



**ANNUAL REPORT
2021**

T TFBank

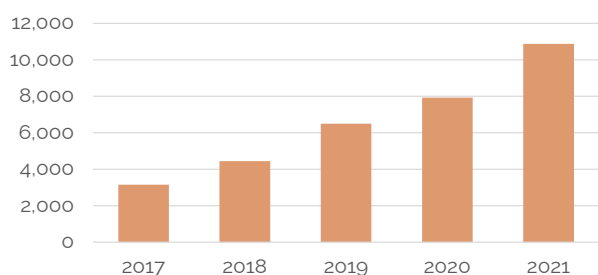
TF BANK IN BRIEF

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 forms and expansion are 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.

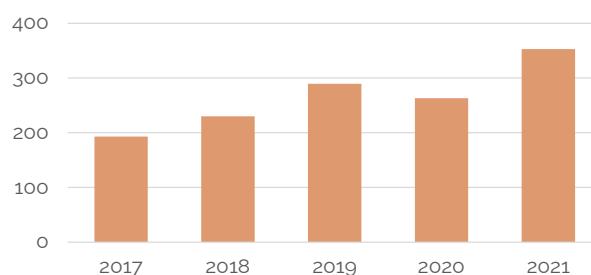
The business is divided into three segments: Consumer Lending with focus on unsecured consumer loans, Ecommerce Solutions with digital payment solutions primarily to online retailers and Credit Cards with focus on offering credit cards. The target group for all services creditworthy individuals and the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



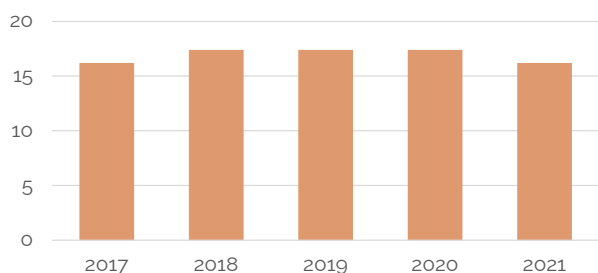
LOANS TO THE PUBLIC (SEK million)



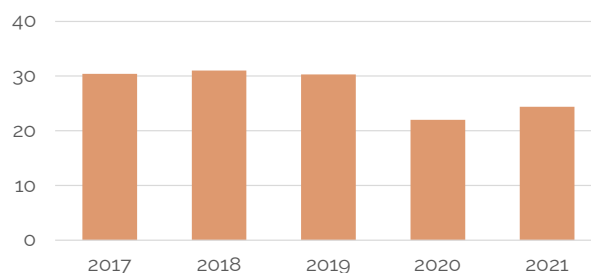
ADJUSTED OPERATING PROFIT (SEK million)¹



TOTAL CAPITAL RATIO (%)



ADJUSTED RETURN ON EQUITY (%)¹



¹ Adjusted for items affecting comparability in 2018 that comprises reclassification of customer balances with inactive status that arose before 2018. See separate section with definitions and reconciliation tables, page 68-69.

YEAR IN BRIEF

FINANCIAL PERFORMANCE 2021

- The loan portfolio amounted to SEK 10,872 million, compared to December 2020 the increase in local currencies was 33 %
- Operating profit increased by 34 % to SEK 352.6 million, the comparison period was affected by an additional loan loss provision of SEK 30 million
- Earnings per share increased by 38 % to SEK 12.55
- Cost/income ratio increased to 41.9 % (38.9)
- Total capital ratio has decreased to 16.2 % (17.4)
- Return on equity amounted to 24.4 % (22.0)
- The Board proposes to the Annual General Meeting a dividend of SEK 1.00 per share for 2021

SIGNIFICANT EVENTS 2021

- The Credit Cards segment reported an operating profit for the fourth quarter and the German credit card portfolio has increased by 154 %.
- TF Bank's e-commerce initiative Avarada launched a payment solution for Boozt's whole fast-growing ecommerce environment.
- The Board of TF Bank has resolved on new financial targets. By the first half of 2025, the Bank's loan portfolio shall amount to SEK 20 billion and the return on equity shall be well above 20 %.

When summarising 2021, we can look back at an additional year with profitable growth. TF Bank's loan portfolio increased by 33 % in local currencies, surpassing SEK 10 billion. At the same time, earnings per share increased by 38 % compared to 2020 and return on equity amounted to over 24 %.

FINANCIAL CALENDAR

Interim report January-March 2022	19 April 2022
Annual General Meeting 2022	3 May 2022
Interim report January-June 2022	12 July 2022
Interim report January-September 2022	17 October 2022

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

The Annual General Meeting 2022 will be held on Tuesday 3 May 2022. Notice of the Annual General Meeting will be published no later than Tuesday 5 April 2022.

KEY FIGURES

SEK million	2021	2020
Operating income	1,055	876
Operating profit	353	263
Earnings per share, SEK	12.55	9.11
Loans to the public	10,872	7,922
New lending	11,187	7,305
Cost/Income ratio, %	41.9	38.9
Return on equity, %	24.4	22.0
Total capital ratio, %	16.2	17.4
Employees (FTE)	236	187

See separate section with definitions and reconciliation tables, page 68-69.

CEO'S COMMENTS

Strong organic growth and high profitability

When summarising 2021, we can look back at an additional year with profitable growth. TF Bank's loan portfolio increased by 33 % in local currencies, surpassing SEK 10 billion. At the same time, earnings per share increased by 38 % compared to 2020 and return on equity amounted to over 24 %. The development of the loan portfolio during 2021 is further described in the segment sections below, but first a few words on our ability to combine strong organic growth with high profitability.

For fast-growing banks, capital is often a limiting factor; but by being diversified in many different geographic markets, TF Bank's management team has always had the opportunity to choose where to allocate the capital. Hence, I would say that we are good at pricing the risk, which is crucial to run a successful banking business. Naturally, we sometimes make wrong decisions, but with a humble approach we don't have any problems to re-assess the analysis and make a new decision. These are some of the things that I believe enable TF Bank to combine strong organic growth with high profitability.

Credit Cards turned to profitability in Q4

In connection with the acquisition of the Norwegian company BB Finans in July 2015, TF Bank obtained a small but profitable credit card portfolio in Norway. Following an analysis of the opportunities to expand the credit card operations in Europe, it was decided to enter Germany and in 2018, TF Bank delivered its first German credit cards. Therefore, we were very happy to announce in the Year-end report 2021 that the Credit Cards segment reported an operating profit for the fourth quarter.

The loan portfolio for the Credit Cards segment increased by as much as 115 % in local currencies during 2021. The growth was almost completely attributable to an increased amount of newly issued credit cards in Germany and increased utilisation of cards already issued. In addition, economies of scale in the business are expected to result in a decreasing C/I ratio for the segment going forward. Our German credit card business is growing significantly faster than the market in general, and our assessment is that the segment has favourable conditions to deliver attractive risk-adjusted return in the coming years.

Strong growth in the Nordics for Ecommerce Solutions

TF Bank's digital payment solutions have had a successful year with strong growth and solid profitability. Our brand Avarda has experienced a commercial breakthrough in the Nordic markets through an attractive white label solution that puts focus on the retailers and the customer offering. Avarda Checkout+ is built on a scalable technology and new retailers are integrated in a highly efficient manner. Many of our retailers are also using the AI based tool Avarda Return Optimiser that decreases the return rates, which is positive both from an environmental and financial perspective.

The loan portfolio for the Ecommerce Solutions segment increased by 51 % in local currencies during 2021. The growth was related to an increased number of retail partners as well as expanded cooperations with existing retailers. The Nordic portfolio increased by 71 %, mainly driven by the new cooperation agreement with one of the Nordic region's leading online retailers, Boozt, which has generated significant volumes since April 2021. The segment's loan portfolio in the Baltics is currently primarily present in Estonia, but we intend to launch payment solutions in Latvia and Lithuania shortly.

Decreased loan loss ratio in Consumer Lending

Within our largest segment Consumer Lending, it is satisfying that the loan loss ratio decreased to 2.2 % during 2021. The decrease is mostly related to an improvement of the credit quality in our Finnish loan portfolio over the past year. We also continue to grow in Norway where the credit quality for a long period of time has been better than the segment's average.

The loan portfolio for the Consumer Lending segment increased by 18 % in local currencies during 2021. The growth has primarily been generated in Norway and Finland, while we have had a more cautious approach to the highly competitive Swedish market. Our Polish consumer loan portfolio has been in a run-off during the entire year. The segment's exposures in the Baltics and Poland all together have more or less been unchanged since the start of the pandemic. During 2022, growth in Norway and Finland will continue to be the top priority, which is positive for the loan loss ratio in the segment.

First year with new sustainability program

2021 was the first year of TF Bank's new sustainability program, which was developed by the Board and management during 2020. The program encompasses four focus areas: Responsible lending, Business ethics and governance, Attractive employer and Climate change, that take both risks and opportunities into account while also connecting to the UN Global Goals. It has been special to work with many of these questions during the pandemic, from upholding the credit quality and grow without exposing loan customers for unnecessary risks, to strengthening TF Bank as an employer when the standard has been to work from home. I am proud of how we have handled these challenges.

TF Bank puts a large emphasis on creating an inclusive and developing workplace. We have many examples of employees that build their whole career within the Bank; from part-time work during studies to a full-time work and growing responsibilities over time. As we expand on new markets, the working environment becomes more international, but at the same time we have our feet firmly on the ground in our home city Borås. With our local connection, we have built a strong culture where we avoid unnecessary risks while being careful with money.

TF Bank's expansion continues in 2022

Given the starting point that the Bank has created during the second half of 2021, I am optimistic regarding a continued strong growth in the coming year. During 2022, we plan for further expansion, primarily in our German credit card business, but also in the Nordic markets within Consumer Lending and Ecommerce Solutions. During 2022, we will also launch consumer loans in Denmark and Spain, as well as credit cards in Austria. The volumes will initially be small and then gradually increase when we feel comfortable with the risk, as is our habit when entering new markets. We do this to maximise our options when allocating our capital in the long term to achieve as high risk-adjusted return as possible.

As always, we have a humble approach to the future and put all our focus on creating the best possible conditions to manage the various challenges that may arise. Finally, I would like to take this opportunity to thank all employees for a more than well-done job. I also would like to wish all new shareholders and also all new employees in our offices around Europe a warm welcome to TF Bank!



A handwritten signature in blue ink, which appears to be 'M. Carlsson'.

Mattias Carlsson
CEO



ANNUAL REPORT FOR THE FINANCIAL YEAR 2021

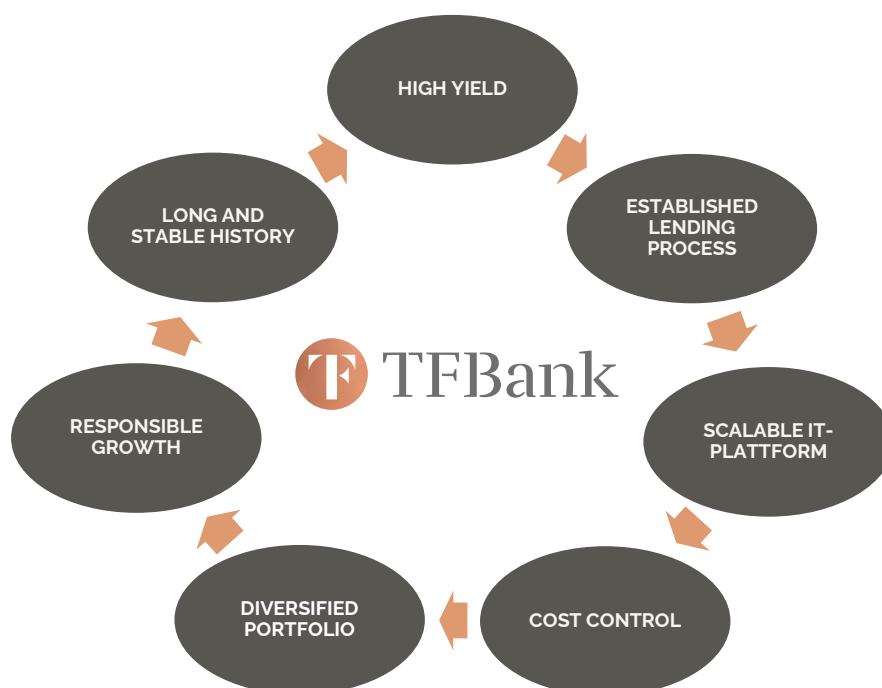
The Board of Directors and the CEO hereby submit the Annual report for TF Bank AB, corporate identity number 556158-1041.

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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 35 years of high yields

TF Bank started offering consumer loans and retail finance already in 1987 and during its 35 years of operations in the consumer credit sector it has always been profitable – even during major crises.

TF Bank operates in three complementary segments: Consumer Lending, Ecommerce Solutions and Credit Cards, all of which benefits from the Bank's IT platform and models for credit scoring.

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. 66 % of the loan portfolio is attributable to Sweden, Finland, Norway and Denmark, with the remaining 34 % attributable to the Baltic States, Germany, Poland and Austria.

Diversification also characterises TF Bank's deposit products. Deposit-taking in multiple markets offers alternatives to finance 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 of 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.

Credit cards and e-commerce offers new opportunities for growth

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.

