties. The Group also has a credit division which assesses potential customers and reviews collateral and credit limits established by the Board on an ongoing basis.

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 loan losses is small in proportion to the outstanding loan volume (see Note 23). The reason for this is that the Group regularly sells past due loans to debt collection agencies in markets where the Board of Directors considers the price level to be favourable for the Group's performance and risk profile. This is currently the case for most markets. As a result, the Group continuously realises expected loan 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 loan 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.

CREDIT QUALITY OF LOANS THAT ARE NEITHER PAST DUE NOR IMPAIRED

Credit quality of receivables that are neither past due nor impaired has been assessed on the basis of a model that classifies loans as low, moderate or high risk. The classification is primarily based on the number of reminders, if any, sent to individual customers, the number of months a customer has had an active loan with the Group and the borrower's individual credit status at the time of taking out the loan, calculated on the basis of both internal and external sources. The risk assessment also takes into account various parameters such as product type (segment) and country, including taking into account historical information retrieved from our own database.

SEK thousand	Group		Parent Company	
	2020	2019	2020	2019
Household sector				
Low risk	5,638,128	4,364,404	5,638,128	2,284,134
Moderate risk	1,709,958	1,346,189	1,709,958	1,004,752
High risk	959,132	992,706	959,132	948,431
Total	8,307,218	6,703,299	8,307,218	4,237,317

The credit quality of other fully performing (neither past due nor impaired) financial assets in accordance with Standard & Poor's local short-term ratings is shown below:

SEK thousand	Group		Parent Company	
	2020	2019	2020	2019
Cash and balances with central banks				
AAA	179,280	152,219	179,280	-
AA+	871,221	188,584	871,221	188,584
AA-	35,627	37,033	35,627	37,033
A-	11,863	12,496	11,863	12,496
Treasury bills eligible for refinancing				
AAA	60,022	60,051	60,022	60,051
Loans to credit institutions				
A-1+	665,846	619,124	665,846	555,636
A-1	258,843	693,471	258,441	423,110
A-2	36,702	40,328	36,702	34,694
Unrated	87	9,536	-	8,807
Other assets ¹				
A-1+	27,390	3,520	27,390	3,001
A-1	19,896	21,796	19,896	21,796
Unrated	8,077	14,839	8,077	3,498
Total	2,174,854	1,852,997	2,174,365	1,348,706

¹ Other assets include derivatives with a positive value and investment in the DNB Global Treasury Fund.

Note 3 cont.

Liquidity risk

The Board of Directors establishes guidelines for managing liquidity risk. The main liquidity risk comprises the Group's ability to meet its obligations to repay customer deposits from Swedish, Finnish, Norwegian and German households; the ability to pay out new credits is regarded as a business risk. As at the balance sheet date, deposits from the public amounted to SEK 8,714 million (7,197) which are recognized under Deposits and borrowings from the public. According to the instructions from the Board of Directors, TF Bank should generally maintain a low level of exposure to liquidity risk in its operations.

In order to prevent a liquidity crisis, the Group, in accordance with its liquidity policy, must at all times maintain a liquidity reserve and other measures designed to generate liquidity, such as, other than normal operating line of credit, credit commitments directly or indirectly from another credit institution or cash equivalents.

The maximum amount of eligible capital that may be placed with the Group's permitted counterparties is 25 %, except in the case of credit institutions, when the permitted amount is 100 % of eligible capital ¹. Treasury bills and balances at central banks, as well as exposure to subsidiaries, are exempted from the 25 % limit.

Management carefully monitors the Group's liquidity reserve, which comprises cash and cash equivalents and other liquidity generating measures, and also follows rolling forecasts concerning the liquidity situation on the basis of expected cash flows.

All funding other than deposits from the public comprises borrowings from credit institutions, securities issues and equity.

As at 31 December 2020, the Group's liquidity reserve amounted to SEK 2,094 million (1,806) and the sum of the liquidity reserve and other liquidity creating measures totaled SEK 2,094 million (1,838), which corresponds to 24 % (26) of the Group's deposits from the public. The Group's LCR was 556 % (286) and the ratio of deposits from the public/loans to the public was 1.10 (1.11) ².

As at 31 December 2020, the Parent Company's liquidity reserve amounted to SEK 2,094 million (1,305) which corresponds to 24 % (25) of the Group's deposits from the public. The Company's LCR was 556 % (282) and the ratio of deposits from the public/loans to the public was 1.10 (1.19) ².

For contractual maturity dates for liabilities, see Note 20.

¹ According to Article 4 (71) of Regulation (EU) No 575/2013, eligible capital is the sum of Tier 1 capital and Tier 2 capital that is equal to or less than one third of Tier 1 capital.

² According to Article 4 of Commission Delegated Regulation (EU) 2015/61, LCR should be calculated by dividing the liquidity buffer with net liquidity outflows over a 30-calendar day stress period. The regulatory LCR requirement is 100 % as of 31 December 2017.

NOTE 4 Segment reporting

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	Group	
	2020	2019
Net interest income	590,219	562,723
Net fee and commission income	36,735	29,506
Net results from financial transactions	1,304	-145
Total operating income	628,258	592,084
General administrative expenses	-155,089	-151,979
Depreciation and amortisation of tangible and intangible assets	-11,984	-10,315
Other operating expenses	-11,026	-14,375
Total operating expenses	-178,099	-176,669
Profit before loan losses	450,159	415,415
Net loan losses	-196,074	-152,393
Operating profit	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	2020	2019
Operating income margin, %	11.4	13.4
Net loan loss ratio, %	3.5	3.5
Cost/Income ratio, %	28.3	29.8
New lending, SEK thousand	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 103.

Note 4 cont.

ECOMMERCE SOLUTIONS ¹

Income statement, SEK thousand	Group	
	2020	2019
Net interest income	131,939	114,846
Net fee and commission income	51,176	32,587
Net results from financial transactions	458	-34
Total operating income	183,573	147,399
General administrative expenses	-95,528	-85,956
Depreciation and amortisation of tangible and intangible assets	-11,996	-6,765
Other operating expenses	-755	-297
Total operating expenses	-108,279	-93,018
Profit before loan losses	75,294	54,381
Net loan losses	-35,383	-21,223
Operating profit	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	2020	2019
Operating income margin, %	15.3	15.2
Net loan loss ratio, %	3.0	2.2
Cost/Income ratio, %	59.0	63.1
New lending, SEK thousand	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 103.

Note 4 cont.

CREDIT CARDS

Income statement, SEK thousand	Group	
	2020	2019
Net interest income	66,592	29,415
Net fee and commission income	-3,323	-25
Net results from financial transactions	423	-9
Total operating income	63,692	29,381
General administrative expenses	-45,446	-16,929
Depreciation and amortisation of tangible and intangible assets	-2,115	-1,048
Other operating expenses	-5,792	-3,211
Total operating expenses	-53,353	-21,188
Profit before loan losses	10,339	8,193
Net loan losses	-41,219	-15,018
Operating profit	-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	2020	2019
Operating income margin, %	13.6	14.1
Net loan loss ratio, %	8.8	7.2
Cost/Income ratio, %	83.8	72.1
New lending, SEK thousand	1,068,217	386,368

¹ See separate section with definitions, page 103.

Note 4 cont.

GROUP INFORMATION

Income statement, SEK thousand	Group	
	2020	2019
Operating income		
Consumer Lending	628,258	592,084
Ecommerce Solutions	183,573	147,399
Credit Cards	63,692	29,381
Total operating income	875,523	768,864
Operating profit		
Consumer Lending	254,085	263,022
Ecommerce Solutions	39,911	33,158
Credit Cards	-30,880	-6,825
Total operating profit	263,116	289,355

GROUP INFORMATION

Balance sheet, SEK thousand	Group	
	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 5 Classification of financial assets and liabilities

Group, 31 Dec 2020 SEK thousand	Financial instruments 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
	<i>Compulsory</i>					
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
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 5 cont.

Group, 31 Dec 2019 SEK thousand	Financial instruments 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 cont.

Parent Company, 31 Dec 2020 SEK thousand	Financial instruments at fair value through profit or loss	Fair value through other comprehen- sive income	Amortised cost	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	-	-	960,989	-	960,989
Loans to the public	-	-	7,922,448	-	7,922,448
Shares	20,135	-	-	-	20,135
Shares in group companies	-	-	316	-	316
Goodwill	-	-	-	11,477	11,477
Intangible assets	-	-	-	61,762	61,762
Tangible assets	-	-	-	2,658	2,658
Deferred tax assets	-	-	-	47	47
Prepaid expenses and accrued income	-	-	-	29,447	29,447
Derivatives	27,390	-	-	-	27,390
Other assets	-	-	-	8,764	8,764
Total assets	47,525	60,022	9,981,744	114,155	10,203,446
Liabilities					
Deposits and borrowings from the public	-	-	8,714,032	-	8,714,032
Current tax assets	-	-	-	1,832	1,832
Deferred tax liabilities	-	-	-	5,642	5,642
Accrued expenses and prepaid income	-	-	-	100,318	100,318
Subordinated liabilities	-	-	245,053	-	245,053
Derivatives	-	-	-	-	-
Other liabilities	-	-	-	52,864	52,864
Total liabilities	-	-	8,959,085	160,656	9,119,741

Note 5 cont.

Parent Company, 31 Dec 2019 SEK thousand	Financial instruments at fair value through profit or loss	Fair value through other comprehen- sive income	Amortised cost	Non- financial assets and liabilities	Total
	Compulsory				
Assets					
Cash and balances with central banks	-	-	238,113	-	238,113
Treasury bills eligible for refinancing	-	60,051	-	-	60,051
Loans to credit institutions	-	-	1,022,247	-	1,022,247
Loans to the public	-	-	4,305,139	-	4,305,139
Shares	21,796	-	-	-	21,796
Shares in group companies	-	-	515,511	-	515,511
Intangible assets	-	-	-	28,156	28,156
Tangible assets	-	-	-	1,665	1,665
Current tax assets	-	-	-	11,162	11,162
Deferred tax assets	-	-	-	1,548	1,548
Prepaid expenses and accrued income	-	-	-	12,560	12,560
Derivatives	3,001	-	-	-	3,001
Other assets	-	-	-	4,428	4,428
Total assets	24,797	60,051	6,081,010	59,519	6,225,377
Liabilities					
Deposits and borrowings from the public	-	-	5,136,820	-	5,136,820
Deferred tax liabilities	-	-	-	7	7
Accrued expenses and prepaid income	-	-	-	56,700	56,700
Subordinated liabilities	-	-	197,583	-	197,583
Derivatives	2,967	-	-	-	2,967
Other liabilities	-	-	-	33,530	33,530
Total liabilities	2,967	-	5,334,403	90,237	5,427,607

NOTE 6 Financial assets and liabilities at 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

Parent Company, 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	-	-	-	-

Parent Company, 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	-	-	21,796
Derivatives	-	3,001	-	3,001
Total assets	81,847	3,001	-	84,848
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 forward 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.

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 and borrowings from the public	8,714,032	8,714,032	-
Subordinated liabilities	245,053	245,053	-
Derivatives	-	-	-
Total liabilities	8,959,085	8,959,085	-

Note 6 cont.

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 and borrowings 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	-

Parent Company, 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	960,989	960,989	-
Loans to the public	7,922,448	7,922,448	-
Derivatives	27,390	27,390	-
Total assets	10,068,840	10,068,840	-
Liabilities			
Deposits and borrowings from the public	8,714,032	8,714,032	-
Subordinated liabilities	245,053	245,053	-
Derivatives	-	-	-
Total liabilities	8,959,085	8,959,085	-

Parent Company, 31 Dec 2019 SEK thousand	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
Assets			
Cash and balances with central banks	238,113	238,113	-
Treasury bills eligible for refinancing	60,051	60,051	-
Loans to credit institutions	1,022,247	1,022,247	-
Loans to the public	4,305,139	4,305,139	-
Derivatives	3,001	3,001	-
Total assets	5,628,551	5,628,551	-
Liabilities			
Deposits and borrowings from the public	5,136,820	5,136,820	-
Subordinated liabilities	197,583	197,583	-
Derivatives	2,967	2,967	-
Total liabilities	5,337,370	5,337,370	-

NOTE 7 Interest income

SEK thousand	Group		Parent Company	
	2020	2019	2020	2019
Interest income from loans to the public	910,486	810,701	910,486	565,242
Other interest income	1,459	2,416	1,459	10,211
Total interest income	911,945	813,117	911,945	575,453
- of which interest income from non-performing loans	12,664	4,851	12,664	5,210
Geographical breakdown of interest income:				
Norway	232,758	203,498	232,758	16,548
Finland	222,150	223,889	222,150	179,077
Estonia	128,736	128,483	128,736	128,483
Sweden	112,689	128,572	112,689	122,670
Latvia	91,323	62,953	91,323	62,953
Poland	57,804	47,505	57,804	47,505
Germany	44,045	5,117	44,045	5,117
Lithuania	14,942	5,571	14,942	5,571
Denmark	6,283	6,917	6,283	6,917
Austria	1,215	612	1,215	612
Total interest income	911,945	813,117	911,945	575,453

NOTE 8 Interest expense

SEK thousand	Group		Parent Company	
	2020	2019	2020	2019
Interest expense, deposits from the public	-89,215	-69,665	-89,215	-35,254
Interest expense, subordinated liabilities	-11,505	-7,542	-11,505	-7,542
Deposit fees to credit institutions	-5,632	-3,884	-5,632	-3,830
Other financial expense	-16,843	-25,042	-16,296	-23,485
Total interest expense	-123,195	-106,133	-122,648	-70,111

NOTE 9 Net fee and commission income

SEK thousand	Group		Parent Company	
	2020	2019	2020	2019
Fee and commission income				
Reminder fees	53,211	36,857	53,211	23,454
Insurance premiums	39,873	31,627	39,873	13,059
Other fee and commission income	10,472	4,077	10,472	294
Total fee and commission income	103,556	72,561	103,556	36,807
Fee and commission expense				
Insurance expense	-11,475	-6,025	-11,475	-2,545
Other fee and commission expense	-7,493	-4,468	-7,493	-3,000
Total fee and commission expense	-18,968	-10,493	-18,968	-5,545
Net fee and commission income	84,588	62,068	84,588	31,262
Geographical breakdown of fee and commission income:				
Norway	39,153	25,316	39,153	1,849
Sweden	29,598	20,205	29,598	17,611
Finland	24,660	21,258	24,660	11,565
Estonia	4,168	1,821	4,168	1,821
Denmark	2,723	2,605	2,723	2,605
Germany	1,650	0	1,650	0
Latvia	1,108	974	1,108	974
Poland	420	366	420	366
Lithuania	44	10	44	10
Austria	32	6	32	6
Total fee and commission income	103,556	72,561	103,556	36,807

