

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

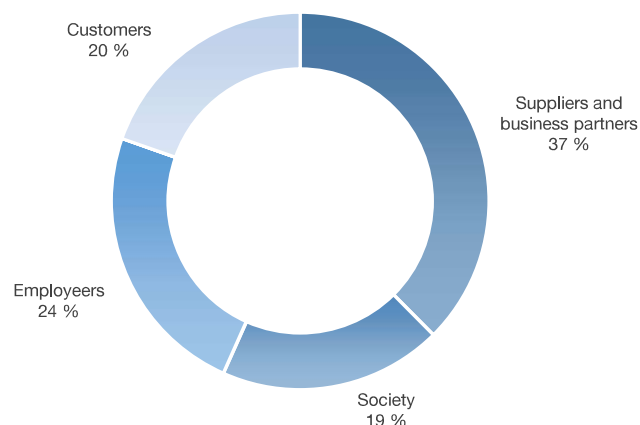
The Board of Directors adopts the sustainability policy and approves the Sustainability Report and is hence ultimately responsible for the Group's sustainability work. The CEO decides on the sustainability strategy, including plans, goals and performance indicators, and reports these to the Board. The 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)	<ul style="list-style-type: none"> - Credit granting process - Customer service contacts - Marketing 	<ul style="list-style-type: none"> - Credit assessment - Launch of credit cards in Germany - Temporary amortisation halts due to Covid-19
Capital markets (shareholders, investors, analysts)	<ul style="list-style-type: none"> - 1-1 meetings - AGM - Press releases - Interim reports - Website 	<ul style="list-style-type: none"> - Covid-19 consequences - Responsible lending - Issue of T2 bonds
Employees	<ul style="list-style-type: none"> - Intranet - Employee survey - Development talks 	<ul style="list-style-type: none"> - 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

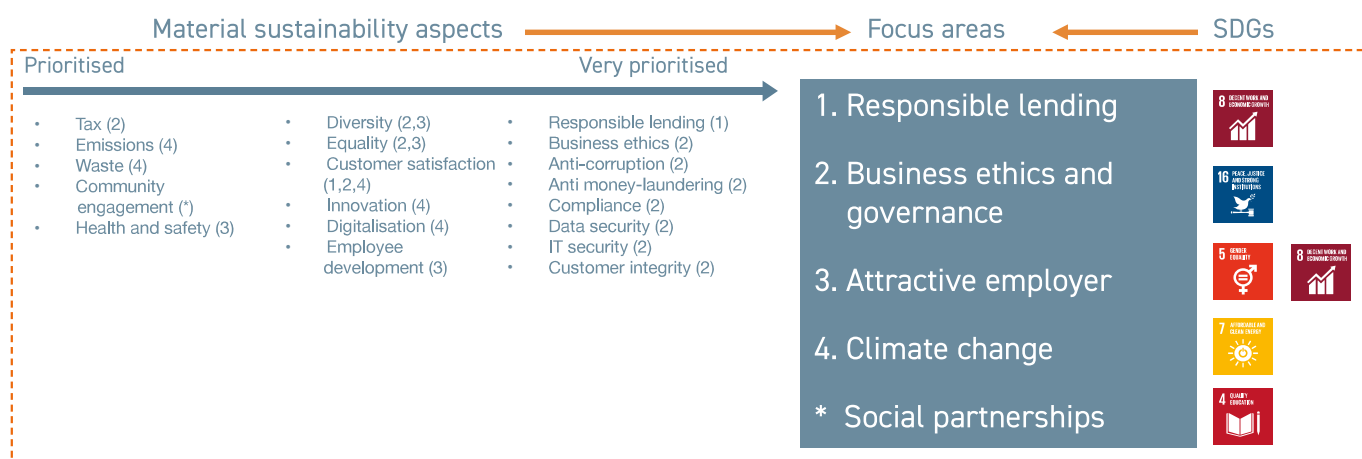
Very prioritised

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

- 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.

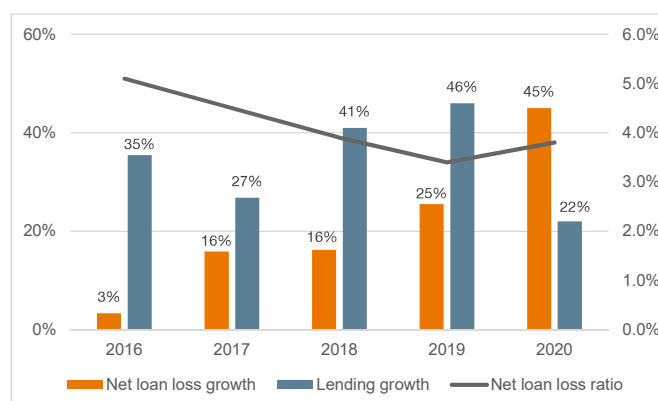
Area	Why?	Our promise	Sub-areas	SDG
Responsible lending	Responsible lending activities are business critical and contribute to low loan losses for TF Bank and a well-functioning economy in general.	For every individual application, we ensure accurate credit assessment through our established credit granting 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