In the Ecommerce Solutions segment, TF Bank offers digital payment solutions primarily within e-commerce to creditworthy individuals in the Nordic countries, the Baltics and Poland. The products have over the past year experienced a commercial breakthrough with many new retailers and increased transaction volumes.

Together, the products in credit cards and e-commerce 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 3,497 million
(32 %) ¹

Change 2021: +36 %

Continued positive long term outlook on the Norwegian economy. Focus on growth and margins within Consumer Lending. Important deals signed within Ecommerce Solutions waiting for implementation.

Sweden

Loan portfolio SEK 1,028 million
(9 %) ¹

Change 2021: +40 %

Focus on profitability and e-commerce. Black week and Christmas shopping saw exceptional growth in transaction volumes.

Germany

Loan portfolio SEK 1,423 million
(13 %) ¹

Change 2021: +150 %

Credit card product in high demand. Weak spending towards the end of the quarter due to pandemic restrictions.

Finland

Loan portfolio SEK 2,612 million
(24 %) ¹

Change 2021: +30 %

The regulatory rate cap of 10 % has been removed and higher volumes is expected for Consumer Lending. Ecommerce Solutions has great performance.

Baltic states

Loan portfolio SEK 1,829 million
(17 %) ¹

Change 2021: +20 %

Portfolio management and profitability focus in Consumer Lending. Lithuania is now a positive net contributor and the main driver for growth in the region.

Poland

Loan portfolio SEK 450 million
(4 %) ¹

Change 2021: -3 %

Focus on e-commerce and profitability. Consumer Lending is in run-off.

¹ Share of TF Bank's total loans to the public as at 31 December 2021.

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 2021, the closing price of the share was SEK 229.50. Since the listing TF Bank has paid out a total of SEK 7.75 per share in dividend to shareholders. The market capitalisation at the end of the year was SEK 4,934 million.

Turnover and volume

The share trades under the ticker name TFBANK and the ISIN code is SE0007331608. On the last trading day of 2021, the share closed at SEK 229.50, an increase of 164 % during the year. In total, 6.2 million shares worth approximately SEK 1,034 million were traded on Nasdaq Stockholm during 2021.

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, Pareto Securities and Nordea are following the company. At the end of 2021 all four institutions had issued a buy recommendation for the TF Bank share.

Ownership of TF Bank AB as at 31 December 2021

Shareholder	%
TFB Holding AB	30.31
Tiberon AB	15.07
Erik Selin Fastigheter AB	12.57
Proventus Aktiebolag	5.16
Jack Weil	4.19
Nordnet Pensionsförsäkring AB	3.43
Nordea Nordic Small Cap Fund	2.37
Merizole Holding LTD	2.36
Carnegie fonder	1.80
Avanza Pension	1.40
Other shareholders	21.34
Total	100.00

Source: Euroclear

21.5 million

Number of shares

SEK 89.20

Lowest closing price during 2021

4,345

Number of shareholders 31 December 2021

SEK 255.50

Highest closing price during 2021



LOAN PORTFOLIO PERFORMANCE IN 2019-2021 (SEK MILLION)



DIRECTORS' REPORT

TF Bank AB, corporate identity number 556158-1041, is a bank domiciled in Borås, Sweden. The company has a license to provide banking services.

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. From 2020 the operations are divided into three segments: Consumer Lending, Ecommerce Solutions and Credit Cards. TF Bank is listed at Nasdaq Stockholm.

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 April, TF Bank's e-commerce initiative Avarda launched a payment solution for Boozt's whole fast-growing ecommerce environment after a successful pilot project with Booztlet.com during the autumn of 2020.

During the first half of the year, new agreements for continuing sale of past due loans have been signed and TF Bank now has agreements in place in all essential markets.

At the Annual General Meeting 4 May, it was resolved to pay a dividend of SEK 1.00 per share. John Brehmer was re-elected as Chairman of the Board and Michael Lindengren was new elected as member of the Board. Tone Bjørnov was dismissed from the Board of Directors. The other members of the Board were re-elected at the Meeting.

During July, TF Bank implemented a change in its executive management team, which now consists of CEO Mattias Carlsson, deputy CEO and CFO Mikael Meomuttel, and Espen Johannesen who has been appointed a new role as Chief Operating Officer (COO).

In September, TF Bank started a branch in Latvia, in light of which the Bank intends to liquidate the Latvian subsidiary TFB Service SIA.

The Board of TF Bank has resolved on new financial targets. By the first half of 2025, the Bank's loan portfolio shall amount to SEK 20 billion and the return on equity shall be well above 20 %.

In December, TF Bank has successfully issued subordinated Additional Tier 1 bonds of SEK 100 million with perpetual tenor and first call date in December 2026.

The Credit Cards segment reported an operating profit for the fourth quarter and the German credit card portfolio has increased by 154 %.

Significant events after the end of the financial year

The situation in Ukraine and Russia has led to a sharp increase in geopolitical unrest and uncertainty in Europe. The financial market, which already in the beginning of 2022 showed great volatility with higher long-term interest rates, a depreciated Swedish krona and increased inflation, now risks being affected further. The long-term effects on the outside world and the global economy are impossible to predict at this point.

FIVE-YEAR OVERVIEW ¹

SEK thousand	Parent company		Group		
	2021	2020	2019	2018	2017
Income statement					
Operating income	1,055,287	876,070	768,864	627,641	511,570
Operating expenses	-442,165	-340,755	-290,875	-247,536	-189,289
Net loan losses	-260,564	-272,676	-188,634	-150,272	-129,343
Operating profit	352,558	262,639	289,355	250,128	192,938
Profit for the year	277,206	202,719	221,926	191,826	147,836
Earnings per share, SEK	12.55	9.11	10.01	8.75	7.04
Balance sheet					
Loans to the public	10,872,285	7,922,448	6,495,780	4,449,225	3,156,289
Deposits from the public	11,504,749	8,714,032	7,197,075	5,096,463	3,754,030
New lending	11,186,800	7,304,603	6,037,302	4,518,697	2,968,611
Key figures					
Operating income margin, %	11.2	12.2	14.0	16.5	18.1
Net loan loss ratio, % ²	2.8	3.8	3.4	4.0	4.6
Cost/Income ratio, %	41.9	38.9	37.8	39.4	37.0
Return on equity, %	24.4	22.0	30.3	33.8	30.4
Return on loans to the public, %	2.9	2.7	3.9	4.9	5.4
Return on assets, %	2.3	2.1	3.0	3.6	4.1
CET1 capital ratio, %	12.3	12.8	12.7	13.0	13.2
Tier 1 capital ratio, %	14.3	14.2	14.3	15.2	13.2
Total capital ratio, %	16.2	17.4	17.4	17.4	16.2
Employees (FTE)	236	187	174	140	110
Adjusted key figures ³					
Operating profit	352,558	262,639	289,355	250,128	192,938
Items affecting comparability ³	-	-	-	-20,295	-
Adjusted operating profit	352,558	262,639	289,355	229,833	192,938
Adjusted tax on profit for the year	-75,352	-59,920	-67,429	-53,837	-45,102
Adjusted profit for the year	277,206	202,719	221,926	175,996	147,836
Adjusted earnings per share, SEK	12.55	9.11	10.01	8.01	7.04
Adjusted return on equity, %	24.4	22.0	30.3	31.0	30.4
Adjusted return on loans to the public, %	2.9	2.7	3.9	4.5	5.4
Adjusted return on assets, %	2.3	2.1	3.0	3.3	4.1

EXCHANGE RATES

SEK	2021	2020	2019	2018	2017
EUR Income statement (average)	10.14	10.49	10.59	10.25	9.63
EUR Balance sheet (end of reporting period)	10.23	10.04	10.43	10.28	9.85
NOK Income statement (average)	1.00	0.98	1.07	1.07	1.03
NOK Balance sheet (end of reporting period)	1.03	0.95	1.06	1.02	1.00
PLN Income statement (average)	2.22	2.36	2.46	2.41	2.26
PLN Balance sheet (end of reporting period)	2.23	2.22	2.44	2.39	2.36

¹ In order for the five-year overview to reflect a true and fair view, comparative figures for 2017-2019 relates to the Group with TF Bank AB as Parent Company. Comparative figures 2017-2019 for the Parent Company is presented on page 67.

² Net loan losses for 2017 are reported according to IAS 39.

³ Adjusted for items affecting comparability in 2018 that comprises reclassification of customer balances with inactive status that arose before 2018. See separate section with definitions and reconciliation tables, page 68-69.

RESULTS AND FINANCIAL POSITION

Operating profit

Operating profit increased by 34 % to SEK 352.6 million (262.6). The comparison period was affected by an additional loan loss provision of SEK 30 million related to the uncertain macroeconomic situation during the initial phase of the pandemic. Earnings per share increased by 38 % to SEK 12.55 (9.11). Return on equity amounted to 24.4 % (22.0).

Operating income

TF Bank's operating income has increased by 20 % to SEK 1,055 million (876.1). The operating income during the year comprised 90 % net interest income and 10 % net fee and commission income. The operating income margin has decreased to 11.2 % (12.2), mainly due to a changed product mix in the Consumer Lending segment.

Interest income

Interest income increased by 18 % to SEK 1,074 million (911.9). The growth for German credit cards is the main driver, but higher interest income for the Ecommerce Solutions segment and Norwegian consumer loans have also contributed to the increase. Currency effects have had a slightly negative impact on interest income due to a lower average rate for the Euro compared to 2020.

Interest expense

TF Bank's interest expenses decreased by 2 % to SEK 120.4 million (122.6). The decrease is mostly related to lower funding costs in Norway and Germany. However, the decrease has been mitigated by increasing deposit volumes in Germany, an increasing share of fixed-rate accounts with slightly higher interest rate levels as well as an increased deposit guarantee fee.

Net fee and commission income

Net fee and commission income increased by 26 % to SEK 106.2 million (84.6). The increase is mainly attributable to higher fee and commission income within the Ecommerce Solutions segment. During the year, 52 % of TF Bank's 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 30 % to SEK 442.2 million (340.8). Most of the increase is related to higher expenses within the growing Ecommerce Solutions and Credit Cards segments. Both segments have more employees and higher sales-related costs compared to the previous year. TF Bank's C/I ratio increased to 41.9 % (38.9).

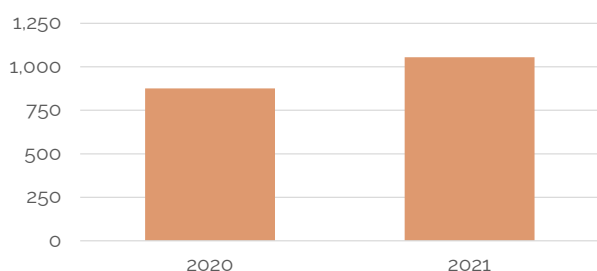
Net loan losses

Net loan losses decreased by 4 % to SEK 260.6 million (272.7). The loan portfolio's credit quality has improved during the year, which has resulted in a decreased loan loss ratio amounting to 2.8 % (3.8). An additional loan loss provision of SEK 30 million related to the uncertain macroeconomic situation during the initial phase of the pandemic affects the comparison number. Excluding the additional provision, the loan loss ratio in 2020 amounted to 3.4 %.

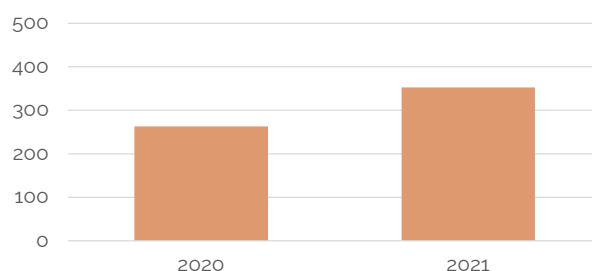
Tax expense

TF Bank's tax expense increased to SEK 75.4 million (59.9), explained by a higher operating profit. The tax rate of 21.4 % (22.8) was positively affected by a decrease of the corporate tax in Sweden from 1 January 2021.

OPERATING INCOME (SEK million)



OPERATING PROFIT (SEK million)



RESULTS AND FINANCIAL POSITION

Loans to the public

The loan portfolio amounted to SEK 10,872 million (7,922), an increase in local currencies of 33 % during 2021. Positive currency effects have affected the loan portfolio by another 4 %. New lending increased by 53 % to SEK 11,187 million (7,305) compared to 2020, among other things attributable to higher invoice volumes from new retailers within Ecommerce Solutions.

TF Bank's loan portfolio is well-diversified with relatively small exposures in many different geographic markets. At the end of the year, the three largest markets were Norway at 32 %, Finland at 24 % and Germany at 13 %. The growth for the loan portfolio during 2021 has primarily been generated by German credit cards, Nordic Ecommerce Solutions as well as consumer loans in Norway and Finland.

Deposits from the public

Deposits from the public amounted to SEK 11,505 million (8,714), an increase in local currencies of 28 %. Positive currency effects have affected the loan portfolio by another 4 %. At the end of 2021, deposits were geographically distributed over Germany at 63 %, Norway at 28 %, Sweden at 6 % and Finland at 3 %.