NOTE 10 Net results from financial transactions

SEK thousand	Group		Parent Company	
	2020	2019	2020	2019
Exchange rate fluctuations	1,658	-435	1,658	-6,452
Gains/losses on investments in funds and other securities	527	247	527	247
Total net results from financial transactions	2,185	-188	2,185	-6,205

NOTE 11 General administrative expenses

SEK thousand	Group		Parent Company	
	2020	2019	2020	2019
Staff costs				
Salaries and fees	-107,689	-93,735	-98,171	-56,166
Social security costs	-26,999	-24,735	-25,544	-15,827
Pension costs	-6,266	-5,819	-6,266	-3,978
Other staff costs	-3,509	-2,539	-3,065	-1,234
Total staff costs	-144,463	-126,828	-133,046	-77,205
Other general administrative expenses				
Information services and customer communication	-40,277	-30,998	-40,277	-25,647
IT costs	-36,480	-27,918	-36,480	-17,242
Postage and telephone	-13,876	-13,418	-13,809	-7,613
Bank fees	-10,941	-8,139	-10,941	-3,785
Debt collection costs	-7,940	-5,326	-7,940	-5,273
Rent and property costs	-3,480	-3,873	-9,285	-6,452
Auditors' remuneration	-3,011	-4,454	-3,011	-3,590
Other	-35,595	-33,910	-47,719	-30,609
Total other general administrative expenses	-151,600	-128,036	-169,462	-100,211
Total general administrative expenses	-296,063	-254,864	-302,508	-177,416

NOTE 12 Auditors' remuneration

SEK thousand	Group		Parent Company	
	2020	2019	2020	2019
PricewaterhouseCoopers				
Audit assignment	2,248	2,195	2,248	1,602
Audit services in addition to the audit assignment	159	1,197	159	961
Tax advices	35	620	35	585
Other services	569	442	569	442
Total auditors' remuneration	3,011	4,454	3,011	3,590

The amounts include auditors' remuneration for PriceWaterhouseCoopers AB of SEK 2,204 thousand, divided between the audit assignment SEK 1,463 thousand audit services other than the audit assignment SEK 159 thousand and other services SEK 585 thousand.

NOTE 13 Average number of employees, salaries, other remuneration and social security costs

AVERAGE NUMBER OF EMPLOYEES, DISTRIBUTED BETWEEN WOMEN AND MEN:

	Group		Parent Company	
	2020	2019	2020	2019
Women	114	100	99	68
Men	98	74	88	46
Total	212	174	187	114

AVERAGE NUMBER OF EMPLOYEES, DISTRIBUTED BETWEEN WOMEN AND MEN, BY COUNTRY:

	Group		Parent Company	
	2020	2019	2020	2019
Sweden				
Women	35	35	35	34
Men	35	27	35	22
Total	70	62	70	56
Finland				
Women	12	10	12	4
Men	11	10	11	4
Total	23	20	23	8
Poland				
Women	14	12	14	12
Men	25	19	25	19
Total	39	31	39	31
Estonia				
Women	20	18	20	18
Men	2	1	2	1
Total	22	19	22	19
Norway				
Women	18	15	18	-
Men	15	12	15	-
Total	33	27	33	-
Latvia				
Women	7	7	-	-
Men	5	3	-	-
Total	12	10	-	-
Lithuania				
Women	6	3	-	-
Men	1	1	-	-
Total	7	4	-	-
Germany				
Women	2	0	-	-
Men	4	1	-	-
Total	6	1	-	-

Note 13 cont.

SALARIES AND REMUNERATION:

SEK thousand	Group		Parent Company	
	2020	2019	2020	2019
Board of Directors and CEO	6,189	6,160	6,189	5,705
Other staff	101,500	87,575	91,982	50,461
Total salaries and remuneration	107,689	93,735	98,171	56,166
Social costs pursuant to legislation and agreements	26,999	24,735	25,544	15,827
Pension costs	6,266	5,819	6,266	3,978
Total salaries, remuneration, social security costs and pension costs	140,954	124,289	129,981	75,971

SALARIES AND REMUNERATION FOR BOARD MEMBERS AND SENIOR EXECUTIVES:

SEK thousand	Group		Parent Company	
	2020	2019	2020	2019
Chairman of the Board: John Brehmer				
Board fees ¹	680	-	680	-
Other benefits	-	-	-	-
Pension costs	-	-	-	-
Total Chairman of the Board	680	-	680	-
Chairman of the Board: Mari Thjomøe				
Board fees ¹	-	650	-	650
Other benefits	-	-	-	-
Pension costs	-	-	-	-
Total Chairman of the Board	-	650	-	650

SEK thousand	Group		Parent Company	
	2020	2019	2020	2019
Fees ¹ other Board members:				
Bertil Larsson	350	300	350	300
Charlotta Björnberg-Paul	330	300	330	300
John Brehmer	-	350	-	350
Mari Thjomøe	350	-	350	-
Sara Mindus	300	-	300	-
Tone Bjørnov	400	534	400	400
Board members in subsidiaries	-	321	-	-
Total	1,730	1,805	1,730	1,350

SEK thousand	Group		Parent Company	
	2020	2019	2020	2019
CEO: Mattias Carlsson				
Basic salary	3,650	3,575	3,650	3,575
Variable remuneration	-	-	-	-
Other benefits	129	130	129	130
Pension costs	836	820	836	820
Total	4,615	4,525	4,615	4,525

¹ Expensed in 2019 and 2020 respectively and includes fees that will be paid until the Annual General Meeting during the subsequent year.

Note 13 cont.

SEK thousand	Group		Parent Company	
	2020	2019	2020	2019
Deputy CEO: Mikael Meomuttel				
Basic salary	2,268	2,232	2,268	2,232
Variable remuneration	-	1,750	-	1,750
Other benefits	150	131	150	131
Pension costs	695	390	695	390
Total	3,113	4,503	3,113	4,503
Other senior executives ¹:				
Basic salary	3,986	5,889	3,986	-
Variable remuneration	318	255	318	-
Other benefits	287	245	287	-
Pension costs	572	449	572	-
Total	5,163	6,838	5,163	-

Remuneration of senior executives

In accordance with the requirements regarding disclosure of information in FFFS 2011:1, information on e.g. remuneration framework is provided on the Group's website www.tfbankgroup.com. Salaries and other remuneration for the CEO and other senior executives comprise fixed salary, variable remuneration, commission-based compensation, other benefits and pension.

Commission-based compensation

In 2020, commission-based compensation amounted to SEK 318 thousand (2,005). Additional commission-based compensation is paid on the basis of individual accomplishment 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.

Share-based remuneration

At the Annual General Meetings in 2018 a subscription warrant programme was adopted comprising a total of 1,372,338 warrants. The subscription warrants were subscribed for by senior executives. Payment corresponding to the market value has been made and was recognised as other contributed capital under equity. In 2020, the Board of Directors submitted an offer to the holders of the warrants to repurchase their warrants. The offer was utilised for all warrants.

Pensions

The Company's pension obligations are covered through payments to an ITP occupational pension plan. The retirement age for the CEO is 65 and annual supplementary payments are made to a defined contribution plan. The retirement age for other senior executives is between 65 and 67 depending on country of residence and annual supplementary payments are made to a defined contribution plan.

Period of notice and severance pay

According to an agreement between TF Bank AB and the CEO, the period of notice is six months (12 months in the case of termination by the Company). If termination is initiated by the Company, basic salary is payable during the period of notice, however variable remuneration, if agreed before the notice was issued, is not payable. Severance pay is adjusted for salary that the CEO receives from a new employer.

Compensation to the board of directors

Compensation to the members of the Board of Directors, as indicated above, is determined by the Annual General Meetings and refers to annual fees from Annual General Meeting to Annual General Meeting for the years respectively. Board compensation consists of fixed compensation for board work as well as fixed compensation for any committee work. The two committees are the Audit Committee and the Remuneration Committee. The Group does not have any pension entitlements for Board members.

GENDER DISTRIBUTION BOARD MEMBERS AND SENIOR EXECUTIVES

SEK thousand	2020		2019	
	Number on reporting date	Of which women (%)	Number on reporting date	Of which women (%)
Board members	6	67	6	50
CEO and other senior executives	4	0	4	0

¹ Other senior executives are the heads of the segments Consumer Lending and Ecommerce Solutions.

NOTE 14 Intangible assets

SEK thousand	Group			Parent Company		
	Internally developed software	Ongoing development	Total	Internally developed software	Ongoing development	Total
2019						
Cost, opening balance	60,955	12,454	73,409	38,165	7,025	45,190
Additions during the year	2,858	27,061	29,919	930	14,893	15,823
Reclassification	23,065	-23,163	-98	13,840	-13,938	-98
Sales and disposals	-	-	-	-	-	-
Exchange rate differences	305	22	327	5	-	5
Cost, closing balance	87,183	16,374	103,557	52,940	7,980	60,920
Amortisations, opening balance	-35,210	-	-35,210	-26,465	-	-26,465
Amortisations for the year	-12,060	-	-12,060	-6,299	-	-6,299
Sales and disposals	-	-	-	-	-	-
Exchange rate differences	-124	-	-124	-	-	-
Amortisations, closing balance	-47,394	-	-47,394	-32,764	-	-32,764
Carrying amount	39,789	16,374	56,163	20,176	7,980	28,156
2020						
Cost, opening balance	87,183	16,374	103,557	52,940	7,980	60,920
Additions from merger	-	-	-	34,243	8,394	42,637
Additions during the year	1,063	25,119	26,182	1,063	25,119	26,182
Reclassification	30,404	-31,010	-606	30,404	-31,010	-606
Sales and disposals	-12,030	-	-12,030	-12,030	-	-12,030
Exchange rate differences	-2,395	-230	-2,625	-2,395	-230	-2,625
Cost, closing balance	104,225	10,253	114,478	104,225	10,253	114,478
Amortisations, opening balance	-47,394	-	-47,394	-32,764	-	-32,764
Amortisations from merger	-	-	-	-14,630	-	-14,630
Amortisations for the year	-18,154	-	-18,154	-18,154	-	-18,154
Sales and disposals	11,775	-	11,775	11,775	-	11,775
Exchange rate differences	1,057	-	1,057	1,057	-	1,057
Amortisations, closing balance	-52,716	-	-52,716	-52,716	-	-52,716
Carrying amount	51,509	10,253	61,762	51,509	10,253	61,762

NOTE 15 Tangible assets

SEK thousand	Group			Parent Company	
	Equipment	Right-of-use asset	Total	Equipment	Total
2019					
Cost, opening balance	8,814	-	8,814	5,796	5,796
Change in accounting policies, IFRS 16	-	23,646	23,646	-	-
Additions during the year	1,186	-	1,186	725	725
Sales and disposals	-	-	-	-	-
Exchange rate differences	107	-	107	24	24
Cost, closing balance	10,107	23,646	33,753	6,545	6,545
Amortisations, opening balance	-6,343	-	-6,343	-4,100	-4,100
Amortisations for the year	-1,233	-5,097	-6,330	-767	-767
Sales and disposals	-	-	-	-	-
Exchange rate differences	-58	-	-58	-13	-13
Amortisations, closing balance	-7,634	-5,097	-12,731	-4,880	-4,880
Carrying amount	2,473	18,549	21,022	1,665	1,665
2020					
Cost, opening balance	10,107	23,646	33,753	6,545	6,545
Additions from merger	-	-	-	3,330	3,330
Additions during the year	1,870	-	1,870	1,702	1,702
Sales and disposals	-	-	-	-	-
Exchange rate differences	-429	-	-429	-462	-462
Cost, closing balance	11,548	23,646	35,194	11,115	11,115
Amortisations, opening balance	-7,634	-5,097	-12,731	-4,880	-4,880
Amortisations from merger	-	-	-	-2,673	-2,673
Amortisations for the year	-1,333	-6,608	-7,941	-1,245	-1,245
Sales and disposals	-	-	-	-	-
Exchange rate differences	367	-	367	341	341
Amortisations, closing balance	-8,600	-11,705	-20,305	-8,457	-8,457
Carrying amount	2,948	11,941	14,889	2,658	2,658

NOTE 16 Other operating expenses

SEK thousand	Group		Parent Company	
	2020	2019	2020	2019
Marketing expenses	-17,573	-17,883	-17,573	-16,786
Total	-17,573	-17,883	-17,573	-16,786

NOTE 17 Net loan losses

SEK thousand	Group		Parent Company	
	2020	2019	2020	2019
Change in provision for sold non-performing loans	-79,605	-113,159	-79,605	-106,001
Realised loan losses	-39,707	-48,648	-39,707	-18,215
Recovered from previous write-offs	468	6,949	468	6,884
Change in provision for expected loan losses, stage 1-3	-153,832	-33,776	-153,832	-28,438
Net loan losses	-272,676	-188,634	-272,676	-145,770

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

NOTE 18 Tax on profit for the year

SEK thousand	Group		Parent Company	
	2020	2019	2020	2019
Current tax on profit for the year	-54,097	-71,772	-54,046	-43,438
Tax due to changes in tax relating to prior years	-164	-	-164	-
Other taxes	-189	-134	-189	-134
Deferred tax	-5,521	4,477	-5,521	1,300
Tax on profit for the year¹	-59,971	-67,429	-59,920	-42,272
Reconciliation of tax on profit for the year				
Profit before tax	263,116	289,355	262,639	204,020
Tax according to applicable tax rate	-56,307	-61,922	-56,205	-43,660
Tax effect of non-deductible expenses	-9,280	-3,385	-9,280	-3,303
Tax effect of non-taxable income	5,918	246	5,918	1,300
Tax effect of income that are not included in the recognised profit or loss	-	-23	-	-23
Tax effect of group contributions paid	-	-	-	3,681
Tax due to changes in tax relating to prior years	-164	-	-164	-
Tax effect of changed tax rate	-	-133	-	-133
Other taxes	-189	-134	-189	-134
Deviating tax rates in other countries	51	-2,078	-	-
Tax on profit for the year recognised in the income statement	-59,971	-67,429	-59,920	-42,272

¹ Weighted average tax rate for the Group was 22.8 % (23.3) and the corresponding figure for the Parent Company was 22.8 % (20.7).