The increased deposits in 2021 are mainly attributable to savings accounts in Germany. Several new saving accounts with terms up to five years have also been launched during the year, meaning that parts of TF Bank's financing are fixed and tied to current interest rate levels. At the end of the year, accounts with a fixed term comprise 36 % of the total deposits.

Cash and cash equivalents

Cash and cash equivalents have increased by SEK 247 million to SEK 2,366 million (2,119) during 2021. Cash flow from operating activities amounted to SEK 225 million (352). TF Bank's investments increased to SEK 37 million compared to SEK 25 million in 2020. The investments mainly relate to IT development within the Ecommerce Solutions and Credit Cards segments. Cash flow from financing activities amounted to SEK 23 million (32). Positive currency effects had an impact on cash and cash equivalents by SEK 36 million (-61).

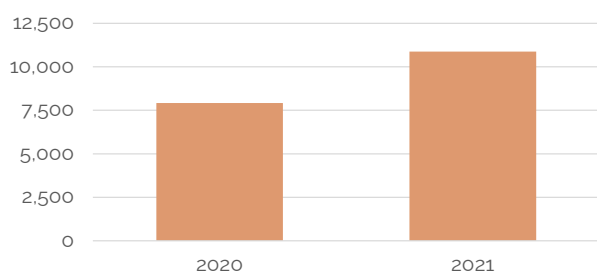
At the end of 2021, TF Bank's available liquidity reserve amounted to 19 %¹ (24) of deposits from the public. 69 % (55) of the liquidity reserve is placed at central banks and in treasury bills eligible for refinancing, while the remaining part primarily is placed on overnight accounts in various Nordic banks. During the fourth quarter, NOK 250 million of the liquidity reserve was placed in Norwegian government bonds with maturity in February 2026.

Capital adequacy

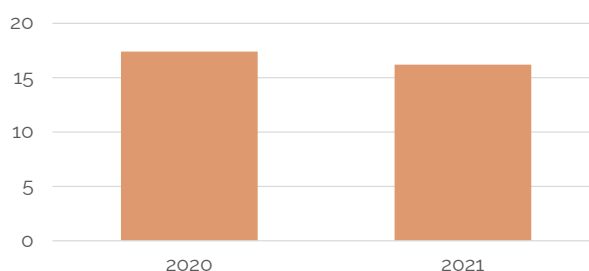
At the end of the year, the CET1 capital ratio was 12.3 % (12.8), the tier 1 capital ratio was 14.3 % (14.2), and the total capital ratio was 16.2 % (17.4). The Board's dividend proposal of SEK 1.00 per share (1.00) affects all capital ratios through a deduction of SEK 21.5 million from the capital base.

During the year, all capital ratios have been negatively affected by an increased phase-in of loan loss provisions according to the transitional rules. However, this was partly mitigated by a lower deduction of intangible assets in the capital base following a regulatory methodology change. During the fourth quarter, TF Bank issued Additional Tier 1 bonds of SEK 100 million.

LOANS TO THE PUBLIC (SEK million)



TOTAL CAPITAL RATIO (%)



¹ Excluding restricted cash and cash equivalents that are not available the next day.

CONSUMER LENDING

In the Consumer Lending segment, TF Bank offers unsecured consumer loans to creditworthy individuals. The product offering may differ between the various markets and is adjusted according to the specific conditions in each country. As of 31 December 2021, the average loan amount per customer was approximately SEK 62 thousand.

The Nordic loan portfolio comprises 76 % 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 for the segment is slightly higher in Norway and Finland.

The Baltic and Polish loan portfolio comprises 24 % of the segment. The Baltic countries have fast-growing credit markets with several established Nordic players operating locally. In Poland, new lending has discontinued.

The loan portfolio

Loans to the public amounted to SEK 7,114 million (5,807), an increase in local currencies of 18 % compared to December 2020. Positive currency effects have had an impact on the loan portfolio's growth of 5 %. The segment's new lending has increased by 21 % to SEK 4,721 million (3,902).

The loan portfolio in Norway has increased by 22 % to NOK 2,796 million (2,287) during 2021. The increase is mainly related to higher volumes during the second half of the year. The loan portfolio in Finland has increased by 20 % to EUR 161 million (134). The Finnish new lending has increased significantly following the lifting of the pandemic-related marketing restrictions and the regulatory rate cap of 10 % from 1 October 2021. The Swedish loan portfolio amounted to SEK 471 million (457).¹

The loan portfolio in the Baltics has increased by 15 % to EUR 154 million (134) over the past year. The growth has mainly been generated in Lithuania, but the loan portfolio in Latvia has also increased during the second half of the year. The Polish loan portfolio decreased to PLN 48.1 million (81.1).¹

Results

The operating profit for the segment increased by 22 % to SEK 308.3 million (253.7). The comparison period was affected by an additional loan loss provision of SEK 30 million related to the uncertain macroeconomic situation during the initial phase of the pandemic. Excluding the additional provision, operating profit increased by 9 %.

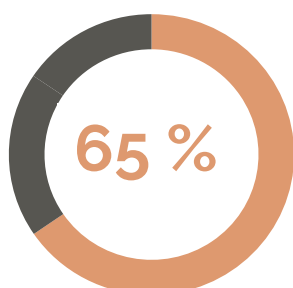
The operating income increased by 3 % to SEK 645.0 million (628.7). The increase was mainly related to higher income from the Norwegian loan portfolio. The operating income margin has decreased to 10.0 % (11.5), which is due to that the growing Norwegian and Finnish loan portfolios have slightly lower interest rate levels than the segment's average.

The operating expenses for the segment have increased by 7 % to SEK 192.1 million (178.9). Higher volumes in Norway and Finland as well as higher marketing expenses contribute to the increase. The segment's C/I ratio amounted to 29.8 % (28.5) during the year.

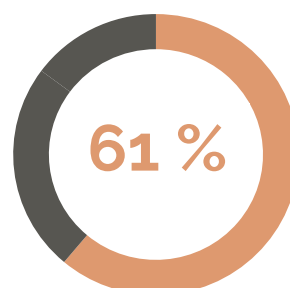
Net loan losses amounted to SEK 144.5 million (196.1) and the loan loss ratio decreased to 2.2 % (3.6). The comparison numbers were affected by an additional loan loss provision of SEK 30 million, and the adjusted loan loss level was 3.0 % in the comparison period. The segment's credit quality has improved over the past year, which has had a positive effect on the loan loss ratio.

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

SHARE OF THE BANK'S LOANS TO THE PUBLIC



SHARE OF THE BANK'S OPERATING INCOME



¹ In this section, loan portfolio refers to loans to the household sector in stage 1 and 2, gross (see note 4 and 23).

CONSUMER LENDING

Within Consumer Lending we have continued to focus on the Nordic market and despite the pandemic, the credit quality for the segment improved during the year. Espen Johannesen, Head of Consumer Lending, talks about the development during the year and the potential going forward.

Consumer Lending is TF Bank's largest segment and the offer consists of unsecured consumer loans. At the end of 2021, the average loan amounted to approximately SEK 62,000, which is lower than the industry average.

- Responsible lending is the core of our business. Our business is based on creating growth without exposing consumers to unnecessary risks. Despite the pandemic, we have succeeded in combining responsible lending with profitable growth in all markets. We have adhered to the customer segment we want and the business model we work by.

The pandemic has made it tempting for businesses in the industry to increase their average lending amount, however, TF Bank has not followed the trend.

- Customers borrow mainly on rational grounds and when they have an actual need. We offer consumer loans with competitive terms that customers can also redeem in full whenever they wish. At the beginning of the pandemic, we were unsure of how loan losses would develop, but we experienced that reduced consumption first led to increased savings. The increased savings in combination with national support packages led to our customers paying more punctually on their loans. The increased savings ratio among our customers has also led to lower loan losses today than we had before the pandemic and to greater access to financing through savings accounts.



The loan portfolio in the segment has increased by 18 % in local currencies during 2021, which is mainly attributable to Norway and Finland.

- The growth in 2021 has been with a satisfactory margin despite the pandemic. At TF Bank, we have the advantage of being able to optimise our profitability and growth by allocating our capital to several different countries.

Having a pure business without unnecessary risk-taking has been an important aspect of TF Bank's growth strategy throughout the years.

- Risk awareness and humility is something we continue to include in everything we do. This applies not only to the Consumer Lending segment, but to the entire TF Bank. We are a different bank today than we were five years ago and we are constantly evolving. We grow without sacrificing our core values.

E-COMMERCE SOLUTIONS

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 Avarda brand and in the Baltics as well as Poland under the TF Bank brand. In total, the Bank has had 257 (196) active commercial partners during the fourth quarter.

The Avarda brand has over the past year experienced a commercial breakthrough in the Nordic markets. With implementations of retailers such as Boozt and Wakakuu during 2021, the market position has been further strengthened. Through an attractive white label solution, the customer offer has a focus on supporting the retailers in their growth and ambition to build their own brands. Initiatives such as Avarda Return Optimiser (ARO) is part of the work in offering products and services that aim to be relevant for our commercial partners in more ways than by just offering a payment solution. In total, the transaction volumes for the segment have increased by 90 % compared to last year.

The loan portfolio

The loan portfolio amounted to SEK 2,070 million (1,349) an increase in local currencies of 51 % compared to December 2020. Currency effects affected the loan portfolio positively by 2 %. The segment's new lending has increased to SEK 4,018 million (2,335). This is mostly explained by an increased number of partners and expanded cooperation with existing retailers.

The Nordic loan portfolio has increased to SEK 1,452 million (849) over the past year and comprises 72 % of the segment. In Finland, the portfolio has increased by 41 % to EUR 74.6 million (52.9) during 2021. The increase is explained by a continued growth for e-commerce and by implementing several new partners. The Swedish loan portfolio has increased by 109 % to SEK 511 million (245) following strong sales

development during the past quarters. In Norway the loan portfolio has increased by 269 % to NOK 149 million (40.4). In Denmark, the loan portfolio amounted to DKK 19.2 million (26.4).¹

The loan portfolio in Estonia has increased by 28 % to EUR 21.9 million (17.1) during 2021. The increase is mainly explained by growth from existing larger retailers, but also a continued strong inflow of new partners. In Poland, the loan portfolio has increased by 11 % to PLN 147 million (133).¹

Results

The operating profit for the segment has increased by 41 % to SEK 56.2 million (39.8). The increase is mostly related to increasing operating income and a lower loan loss ratio compared to 2020.

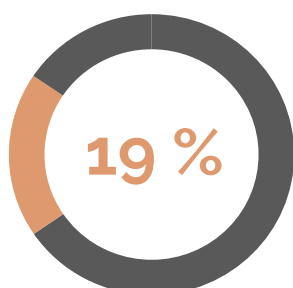
The operating income increased by 38 % to SEK 253.7 million (183.7). The increase is mainly attributable to higher transaction volumes in several geographic markets compared to 2020, resulting in a strong growth for the interest income as well as growing fee and commission income. The operating income margin amounted to 14.8 % (15.3).

The operating expenses for the segment have increased by 47 % to SEK 159.0 million (108.5). This is explained by increased sales-related costs, more employees and an increased investment pace in product development. The C/I ratio amounted to 62.7 % (59.0).

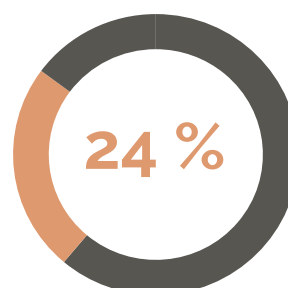
Net loan losses increased by 9 % to SEK 38.5 million (35.4). The net loan loss ratio however decreased to 2.3 % (2.9), mainly due to strengthened credit quality in the segment following implementations of partners with a history of lower loan loss ratios.

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

SHARE OF THE BANK'S LOANS TO THE PUBLIC



SHARE OF THE BANK'S OPERATING INCOME



¹ In this section, loan portfolio refers to loans to the household sector in stage 1 and 2, gross (see note 4 and 23).

ECOMMERCE SOLUTIONS

It is just over four years since Avarda became part of TF Bank's segment Ecommerce Solutions. Despite the pandemic, the segment has succeeded in building a competitive platform, both in the Swedish market and in other markets where the segment operates. Mikael Johansson, Head of Ecommerce Solutions, talks about the work that has been done and the ambitions ahead.

- Today consumers can shop around the clock no matter where they are. With just a few clicks, they can compare prices, order products and pay via an external payment solution. We want to add value for the merchant and make sure that their brand is visible throughout the whole purchase chain. Ideally, the shopping experience should begin and end at the merchant. This is made possible through our Avarda Checkout + and Avarda Marketing Opportunities solutions, which handle the entire after flow.

Checkout + is a white label payment solution which is tailored to the merchant's specific needs. TF Bank has intensified its sales efforts by launching the marketing tool Avarda Marketing Opportunities (AMO). The solution gives the merchant full control over the customer's purchase and adds more communication opportunities with customers.

- A problem in the e-commerce industry is increased returns, especially in fashion. The newly launched Avarda Return Optimiser (ARO) has been developed to minimise the merchants' return flows and reduce their costs as well as reduce the environmental impact.

The check-out and payment solutions are currently used by a growing number of merchants in Sweden, Finland, Norway, Denmark, Estonia and Poland.



- In 2021, we have had the goal of expanding to new markets in the Baltics. We have invested heavily in sales and marketing, but also in IT systems and personnel to manage future growth.

TF Bank has extensive experience of payment solutions and has established a stable IT system that can handle large volumes and increase growth.

- Our goal for the future is to continue to build and improve our offering and our product, that is the key. There are plenty of organic growth opportunities with the products that we have today and the platform we have built.

CREDIT CARDS

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. At the offices in Berlin and Szczecin, local employees are working with marketing and customer service. 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 and our credit cards will be compatible with both Google and Apple Pay during the first quarter of 2022. At the end of the year, the number of active German credit cards amounted to approximately 67,000.

The offering in Norway has been part of the Bank since 2015. Since the start of 2020, the business is organised under TF Bank's Norwegian branch. At the end of the year, the number of active Norwegian credit cards amounted to approximately 13,000. During 2022, the Norwegian credit cards will be transferred from VISA to Mastercard, which is expected to contribute to a streamlining of TF Bank's credit card business.

The loan portfolio

The loan portfolio amounted to SEK 1,688 million (766), an increase in local currencies of 115 % compared to December 2020. The segment's new lending has increased by 129 % to SEK 2,447 million (1,068). The increase is mainly related to the operations in Germany.

The loan portfolio in Germany has increased by 154 % to EUR 127 million (50.0) during 2021. The growth is attributable to an increased number of newly issued credit cards as well as increased utilisation of cards that previously have been issued. Marketing in new channels have had a certain positive effect on growth. The transaction volume per active card has been affected by pandemic-related restrictions in Germany.¹

The loan portfolio in Norway has increased by 28 % to NOK 235 million (183) over the past year. The Norwegian authorities' travel restrictions have had a slightly dampening effect on growth during the first half of 2021. However, volumes have increased significantly during the second half of the year.¹

Results

The operating profit for the segment amounted to SEK -12.0 million (-30.9). The result for the year is burdened by investments related to the German credit card expansion. Higher income contributed to an operating profit of SEK 2.4 million (-5.2) in the fourth quarter.

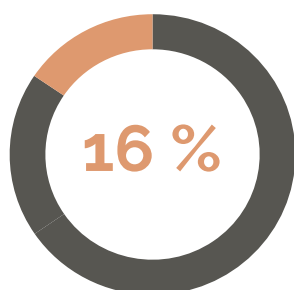
The operating income increased by 146 % to SEK 156.6 million (63.7). The increase is mostly related to the high growth in Germany. The operating income margin amounted to 12.8 % (12.0) and was affected by the fact that new customers mainly are generated through loan intermediators.

The operating expenses for the segment increased by 71 % to SEK 91.1 million (53.4). The increase in absolute numbers is mainly affected by more employees, higher sales-related costs and marketing in new channels. However, the C/I ratio decreased to 58.2 % (83.8) thanks to economies of scale in the business model.

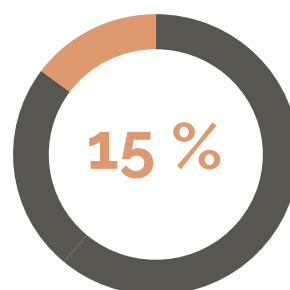
Net loan losses increased by 88 % to SEK 77.5 million (41.2). The increase is mainly related to actual loan losses but is also impacted by higher provisions for expected credit losses according to IFRS 9. Towards the end of the second quarter 2021, an agreement for the continuing sales of past due loans in Germany was signed. The segment's loan loss ratio has decreased to 6.3 % (7.8).

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

SHARE OF THE BANK'S LOANS TO THE PUBLIC



SHARE OF THE BANK'S OPERATING INCOME



¹ In this section, loan portfolio refers to loans to the household sector in stage 1 and 2, gross (see note 4 and 23).

CREDIT CARDS

TF Bank started the operations in the German market with the launch of savings accounts in 2017. Credit Cards were introduced on a small scale in 2018 and later established as separate segment within the Bank in 2020. Verena Neudecker, Country Manager for TF Bank Germany describes the progress the segment has made this year and the plans onwards.

- The German market has grown not only in portfolio size, but also in terms of employees throughout the year 2021. It is partly due to the recruitment of experienced individuals that we have managed to grow to the extent that we see today. Despite the restrictions caused by the pandemic, we managed to exceed the milestone of EUR 100 million in portfolio size this summer.

Within the Credit Cards segment TF Bank offers Mastercard Gold and Credits Gold to creditworthy individuals in Germany and Norway respectively. In combination with the credit card, TF Bank has developed a proprietary app that launched in September 2020.

- We are bringing it down to basics. Our offer consists of a credit card that is free of charge and includes flexible repayment options. What makes TF Bank's offer stand out amongst competitors is that we are able to offer our customers a combination of an application form that is easy to understand and a quick onboarding process.

TF Bank's scoring model is continuously under development in order to optimise the future actual loan loss levels.

- Product development was our key focus during 2021. Improvements were made to both the credit card and the accompanying app.



Verena was appointed the position of Country Manager for TF Bank Germany in August 2021. The Credit Card segment had an impressive growth of 115 % in local currencies during 2021 and showed profitability during the fourth quarter.

- Our goal for 2022 is to bring the business to the next level. We wish to combine profitable growth with a low loan loss level. We plan to further develop our product and the features that come with it.

OTHER FINANCIAL INFORMATION

Annual General Meeting 2022

The Annual General Meeting 2022 will be held on Tuesday 3 May 2022. Notice of the Annual General Meeting will be published no later than Tuesday 5 April 2022.

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 2021. The total dividend to shareholders according to the proposal will be SEK 21.5 million.

Financial targets

The 17 October 2021 the Board of TF Bank has adopted the following financial targets:

Growth

TF Bank's aim is to achieve a loan portfolio of SEK 20 billion by first half of 2025.

Profitability

TF Bank's aim is to achieve a return on equity well above 20 %.

Capital structure

TF Bank's aim is that all capital ratios should exceed the regulatory requirement (including pillar 2 and buffer requirements) 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 Bank'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. The AGM in 2021 adopted the following guidelines for remuneration of TF Bank's senior executives:

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

TF Bank was founded 1987 and is an internet-based niche bank offering consumer banking services and e-commerce solutions through a proprietary IT platform with a high degree of automation. Deposit and lending activities are conducted in Sweden, Finland, Norway, Denmark, Estonia, Latvia, Lithuania, Poland, Germany 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 Bank's business strategy and the safeguarding of the Bank's long-term interests, including its sustainability, requires the Bank to be able to recruit and retain qualified members of staff. This means that the Bank must be able to offer a competitive remuneration package. The guidelines enable the Bank to offer a competitive remuneration package to its executive management.

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

The forms of remuneration etc.

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

The fulfilment of 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 Bank's position has not declined substantially. If the conditions for payment are not met, the remuneration shall be cancelled in whole or in part.

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

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

Termination of employment

In the event of termination of employment by the Bank, the notice period may not exceed 12 months. Fixed salary during the notice period and severance

OTHER FINANCIAL INFORMATION

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 individualised 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 fulfilment 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 fulfilment 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 Boards 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 Boars 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

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 Meeting in 2018 a share warrant programme was adopted comprising a total of 1,372,338 warrants. The share 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

Covid-19 continued to affect TF Bank during 2021 and the Bank's personnel to a large extent have worked remotely in accordance with national recommendations. During the year, management have held a close dialogue with the respective country manager to be updated on the situation locally.

At the end of the first quarter of 2020, TF Bank made an extra loan loss provision of SEK 30 million as a result of the uncertain macroeconomic situation. In connection with the 2020 annual accounts, the provision was transferred into the ordinary provisioning model. For further information, see page 19 in the annual report for 2020.

No significant disruptions occurred in the Bank's operations during the year, but there is still some uncertainty about the humanitarian and economic consequences of the pandemic. It can therefore not be ruled out that TF Bank's operations, new lending and credit losses may be negatively affected by Covid-19 in the future.

Risks and uncertainties

Different types of risks arise in the Bank's business operations. The risks can be actualised in different ways within the business. The following main risk categories have been identified:

- Credit risks (including those attributable to the credit portfolio, credit-related concentration risks and counterparty risks)
- Market risks (interest rate, currency and other exchange risks)
- Liquidity risks
- Operational risks (including process risks, personnel risks, IT and systemic risks and external risks)
- Other business risks (including strategic risks, business risks, cyclical risks and reputational risks)

The Bank estimates credit risks, liquidity risks and operational risks as the most significant risks that arise within the framework of its banking operations. 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 33.

The banking operations are subject to extensive regulations concerning capital adequacy and liquidity requirements, which are primarily governed by the regulatory package that comprises Capital Requirements Directive (CRD) and Capital Requirements Regulation (CRR), which jointly implement the Basel agreement within the European Union (collectively known as the "Basel regulatory framework"). The Basel regulatory framework includes certain capital requirements that are intended to be adjustable over time and that are dependent on such factors as the presence of cyclical and structural systemic risks. At all times, the Bank must fulfil the specified capital and liquidity requirements and have capital and access to liquidity. TF Bank monitors changes related to capital and liquidity requirements and takes these into consideration regarding the financial targets.

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

Environment

Environmental resources are used responsibly and conservatively throughout the Bank's entire operations. The Bank strives to conduct its operations in an environmentally sustainable way by, for example, enhancing efficiency and investing in sustainable products and services.

Sustainability report

In accordance with Chapter 6 Section 11 of the Annual Accounts Act, TF Bank has chosen to establish the statutory Sustainability Report as a report separated from the Directors' Report in the Annual Report. The Sustainability Report was submitted to the auditor at the same time as the Annual Report. The Sustainability Report appears on the pages 89-99.

FINANCIAL INFORMATION



INCOME STATEMENT

SEK thousand	Note	2021	2020
Operating income	2,3,4		
Interest income	7	1,074,113	911,945
Interest expense	8	-120,439	-122,648
Net interest income		953,674	789,297
Fee and commission income		140,478	103,556
Fee and commission expense		-34,265	-18,968
Net fee and commission income	9	106,213	84,588
Net results from financial transactions	10	-4,600	2,185
Total operating income		1,055,287	876,070
Operating expenses			
General administrative expenses	11,12,13,31	-380,224	-302,508
Depreciation and amortisation of tangible and intangible assets	14,15,24	-28,638	-20,674
Other operating expenses	16	-33,303	-17,573
Total operating expenses		-442,165	-340,755
Profit before loan losses		613,122	535,315
Net loan losses	17	-260,564	-272,676
Operating profit		352,558	262,639
Tax on profit for the year	18	-75,352	-59,920
Profit for the year		277,206	202,719
<i>Profit for the year attributable to:</i>			
<i>Shareholders of the Parent Company</i>		269,875	195,769
<i>Additional tier 1 capital holders</i>		7,331	6,950
<i>Basic earnings per share (SEK)</i>		12.55	9.11
<i>Diluted earnings per share (SEK)</i>		12.55	9.11

STATEMENT OF OTHER COMPREHENSIVE INCOME

SEK thousand	2021	2020
Profit for the year	277,206	202,719
Other comprehensive income		
Items that may subsequently be reclassified to the income statement		
Exchange rate differences during the period, net of tax	-	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	277,206	202,719
<i>Comprehensive income for the year attributable to:</i>		
<i>Shareholders of the Parent Company</i>	269,875	195,769
<i>Additional tier 1 capital holders</i>	7,331	6,950

BALANCE SHEET

SEK thousand	Note	31 Dec 2021	31 Dec 2020
	2,3,5,6,19,20		
ASSETS			
Cash and balances with central banks		1,270,092	1,097,991
Treasury bills eligible for refinancing, etc.	21	316,411	60,022
Loans to credit institutions	22	779,636	960,989
Loans to the public	4,23	10,872,285	7,922,448
Shares		257	20,135
Shares in subsidiaries	32	341	316
Goodwill	24	10,202	11,477
Intangible assets	14	71,365	61,762
Tangible assets	15	2,699	2,658
Other assets	25,31	21,842	36,154
Deferred tax assets	26	4,781	47
Prepaid expenses and accrued income		40,905	29,447
TOTAL ASSETS		13,390,816	10,203,446
LIABILITIES AND EQUITY			
Liabilities			
Deposits and borrowings from the public	27	11,504,749	8,714,032
Other liabilities	28,31	94,020	52,864
Current tax liabilities		36,089	1,832
Deferred tax liabilities	26	5,641	5,642
Accrued expenses and prepaid income	29	121,584	100,318
Subordinated liabilities	30	198,042	245,053
Total liabilities		11,960,125	9,119,741
Equity			
Restricted equity			
Share capital		107,500	107,500
Statutory reserve		1,000	1,000
Development costs fund		71,365	61,762
Other contributed capital		-	-
Total restricted equity		179,865	170,262
Non-restricted equity			
Tier 1 capital instrument		200,000	100,000
Retained earnings		773,620	610,724
Comprehensive income for the period		277,206	202,719
Total non-restricted equity		1,250,826	913,443
Total equity		1,430,691	1,083,705
TOTAL LIABILITIES AND EQUITY		13,390,816	10,203,446

STATEMENT OF CHANGES IN EQUITY

SEK thousand	Restricted equity				Non-restricted equity			Total equity
	Share capital ¹	Statutory reserve	Development costs fund	Other contributed capital	Tier 1 capital instrument ²	Retained earnings	Profit for the year	
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
Other comprehensive income for the year	-	-	-	-	-	-	-	-
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 result	-	-	-	-	-	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
Equity as at 1 Jan 2021	107,500	1,000	61,762	-	100,000	610,724	202,719	1,083,705
Profit for the year	-	-	-	-	-	-	277,206	277,206
Other comprehensive income for the year	-	-	-	-	-	-	-	-
Transfer of previous year's profit	-	-	-	-	-	202,719	-202,719	-
Dividend paid to shareholders	-	-	-	-	-	-21,500	-	-21,500
Capitalisation of development costs	-	-	36,194	-	-	-36,194	-	-
Amortisation of capitalised development costs	-	-	-26,591	-	-	26,591	-	-
Interest Tier 1 capital	-	-	-	-	-	-7,331	-	-7,331
Issue of Tier 1 capital	-	-	-	-	100,000	-	-	100,000
Transaction costs, issue of Tier 1 capital	-	-	-	-	-	-1,750	-	-1,750
Tax effect, transaction costs issue of Tier 1 capital	-	-	-	-	-	361	-	361
Equity as at 31 Dec 2021	107,500	1,000	71,365	-	200,000	773,620	277,206	1,430,691

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

² Perpetual bonds, SEK 100 million with interest terms STIBOR 3 months +6.75% and first possible redemption 7 June 2023, and SEK 100 million with interest terms STIBOR +6.25% and first possible redemption 1 December 2026.