NOTE 19 Foreign currency

THE FOLLOWING CURRENCY EXPOSURES ARE AGAINST THE GROUP'S AND THE PARENT COMPANY'S TRANSACTION CURRENCY

SEK thousand	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Assets in EUR:				
Cash and balances with central banks	906,848	225,617	906,848	225,617
Loans to credit institutions	360,271	441,568	359,783	384,960
Loans to the public	4,102,747	3,170,389	4,102,747	3,117,742
Other assets	31,921	23,521	31,409	12,922
Deductions for assets in Eurozone	-942,586	-1,375,757	-942,586	-900,371
Total assets	4,459,201	2,485,338	4,458,201	2,840,870
Liabilities in EUR:				
Deposits and borrowings from the public	-4,996,007	-3,729,924	-4,996,007	-3,729,924
Other liabilities	-62,052	-44,698	-61,159	-29,463
Deductions for liabilities in Eurozone	368,866	483,755	368,866	474,251
Total liabilities	-4,689,193	-3,290,867	-4,688,300	-3,285,136
Currency forward contracts	-351,313	-102,980	-351,313	-
Net exposure in EUR	-581,304	-908,510	-581,412	-444,266
Net assets in Eurozone	573,720	892,003	573,720	426,119
Total	-7,584	-16,507	-7,692	-18,147

SEK thousand	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Assets in NOK:				
Cash and balances with central banks	179,280	152,219	179,280	-
Loans to credit institutions	92,055	289,608	92,055	34,736
Loans to the public	2,568,152	2,139,646	2,568,152	39,520
Other assets	25,705	52,283	25,705	303,007
Deductions for assets in Norway	-2,855,233	-2,534,363	-2,855,233	-
Total assets	9,959	99,393	9,959	377,263
Liabilities in NOK:				
Deposits and borrowings from the public	-2,715,914	-2,245,601	-2,715,914	-185,346
Other liabilities	-49,646	-40,039	-49,646	-2,422
Deductions for liabilities in Norway	2,697,408	2,107,471	2,697,408	-
Total liabilities	-68,152	-178,169	-68,152	-187,768
Currency forward contracts	-95,456	-346,991	-95,456	-346,991
Net exposure in NOK	-153,648	-425,766	-153,648	-157,496
Net assets in Norway	157,825	426,891	157,825	-
Total	4,177	1,125	4,177	-157,496

Note 19 cont.

SEK thousand	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Assets in PLN:				
Cash and balances with central banks	11,863	12,496	11,863	12,496
Loans to credit institutions	26,221	47,055	26,221	47,055
Loans to the public	463,760	434,265	463,760	434,265
Other assets	1,093	5,645	1,093	5,480
Deductions for assets in Poland	1,278	-5,346	1,278	-5,346
Total assets	504,215	494,115	504,215	493,950
Liabilities in PLN:				
Other liabilities	1,194	-5,485	1,194	-5,424
Deductions for liabilities in Poland	45,739	72,164	45,739	72,164
Total liabilities	46,933	66,679	46,933	66,740
Currency forward contracts	-505,385	-496,234	-505,385	-496,234
Net exposure in PLN	45,763	64,561	45,763	64,458
Net assets in Poland	-47,016	-66,819	-47,016	-66,819
Total	-1,253	-2,258	-1,253	-2,361

SEK thousand	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Assets in DKK:				
Loans to credit institutions	13,744	4,824	13,744	4,824
Loans to the public	35,591	40,318	35,591	40,316
Other assets	91	153	91	176
Total assets	49,426	45,295	49,426	45,316
Liabilities in DKK:				
Other liabilities	-658	-958	-658	-958
Total liabilities	-658	-958	-658	-958
Currency forward contracts	-48,571	-44,698	-48,571	-44,698
Net exposure in DKK	197	-362	197	-339
Total	197	-362	197	-339

THE TABLE BELOW SHOWS OUTSTANDING CURRENCY FORWARD CONTRACTS AT MARKET VALUE IN MILLIONS IN THE RESPECTIVE CURRENCY:

	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
EUR	35.0	9.9	35.0	-
NOK	100.0	328.0	100.0	328.0
PLN	228.0	203.0	228.0	203.0
DKK	36.0	32.0	36.0	32.0

NOTE 20 Maturity information

SEK thousand	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Payable on demand	1,097,991	390,332	1,097,991	238,113
Cash and balances with central banks	1,097,991	390,332	1,097,991	238,113
Remaining term to maturity of up to 3 months	60,022	60,051	60,022	60,051
Treasury bills eligible for refinancing	60,022	60,051	60,022	60,051
Payable on demand	961,478	1,362,459	960,989	1,022,247
Loans to credit institutions	961,478	1,362,459	960,989	1,022,247
Remaining term to maturity of up to 3 months	788,254	944,200	788,254	438,596
Remaining term to maturity of more than 3 months but less than 1 year	1,844,771	1,302,238	1,844,771	899,812
Remaining term to maturity of more than 1 year but less than 5 years	6,639,017	5,718,743	6,639,017	3,862,100
Loans to the public	9,272,042	7,965,181	9,272,042	5,200,508
Payable on demand	20,135	21,796	20,135	21,796
Remaining term to maturity of up to 3 months	103,559	3,520	102,760	258,624
Remaining term to maturity of more than 3 months but less than 1 year	-	-	-	-
More than 1 year but less than 5 years	224,259	92,812	212,028	591,575
Other assets	347,953	118,128	334,923	871,995
Payable on demand	6,876,307	6,082,152	6,876,307	4,021,897
Remaining term to maturity of more than 3 months but less than 1 year	501,375	863,944	501,375	863,944
More than 1 year but less than 5 years	1,336,351	250,979	1,336,351	250,979
Deposits and borrowings from the public	8,714,033	7,197,075	8,714,033	5,136,820
Remaining term to maturity of up to 3 months	46,990	-	46,990	-
Remaining term to maturity of more than 5 years	289,945	274,717	289,945	274,717
Subordinated liabilities	336,935	274,717	336,935	274,717
Remaining term to maturity of up to 3 months	128,861	162,401	115,342	4,901
Remaining term to maturity of more than 3 months but less than 1 year	33,355	30,026	33,355	30,026
Remaining term to maturity of more than 1 year but less than 5 years	21,840	1,149	21,840	1,149
Other liabilities	184,056	193,576	170,537	36,076

The amounts given in the table are contracted, non-discounted cash flows and include both interest and repayments, as a result of which the amounts are not directly related to the balance sheet.

NOTE 21 Treasury bills eligible for refinancing

SEK thousand	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Government securities eligible for refinancing	60,022	60,051	60,022	60,051
Total treasury bills eligible for refinancing, etc.	60,022	60,051	60,022	60,051

NOTE 22 Loans to credit institutions

SEK thousand	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Accounts receivable Swedish currency	592,409	746,246	592,409	717,561
Accounts receivable foreign currency	369,069	616,213	368,580	304,686
Total loans to credit institutions	961,478	1,362,459	960,989	1,022,247

NOTE 23 Loans to the public

SEK thousand	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Loans to the household sector	7,914,418	6,477,000	7,914,418	4,030,736
Loans to the corporate sector ¹	8,030	18,780	8,030	274,403
Total loans to the public	7,922,448	6,495,780	7,922,448	4,305,139
Loans to the household sector				
Stage 1, gross	7,466,964	6,167,888	7,466,964	3,853,824
Stage 2, gross	327,956	311,638	327,956	172,533
Stage 3, gross ²	512,298	223,773	512,298	210,960
Total loans to the household sector, gross	8,307,218	6,703,299	8,307,218	4,237,317
Provisions for expected loan losses, household sector				
Stage 1	-127,918	-88,792	-127,918	-76,406
Stage 2	-36,650	-28,322	-36,650	-24,954
Stage 3 ²	-228,232	-109,185	-228,232	-105,221
Total provisions for expected loan losses, household sector	-392,800	-226,299	-392,800	-206,581
Loans to the household sector				
Stage 1, net	7,339,046	6,079,096	7,339,046	3,777,418
Stage 2, net	291,306	283,316	291,306	147,579
Stage 3, net ²	284,066	114,588	284,066	105,739
Total loans to the household sector, net	7,914,418	6,477,000	7,914,418	4,030,736
Geographical distribution of net loans:				
Norway	2,566,609	2,140,257	2,566,609	40,131
Finland	2,014,444	1,671,639	2,014,444	1,618,992
Estonia	786,207	783,695	786,207	783,695
Sweden	735,373	709,750	735,373	671,882
Latvia	583,551	503,732	583,551	503,732
Germany	568,511	124,940	568,511	124,940
Poland	464,299	433,828	464,299	433,828
Lithuania	155,985	70,106	155,985	70,106
Denmark	35,763	40,813	35,763	40,813
Austria	11,706	17,020	11,706	17,020
Total loans, net book value	7,922,448	6,495,780	7,922,448	4,305,139

¹ Lending to the corporate sector consists of a loan in stage 1 to one of the segments foreign partners in Ecommerce Solutions. The Parent company's Loans to the corporate sector 31 December 2019 also comprises loans to the subsidiaries Avarda AB and Avarda Oy.

² The group continuously sells a part of delinquent loans before they reach stage 3.

Note 23 cont.

LOANS TO THE CORPORATE SECTOR

SEK thousand	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Loans, gross	8,030	18,780	8,030	274,403
Total loans, net book value	8,030	18,780	8,030	274,403

Provision of credit losses during the period were impacted by several different factors, as described below:

- Transfers between Stage 1 and Stage 2 or Stage 3 depending on whether the loan has significantly increased (or decreased) in risk or if it has defaulted during the period and thus transferred between 12 month and full lifetime ECL.
- New loans during the period and also loans removed from the portfolio in the same period. (Increases due to issue and purchase and decline due to derecognition from the statement of financial position).
- Changes in risk factors as Probability of default (PD), Exposure at default (EAD) and Loss given default (LGD), arising because the model has been updated with new amounts.
- Changes in macroeconomic scenarios based on macroeconomic factors.
- Exchange rate differences.

Group SEK thousand	Non doubtful receivables		Doubtful receivables	Total
	Stage 1	Stage 2	Stage 3	
	12 month expected loan losses	Lifetime expected loan losses	Lifetime expected loan losses	
Loans to the public, gross, opening balance 1 January 2020	6,186,669	311,638	223,773	6,722,080
Financial assets added during the year	7,304,603	-	-	7,304,603
Repayments	-4,645,305	-227,421	-24,632	-4,897,358
Financial assets sold during the year	-	-289,846	-48,537	-338,383
Stage transfers	-912,877	545,826	367,051	-
- from 1 to 2	-697,126	697,126	-	-
- from 1 to 3	-296,954	-	296,954	-
- from 2 to 1	81,203	-81,203	-	-
- from 2 to 3	-	-70,097	70,097	-
- from 3 to 2	-	-	-	-
Exchange rate differences	-458,095	-12,241	-5,357	-475,693
Loans to the public, gross, closing balance 31 December 2020	7,474,995	327,956	512,298	8,315,249
Provision for expected loan losses, opening balance 1 January 2020	-88,792	-28,322	-109,185	-226,299
Changes reported as net loan losses				
Financial assets added during the year	-108,678	-	-	-108,678
Repayments	56,037	10,154	2,855	69,046
Financial assets sold during the year	-	10,584	30,975	41,559
Stage transfers	7,784	-32,012	-156,708	-180,936
- from 1 to 2	4,355	-38,978	-	-34,623
- from 1 to 3	4,511	-	-131,559	-127,048
- from 2 to 1	-1,082	4,420	-	3,338
- from 2 to 3	-	2,546	-25,149	-22,603
- from 3 to 2	-	-	-	-
Exchange rate differences	5,732	2,946	3,831	12,509
Provision for expected loan losses, closing balance 31 December 2020	-127,918	-36,650	-228,232	-392,800

Note 23 cont.

Group SEK thousand	Non doubtful receivables		Doubtful receivables	Total
	Stage 1	Stage 2	Stage 3	
	12 month expected loan losses	Lifetime expected loan losses	Lifetime expected loan losses	
Loans to the public, gross, opening balance 1 January 2019	4,257,021	219,972	115,240	4,592,233
Financial assets added during the year	6,037,302	-	-	6,037,302
Repayments	-3,323,695	-63,310	-11,477	-3,398,482
Financial assets sold during the year	-	-539,768	-50,790	-590,558
Stage transfers	-860,212	691,540	168,672	-
- from 1 to 2	-853,498	853,498	-	-
- from 1 to 3	-118,602	-	118,602	-
- from 2 to 1	111,889	-111,889	-	-
- from 2 to 3	-	-50,069	50,069	-
- from 3 to 2	-	-	-	-
Exchange rate differences	76,252	3,204	2,129	81,585
Loans to the public, gross, closing balance 31 December 2019	6,186,668	311,638	223,773	6,722,080
Provision for expected loan losses, opening balance 1 January 2019	-69,357	-19,365	-54,287	-143,009
Changes reported as net loan losses				
Financial assets added during the year	-84,006	-	-	-84,006
Repayments	54,943	20,300	991	76,234
Financial assets sold during the year	-	12,807	32,083	44,890
Stage transfers	10,542	-41,825	-86,892	-118,175
- from 1 to 2	10,395	-50,059	-	-39,663
- from 1 to 3	2,198	-	-68,929	-66,731
- from 2 to 1	-2,051	6,468	-	4,417
- from 2 to 3	-	1,766	-17,964	-16,198
- from 3 to 2	-	-	-	-
Exchange rate differences	-915	-239	-1,080	-2,234
Provision for expected loan losses, closing balance 31 December 2019	-88,792	-28,322	-109,185	-226,299

CHANGE IN PROVISION FOR NET LOAN LOSSES

Parent company SEK thousand	31 Dec 2020	31 Dec 2019
Opening balance according to IFRS 9	-206,581	-129,111
Change by merger	-19,718	-
Change in provision for sold non-performing loans	-79,605	-106,001
Reversal of provision for sold non-performing loans	79,605	106,001
Change in provision for expected loan losses in stage 1	-43,728	-14,734
Change in provision for expected loan losses in stage 2	-9,757	-8,054
Change in provision for expected loan losses in stage 3	-128,858	-53,593
Exchange rate fluctuations	15,842	-1,089
Closing balance	-392,800	-206,581

NOTE 24 Goodwill

SEK thousand	Group		Parent company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Acquisition cost, opening balance	12,753	12,753	-	-
<i>Change during the year</i>				
Merger	-	-	12,753	-
Translation differences	-	-	-	-
Acquisition cost, closing balance	12,753	12,753	12,753	-
Amortisations, opening balance	-	-	-	-
<i>Change during the year</i>				
Amortisations according to plan	-	-	-1,276	-
Amortisations, closing balance	-	-	-1,276	-
Carrying amount	12,753	12,753	11,477	-

The Group's goodwill arose as a result of the acquisition of the Norwegian subsidiary BB Bank ASA.