CASH FLOW STATEMENT

SEK thousand	2021	2020
Operating activities		
Operating profit	352,558	262,639
<i>Adjustment for items not included in cash flow</i>		
Depreciation and amortisation of tangible and intangible assets	28,638	20,674
Accrued interest income and expense	6,681	6,813
Other non-cash items	-12	476
Paid income tax	-41,095	-72,364
	346,770	218,238
Increase/decrease in loans to the public	-2,949,837	-1,426,668
Increase/decrease in other short-term receivables	-29,573	37,360
Increase/decrease in deposits and borrowings from the public	2,790,717	1,516,957
Increase/decrease in other short-term liabilities	67,152	6,060
Cash flow from operating activities	225,229	351,947
Investing activities		
Investments in tangible assets	-1,452	-1,581
Investments in intangible assets	-35,554	-23,753
Investments in subsidiaries	-25	-
Cash flow from investing activities	-37,031	-25,334
Financing activities		
Issue of Tier 1 capital	98,611	-
Issue of Tier 2 capital	-	100,000
Redemption of Tier 2 capital	-47,000	-53,000
Interest on Tier 1 capital	-7,331	-6,950
Redemption of warrants	-	-7,724
Dividend to shareholders	-21,500	-
Cash flow from financing activities	22,780	32,326
Cash flow for the year	210,978	358,939
Cash and cash equivalents at the beginning of the year	2,119,002	1,320,411
Cash and cash equivalents from merger	-	500,528
Exchange rate difference in cash and cash equivalents	36,159	-60,876
Cash and cash equivalents at the end of the year	2,366,139	2,119,002
<i>Cash flow from operating activities includes interest expenses paid and interest payments received</i>		
Interest expenses paid	125,170	112,752
Interest payments received	923,990	771,836
Components of cash and cash equivalents		
Cash and balances with central banks	1,270,092	1,097,991
Treasury bills eligible for refinancing	316,411	60,022
Loans to credit institutions	779,636	960,989
Total cash and cash equivalents	2,366,139	2,119,002

NOTES

NOTE 1 General information

TF Bank AB, corporate identity number 556158-1041, is a bank limited company with its registered office in Borås, Sweden, which has a license to conduct banking operations. The Bank conducts deposit and/or lending activities to private individuals in Sweden, Finland, Norway, Denmark, Estonia, Latvia, Lithuania, Poland, Germany and Austria via a branch or cross-border banking license.

The address of the head office is PO Box 947, SE-501 10 Borås.

The Bank has chosen to apply the exception in Ch. 7 Section 6a in the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and not present consolidated financial statements due to the fact that the subsidiaries below, both individually and together, are without substantial significance:

Branches

- TF Bank AB, Finland branch (2594352-3)
- TF Bank AB, Poland branch (PL9571076774)
- TF Bank AB, Estonia branch (14304235)
- TF Bank AB, Norway branch (923 194 592)
- TF Bank AB, Latvia branch (50203334311)

Subsidiaries

- TFB Service SIA (40203015782) 100%
- TFB Service UAB (304785170) 100%
- TFB Service GmbH (HRB 208869 B) 100%
- TFB Service AB (559310-4697) 100 %

The term "Bank/Company" refers to TF Bank AB together with its branches.

On 17 March 2022, the Board of Directors approved this Annual Report for publication, for adoption by the AGM in 2022.

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 financial statements, unless otherwise stated.

TF Bank'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.

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 Bank 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 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 Bank'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 and available customer information to make as reasonable assumptions about the future as possible. In connection with the implementation of IFRS 9, the Bank performed quantitative analyses of a number of macroeconomic parameters without finding any given correlations with the Bank's credit losses. 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 the Company's 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.

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

Below is a description of the changed accounting principles that TF Bank applies from 1 January 2021.

Changes in IFRS as a result of the reference interest rate reform (IBOR reform phase 2)

The Bank applies the amendments made to IAS 39 concerning the reference interest rate reform phase 2 from 1 January 2021. Amendments to phase 2 contain practical relief from certain requirements in IFRS standards. The reductions are attributable to accounting for the modification of financial instruments that took place as a direct consequence of the reference interest rate being replaced by a new alternative reference interest rate. The changes also allow for relief in terms of hedge accounting when the reference rate is replaced by a new alternative reference rate.

If the contractual cash flows for a financial asset or financial liability that is valued at amortised cost change as a result of the reference interest rate reform, the Bank updates the effective interest rate for the financial asset or financial liability to reflect the change that the reference interest rate reform has entailed.

The changes have been applied retroactively. As the Company did not have any transactions for which the reference rate has been replaced by an alternative reference rate as of 31 December 2020, there is no impact on the opening balance 1 January 2021 for equity as a result of the retroactive application.

IFRS IC agenda decision (IU 03-19)

In 2021, the IFRS Interpretation Committee published an agenda decision on costs to configure and adapt software in a Software as a Service arrangement (SaaS), i.e. a cloud-based software solution. These costs can no longer be recognised as an intangible asset and should instead be seen as a service that the customer receives over the contract term. This is because the customer usually does not control the software being configured or adapted and the services do not create a separate intangible asset. This decision has not had any impact on the Bank as there are only proprietary software recognised as intangible assets.

Note 2 cont.

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 Bank 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 2021 annual report.

Insurance contracts (IFRS 17)

IFRS 17 was issued in May 2017 and is to be applied from 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 Bank'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 Bank's financial position, results, cash flow or note disclosures.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Bank's entities are measured using the currency of the primary economic environment in which the branch operates (functional currency). The currency used in the financial statements is Swedish kronor (SEK), which is TF Bank AB's functional currency and the 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.

Foreign branches

The results and financial position of all branches whose functional currency is different from the presentation currency are translated into the Bank's presentation currency by translating the assets and liabilities from each of the balance sheets 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. Since the items are seen as balances with the foreign branches, all recalculations are reported over the net result of financial transactions.

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 rate 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 Bank, 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 straight-line 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 Bank 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.

Intangible assets are tested for impairment on an annual basis or when there is an indication of impairment. The assets' 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

The goodwill presented in the Bank's balance sheet is attributable to the merger that was implemented at the beginning of 2020 between TF Bank AB and the former subsidiary BB Bank ASA. The item is based on the acquisition of the subsidiary in 2015.

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.

Goodwill has an indefinite useful life and in accordance with RFR 2, the Company writes off the item over 60 months.

Financial instruments – classification, recognition and measurement

The classification and valuation of financial assets is based on an assessment of both the Bank's business model for the management of financial assets, and whether the instruments' contractual cash flows only include payments of principal and interest. As a general rule, financial liabilities are reported at amortised cost.

Note 2 cont.

The exception is financial liabilities, which must be valued at fair value through the profit and loss.

Financial assets are classified, in accordance with IFRS 9, into one of the following categories:

1. amortised cost
2. fair value through other comprehensive income
3. fair value through profit and loss

Financial liabilities are classified, in accordance with IFRS 9, into one of the following categories:

1. amortised cost
2. fair value through profit and loss

At the initial recognition, all financial assets and liabilities are reported at fair value. For assets and liabilities that are classified at fair value through profit and loss, transaction costs are recognised directly through profit and loss at the time of acquisition. For other financial instruments, transaction costs are included in the acquisition value. The classification of financial instruments into different categories forms the basis for how each financial instrument is subsequently valued in the balance sheet and how changes in its value are reported. Note 5 "Classification of financial assets and liabilities" shows how TF Bank has categorised its financial instruments.

Amortised cost

This category includes financial assets that are valued at amortised cost since the assets are included in a business model with the purpose to hold the financial assets to collect the contractual cash flows and that the agreed terms for the assets contributes to cash flows, that only consist of principal and interest on the remaining principal at certain times. This category includes the bank's loan receivables and accounts receivable.

Financial assets and liabilities valued at amortised cost are initially reported in the balance sheet at fair value, including transaction costs. After the initial recognition, the instrument in this category is valued at amortised cost using the effective interest method minus the provisions for financial assets.

Fair value through other comprehensive income

Financial assets classified as fair value through other comprehensive income are held according to a business model whose objectives can be achieved both by collecting contractual cash flows and selling financial assets, and the terms at certain times give rise to cash flows consisting only of principal amounts and interest on the outstanding principal amount. Changes in fair value, apart from interest rates, are reported in other comprehensive income. Interest is reported in the income statement in either "Interest income" or "Interest expenses".

Fair value through profit and loss

Financial assets and liabilities valued at fair value through profit and loss if they are not to be valued in any of the other categories. These assets and liabilities are valued at fair value excluding transaction costs. All changes in value of these items are reported directly in the income statement in "Net results from financial transactions". The financial instruments that are valued at fair value through TF Bank's profit and loss comprise derivative instruments held for trading purposes and shares whose cash flows do not meet the cash flow criteria.

Recognition and derecognition

Financial assets and financial liabilities are reported in the balance sheet on the business day, which is the day on which the agreement is entered into, in addition to financial assets classified as amortised cost which are reported on the settlement date. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired or has been transferred and the Bank has transferred virtually all risks and benefits associated with ownership to another party. A financial asset and a financial liability are netting off and reported at the netting amount in the bal-

ance sheet, only when there is a legal right to net off the amounts, and the intention is there to settle the posts with a net amount or to simultaneously realise the asset and settle the liability. When a loan is modified, the Bank makes an assessment of whether the modification results in removal from the balance sheet.

A loan is considered to be modified when the terms and conditions governing cash flows change compared to the original agreement, for example due to easing of loan terms, changes in market conditions, measures to retain the customer and other factors unrelated to a borrower's deteriorating creditworthiness. Modified loans are removed from the balance sheet and a new loan is reported either when the existing loan is terminated and a new agreement is entered into with significantly different terms or if the terms of an existing agreement are significantly modified. Modifications solely due to the borrower's financial difficulties, including the provision of relief in loan terms, are not considered significant on their own. Financial liabilities are removed from the balance sheet when the debt is extinguished by the agreement being fulfilled, cancelled or terminated.

Impairment of financial assets

TF Bank has a model for calculating loan loss provisions based on expected loan losses. Expected loan losses are calculated for each individual credit exposure as the discounted product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD). The PD represents the probability that a borrower will default on its obligation. The EAD is an expected exposure at the time of default and the LGD represents the expected loss on a defaulted exposure, taking into account such factors as counterparty characteristics and product type. Expected loan losses are determined by calculating PD, LGD and EAD for each future month up to and including the end of the expected term of a credit exposure. These three parameters are multiplied and in this way the monthly expected loan losses are calculated, which are then discounted back to the reporting date with the original loan interest rate and summed up. A summary of the monthly expected loan losses up to and including the end of the expected term gives the expected loan losses for the asset's remaining term and the sum of the loan losses that are expected to occur within 12 months gives the expected credit losses for the next 12 months. Furthermore, this is supplemented with risk parameters that are used to calculate expected loan losses. In cases where the effect of relevant factors is not captured by risk models, the Bank uses expert adjustments. In connection with the implementation of IFRS 9, the Bank performed quantitative analyses of a number of macroeconomic parameters without finding any given correlations with the calculation of loan loss provisions.

The financial assets that are subject to impairments are further divided into three categories based on the risk of default. The first category includes assets where no significant increase in credit risk has occurred at the time of reporting, in the second where a significant increase in credit risk has occurred, i.e. when the asset is due 30 days or more, and in the third where a loss event has occurred, i.e. that the credit is due 90 days or more. For assets in the first category, impairments are reported based on expected losses over the next twelve months, while for categories two and three, expected losses are reported over the entire term of the asset.

Provisions for loans in category 3 are made with 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 levels that are applied to each generation of loan receivables.

The calculation of the lifetime for credit cards and other revolving credits as well as provisioning of unused credit limits is based on predictive models about the future limit use and statistical repayment plans. The models are based on internal historical

Note 2 cont.

data where different models are used for homogeneous groups of credits with similar explanatory variables.

Definition of default and credit impaired assets

Default is an input to the PD, which affects both the identification of a significant increase in credit risk and the measurement of the expected credit losses. Financial assets that are classified as credit impaired are included in category 3. The Bank's definitions of default and credit impaired assets in accordance with IFRS 9 correspond in all material respects to the Bank's regulatory definition of default as it is used in credit risk management purposes. Default and credit impairment are triggered when one of the following occurs: a borrower has unpaid obligations more than 90 days past due, is deceased, is declared in bankruptcy or similar, or the loan has been sold to external parties. In assessing whether it is unlikely that a borrower will pay its loan obligations, the Bank takes into account both qualitative and quantitative factors including, but not limited to, the status of maturities, non-payments, expected relief in loan terms, expected bankruptcy or breach of loan terms.

Determining a significant increase in credit risk since initial recognition

The Bank assesses changes in credit risk using a combination of individual and collective information and reflects significant increases in credit risk at the individual financial instrument level. The forward-looking lifetime probability of default incorporates the effects of past and current forecasted economic conditions. Qualitative indicators are also considered in the stage allocation assessment; for example, whether a borrower is monitored on the watch list or has been extended performing forbearance measures. Furthermore, a significant increase in credit risk is considered to have occurred for all financial instruments which are 30 days past due. The Bank applies this policy to financial instruments issued to sovereign and financial institutions only. A financial instrument is no longer considered to have experienced a significant increase in credit risk when all indicators are no longer breached.

Derivative instruments

Derivative instruments are recognised in the balance sheet on the contract date and measured at fair value through profit and loss, both on initial recognition and at subsequent remeasurements. The profit or loss that arises from revaluation is reported in "Net results from financial transactions".

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 interest is paid quarterly. The financial instruments classified as equity are perpetual bonds with possible voluntary redemption after five years from the date of issue. The interest terms are Stibor plus margin and interest is paid quarterly. For more detailed terms, see the prospectus on the Bank's website www.tfbankgroup.com, footnote on page 27 and note 30.

Interest attributable to financial instruments that are classified as financial liabilities is reported as interest expense and interest for financial instruments that are classified as equity is reported in equity.

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 profit and loss, the corresponding tax effects are also recognised in profit and loss. 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 Bank only has defined contribution plans. A defined contribution pension plan is a pension plan under which the Bank pays fixed contributions to a separate legal entity. The Bank 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.

Share-based payments

When the Bank receives services from employees and incurs obligations to settle transactions with employees with its own equity instruments, they are reported as share-based payments. The fair value of the service that entitles the employees to the allocation of equity instruments is reported as an expense within equity at the time the services are received. For share-based payments to employees that are settled with own equity instruments, the services received are valued by reference to the fair value of the allocated equity instruments

Provisions

Provisions are recognised when the Bank 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, arrangement fees and notification charges are recognised over the expected term of the loan. Invoicing charges are also included in interest income.

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

Note 2 cont.

Commission income and expense

TF Bank recognises reminder fees, insurance premium fees and other fees and in commission income. Commission income is recognised in profit and loss 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 in foreign currency.

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.

Shares 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 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 subsidiaries.

Dividend

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

Financial risks

TF Bank's activities are exposed to a variety of financial risks: credit risk, market risk (extensive currency risk and interest rate risk) and liquidity risk. 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 Bank's financial results. The Board establishes written policies with regards both the overall risk management and for the specific areas.

Credit risk

Credit risk is the risk that a counterparty causes the Bank a financial loss by not fulfilling its contractual obligations. Credit risk arises primarily through lending to the public and is the most significant risk in the Bank. Credit risk 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 Bank'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 Bank'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 ordinary Board meeting.

Before a loan is issued, a risk assessment is done for the customer's creditworthiness, taking into account the customer's financial position, such as external information, scoring, repayment capacity as well as past history with the Bank 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 Bank's use of credit limits for loans to the public is strictly limited and is regularly monitored. TF Bank cannot enter into credit agreements with legal entities in which related parties have significant economic interest without the approval of the Board of Directors.

The Bank's credit approval process maintains high standards regarding ethics, quality and control. Despite credit risk being the largest risk exposure for The Bank, the provision for loan losses is small in proportion to the outstanding loan volume (see Note 23). The is due to that The Bank 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 Bank's performance and risk profile. As a result, The Bank realises expected loan losses on a monthly basis through the sale of past due loans. In connection with sale of past due loans all risks are transferred to the counterpart. The remaining portfolio has a limited number of non-performing loans in stage 3 and consequently a relatively low level of provisions.

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

The objective of The Bank'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 Bank's loans to the public consist primarily of unsecured consumer loans. As a result, TF Bank does not list credit risk exposures in a separate table as there are limited assets pledged as security.

Credit risk may even arise through placement of liquidity and derivative instruments with a positive value. By setting limits for the maximum exposure to each counterparty, the credit risk of liquidity placement becomes limited. According to The Bank's financial policy, the maximum amount of Tier 1 capital that may be placed with The Bank's permitted counterparties is 25 %, with the exception of institutions for which the permitted amount is 100 % of Tier 1 capital.¹ Treasury bills, government bonds and balances with central banks, as well as exposure to subsidiaries, are exempted from both limits.

Market risk

(i) Currency risk

Exchange rate risk arises when TF Bank holds positions in financial instruments denominated in foreign currencies. Currency risk involves the following currencies: EUR, NOK, DKK, PLN and USD. According to The Bank's financial policy, currency risk is managed through the statement of financial position by continuously exchanging the earnings in foreign currencies to SEK. The Bank uses even forward contracts for EUR, NOK, DKK, PLN and USD. Forward contracts normally have a maturity of between 1-5 months.

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 8.6 %. Other variables are kept constant. TF Bank has chosen the level 8.6 % by analysing the biggest exchange rate movements between specific dates in the period 2011-2021 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 RISK

SEK thousand	2021	2020
EUR	+/- 667	+/- 683
NOK	+/- 424	+/- 376
DKK	+/- 9	+/- 18
PLN	+/- 216	+/- 113
USD	+/- 0	-

¹ According to Article 25 of Regulation (EU) No 575/2013, Tier 1 capital is the sum of the Common Equity Tier 1 capital and Additional Tier 1 capital for capital adequacy purpose.

Note 3 cont.

(iii) Interest rate risk

Interest rate risk arises when TF Bank has different maturities or different fixed interest terms for assets and liabilities. The main part of TF Bank's assets matures with variable rate of interest. At the same time, TF Bank has chosen to offer deposits at fixed rate of interest to minimise The Bank's liquidity risk. A change of the market interest rate by 1 percentage-point, increase/decrease the Bank's interest expenses for the next 12 months by SEK 30 million calculated on interest-bearing assets and liabilities on the closing date.

TF Bank aims to match the fixed-term deposits through investing part of the liquidity reserve in longer term government bonds to minimise the capital requirement for interest rate risk in the banking book. According to the financial policy, at maximum, 30 % of The Bank's available liquidity may have a remaining term of more than six months. As at the balance sheet date, TF Bank holds Norwegian government bonds amounting SEK 256 million (-) with a remaining maturity of just over 4 years, which corresponds to 12 % (-) of the available liquidity.

Liquidity risk

The main liquidity risk comprises The Bank'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. To ensure that TF Bank does not end up in a liquidity crises, the financial policy regulates the minimum level of available liquidity reserve to be maintained. Management carefully monitors The Bank'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 securities issues and equity.

As at the balance sheet date, The Bank's liquidity reserve amounted to SEK 2,217 million (2,094), which corresponds to 19 % (24) of The Bank's deposits from the public. The Bank's liquidity coverage ratio was 353 % (556) and the ratio of deposits from the public/loans to the public was 1.06 (1.10) ¹.

For contractual maturity dates for liabilities, see Note 20.

Credit quality of loans that are neither past due nor impaired

Credit quality of gross receivables in stage 1 and stage 2 (see Note 23) 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 Bank 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 the Bank's database.

SEK thousand	2021	2020
Household sector		
Low risk	7,323,382	5,290,430
Moderate risk	2,212,003	1,604,507
High risk	1,125,238	899,983
Total	10,660,623	7,794,920

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	2021	2020
Cash and balances with central banks		
AAA	-	179,280
AA+	1,190,663	871,221
AA-	36,299	35,627
A+	37,850	-
A-	5,280	11,863
Treasury bills eligible for refinancing		
AAA	316,411	60,022
Loans to credit institutions		
A-1+	408,396	665,846
A-1	311,045	258,441
A-2	60,195	36,702
Other assets		
A-1+	241	27,390
A-1	12,186	21,160
Unrated	9,342	6,813
Total	2,387,908	2,174,365

¹ According to Article 4 of Commission Delegated Regulation (EU) 2015/61, liquidity coverage ratio should be calculated by dividing the liquidity buffer with net liquidity outflows over a 30-calendar day stress period. The regulatory liquidity coverage ratio requirement is 100 % as of 31 December 2017.

NOTE 4 Segment reporting

The CEO has ultimate responsibility for the decisions taken by the Bank. 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	2021	2020
Net interest income	604,695	590,645
Net fee and commission income	43,471	36,735
Net results from financial transactions	-3,128	1,304
Total operating income	645,038	628,684
General administrative expenses	-170,908	-160,116
Depreciation and amortisation of tangible and intangible assets	-5,639	-7,756
Other operating expenses	-15,596	-11,026
Total operating expenses	-192,143	-178,898
Profit before loan losses	452,895	449,786
Net loan losses	-144,546	-196,074
Operating profit	308,349	253,712

Balance sheet, SEK thousand	31 Dec 2021	31 Dec 2020
Loans to the public		
Household sector	7,076,557	5,807,224
Corporate sector ¹	37,597	-
Total loans to the public	7,114,154	5,807,224
Household sector		
Stage 1, net	6,620,083	5,360,722
Stage 2, net	164,451	202,687
Stage 3, net ²	292,023	243,815
Total household sector	7,076,557	5,807,224

Key figures ³	2021	2020
Operating income margin, %	10.0	11.5
Net loan loss ratio, %	2.2	3.6
Cost/Income ratio, %	29.8	28.5
Return on loans to the public, %	3.6	3.5
New lending, SEK thousand	4,720,963	3,901,806

¹ Lending to the corporate sector consists of loans in category 1 to a counterparty regarding sale of past due loans.

² The Bank regularly sells past due loans in markets where the Board of Directors considers the price level to be favourable for the Bank's performance and risk profile.

³ See separate section with definitions and reconciliation tables, page 68-69.

Note 4 cont.

ECOMMERCE SOLUTIONS

Income statement, SEK thousand	2021	2020
Net interest income	184,868	132,032
Net fee and commission income	69,649	51,176
Net results from financial transactions	-828	458
Total operating income	253,689	183,666
General administrative expenses	-139,247	-96,623
Depreciation and amortisation of tangible and intangible assets	-18,190	-11,075
Other operating expenses	-1,518	-755
Total operating expenses	-158,955	-108,453
Profit before loan losses	94,734	75,213
Net loan losses	-38,533	-35,383
Operating profit	56,201	39,830

Balance sheet, SEK thousand	31 Dec 2021	31 Dec 2020
Loans to the public		
Household sector	2,069,680	1,341,205
Corporate sector ¹	-	8,030
Total loans to the public	2,069,680	1,349,235
Household sector		
Stage 1, net	1,972,671	1,258,251
Stage 2, net	83,557	73,598
Stage 3, net ²	13,452	9,356
Total household sector	2,069,680	1,341,205

Key figures ³	2021	2020
Operating income margin, %	14.8	15.3
Net loan loss ratio, %	2.3	2.9
Cost/Income ratio, %	62.7	59.0
Return on loans to the public, %	2.5	2.5
New lending, SEK thousand	4,018,465	2,334,580
Transaction volume, SEK thousand	6,612,133	3,487,070

¹ Lending to the corporate sector consists of loans in category 1 to a foreign partner within Ecommerce Solutions, which has been fully repaid during Q2 2021.

² The Bank regularly sells past due loans in markets where the Board of Directors considers the price level to be favourable for the Bank's performance and risk profile.

³ See separate section with definitions and reconciliation tables, page 68-69.

Note 4 cont.

CREDIT CARDS

Income statement, SEK thousand	2021	2020
Net interest income	164,111	66,620
Net fee and commission income	-6,907	-3,323
Net results from financial transactions	-644	423
Total operating income	156,560	63,720
General administrative expenses	-70,069	-45,769
Depreciation and amortisation of tangible and intangible assets	-4,809	-1,843
Other operating expenses	-16,189	-5,792
Total operating expenses	-91,067	-53,404
Profit before loan losses	65,493	10,316
Net loan losses	-77,485	-41,219
Operating profit	-11,992	-30,903

Balance sheet, SEK thousand	31 Dec 2021	31 Dec 2020
Loans to the public		
Household sector	1,652,293	765,989
Corporate sector ¹	36,158	-
Total loans to the public	1,688,451	765,989
Household sector		
Stage 1, net	1,584,192	720,073
Stage 2, net	40,222	15,021
Stage 3, net ²	27,879	30,895
Total household sector	1,652,293	765,989

Key figures ³	2021	2020
Operating income margin, %	12.8	12.0
Net loan loss ratio, %	6.3	7.8
Cost/Income ratio, %	58.2	83.8
Return on loans to the public, %	neg	neg
New lending, SEK thousand	2,447,372	1,068,217
Number of active credit cards	79,952	44,833

¹ Lending to the corporate sector consists of loans in category 1 to a counterparty regarding sale of past due loans.