Goodwill impairment testing of the cash generating unit was conducted ahead of the balance sheet date. Calculations are based on estimated future cash flows after tax based on financial forecasts approved by the Executive Management and covering a three-year period, which is in line with the Group's business plan. Important assumptions made in respect of the approved forecasts comprise average loan portfolio, new lending and margins. The average growth rate used is based on the Company's own plans and estimates of future performance. Beyond the period covered by the forecast, estimated growth corresponds to Riksbanken's inflation targets. Estimated cash flows have been discounted using an interest rate based on risk-free interest and risk adjustment corresponding to the average required rate of return. The calculation of recoverable amount is based on value in use.

A change in the assumptions concerning growth rate and discount rate of +/- 1 percentage point would not result in a need to recognise impairment losses. TF Bank's judgement is that there is room for a reasonable change in both the growth rate assumption and the discount factor.

NOTE 25 Other assets

SEK thousand	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Derivatives	27,390	3,520	27,390	3,001
Receivable debt collection agency	-	9,883	-	-
Other assets	8,989	5,595	8,764	4,428
Total other assets	36,379	18,998	36,154	7,429

NOTE 26 Deferred tax

SEK thousand	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Deferred tax assets				
Deferred tax attributable to loss carryforwards	-	1,395	-	-
Deferred tax attributable to tax paid abroad	47	1,548	47	1,548
Deferred tax assets	47	2,943	47	1,548
Deferred tax liabilities				
The difference between the income tax recognised in the income statement and income tax on operations comprises:				
Deferred tax on unrealised currency derivatives	5,642	143	5,642	7
Deferred tax on temporary differences	5,642	143	5,642	7
The deferred tax liabilities are expected to be settled as follows:				
Within 12 months	5,642	143	5,642	7
Later than within 12 months	-	-	-	-
	5,642	143	5,642	7
The gross change in deferred tax is as follows:				
Opening balance	2,800	1,402	1,541	2,613
Recognised in the income statement	-8,395	-270	-7,136	-1,072
Recognised in other comprehensive income	-	1,668	-	-
Closing balance	-5,595	2,800	-5,595	1,541

Deferred tax attributable to loss carryforwards refers to non-time-limited loss carryforwards in Sweden, Finland and Norway.

NOTE 27 Liabilities to credit institutions

The subsidiary BB Bank ASA has previously had a credit facility of NOK 30 million (corresponding to SEK 31.7 million on 31 December 2019). The credit has been terminated in connection with the merger that took place in the beginning of 2020. Thus, there is no credit facility left on 31 December 2020.

NOTE 28 Deposits and borrowings from the public

SEK thousand	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Germany	4,657,899	3,288,116	4,657,899	3,288,116
Norway	2,715,914	2,245,601	2,715,914	185,346
Sweden	1,002,111	1,221,550	1,002,111	1,221,550
Finland	338,108	441,808	338,108	441,808
Total deposits and borrowings from the public	8,714,032	7,197,075	8,714,032	5,136,820

Deposits and borrowings 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. Maturities are shown in Note 20.

Note 28 cont.

CHANGES IN DEPOSITS AND BORROWINGS FROM THE PUBLIC

SEK thousand	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Opening balance	7,197,075	5,096,463	5,136,820	4,061,396
Change by merger	-	-	2,060,255	-
Change for the year	2,008,132	1,973,123	2,008,132	1,012,982
Exchange rate fluctuations	-491,175	127,489	-491,175	62,442
Closing balance	8,714,032	7,197,075	8,714,032	5,136,820

NOTE 29 Other liabilities

SEK thousand	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Debts to ecommerce partners	35,272	22,469	35,272	8,471
Lease liabilities	11,880	18,318	-	-
Accounts payables	8,107	14,770	8,033	13,839
Derivatives	-	2,967	-	2,967
Debts to group companies	-	-	-	4,585
Other liabilities	9,786	16,916	9,559	6,635
Total other liabilities	65,045	75,440	52,864	36,497

NOTE 30 Accrued expenses and prepaid income

SEK thousand	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Accrued interest on deposits from the public	26,457	17,274	26,457	16,760
Accrued salaries and holiday pay liability	19,003	16,329	18,501	9,556
Accrued social security costs	9,687	8,040	9,587	5,179
Accrued interest on loans to the public	2,235	1,799	2,235	1,799
Other accrued expenses and prepaid income	43,693	34,055	43,538	23,406
Total accrued expenses and prepaid income	101,075	77,497	100,318	56,700

NOTE 31 Subordinated liabilities

SEK thousand	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Dated subordinated loans	245,053	197,583	245,053	197,583
Total	245,053	197,583	245,053	197,583

Subordinated loans are subordinated to other liabilities.

Issuing date	Nominal amount (SEK thousand)	Interest rate terms	Maturity date
2015-12-14 ¹	47 000	STIBOR 3 months +6,25%	2025-12-14
2019-09-27	100 000	STIBOR 3 months +4,65%	2029-09-27
2020-12-14	100 000	STIBOR 3 months +5,50%	2030-12-14

NOTE 32 Appropriations

SEK thousand	Parent Company	
	31 Dec 2020	31 Dec 2019
Dissolution of tax allocation reserve	-	20,659
Total	-	20,659

NOTE 33 Transactions with related parties

Consortio Invest AB, corporate identity number 556925-2819, has largely the same owners as TF Bank's parent company, 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 took place at the prevailing market rate.

SEK thousand	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
The following transactions took place between companies within the Group:				
Interest income	-	-	-	12,307
Other income	-	-	-	807
General administrative expenses	-3,250	-2,033	-16,210	-8,546
Total	-3,250	-2,033	-16,210	4,568

SEK thousand	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
The following transactions have been made with other related parties:				
Interest income (transaction costs)	-57,440	-71,212	-57,440	-71,212
General administrative expenses	-3,301	-4,584	-3,301	-4,584
Total	-60,741	-75,796	-60,741	-75,796
Acquisition of assets and liabilities from other related parties:				
Ecommerce Solutions	630,718	793,497	630,718	793,497
Total	630,718	793,497	630,718	793,497

¹ An issued amount of SEK 100 000 thousand. On 14 December 2020 an amount of SEK 53 000 thousand has been redeemed and the outstanding balance of SEK 47 000 thousand was redeemed on 14 March 2021.

Note 33 cont.

SEK thousand	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Assets at the end of the year as a result of transactions between Group companies:				
Loans to credit institutions	-	-	-	8,807
Loans to the public	-	-	-	255,623
Total	-	-	-	264,430
Liabilities at the end of the year as a result of transactions between Group companies:				
Other liabilities	-	-	-	4,585
Total	-	-	-	4,585

SEK thousand	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Assets at the end of the year as a result of transactions with other related parties:				
Other assets	781	100	781	101
Total	781	100	781	101
Liabilities at the end of the year as a result of transactions with other related parties:				
Other liabilities	343	6,565	343	6,565
Total	343	6,565	343	6,565

NOTE 34 Shares and participations in Group companies

	TFB Service UAB	TFB Service SIA	TFB Service GmbH	Avarda AB - Group	BB Bank ASA
Country of registration and operation	Lithuania	Latvia	Germany	Sweden	Norway
Operation	Administration	Administration	Administration	Financial	Financial
Number of shares	1	1	25,000	2,000	236,000,000
Percentage of shares owned by TF Bank, %	100	100	100	100	100
Carrying amount as at 31 December 2020	25	26	264	-	-
Operating income 2020	1,728	3,834	1,071	-	-
Profit before tax 2020	88	-868	150	-	-
Tax on profit 2020	-5	-1	-45	-	-
Average number of employees 2020	7	12	6	-	-

	TFB Service UAB	TFB Service SIA	TFB Service GmbH	Avarda AB - Group	BB Bank ASA
Carrying amount as at 1 January 2019	25	26	-	218,625	215,196
Shareholders' contribution	-	-	-	17,200	-
Group contribution	-	-	264	-	64,175
Carrying amount as at 31 December 2019	25	26	264	235,825	279,371
Carrying amount as at 1 January 2020	25	26	264	235,825	279,371
Merger ¹	-	-	-	-235,825	-279,371
Carrying amount as at 31 December 2020	25	26	264	-	-

¹ In 2020, the Avarda AB Group and BB Bank ASA were merged with TF Bank AB.

Background

Information in this document about the Bank's capital adequacy refers to information that must be provided in accordance with Chapter 6, Sections 3-4 of the Swedish Financial Supervisory Authority's regulations and general guidelines (2008:25) regarding annual reporting by credit institutions and investment firms and which relates to information set out in Articles 92(3)(d, f), 437(b) and 438 of Regulation (EU) No 575/2013 and in Chapter 8, Section 7 of the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2014:12) regarding prudential requirements and capital buffers, as well as in Column A, Annex 6 of Commission Implementing Regulation (EU) No 1423/2013, and in accordance with the Swedish Financial Supervisory Authority's regulations (FFFS 2019:2) on amendments for regulations and general guidelines (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 Financial Supervisory Authority. 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 Group and 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 guidelines on prudential 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, Avarða AB and Avarða Oy. This means that the bank no longer has a consolidated situation according to the regulations for capital adequacy. The capital adequacy analysis for the Group is thus prepared only for comparability between the periods.

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, 2018-01-12, 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.

Capital planning

The strategies and methods used by TF Bank to measure and maintain capital requirements according to Regulation (EU) No 575/2013 are based on the Bank's risk management. Risk management seeks to identify and analyse the risks inherent in TF Bank's operations and to set appropriate limits for these risks and ensure that controls are in place. Risks are monitored and controls are performed on an ongoing basis to ensure limits are not exceeded. TF Bank has a centralised function for independent risk control which reports directly to the CEO and whose task it is to analyse development of risks and, where required, suggest changes to governing documents and processes, both for overarching risk management and specific areas.

TF Bank has its own internal capital and liquidity adequacy assessment process (ICAAP/ILAAP) to assess whether the internal capital is adequate to serve as the basis for current and future operations and to ensure that the amount and composition of own funds is appropriate. The process is a tool that ensures that the bank clearly and correctly identifies, measures and manages all the risks to which TF Bank is exposed and makes an assessment of its internal capital adequacy requirements on the basis of this. As part of the process, TF Bank must have appropriate governing and control functions and risk management systems in place. TF Bank's ICAAP/ILAAP is performed at least annually.

In TF Bank, the starting point for ICAAP/ILAAP is risk identification and self-assessment workshops with senior executives. Against the background of this risk analysis, each individual risk is analysed and management of the risk is documented. Reference is made to applicable governing documents and policies. The risks are then quantified on the basis of the method that the Group deems to be appropriate for each type of risk. Each risk type is then assessed to establish if additional capital is required to cover the specific risk type according to Pillar 2. The assessment is based on Pillar 1 capital requirements according to Regulation (EU) No 575/2013 and additional capital is added where necessary for other risks. The ICAAP/ILAAP is then subjected to stress testing to ensure that bank's capital adequacy and liquidity level can be maintained in stressed market conditions. TF Bank uses forward-looking scenarios based on the Company's three-year business plan.

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.

Note 35 cont.

THE GROUP'S AND THE PARENT COMPANY'S CAPITAL SITUATION

SEK thousand	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Common Equity Tier 1 capital (CET1)	972,387	793,733	973,823	729,710
Additional Tier 1 capital (AT1)	100,000	100,000	100,000	100,000
Tier 2 capital	245,053	197,583	245,053	197,583
Own funds ¹	1,317,440	1,091,316	1,318,876	1,027,293
Risk exposure amount	7,594,155	6,266,037	7,582,576	5,035,725
- of which: credit risk	6,450,650	5,309,328	6,438,797	4,120,480
- of which: credit valuation adjustment	7,491	2,672	7,491	2,363
- of which: market risk	-	-	-	178,343
- of which: operational risk	1,136,014	954,037	1,136,288	734,539
Capital ratios				
CET1 capital ratio, %	12.8	12.7	12.8	14.5
Tier 1 capital ratio, %	14.1	14.3	14.2	16.5
Total capital ratio, %	17.3	17.4	17.4	20.4

THE GROUP'S CAPITAL REQUIREMENTS

Group SEK thousand	31 Dec 2020		31 Dec 2019	
	Amount	Percent ²	Amount	Percent ²
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

¹ After any regulatory adjustments.

² Capital requirements expressed as a percentage of the risk exposure amount.

Note 35 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

OWN FUNDS

SEK thousand	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
CET1 capital				
Share capital	107,500	107,500	107,500	107,500
Other contributed capital	-	2,786	62,762	28,464
Reserves	3,301	3,303	-	2,786
Retained earnings including net profit for the period	872,744	681,479	813,443	559,020
Adjustments to CET1 capital:				
- Deduction of foreseeable costs and dividends ²	-21,500	-	-21,500	-
- Transitional arrangements IFRS 9	84,857	67,581	84,857	60,096
- Intangible assets	-61,762	-56,163	-61,762	-28,156
- Deferred tax assets that rely on future profitability	-12,753	-12,753	-11,477	-
Total CET1 capital	972,387	793,733	973,823	729,710
Additional Tier 1 capital				
Perpetual subordinated loan	100,000	100,000	100,000	100,000
Tier 2 capital				
Fixed term subordinated loan	245,053	197,583	245,053	197,583
Own funds	1,317,440	1,091,316	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 has been made in accordance with the Board of Directors' proposal to the Annual General Meeting.

Note 35 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
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 35 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
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

LEVERAGE RATIO

TSEK	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Tier 1 capital	1,072,387	893,733	1,073,823	829,710
Leverage ratio exposure	10,531,142	8,621,974	10,517,624	6,419,415
Leverage ratio, %	10.2	10.4	10.2	12.9

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

NOTE 36 Pledged assets, contingent liabilities and commitments**ASSETS PLEDGED FOR OWN LIABILITIES**

SEK thousand	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Relating to current liabilities to credit institutions				
Loans	-	31,737	-	-
Other assets pledged	-	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.

COMMITMENTS

SEK thousand	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Unutilized credit limits	957,332	535,974	957,332	328,301
Future total minimum lease payments for non-cancellable operating leases	25,024	24,279	22,733	16,883
Total commitments	982,356	560,253	980,065	345,184

OPERATING LEASE COMMITMENTS

The Group leases a number of offices under non-cancellable operating leases. Lease terms vary from 3 to 6 years and most leases can be extended at the end of lease term for a fee on market terms.

Future total minimum lease payments for non-cancellable operating leases are as follows:

SEK thousand	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Within 1 year	7,714	6,031	6,853	4,598
Between 1 and 5 years	17,310	17,532	15,879	12,285
More than 5 years	-	716	-	-
Total	25,024	24,279	22,733	16,883

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

NOTE 37 Events after 31 December 2020

No significant events have occurred after year-end.

NOTE 38 Proposed appropriation of profit or loss**SEK**

Tier 1 capital instrument	100,000,000
Retained earnings	610,723,937
Profit for the year	202,719,120
	913,443,057
The Board proposes:	
a dividend of SEK 1.00 per share (21,500,000 shares)	21,500,000
to be carried forward	891,943,057
Total	913,443,057

Board of Directors' assessment of the proposed dividend

The proposed dividend will reduce the equity ratio ¹ to 10.41 %. Against the background that the Company's operations remain profitable, the equity ratio is at a satisfactory level. Liquidity risk is expected to remain significantly above the level set out in the Company's policy for management of liquidity risk. Consequently, the Board's view is that the proposed dividend will not prevent the Company from fulfilling its obligations in the short and long term, nor from completing any necessary investments. The proposed dividend is therefore justifiable pursuant to what is stated in the Swedish Companies Act, Chapter 17, Section 3, paragraphs 2-3.

¹ See separate section with definitions, page 103

ASSURANCE BY THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors and CEO certify that the annual report has been prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated annual accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS/IAS) referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The annual report gives a true and fair view of the financial position and results of the Group and Company. The Directors' Report for the Group and Company gives a true and fair overview of the development of the operations, financial position and results of the Group and Company and describes material risks and uncertainties that the Company and the companies in the Group face.

Borås, 18 March 2021

John Brehmer
Chairman

Mari Thjømøe

Bertil Larsson

Charlotta Björnberg-Paul

Tone Bjørnov

Sara Mindus

Mattias Carlsson
President and CEO

We submitted our Auditor's Report on 18 March 2021.

PricewaterhouseCoopers AB

Martin By
*Authorised Public Accountant
Auditor in Charge*

AUDITOR'S REPORT

To the general meeting of the shareholders of TF Bank AB, corporate identity number 556158-1041

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of TF Bank AB for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 11-76 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Our audit has been based on our risk assessment and materiality calculation. All branches that has been assessed as significant for the Group has been included in the scope for the audit. The audit has included both the local branch in Sweden, as well as the branches in Poland, Norway and Finland. The audits conducted in other territories have been performed by component auditors within the PwC Network. We have through group audit instructions, communicated to other auditors regarding our risk assessment, the audit procedures we expect to be performed and how their audit should be reported back to us. We also have an ongoing dialogue with the auditors of the subsidiaries regarding risks, work performed and their reporting to us in order to conclude if sufficient audit evidence have been obtained so we can conclude on the consolidated financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial

statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit responded to key audit matter
<p>Provision for expected loan losses</p> <p>A high level of judgement is involved in determining the appropriate impairment loss to be recognised.</p> <p>Expected credit losses (ECL) are calculated as a function of the probability of default, the exposure at default and the loss given default, as well as the timing of the loss. Loans are categorised into three stages depending on the level of credit risk or changes in credit risk for each individual loan. For loans without significant increase in credit risk, stage 1, expected credit losses are calculated for estimated defaults within 12 months. For loans where there is a significant increase in credit risk, stage 2, or loans in default, stage 3, a lifetime of expected losses are calculated.</p> <p>The bank uses adjustments to the model-driven ECL results to address emerging trends.</p> <p>Refer to the Annual Report Note 23 – Loans to the Public, Note 2 Accounting Policies and Note 3 – Financial risks and financial risk management.</p>	<p>Our audit included a combination of testing of internal controls over financial reporting and substantive testing of the bank's assessment of the provision.</p> <p>We obtained an understanding of the credit process and testing controls including the governance structure, segregation of duties and key controls in the lending processes.</p> <p>Our substantive testing has consisted of review and validation of models used and assumptions relating to the calculation of the provision for expected credit losses as well as an assessment of the results of the models. We have also tested a sample of impairment models to ensure that the model calculator is working as described in the model documentation. We also tested, compared and assessed previous estimations against actual incurred credit losses to assess the accuracy in TF Bank's models through reviewing potential gains or losses at the sale of the past due loans.</p> <p>We evaluated the assessment of posting adjustments to the model driven ECL.</p> <p>We assessed the disclosures in the Annual Report 2020 related to provision for expected loan losses.</p>

Other Information than the annual accounts and consolidated accounts

This document include other information than the annual accounts and consolidated accounts which is found on pages 1-10 and 81-106. The Board of Directors and the Managing Director are responsible for the other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Board Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of TF Bank AB for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of TF Bank AB (publ) by the general meeting of the shareholders on 7 May 2020 and has been the company's auditor since the 1989.

Stockholm 18 March 2021
PricewaterhouseCoopers AB

Martin By
Authorised Public Accountant
Auditor in Charge

CORPORATE GOVERNANCE REPORT

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

INTRODUCTION

The shares in TF Bank AB (publ) ("TF Bank") have been listed on Nasdaq Stockholm's main market since 14 June 2016. The Company is the Parent Company in the TF Bank Group, which 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 a number of regulations and general guidelines issued by the Swedish Financial Supervisory and the European Banking Authority (EBA). TF Bank has prepared this Corporate Governance Report in accordance with the Annual Accounts Act and the Code.

TF Bank 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 and Poland via bank branches. In addition, TF Bank conducts cross-border activities in Denmark, Latvia, Lithuania, Germany and Austria in accordance with the Swedish Banking and Financing Business Act. In addition, the company has three small service subsidiaries: TFB Service UAB, TFB Service SIA och TFB Service GmbH.

OWNERSHIP

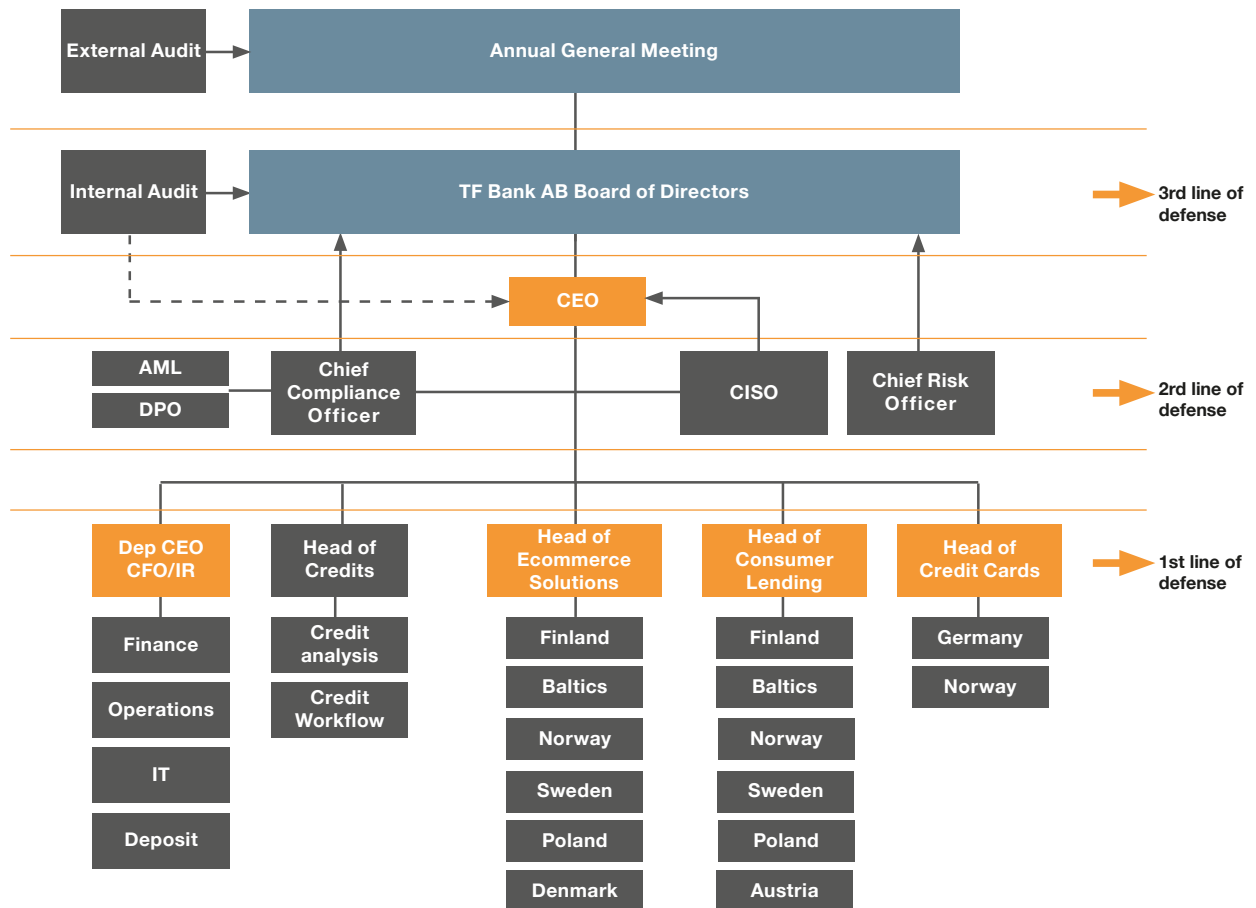
Ownership structure 31 December 2020:

	Owner	Number of shares	Share of equity, %
1	TFB Holding AB	7,229,859	33.63
2	Tiberon AB	3,179,291	14.79
3	Erik Selin Fastigheter AB	2,688,708	12.51
4	Proventus Aktiebolag	1,109,300	5.16
5	Jack Weil	1,000,200	4.65
6	Nordnet Pensionsförsäkring AB	912,908	4.25
7	Merizole Holding LTD	507,495	2.36
8	Futur Pension	340,269	1.58
9	Skandia fonder	288,445	1.34
10	Carnegie Fonder	257,761	1.20
11	Avanza Pension	224,413	1.04
12	CBLDN-EQ Nordic Small CAP	205,242	0.95
13	Pareto Nordic Return	203,980	0.95
14	Anders Simon Klein	200,000	0.93
15	BNY Mellon NA	195,000	0.91
16	Six Sis AG	186,974	0.87
17	AB Monarda	156,000	0.73
18	Mattias Carlsson	154,432	0.72
19	Bank Julius Bear & Co LTD	122,500	0.57
20	Stena Metall Finans	121,848	0.57
	Other shareholders	2,215,375	10.29
	Total	21,500,000	100.00

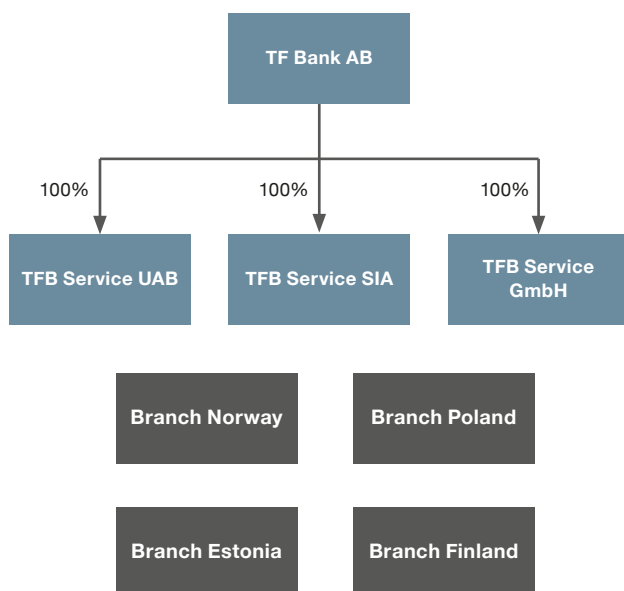
Source: Euroclear

The largest owner, TFB Holding AB, with a total holding of 33.63 % as at 31 December 2020, is represented on the Nomination Committee through Paul Källenius.

CORPORATE GOVERNANCE AND RISK MANAGEMENT IN TF BANK



GROUP STRUCTURE



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

Parent Company	Subsidiaries	Corporate identity number	Interest	Consolidation (superv./acc.)
TF Bank AB (publ)		556158-1041		
	TFB Service UAB	304785170	100%	Full/Full
	TFB Service SIA	40203015782	100%	Full/Full
	TFB Service GmbH	HRB 208869 B	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, 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 deci-

sions 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 2020

The 2020 Annual General Meeting was held in Stockholm on 7 May 2020. Due to the spread of Covid-19, shareholders were provided with the opportunity of postal voting with the support of the temporary exception law for general meetings. The AGM resolved in accordance with all proposals that had been put forward. Among other resolutions, the AGM resolved to of the total funds of SEK 659,019,908 that were at the AGM's disposal, the full amount were to be carried forward into the next period, in accordance with the Swedish Financial Supervisory Authority's request regarding dividends. The AGM also resolved that the Board members and CEO were to be discharged from liability for the financial year 2019.