² The Bank regularly sells past due loans in markets where the Board of Directors considers the price level to be favourable for the Bank's performance and risk profile.

³ See separate section with definitions and reconciliation tables, page 68-69.

Note 4 cont.

RECONCILIATION AGAINST FINANCIAL INFORMATION

Income statement, SEK thousand	2021	2020
Operating income		
Consumer Lending	645,038	628,684
Ecommerce Solutions	253,689	183,666
Credit Cards	156,560	63,720
Total operating income	1,055,287	876,070
Operating profit		
Consumer Lending	308,349	253,712
Ecommerce Solutions	56,201	39,830
Credit Cards	-11,992	-30,903
Total operating profit	352,558	262,639

Balance sheet, SEK thousand	31 Dec 2021	31 Dec 2020
Loans to the public		
Consumer Lending	7,114,154	5,807,224
Ecommerce Solutions	2,069,680	1,349,235
Credit Cards	1,688,451	765,989
Total loans to the public	10,872,285	7,922,448

NOTE 5 Classification of financial assets and liabilities

31 Dec 2021 SEK thousand	Financial instru- ments at fair value through profit or loss	Fair value through other com- prehensive income	Amortised cost	Non- financial assets and liabilities	Total
	Compulsory				
Assets					
Cash and balances with central banks	-	-	1,270,092	-	1,270,092
Treasury bills eligible for refinancing, etc.	60,035	-	256,376	-	316,411
Loans to credit institutions	-	-	779,636	-	779,636
Loans to the public	-	-	10,872,285	-	10,872,285
Shares	257	-	-	-	257
Derivatives	241	-	-	-	241
Other assets	-	-	-	151,894	151,894
Total assets	60,533	-	13,178,389	151,894	13,390,816
Liabilities					
Deposits and borrowings from the public	-	-	11,504,749	-	11,504,749
Subordinated liabilities	-	-	198,042	-	198,042
Derivatives	23,452	-	-	-	23,452
Other liabilities	-	-	-	233,882	233,882
Total liabilities	23,452	-	11,702,791	233,882	11,960,125

31 Dec 2020 SEK thousand	Financial instru- ments at fair value through profit or loss	Fair value through other com- prehensive 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, etc.	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
Derivatives	27,390	-	-	-	27,390
Other assets	-	-	-	114,471	114,471
Total assets	107,547	-	9,981,428	114,471	10,203,446
Liabilities					
Deposits and borrowings from the public	-	-	8,714,032	-	8,714,032
Subordinated liabilities	-	-	245,053	-	245,053
Derivatives	-	-	-	-	-
Other liabilities	-	-	-	160,656	160,656
Total liabilities	-	-	8,959,085	160,656	9,119,741

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 Bank also provides information regarding the fair value of certain assets for information purposes.

31 Dec 2021 SEK thousand	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills eligible for refinancing	60,035	-	-	60,035
Shares	-	257	-	257
Derivatives	-	241	-	241
Total assets	60,035	498	-	60,533
Liabilities				
Derivatives	-	23,452	-	23,452
Total liabilities	-	23,452	-	23,452

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	-	-	-	-

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.

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 12.66 % as at 31 December 2021 and 13.82 % as at 31 December 2020.

An instrument is classified as Level 3 in cases where one or more of the significant inputs are not based on observable market data.

Note 6 cont.

31 Dec 2021 SEK thousand	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
Assets			
Cash and balances with central banks	1,270,092	1,270,092	-
Treasury bills eligible for refinancing, etc.	316,411	316,411	-
Loans to credit institutions	779,636	779,636	-
Loans to the public	10,872,285	10,872,285	-
Shares	257	257	-
Derivatives	241	241	-
Total assets	13,238,922	13,238,922	-
Liabilities			
Deposits and borrowings from the public	11,504,749	11,504,749	-
Subordinated liabilities	198,042	198,042	-
Derivatives	23,452	23,452	-
Total liabilities	11,726,243	11,726,243	-

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, etc.	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	-
Derivatives	27,390	27,390	-
Total assets	10,088,975	10,088,975	-
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 7 Interest income

SEK thousand	2021	2020
Interest income from loans to the public	1,073,215	910,486
Interest income, treasury bills eligible for refinancing	507	-
Other interest income	391	1,459
Total interest income	1,074,113	911,945
- of which interest income according to effective interest rate method	1,042,406	880,106
- of which interest income from non-performing loans	23,402	12,664
Geographical breakdown of interest income:		
Norway	277,693	232,758
Finland	251,265	222,150
Germany	139,513	44,045
Estonia	119,954	128,736
Sweden	116,479	112,689
Latvia	96,451	91,323
Poland	38,343	57,804
Lithuania	27,288	14,942
Denmark	6,531	6,283
Austria	596	1,215
Total interest income	1,074,113	911,945

NOTE 8 Interest expense

SEK thousand	2021	2020
Interest expense, deposits from the public	-75,927	-89,215
Interest expense, subordinated liabilities	-11,248	-11,505
Deposit fees to credit institutions	-7,404	-5,632
Interest expense, treasury bills eligible for refinancing	-154	-195
Other financial expense	-25,706	-16,101
Total interest expense	-120,439	-122,648
- of which interest expenses according to effective interest rate method	-102,634	-112,077
- of which costs for deposit guarantee and resolution fee	-17,805	-8,362

NOTE 9 Net fee and commission income

SEK thousand	2021	2020
Fee and commission income		
Reminder fees	72,896	53,211
Insurance premiums	50,865	39,873
Other fee and commission income	16,717	10,472
Total fee and commission income	140,478	103,556
Fee and commission expense		
Insurance expense	-17,009	-11,475
Other fee and commission expense	-17,256	-7,493
Total fee and commission expense	-34,265	-18,968
Net fee and commission income	106,213	84,588
Geographical breakdown of fee and commission income:		
Norway	56,231	39,153
Sweden	38,840	29,598
Finland	29,908	24,660
Germany	5,665	1,650
Estonia	4,348	4,168
Denmark	3,509	2,723
Latvia	1,340	1,108
Poland	528	420
Lithuania	90	44
Austria	19	32
Total fee and commission income	140,478	103,556

NOTE 10 Net results from financial transactions

SEK thousand	2021	2020
Exchange rate fluctuations	-4,601	1,658
Gains/losses on investments in funds and other securities	1	527
Total net results from financial transactions	-4,600	2,185

NOTE 11 General administrative expenses

SEK thousand	2021	2020
Staff costs		
Salaries and fees	-120,459	-98,171
Social security costs	-32,638	-25,544
Pension costs	-8,468	-6,266
Other staff costs	-4,567	-3,065
Total staff costs	-166,132	-133,046
Other general administrative expenses		
Information services and customer communication	-52,173	-40,277
IT costs	-45,413	-36,480
Postage and telephone	-17,791	-13,809
Bank fees	-14,729	-10,941
Debt collection costs	-12,687	-7,940
Rent and property costs	-10,901	-9,285
Auditors' remuneration	-3,980	-3,011
Other	-56,418	-47,719
Total other general administrative expenses	-214,092	-169,462
Total general administrative expenses	-380,224	-302,508

NOTE 12 Auditors' remuneration

SEK thousand	2021	2020
KPMG		
Audit assignment	3,702	-
Audit services in addition to the audit assignment	278	-
Tax advices	-	-
Other services	-	-
PricewaterhouseCoopers		
Audit assignment	-	2,248
Audit services in addition to the audit assignment	-	159
Tax advices	-	35
Other services	-	569
Total auditors' remuneration	3,980	3,011

The amounts include auditors' remuneration for KPMG AB of SEK 2,378 thousands, divided between the audit assignment SEK 2,100 thousands and audit services other than the audit assignment SEK 278 thousands.

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

AVERAGE NUMBER OF EMPLOYEES, DISTRIBUTED BETWEEN WOMEN AND MEN:

	2021	2020
Women	123	99
Men	113	88
Total	236	187

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

	2021	2020
Sweden		
Women	38	35
Men	41	35
Total	79	70
Finland		
Women	14	12
Men	13	11
Total	27	23
Poland		
Women	25	14
Men	34	25
Total	59	39
Estonia		
Women	22	20
Men	3	2
Total	25	22
Norway		
Women	22	18
Men	20	15
Total	42	33
Latvia		
Women	2	-
Men	2	-
Total	4	-

SALARIES AND REMUNERATION:

SEK thousand	2021	2020
Board of Directors and CEO	7,935	6,189
Other staff	112,524	91,982
Total salaries and remuneration	120,459	98,171
Social costs pursuant to legislation and agreements	32,638	25,544
Pension costs	8,468	6,266
Total salaries, remuneration, social security costs and pension costs	161,565	129,981

Note 13 cont.

SALARIES AND REMUNERATION FOR BOARD MEMBERS AND SENIOR EXECUTIVES:

SEK thousand	2021	2020
Chairman of the Board: John Brehmer		
Board fees ¹	830	680
Other benefits	-	-
Pension costs	-	-
Total Chairman of the Board	830	680

SEK thousand	2021	2020
Fees ¹ other Board members:		
Bertil Larsson	400	350
Charlotta Björnberg-Paul	380	330
Mari Thjømøe	400	350
Michael Lindengren	450	-
Sara Mindus	450	300
Tone Bjørnov	-	400
Total	2,080	1,730

SEK thousand	2021	2020
CEO: Mattias Carlsson		
Basic salary ²	4,501	3,650
Variable remuneration	-	-
Other benefits	146	129
Pension costs	1,100	836
Total	5,747	4,615

SEK thousand	2021	2020
Deputy CEO: Mikael Meomuttel		
Basic salary ²	3,001	2,268
Variable remuneration	-	-
Other benefits	185	150
Pension costs	699	695
Total	3,885	3,113
Other senior executives ³		
Basic salary	3,340	3,986
Variable remuneration	1,136	318
Other benefits	260	287
Pension costs	363	572
Total	5,099	5,163

¹ Expensed in 2020 and 2021 respectively and includes fees that will be paid until the Annual General Meeting during the subsequent year.

² In addition to the basic salary in 2021, the CEO and Deputy CEO have received retroactive salary adjustments from previous year amounting to SEK 378 thousand and SEK 302 thousand respectively.

³ During 2020 and the first half of 2021, other senior executives consisted of Head of Consumer Lending and Head of Ecommerce Solutions. From July 2021, the executive management team changed and consist of CEO, Deputy CEO and former Head of Consumer Lending who was appointed a new role as COO.

Note 13 cont.

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 Bank'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

In 2020, commission-based compensation amounted to SEK 1,136 thousand (318). 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 Meeting in 2018 a share warrant programme was adopted comprising a total of 1,372,338 warrants. The share 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 three committees are the Audit Committee, the Remuneration Committee, and the Risk and Compliance Committee. The Bank does not have any pension entitlements for Board members.

GENDER DISTRIBUTION BOARD MEMBERS AND SENIOR EXECUTIVES

SEK thousand	2021		2020	
	Number on reporting date	Of which women (%)	Number on reporting date	Of which women (%)
Board members	6	50	6	67
CEO and other senior executives	3	0	4	0

NOTE 14 Intangible assets

SEK thousand	Internally developed software	Ongoing development	Total
2020			
Cost, opening balance	52,940	7,980	60,920
Additions from merger	34,243	8,394	42,637
Additions	1,063	25,119	26,182
Reclassification	30,404	-31,010	-606
Sales and disposals	-12,030	-	-12,030
Exchange rate differences	-2,395	-230	-2,625
Cost, closing balance	104,225	10,253	114,478
Amortisations, opening balance	-32,764	-	-32,764
Amortisations from merger	-14,630	-	-14,630
Amortisations for the year	-18,154	-	-18,154
Sales and disposals	11,775	-	11,775
Exchange rate differences	1,057	-	1,057
Amortisations, closing balance	-52,716	-	-52,716
Carrying amount	51,509	10,253	61,762
2021			
Cost, opening balance	104,225	10,253	114,478
Additions	-	34,903	34,903
Reclassification	22,487	-22,487	-
Sales and disposals	-	-	-
Exchange rate differences	1,354	138	1,492
Cost, closing balance	128,066	22,807	150,873
Amortisations, opening balance	-52,716	-	-52,716
Amortisations for the year	-25,952	-	-25,952
Sales and disposals	-	-	-
Exchange rate differences	-840	-	-840
Amortisations, closing balance	-79,508	-	-79,508
Carrying amount	48,558	22,807	71,365

NOTE 15 Tangible assets

SEK thousand	Equipment	Total
2020		
Cost, opening balance	6,545	6,545
Additions from merger	3,330	3,330
Additions	1,702	1,702
Sales and disposals	-	-
Exchange rate differences	-462	-462
Cost, closing balance	11,115	11,115
Amortisations, opening balance	-4,880	-4,880
Amortisations from merger	-2,673	-2,673
Amortisations for the year	-1,245	-1,245
Sales and disposals	-	-
Exchange rate differences	341	341
Amortisations, closing balance	-8,457	-8,457
Carrying amount	2,658	2,658
2021		
Cost, opening balance	11,115	11,115
Additions during the year	1,413	1,413
Sales and disposals	-	-
Exchange rate differences	243	243
Cost, closing balance	12,771	12,771
Amortisations, opening balance	-8,457	-8,457
Amortisations for the year	-1,411	-1,411
Sales and disposals	-	-
Exchange rate differences	-204	-204
Amortisations, closing balance	-10,072	-10,072
Carrying amount	2,699	2,699

NOTE 16 Other operating expenses

SEK thousand	2021	2020
Marketing expenses	-33,303	-17,573
Total	-33,303	-17,573

NOTE 17 Net loan losses

SEK thousand	2021	2020
Change in provision for sold non-performing loans	-146,696	-79,605
Realised loan losses	-37,960	-39,707
Recovered from previous write-offs	565	468
Change in provision for expected loan losses, stage 1-3	-76,473	-153,832
Net loan losses	-260,564	-272,676

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

NOTE 18 Tax on profit for the year

SEK thousand	2021	2020
Current tax on profit for the year	-85,277	-54,046
Tax due to changes in tax relating to prior years	-191	-164
Other taxes	-199	-189
Deferred tax	10,315	-5,521
Tax on profit for the year¹	-75,352	-59,920
Reconciliation of tax on profit for the year		
Profit before tax	352,558	262,639
Tax according to applicable tax rate	-72,627	-56,205
Tax effect of non-deductible expenses	-13,408	-9,280
Tax effect of non-taxable income	11,073	5,918
Tax due to changes in tax relating to prior years	-191	-164
Other taxes	-199	-189
Tax on profit for the year recognised in the income statement	-75,352	-59,920

¹ Weighted average tax rate for the Bank was 21.4 % (22.8).