The AGM resolved that the Board of Directors shall consist of six members. John Brehmer, Bertil Larsson, Tone Bjørnov, Charlotta Björnberg-Paul and Mari Thjømøe were re-elected as board members and Sara Mindus was elected as a new board member. John Brehmer was elected as Chairman of the Board. CEO Mattias Carlsson was dismissed from the Board. PricewaterhouseCoopers AB was elected as auditor for the period until the end of the Annual General Meeting in 2021, with Authorised Public Accountant Martin By as Auditor in charge.

The AGM resolved to authorise the Board of Directors to decide, on one or more occasions in the period up until the next AGM, on a new issue of shares, with or without deviation from shareholders' preferential rights. The number of shares issued pursuant to the authorisation may correspond to an increase in share capital of not more than twenty per cent based on the Company's share capital at the time of the AGM in 2020. The AGM also authorised the Board of Directors to decide, in the period up until the next AGM, on acquisitions and transfers of shares in TF Bank. The Company shall not acquire more shares than that its holding, including shares otherwise acquired and held, does not at any given time exceed five per cent of the total number of shares in the Company.

The AGM also resolved on a change in wording in article 9 item 1 in the Articles of Association regarding shareholders' rights to participate at a general meeting. The full Articles of Association as well as minutes and information regarding the 2020 AGM are available at www.tfbankgroup.com.

NOMINATION COMMITTEE

According to a resolution by the 2020 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 2020.

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 2021 comprises:

- Paul Källenius, representing TFB Holding AB
- Erik Selin, representing Erik Selin Fastigheter AB
- Jonas Weil, representing Merizole Holding LTD ¹
- Paul Källenius has been appointed Chairman of the Nomination Committee

The composition of the Nomination Committee was disclosed through a press release and on the Company's website on 29 October 2020.

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 (see below). 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 and on page 101.

Significant matters

In 2020, the Board held sixteen meetings, of which four were ordinary meetings, nine were additional/telephone meetings and three meetings were held by correspondence. Two of the additional meetings were held due to issues related to Covid-19.

¹ Since 18 February 2021, Jonas Weil represents Proventus Aktiebolag.

Date	Significant matters raised at the board meetings
2020-01-17	Decision on procurator rights for the company's Finnish branch
2020-02-05	Year-end report 2019
2020-03-27	Notice to attend the AGM on 7 May 2020
2020-03-27	Update of policies, guidelines and instructions. Adoption of pillar 3 report, Report from internal audit and decision on annual plan for 2020
2020-04-05	Discussion on the macroeconomic situation following Covid-19, the Board decides on an additional provision of SEK 30 million
2020-04-15	Interim report Q1 2020
2020-04-23	Decision to enable postal voting to the AGM
2020-05-07 (const.)	Adoption of rules of procedures on the Board of Directors including rules of procedures on Audit Committee and Remuneration Committee respectively as well as adoption of CEO instructions. Appointment of authorised signatories
2020-05-28	Decision to offer to repurchase warrants
2020-06-24	Adoption of ICAAP 2020 and credit policy
2020-07-13	Interim report Q2 2020
2020-09-22	Decision to halt new lending in the Polish operations within Consumer Lending, updates of policies, guidelines and instructions
2020-10-14	Interim report Q3 2020
2020-11-29	Decision to issue a T2 bond of SEK 100 million
2020-12-16	Approval of budget for 2021, updates of policies, guidelines and instructions, Decision to adopt activity plan for 2021 and the reported risk assessment for the risk control and compliance function. Decision on new sustainability program.

Board attendance was as follows:

Board member	Independent of major shareholders	Attendance
John Brehmer (Chairman)	No	16 of 16
Bertil Larsson	Yes	15 of 16
Tone Bjørnov	Yes	15 of 16
Charlotta Björnberg-Paul	Yes	15 of 16
Mari Thjømøe	Yes	16 of 16
Sara Mindus	Yes	8 of 16
Mattias Carlsson	No	8 of 16

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 at each ordinary Board meeting.

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

Remuneration Committee

The Remuneration Committee shall meet twice (2) a year and its 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 (1) 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 2020 can be found on TF Bank's website: www.tfbankgroup.com.

In connection with the AGM, the Board of Directors appointed the Remuneration Committee by new election of Bertil Larsson, John Brehmer and Charlotta Björnberg-Paul.

All members of the Remuneration Committee have been members of the Board. Board member Bertil Larsson is Chairman of the Remuneration Committee.

In 2020, the Remuneration Committee held two (2) minuted meetings. Attendance at Committee meetings was as follows:

Board member	Attendance
Bertil Larsson (Committee Chairman)	2 of 2
John Brehmer	2 of 2
Charlotta Björnberg-Paul	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 Tone Bjørnov, Mari Thjømøe and John Brehmer.

All members of the Audit Committee have been members of the Board. Board member Tone Bjørnov is Chairman of the Audit Committee.

In 2020, the Audit Committee held eight (8) minuted meetings. Attendance at Committee meetings was as follows:

Board member	Attendance
Tone Bjørnov (Committee Chairman)	7 of 8
Mari Thjømøe	8 of 8
John Brehmer	8 of 8

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

Remuneration of Board members

The 2020 AGM resolved on the following remuneration for Board members:

- Chairman of the Board SEK 600,000,
- Other members of the Board SEK 300,000,
- Chairman of the Audit Committee SEK 100,000,
- Other members of the Audit Committee SEK 50 000,
- Chairman of the Remuneration Committee SEK 50 000,
- Other members of the Remuneration Committee SEK 30 000.

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 2021 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 of Directors informed of the Company's operations and for ensuring that the Board of Directors is provided with as true and accurate information as possible on which to base decisions.

As at 31 December 2020, TF Bank's Executive Management comprised: Mattias Carlsson (CEO), Mikael Meomut-tel (CFO), Espen Johannesen (Head of Consumer Lending) and Mikael Johansson (Head of Ecommerce Solutions).

Further information about the Executive Management representatives is available at www.tfbankgroup.com and on page 101.

Remuneration of senior executives

The AGM in 2020 adopted the following guidelines for remuneration of TF Bank's senior executives:

These guidelines comprise the CEO, CFO as well as any other members of the senior management. The guidelines shall be applied on remuneration which has been agreed upon, and changes made to already agreed remuneration, after the guidelines has been adopted by the 2020 AGM. The guidelines do not compromise remuneration which has been agreed upon by the AGM.

Guidelines for promoting the banks 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 and Austria through branch or cross-border banking. From 2020 the operations are divided into three segments: Consumer Lending, Ecommerce Solutions and Credit Cards.

A successful implementation of the banks 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 criterions 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 group'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 month after termination of employment.

Criteria for distributing variable remuneration

The variable remuneration shall be linked to pre-determined and measurable criteria's that may be financial or non-financial. The criteria's may also be individualized quantitative or qualitative goals. The criteria's 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 fulfillment of the criteria for payment of variable remuneration has been completed, the extent to which the criteria's 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 fulfillment of financial criteria's 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 2020, commission-based compensation amounted to SEK 318 thousand (2,005). 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 2020, PricewaterhouseCoopers AB was appointed auditor of the Company with Authorised Public Accountant Martin By as auditor in charge.

Information about fees and reimbursement of expenses for the auditors is presented in Note 12.

INTERNAL CONTROL AND RISK MANAGEMENT

First line of defence

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

Risk management is based on the business and support units and includes all employees. In the first line of defence, managers of units/functions are responsible for daily risk management and compliance, and for taking appropriate action in the event of unwanted risk exposure or failing compliance within the respective business areas. Reporting lines are to the immediate manager, the Compliance, 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 Löfgren. The Risk Control function seeks to ensure that all risks in the business are identified and highlighted. The function's responsibilities include independent monitoring and analysis of how risks at an aggregate level develop over time, and to report on these to the Board of Directors and management. The function's responsibilities also include contributing to the 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, organ-

isational 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 KPMG AB and the person principally responsible for the task was Åsa Feivik. The audits are performed according to an audit plan adopted by the Board of Directors.

The internal audit function reviews and assesses whether systems, internal controls and procedures are appropriate and effective and issues recommendations and monitors adherence to the recommendations. In 2020, the audit performed by the internal audit function in addition to the mandatory areas included a general assessment of governance, internal control and risk management within TF Bank's operations in Estonia as well as the bank's adaption to the Swedish Financial Supervisory Authority's credit risk regulation FFFS 2018:16.

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

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

TFB Service UAB, TFB Service SIA and TFB Service GmbH 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 both the TF Bank Group and TF Bank AB (publ), according to the Swedish Companies Act and the Swedish Annual Accounts Act.

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

The internal control activities form part of TF Bank's administrative procedures. TF Bank's internal control is based on a control environment that covers values and management culture, 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 performed by TF Bank's Risk Control function ("second line of defence"). The control consists of an assessment of whether existing procedures and processes are adequate and of spot checks.

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

FURTHER INFORMATION

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

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

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

Engagement and responsibility

The Board of Directors is responsible for that the corporate governance statement on pages 81-89 has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

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

Opinions

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

Stockholm 18 March 2021
PricewaterhouseCoopers AB

Martin By
Authorised Public Accountant
Auditor in Charge

SUSTAINABILITY REPORT

For TF Bank, sustainability is about conducting a responsible business where our intention is to have as limited negative impact on the environment and people as possible, thus creates sustainable values for our stakeholders. To us, sustainability includes environmental, social and financial impact. As a bank, employer and listed company, we have a responsibility and an opportunity to impact society positively by pursuing the sustainability issues that are most important to us. In December 2020, TF Bank's Board of Directors adopted a new sustainability program with four focus areas, which are described in more detail in this report.

This is TF Bank's statutory Sustainability Report for the financial year 2020. The report comprises the Parent Company TF Bank AB and its subsidiaries.

Business model

TF Bank offers unsecured consumer credits to creditworthy individuals, digital payment solutions for both brick-and-mortar retailers and online retailers, credit cards for creditworthy individuals and savings accounts with competitive interest rates.

TF Bank's activities are concentrated in the Nordic region and other countries around the Baltic Sea as well as Austria. Our marketing strategy consists of providing easily available, straight-forward savings and credit products without complex terms and conditions and with high availability. The process is as digital and automated as possible, making us accessible while limiting our environmental impact. Within customer service, the bank considers it important to have the capacity to offer personal service where this is required.

Employees who are in direct contact with customers are largely based on site in the ten countries where TF Bank has operations, while central functions are based at the head office in Borås in Sweden. The average number of employees in the Group amounts to 212 (174).

Sustainability governance

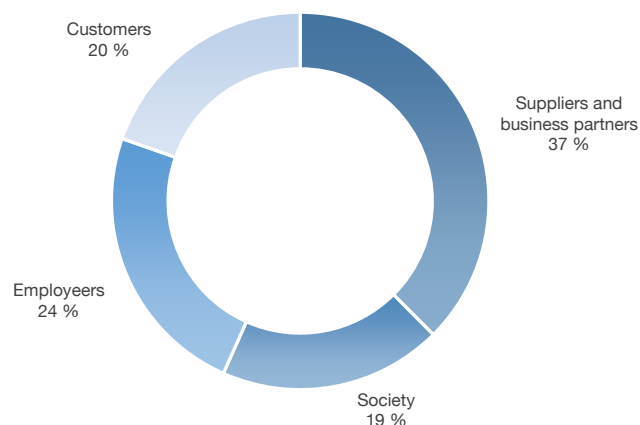
The Board of Directors adopts the sustainability policy and approves the Sustainability Report and is hence ultimately responsible for the Group's sustainability work. The CEO decides on the sustainability strategy, including plans, goals and performance indicators, and reports these to the Board. The sustainability policy is adopted on a yearly basis and includes all sustainability aspects according to the Swedish Annual Accounts Act: environment, social sustainability, employees, anti-corruption and human rights, and describes our work and governance relating to sustainability. The sustainability policy also describes the importance of integrating sustainability in the operations.

Human rights

TF Bank supports the UN's International Declaration of Human Rights and associated conventions. In 2021, we will evaluate the possibility to sign UN Global Compact.

Economic value

TF Bank generates economic values for most of its stakeholder groups: Deposit account customers in the form of interest payments, employees in the form of salaries and other benefits, suppliers and business partners for purchases of services, shareholders in the form of dividends ¹, and society at large in the markets where we are active through taxes and fees.



¹ No dividend was paid out during 2020 due to the request from the Swedish FSA to withhold dividends.

Risks relating to sustainability

All our risk categories can include a sustainability perspective. The Board of Directors has the ultimate responsibility for limiting and following up on the sustainability risks. The main principle of the risk management is based on the three lines of defence, the first being the business units, the second comprising Group Compliance, Information Security and Group Risk Management functions and the third comprising the Group Internal Audit. In addition to the risks being described in Note 3 of the annual report, TF Bank has identified the following specific sustainability risks:

Sustainability risk	Consequence	Management
Excessive indebtedness The risk that TF Bank contributes to excessive indebtedness in society	The trust in TF Bank and the financial sector as a whole may decrease, customers may face financial difficulties	For every individual application, TF Bank ensures accurate credit assessment through our established credit granting process that is continuously being tested, developed and improved.
Compliance The risk that TF Bank fails to comply with current regulations in its markets	The trust in TF Bank and the financial sector as a whole may decrease, TF Bank may receive fines or in a worst-case scenario lose permissions	TF Bank's compliance function continuously work to ensure that TF Bank fulfils all applicable regulations, often in close dialogue with local supervisory authorities. A whistle-blower function is available to all employees.
Corruption The risk that TF Bank's employees act on their own interest and in violence with the company's code of conduct	The trust in TF Bank may decrease	All employees undergo training in the code of conduct, and special training regarding anti-corruption. The training provides guidance in how to act if being uncertain in a relation or business situation.
Money laundering and terror financing The risk that TF Bank's services are used for money laundering and terror financing	The trust in TF Bank and the financial sector as a whole may decrease, TF Bank may receive fines or in a worst-case scenario lose permissions	Risk assessment and KYC process for every new customer in the bank. Continuous monitoring of transactions and activities. Suspicious activities are reported to relevant authorities.
Suppliers The risk that TF Bank's suppliers act in a way that may harm the bank's operations or trust in the market	TF Bank may suffer both from a trust and financial perspective	TF Bank reviews each new supplier based on different criteria. Suppliers must accept TF Bank's supplier code of conduct, with a yearly follow-up.
IT and data security The risk that TF Bank becomes the target of an IT attack or data breach with the purpose of obtaining customer data or exposing customers to fraud	TF Bank's customers may suffer financially or integrity-wise, the trust for TF Bank in the market may decrease, which could lead to outflows	TF Bank has well-established and high-quality guidelines and routines for information security, and uses security measures such as SSL encryption, backup and firewalls.
Health and safety The risk that TF Bank's employees suffer from illness or that the workplaces don't fulfil work environment requirements	TF Bank may lose staff, the employer brand may be harmed, and TF Bank could as a consequence face difficulties to recruit new employees	TF Bank works with preventive work environment activities in close cooperation between management, staff, the work safety organisation and occupational health. TF Bank continually evaluates the Company's efforts regarding work environment in order to be able to continuously improve the work environment.

Stakeholders

TF Bank's operations are affected by and have an effect on several different stakeholder groups. The company has an ongoing dialogue with the groups that are assessed to be primary stakeholders.

Stakeholders	Type of dialogue / channels	Key issues 2020
Customers (existing and new)	- Credit granting process - Customer service contacts - Marketing	- Credit assessment - Launch of credit cards in Germany - Temporary amortisation halts due to Covid-19
Capital markets (shareholders, investors, analysts)	- 1-1 meetings - AGM - Press releases - Interim reports - Website	- Covid-19 consequences - Responsible lending - Issue of T2 bonds
Employees	- Intranet - Employee survey - Development talks	- Code of conduct - Handling of Covid-19 (employee and customer perspective)

Materiality analysis

TF Bank's materiality analysis comprises an identification of the most material sustainability areas for the operations. The selection has been made with the support of selected stakeholders and has been compiled according to the below.

Prioritised

- Tax (2)
- Emissions (4)
- Waste (4)
- Community engagement (*)
- Health and safety (3)

Linked to focus areas

1. Responsible lending
 2. Business ethics and governance
 3. Attractive employer
 4. Climate change
- * Social partnerships

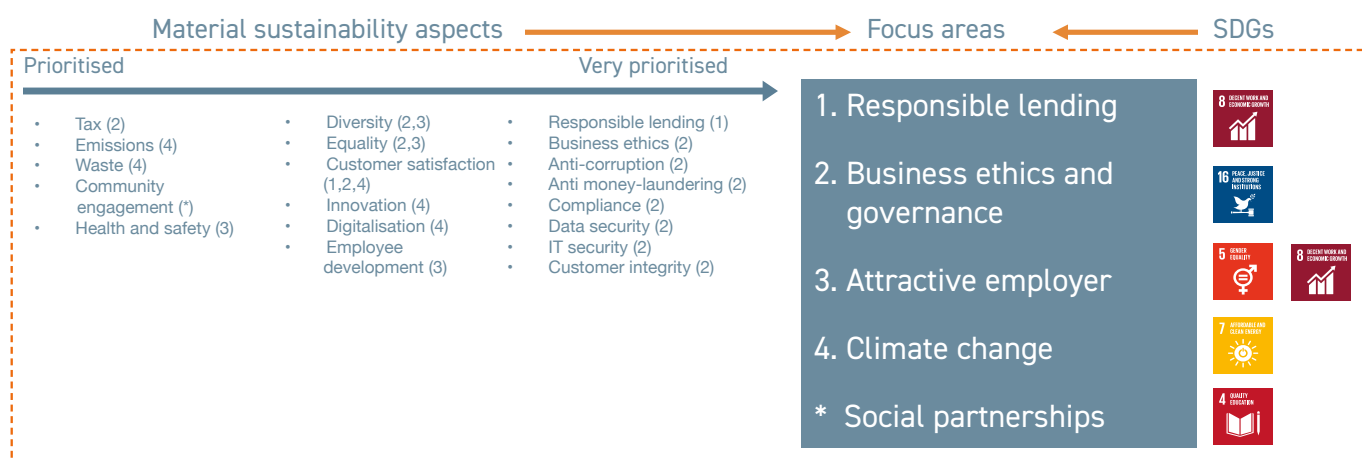
- Diversity (2,3)
- Equality (2,3)
- Customer satisfaction (1,2,4)
- Innovation (4)
- Digitalisation (4)
- Employee development (3)

Very prioritised

- Responsible lending (1)
- Business ethics (2)
- Anti-corruption (2)
- Anti money-laundering (2)
- Compliance (2)
- Data security (2)
- IT security (2)
- Customer integrity (2)

Sustainability program

In December 2020, TF Bank's Board of Directors adopted a new sustainability program with four focus areas. The focus areas are a development of the bank's previous focus areas, and include both risk and opportunity perspectives. They are based on the materiality analysis and provide a unifying framework for the bank's sustainability work. The areas have also been developed in the light of the UN Sustainable Development Goals. Within each area, a number of measurable KPIs that show the development over time will also be used. The Board's ambition is to decide on objectives based on selected KPIs in 2021. In addition to the four focus areas, the bank also has a number of social partnerships with the aim of making an effort for the most vulnerable.



TF Bank's focus areas in sustainability

TF Bank structures its sustainability work within four focus areas. The areas have been selected by the Board based on what is most relevant given our business and the risks it entails. The most significant risks that have been identified within each focus area are described below.

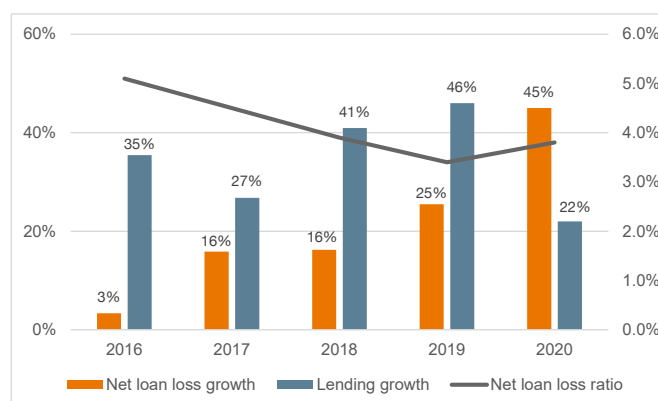
Area	Why?	Our promise	Sub-areas	SDG
Responsible lending	Responsible lending activities are business critical and contribute to low loan losses for TF Bank and a well-functioning economy in general.	For every individual application, we ensure accurate credit assessment through our established credit granting process that is continuously being tested, developed and improved.	<ul style="list-style-type: none"> Growth in a controlled manner Customer protection Financial inclusion 	8
Business ethics and governance	Good business ethics and sound corporate governance are basic prerequisites for TF Bank's values and trust from customers, employees and the market, and also contribute to public trust in the financial sector.	We always act responsibly with a clear focus on regulatory compliance and high risk awareness.	<ul style="list-style-type: none"> Anti-corruption, AML and prevention of terror financing Data security and customer integrity Sound corporate governance and efficient risk management 	16
Attractive employer	By attracting talented employees with different experiences and perspectives, we create the innovative climate required for long-term business success.	We offer a physically, mentally and socially healthy and developing workplace for all employees.	<ul style="list-style-type: none"> Diversity and equality Safe work environment Competence development 	5, 8
Climate change	Climate change is the most important societal issue of our time, and despite its small direct environmental impact, TF Bank will contribute to the global goals and to reducing our global footprint on the environment.	We will reduce our own impact and contribute to climate change in the ways we can.	<ul style="list-style-type: none"> Reduce own climate impact Digital processes Contribute to energy transition 	7

Responsible lending

KPIs	2020	2019
Loan loss ratio (%)	3.8	3.4
Income from late payments (%)	6.1	4.8
Number of loan applications	5,519,888	5,295,041
- Of which denied	2,652,344	2,278,840
Average loan size (SEK)	42,766	45,952
Share of markets with local customer service (%)	80	80

Sub-area 1: Growth in a controlled manner

TF Bank prioritises organic growth in a controlled manner. With the combination of well-developed credit granting processes and relatively low credit amounts, calculated risks are taken that can be quickly adjusted when the conditions on macro level change. It is inevitable that credit losses in absolute terms increase as the loan portfolio grows, but growth must never take place at the expense of higher risk. Thus, the ambition is for the Group's lending growth to be higher than the credit loss growth. Our goal is also to reduce the loan loss ratio annually. As a result of the uncertain macroeconomic situation, an extra loan loss provision of SEK 30 million was made at the end of the first quarter of 2020, which resulted in the loan loss ratio for 2020 increasing slightly compared to 2019, and the loan loss growth exceeding lending growth.



Sub-area 2: Customer protection

A customer in TF Bank must not have a prior record of late payments and must have flexibility in their finances, which we ensure through our “left-to-live-on” calculation. Our customers must also not have a too high level of indebtedness. Additionally, TF Bank’s credits are characterised by relatively low loan amounts and short repayment periods, which increases the probability that our customers will be able to repay their loans, even if their financial circumstances change.

In order to protect customers against changes in their finances, we also offer customers the opportunity to take out insurance against suspension of payments due to unemployment or illness.

Should the customers still encounter problems in repaying their loan, we are committed to helping them. TF Bank has specifically trained employees who contact the customer at an early stage in the event of a late payment in order to jointly agree on a solution and, if possible, provide advice and support. In 2020, we also granted temporary amortisation halts for customers whose finances were affected by the effects of the pandemic.

Sub-area 3: Financial inclusion

Responsible lending is a necessary and important product category in a functioning economy. By taking a credit, consumers can spread expenses over time.

TF Bank’s products shall be characterised by easy-to-understand terms and high availability, with the ambition of meeting the needs of creditworthy people who need to take a loan. Our lending therefore combines automatic processes with manual processing. By providing local customer service, customers have the opportunity to get in touch and receive support with their matters in the local language.

Credit assessment

In 2020, we processed around 5.5 million loan applications (approx 5.3), where about half were denied credit as a result of our robust credit assessment. In each case, we ensure accurate credit assessment through our established credit granting process that is continuously being tested, developed and improved. Our long experience in the industry in various geographical markets and during different economic conditions has provided us the know-how and data to be able to develop our models.

Credit assessment is performed in accordance with good lending practice and is always based on the customer’s financial position and implemented in accordance with TF Bank’s credit policy. In some countries we may be required to contact customers by telephone to ensure that the information provided by the applicant is correct. In markets where we have access to less information via credit information services companies, we ask for supplementary information, such as pay slips and tax returns, in order to ensure that our customers have the financial capacity to repay their loans.

Business ethics and governance

KPIs	2020	2019
Number of customer complaints	18	16
Number of reported GDPR breaches	0	0
Number of reports to whistle-blower function	0	0
Tax payments (SEK thousand)	86,970	92,164

Sub-area 1: Anti-corruption, AML and prevention of terror financing

At TF Bank, corruption primarily refers to the giving or accepting of a bribe or undue benefit, and inappropriate conduct in conflicts of interest. Conducting operations in a way that ensures corruptive practices cannot gain a foothold is a fundamental prerequisite for the continued trust of our customers, staff and the market. The Bank’s anti-corruption work is based on the Group’s Code of Conduct, which encompasses the entire Group and employees at every level. Our Compliance function ensures that the Code of Conduct is reviewed and updated every year, and that the updated Code is shared with the Group’s employees. Furthermore, regular anti-corruption training is carried out to give employees guidance on how to act in the best way if they experience uncertainty in a relationship or business relationship. All in all, this contributes to an awareness among all employees that the work with anti-corruption is an ongoing process.

We work proactively to prevent TF Bank from being used for money laundering both to counteract this societal problem and to protect our customers. The work takes place within the framework of the risk assessment and KYC process carried out on each new customer in the bank. Thereafter, transactions and activities are continuously monitored. Suspected cases of money laundering are investigated and reported to the relevant supervisory authorities in each market.

TF Bank has an internal whistle-blower function where suspected cases of deviations from the code of conduct, breaches of internal or external regulations as well as money laundering and terrorist financing can be reported anonymously by employees. If possible, the report should be made to the employee's immediate manager, but in case it is not appropriate or possible, the report is directed to the bank's Compliance Officer. An employee who makes a report to the whistle-blower function and who chooses not to be anonymous is considered to act loyally with his or her employer and is guaranteed to not suffer any damage from a labour law perspective.

TF Bank has also adopted a code of conduct for suppliers. Suppliers must accept the code of conduct, or alternatively provide their own code of conduct with a corresponding content, in order to be able to deliver services to TF Bank. The purchasing manager is required to perform an annual review that the code of conduct is complied with.

Sub-area 2: Data security and customer integrity

TF Bank has well-established and high-quality guidelines and routines for information security, and uses security measures such as SSL encryption, backup and firewalls.

We also require that persons who process personal data undertake confidentiality through written agreements and strict information security measures. This also applies to our suppliers, which is established in our code of conduct for suppliers.

It is TF Bank's obligation that the personal data we process is correct, complete and up to date. Personal data is protected by bank secrecy, which means that TF Bank may not disclose personal data to unauthorised persons. The bank also has extensive routines for processing personal data in accordance with GDPR.

Sub-area 3: Sound corporate governance and efficient risk management

TF Bank follows the Swedish Code of Corporate Governance and uses a well-proven model for corporate governance with clear responsibilities, guidelines and policies in all significant areas.

The company's risk management is based on three lines of defence that start in the business and support units, which include all employees. The second line comprises the independent control functions Compliance, Information Security and Risk Control, which review, evaluate and report to management and the board regarding risks and compliance. The third line consists of internal audit, which is an independent audit function that reports directly to the Board. The internal audit is mainly responsible for providing the Board with reliable and objective evaluation of risk management, financial reporting and control and governance processes in order to reduce the presence of risks and improve the control structure.

More information about TF Bank's corporate governance can be found in the corporate governance report on page 81-89.

Attractive employer

KPIs	2020	2019
Number of employees in the Group	212	174
- Of which women	114	100
- Share of women (%)	54	57
Share of female members of Board of Directors and executive management (%)	40	30
- In Board of Directors (%)	67	50
- In executive management (%)	0	0
Number of nationalities in Board of Directors	3	3
Average age of employees in the Group	34	-
Sick absence (%)	2.5	3.3
Staff turnover rate (%)	19.0	25.1
Number of part-time employed students	30	19

Sub-area 1: Diversity and equality

TF Bank's diversity policy has been adopted by the Board. At TF Bank, all people shall be treated with respect and dignity in accordance with our business principles. TF Bank believes that people with different experiences and perspectives are a crucial factor in creating the innovative climate required for long-term business success. As a small company, we know that our success depends on the diversity and competence of our employees.

We work to ensure that all employees have the same rights, obligations and opportunities in all important areas of life. Important aspects of our gender equality work are to facilitate the opportunities to reconcile work and parenthood, to prevent and deter discrimination and to give all employees equal pay and conditions for equal work.

Sub-area 2: Safe work environment

All employees within TF Bank shall have an inspiring and safe work environment, both physically and psychosocially. The physical work environment must be designed to promote health and safety. All employees must have a good designed workplace. Great emphasis is placed on preventive work environment measures, which takes place in close collaboration between management, employees, the safety organisation and occupational health care. TF Bank continuously evaluates the efforts in the work environment area in order to be able to make continuous improvements in the daily work environment.

Sub-area 3: Competence development

A basic principle for TF Bank is to provide all employees with the opportunity for development and training. We continuously train all employees in issues that affect their own work tasks, as well as in broader and business-critical issues such as money laundering. Based on development talks between each employee and the immediate manager, individual goals are set with the opportunity for individual development based on needs and ambitions. The ambition is for all employees to understand their role and the importance of their own work, to be able to influence their work situation, to feel responsible for their tasks and to develop their skills.

The bank also wants to be a springboard to working life and in several markets there are opportunities for part-time work while studying.

Climate change

Sub-area 1: Reduce own climate impact

TF Bank has a limited direct impact on the environment and sees no significant risk in the environmental area, but we still challenge ourselves to reduce our impact by, for example, minimising the number of business travel. The indirect environmental impact occurs mainly through our suppliers' energy use, especially regarding server capacity. The bank uses a cloud-based server solution that is considered more secure and is more energy efficient than having own servers. The server hall used has a power usage effectiveness of 1.25 (1.14) compared to the average level of about 1.80 in the industry.

As TF Bank's operations are located in several countries, video conferencing opportunities have been prioritised in all branches to reduce the company's environmental impact in the form of travel, and to facilitate meetings between the Group's various units.

In our offices, we ensure that we have well-functioning recycling procedures. Paper, cartons, toner and electronic equipment are sorted and left for recycling. Our office supplies are purchased from environmentally certified suppliers and we strive to choose environmentally friendly products.

In 2021, TF Bank will begin an assessment of the business's CO2 emissions.

Sub-area 2: Digital processes

We are on a digitalisation journey where we develop internal processes and smart solutions for our customers, but different conditions apply in the various markets due to each country's maturity to accept digital solutions. In the Baltic countries and in Norway, all marketing and customer communication takes place digitally. In Sweden and Finland, the majority of new lending takes place digitally via loan intermediation, but is supplemented by targeted campaigns via letters.

We strive to reduce our paper use through several different initiatives. We encourage our customers to sign loan agreements electronically and have come a long way in this work in several markets. We also see room for improvement regarding the use of e-invoices and invoices via e-mail to handle notices to our customers. Our Norwegian and Baltic customers are almost exclusively sent e-invoices and invoices by e-mail, while the majority of notices in Finland are sent by post. In Sweden, TF Bank is connected to the digital mail solution Kivra, which means that all customers who use Kivra automatically receive all communication digitally. In total, approximately 70 % of customers in Sweden receive invoices and notices digitally.

Both in our marketing and in our administration, we use Nordic eco-labelled or FSC-labelled products, both in terms of paper, envelopes and cartons.

In the e-commerce business, we offer our partners an AI tool to reduce their return rates, which in turn contributes to reduced transports.

Sub-area 3: Contribute to energy transition

TF Bank is continuously investigating business opportunities to offer financing solutions that can facilitate climate change with a focus on modern energy.

Currently, sales financing is offered for the installation of solar panels in Poland as part of a national initiative to increase the energy share from renewable sources.

TF Bank also has a collaboration with E.ON in Sweden for financing of air source heat pumps. Via the bank's e-commerce customers, it is also possible to finance the purchase of modern energy solutions, such as solar panels at Bolindo.

UN Sustainable Development Goals

TF Bank has identified the UN SDGs number 5, 7, 8 and 16 as most relevant in relation to its operations and where the largest contributions are made. In addition, TF Bank contributes through social partnerships within goal 4.



5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life



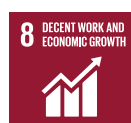
16.4 Significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime
16.5 Substantially reduce corruption and bribery in all their forms



7.1 Ensure universal access to affordable, reliable and modern energy services
7.2 Increase substantially the share of renewable energy in the global energy mix



4.4 Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship
4.5 Eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations



8.5 Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
8.6 Substantially reduce the proportion of youth not in employment, education or training
8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment
8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all

TF Bank's social efforts – social partnerships for the most vulnerable

Zelmerlöv & Björkman Foundation

TF Bank has a collaboration with Zelmerlöv & Björkman Foundation (ZBF) where TF Bank finances the education for a class of 43 students, 28 girls and 15 boys, at Kenswed Academy in Kenya. The Kenswed model is based on the idea that it is not enough to provide theoretical education for young people from difficult circumstances to find their driving force and get out of poverty. There is also a need to add other values that include creativity, health and that the basic needs are met. For ZBF, it is important to reach the most vulnerable young people in the areas where the foundation is active, and it therefore has an extra focus on girls. TF Bank's contribution finances the education, including teacher salaries, materials, classrooms, sports activities, food and drink. The class will graduate in 2023.

PlayOnside

TF Bank also cooperates with PlayOnside, which is based in the Thai border town of Mae Sot on the eastern border with Myanmar. Myanmar has experienced one of the most serious humanitarian crises in the world with internal conflict contributing to thousands of civilian casualties, forced relocations and resettlement in other countries. PlayOnside uses the power of football to educate and empower displaced Myanmar refugees and immigrants. Now, every weekend, about 700 children from 22 different migrant schools gather to play, learn and compete while making new friends and expanding their network in the process.

Students from Kenswed Academy in Kenya



AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

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

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2020 on pages 91–99 and that it has been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and 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 opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm 18 March 2021
PricewaterhouseCoopers AB

Martin By
Authorised Public Accountant
Auditor in Charge

BOARD OF DIRECTORS



JOHN BREHMER
Chairman of the Board since 2020. Board member since 2010.

Born: 1965

Education: MSc in Business and Economics, industrial marketing, Stockholm School of Economics.

Current directorships:

Chairman: Mederion AB, Ze-bware AB, Tiberon AB.
Board member: Consortio Invest AB, Consortio Business Center AB, Halens Real Estate AB.

Holdings in Company: 3 211 791 shares ¹

Independent of the Company and its management. Affiliation with major shareholders.



TONE BJØRNOV
Board member since 2015.

Born: 1961

Education: Business degree from BI Norwegian Business School.

Current directorships:

Chairman: Filmparken AS, Storyline Studios AS, Hausmann AS, Dugnad AS.
Board member: Aqua Bio Technology ASA, Varme og Bad AS, Omsorgsbygg Oslo KF, Atlantic Sapphire ASA.

Holdings in Company: 350 shares ¹

Independent of the Company, its management and major shareholders.



MARI THJØMØE
Board member since 2017.

Born: 1962

Education: Master of Economics and Business, BI Norwegian Business School and Chartered Financial Analyst, Norwegian School of Economics.

Current directorships:

Chairman: Billington Process Technology AS, Seilspport Maritimt Forlag AS, Thjømøe-Kranen AS.
Board member: Tryg A/S, FCG Fonder AB, Hafslund Eco AS, Norconsult AS, Ice ASA.

Holdings in Company: 9 850 shares ¹

Independent of the Company, its management and major shareholders.



BERTIL LARSSON
Board member since 2007.

Born: 1946

Current directorships:

Chairman: Aktiebolaget Borås Tidning, Minso Holding AB, Minso Solutions AB.
Board member: Conpera AB, Gota Media AB, Tore G Wärensstams Stiftelse, Brf Aspelyckan, Kyrkesunds Båthamnsförening.

Holdings in Company: 5 000 shares ¹

Independent of the Company, its management and major shareholders.



SARA MINDUS
Board member since 2020.

Born: 1972

Education: Master of Laws and BSc in Business Administration at Stockholm University.

Current directorships:

Board member: Besqab AB (publ), K-Fast Holding AB (publ), Dreams AB, Dreams Securities AB, Colibri Ventures AB, Faboss Invest AB, Sara Mindus AB.

Holdings in Company: 10 000 shares ¹

Independent of the Company, its management and major shareholders.



CHARLOTTA BJÖRNBERG-PAUL
Board member since 2017.

Born: 1974

Education: M.Sc. Econ. Hanken School of Economics, Finland.

Current directorships:

Chairman: Saxo Oy
Board member: Paptic Ltd
Co-funder: Superskills
Entrepreneur: Anki Rugs

Holdings in Company: 0 shares ¹

Independent of the Company, its management and major shareholders.

¹ Refers to directly or indirectly holdings as of December 31, 2020.

EXECUTIVE MANAGEMENT



MATTIAS CARLSSON **CEO**

Born: 1972

Education: MSc Eng in Engineering and Physics, Uppsala University.

At TF Bank since 2008 as CEO until 2015, Chairman of the board between 2015 and 2017 and CEO from 2017. Previous experience from Resurs Bank and SEB.

Current directorships: Qred AB (Chairman), Tobisflöte Holding AB (Chairman), Tronstad Consulting AB (Board member).

Holdings in Company: 261 651 shares ^{1,2}



MIKAEL MEOMUTTEL **CFO and Deputy CEO**

Born: 1976

Education: MSc in Business/Economics and Finance at Borås University/Gothenburg University.

At TF Bank since 2009, 2014 Deputy CEO and from 2018 also the Group's Head of IR. Previous experience: Financial controller at Consortio Fashion Group AB (CFG).

Current directorships: Torhamnsskär Holding AB (Chairman).

Holdings in Company: 18 000 shares ^{1,2}



ESPEN JOHANNESSEN **Head of Consumer Lending**

Born: 1981

Education: Executive MBA Management Control Norwegian School of Economics (NHH), BA Economics, Business BI Norwegian School of Management

At the Group since 2015 as CEO of BB Bank 2015-2020 (now branch Norway). More than 10 year's of experience in consumer finance.

Holdings in Company: 35 198 shares ¹



MIKAEL JOHANSSON **Head of Ecommerce Solutions**

Born: 1974

Education: MSc Business Administration and Mathematics, Stockholm University

At the Group since 2016 as CEO of Avarda. Previous experience: GE Commercial Finance and CEO of Santander Consumer Bank Sverige.

Current directorships: Svenska Bilhandlare AB (Chairman).

Holdings in Company: 18 000 shares ¹

AUDITOR



AUDITOR

MARTIN BY
Authorised Public Accountant

Auditor in charge

PricewaterhouseCoopers AB

¹ Refers to directly or indirectly holdings as of December 31, 2020.

² TF Bank's principal owners TFB Holding AB, Erik Selin Fastigheter AB, Tiberon AB and Merizole Holding Ltd have agreed on market terms with TF Bank's CEO, Mattias Carlsson and CFO, Mikael Meomuttel on an incentive program consisting of call options regarding shares in TF Bank. The incentive program has a term of approximately five years. The call options have been acquired on market terms and no compensation cost has been reported by the company and will not be reported during the remaining part of the five-year period.

DEFINITIONS

TF Bank uses Alternative Performance Measures that are not defined in the applicable financial reporting framework (IFRS). The Alternative Performance Measures are used to increase understanding of the bank's financial performance among users of the financial statements. Alternative Performance Measures may be calculated in different ways and do not need to be comparable with similar key ratios used by other companies. TF Bank definitions of Alternative Performance Measures are shown below.

ADJUSTED EARNINGS PER SHARE

Adjusted net profit for the period attributable to the shareholders of the parent company divided by the average number of outstanding shares.

ADJUSTED OPERATING PROFIT

Operating profit for the period excluding items affecting comparability.

ADJUSTED RETURN ON EQUITY

Adjusted net profit for the period attributable to the shareholders of the parent company divided by average equity attributable to the shareholders of the parent company. Rolling 12 months.

ADJUSTED RETURN ON LOANS TO THE PUBLIC

Adjusted net profit for the year attributable to the shareholders of the parent company divided by average lending to the public. Rolling 12 months.

CET1 CAPITAL RATIO

CET1 capital as a percentage of total risk exposure amount.

COST/INCOME RATIO

Operating expenses divided by operating income.

EARNINGS PER SHARE

Net profit for the period attributable to the shareholders of the parent company divided by the average number of outstanding shares.

EMPLOYEES (FTE)

Average number of full-time employees, including employees on parental leave.

EQUITY RATIO

Total equity as a percentage of total assets.

ITEMS AFFECTING COMPARABILITY

Items affecting comparability in 2016 comprised costs related to the IPO. Items affecting comparability in 2018 were attributable to reclassification of customer balances with inactive status that have arisen before 2018.

LEVERAGE RATIO

Tier 1 capital as a percentage of total assets including off-balance sheet items.

NET LOAN LOSS RATIO

Net loan losses divided by average loans to the public. Rolling 12 months.

NEW LENDING

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

OPERATING INCOME MARGIN

Total operating income divided by average loans to the public. Rolling 12 months.

RETURN ON EQUITY

Net profit for the period attributable to the shareholders of the parent company as a percentage of equity attributable to the shareholders of the parent company. Rolling 12 months.

RETURN ON LOANS TO THE PUBLIC

Net profit for the period attributable to the shareholders of the parent company divided by average loans to the public. Rolling 12 months.

TIER 1 CAPITAL RATIO

Tier 1 capital, i.e., CET1 capital and Additional Tier 1 capital, as a percentage of total risk exposure amount.

TOTAL CAPITAL RATIO

Own funds as a percentage of the total risk exposure amount.

TF BANK'S NEW GRAPHICAL PROFILE





CONTACT DETAILS

CONTACT

Investor Relations

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