THE FOLLOWING CURRENCY EXPOSURES ARE AGAINST THE BANK'S TRANSACTION CURRENCIES

SEK thousand	31 Dec 2021	31 Dec 2020
Assets in EUR:		
Cash and balances with central banks	1,264,811	906,848
Loans to credit institutions	404,550	359,783
Loans to the public	5,743,390	4,102,747
Other assets	28,702	31,409
Total assets	7,441,453	5,400,787
Liabilities in EUR:		
Deposits and borrowings from the public	-7,667,158	-4,996,007
Other liabilities	-87,825	-61,159
Total liabilities	-7,754,983	-5,057,166
Currency forward contracts	305,775	-351,313
Total	-7,755	-7,692

SEK thousand	31 Dec 2021	31 Dec 2020
Assets in NOK:		
Cash and balances with central banks	-	179,280
Treasury bills eligible for refinancing, etc.	256,376	-
Loans to credit institutions	150,632	92,055
Loans to the public	3,495,110	2,568,152
Other assets	8,307	25,705
Total assets	3,910,425	2,865,192
Liabilities in NOK:		
Deposits and borrowings from the public	-3,174,844	-2,715,914
Other liabilities	-64,144	-49,646
Total liabilities	-3,238,988	-2,765,560
Currency forward contracts	-666,510	-95,456
Total	4,928	4,177

Note 19 cont.

SEK thousand	31 Dec 2021	31 Dec 2020
Assets in PLN:		
Cash and balances with central banks	5,280	11,863
Loans to credit institutions	13,518	26,221
Loans to the public	449,484	463,760
Other assets	2,431	1,093
Total assets	470,713	502,937
Liabilities in PLN:		
Other liabilities	-5,366	1,194
Total liabilities	-5,366	1,194
Currency forward contracts	-467,859	-505,385
Total	-2,511	-1,253

SEK thousand	31 Dec 2021	31 Dec 2020
Assets in DKK:		
Loans to credit institutions	3,652	13,744
Loans to the public	26,166	35,591
Other assets	445	91
Total assets	30,263	49,426
Liabilities in DKK:		
Other liabilities	-1,274	-658
Total liabilities	-1,274	-658
Currency forward contracts	-28,881	-48,571
Total	108	197

SEK thousand	31 Dec 2021	31 Dec 2020
Assets in USD:		
Other assets	12,186	-
Total assets	12,186	-
Currency forward contracts	-12,182	-
Total	4	-

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

	31 Dec 2021	31 Dec 2020
EUR	-	35.0
NOK	650.0	100.0
PLN	210.0	228.0
DKK	21.0	36.0
USD	1.3	-

NOTE 20 Maturity information

SEK thousand	31 Dec 2021	31 Dec 2020
Payable on demand	1,270,092	1,097,991
Cash and balances with central banks	1,270,092	1,097,991
Remaining term to maturity of up to 3 months	60,000	60,022
More than 1 year but less than 5 years	272,647	-
Treasury bills eligible for refinancing	332,647	60,022
Payable on demand	679,338	960,989
More than 1 year but less than 5 years	100,298	-
Loans to credit institutions	779,636	960,989
Remaining term to maturity of up to 3 months	1,172,014	788,254
Remaining term to maturity of more than 3 months but less than 1 year	2,749,971	1,844,771
Remaining term to maturity of more than 1 year but less than 5 years	8,855,718	6,639,017
Loans to the public	12,777,703	9,272,042
Payable on demand	257	20,135
Remaining term to maturity of up to 3 months	62,783	102,760
More than 1 year but less than 5 years	7,821	212,028
Other assets	70,861	334,923
Payable on demand	8,038,772	6,876,307
Remaining term to maturity of more than 3 months but less than 1 year	2,304,686	501,375
More than 1 year but less than 5 years	1,161,290	1,336,351
Deposits and borrowings from the public	11,504,750	8,714,033
Remaining term to maturity of up to 3 months	-	46,990
Remaining term to maturity of more than 5 years	292,528	289,945
Subordinated liabilities	292,528	336,935
Remaining term to maturity of up to 3 months	130,398	115,342
Remaining term to maturity of more than 3 months but less than 1 year	24,475	33,355
Remaining term to maturity of more than 1 year but less than 5 years	15,948	21,840
Other liabilities	170,821	170,537
Payable on demand	1,974,365	957,332
Commitments	1,974,365	957,332

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	31 Dec 2021	31 Dec 2020
Treasury bills eligible for refinancing	60,035	60,022
Government securities eligible for refinancing	256,376	-
Total treasury bills eligible for refinancing, etc.	316,411	60,022

NOTE 22 Loans to credit institutions

SEK thousand	31 Dec 2021	31 Dec 2020
Accounts receivable Swedish currency	289,444	592,409
Accounts receivable foreign currency	490,192	368,580
Total loans to credit institutions	779,636	960,989

NOTE 23 Loans to the public

SEK thousand	31 Dec 2021	31 Dec 2020
Loans to the household sector	10,798,530	7,914,418
Loans to the corporate sector ¹	73,755	8,030
Total loans to the public	10,872,285	7,922,448
Loans to the household sector		
Stage 1, gross	10,330,411	7,466,964
Stage 2, gross	330,212	327,956
Stage 3, gross ²	623,294	512,298
Total loans to the household sector, gross	11,283,917	8,307,218
Provisions for expected loan losses, household sector		
Stage 1	-153,465	-127,918
Stage 2	-41,982	-36,650
Stage 3 ²	-289,940	-228,232
Total provisions for expected loan losses, household sector	-485,387	-392,800
Loans to the household sector		
Stage 1, net	10,176,946	7,339,046
Stage 2, net	288,230	291,306
Stage 3, net ²	333,354	284,066
Total loans to the household sector, net	10,798,530	7,914,418
Geographical distribution of net loans:		
Norway	3,497,344	2,566,609
Finland	2,612,182	2,014,444
Germany	1,422,692	568,511
Sweden	1,027,610	735,373
Estonia	821,748	786,207
Latvia	675,810	583,551
Poland	449,519	464,299
Lithuania	331,482	155,985
Denmark	26,240	35,763
Austria	7,658	11,706
Total loans, net book value	10,872,285	7,922,448

¹ Lending to the corporate sector consists of loans in stage 1 to counterparties regarding sale of past due loans and loans in stage 1 to a foreign partner within Ecommerce Solutions, which has been fully repaid during Q2 2021.

² The Bank regularly sells past due loans in markets where the Board of Directors considers the price level to be favourable for the Bank's performance and risk profile.

Note 23 cont.

LOANS TO THE CORPORATE SECTOR

SEK thousand	31 Dec 2021	31 Dec 2020
Loans, gross	73,755	8,030
Total loans, net book value	73,755	8,030

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.

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 2021	7,474,995	327,956	512,298	8,315,249
Financial assets added during the year	11,186,800	-	-	11,186,800
Repayments	-7,713,743	-223,422	-102,856	-8,040,021
Financial assets sold during the year	-	-419,238	-46,117	-465,355
Stage transfers	-877,525	633,771	243,754	-
- from 1 to 2	-763,301	763,301	-	-
- from 1 to 3	-204,300	-	204,300	-
- from 2 to 1	90,076	-90,076	-	-
- from 2 to 3	-	-39,454	39,454	-
- from 3 to 2	-	-	-	-
Exchange rate differences	333,639	11,145	16,215	360,999
Loans to the public, gross, closing balance 31 December 2021	10,404,166	330,212	623,294	11,357,672
Provision for expected loan losses, opening balance 1 January 2021	-127,918	-36,650	-228,232	-392,800
Changes reported as net loan losses				
Financial assets added during the year	-118,860	-	-	-118,860
Repayments	86,524	16,139	7,490	110,153
Financial assets sold during the year	-	32,428	19,838	52,266
Stage transfers	9,951	-53,116	-83,709	-126,874
- from 1 to 2	8,255	-66,652	-	-58,397
- from 1 to 3	2,294	-	-73,649	-71,355
- from 2 to 1	-598	10,481	-	9,883
- from 2 to 3	-	3,055	-10,060	-7,005
- from 3 to 2	-	-	-	-
Exchange rate differences	-3,162	-783	-5,327	-9,272
Provision for expected loan losses, closing balance 31 December 2021	-153,465	-41,982	-289,940	-485,387

Note 23 cont.

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 24 Goodwill

SEK thousand	31 Dec 2021	31 Dec 2020
Cost, opening balance	12,753	-
<i>Change during the year</i>		
Merger	-	12,753
Cost, closing balance	12,753	12,753
Amortisations, opening balance	-1,276	-
<i>Change during the year</i>		
Amortisations according to plan	-1,275	-1,276
Amortisations, closing balance	-2,551	-1,276
Carrying amount	10,202	11,477

The goodwill arose as a result of the acquisition of the Norwegian subsidiary BB Bank ASA which was merged with TF Bank in the beginning of 2020.

The 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 Bank'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	31 Dec 2021	31 Dec 2020
Derivatives	241	27,390
Deposit to partner	12,186	1,264
Other assets	9,415	7,500
Total other assets	21,842	36,154

NOTE 26 Deferred tax

SEK thousand	31 Dec 2021	31 Dec 2020
Deferred tax assets		
Accrued taxes attributable to unrealised derivatives	4,781	-
Deferred tax attributable to tax paid abroad	-	47
Deferred tax assets	4,781	47
Deferred tax liabilities		
The difference between the income tax recognised in the income statement and income tax on operations comprises:		
Accrued taxes attributable to taxes abroad	5,641	-
Deferred tax on unrealised currency derivatives	-	5,642
Deferred tax on temporary differences	5,641	5,642
The deferred tax liabilities are expected to be settled as follows:		
Within 12 months	5,641	5,642
Later than within 12 months	-	-
	5,641	5,642
The gross change in deferred tax is as follows:		
Opening balance	-5,595	1,541
Effect of changed branch taxation	-5,581	-
Recognised in the income statement	10,316	-7,136
Recognised in other comprehensive income	-	-
Closing balance	-860	-5,595

NOTE 27 Deposits and borrowings from the public

SEK thousand	31 Dec 2021	31 Dec 2020
Germany	7,332,430	4,657,899
Norway	3,174,844	2,715,914
Sweden	662,747	1,002,111
Finland	334,728	338,108
Total deposits and borrowings from the public	11,504,749	8,714,032

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 36 % (32) of total deposits from the public. Maturities are shown in Note 20.

CHANGES IN DEPOSITS AND BORROWINGS FROM THE PUBLIC

SEK thousand	31 Dec 2021	31 Dec 2020
Opening balance	8,714,032	5,136,820
Change by merger	-	2,060,255
Change for the year	2,429,388	2,008,132
Exchange rate differences	361,329	-491,175
Closing balance	11,504,749	8,714,032

NOTE 28 Other liabilities

SEK thousand	31 Dec 2021	31 Dec 2020
Debts to ecommerce partners	53,573	35,272
Accounts payables	6,783	8,033
Derivatives	23,452	-
Other liabilities	10,212	9,559
Total other liabilities	94,020	52,864

NOTE 29 Accrued expenses and prepaid income

SEK thousand	31 Dec 2021	31 Dec 2020
Accrued interest on deposits from the public	21,323	26,457
Accrued salaries and holiday pay liability	20,790	18,501
Accrued social security costs	11,216	9,587
Accrued interest on loans to the public	3,456	2,235
Other accrued expenses and prepaid income	64,799	43,538
Total accrued expenses and prepaid income	121,584	100,318

NOTE 30 Subordinated liabilities

SEK thousand	31 Dec 2021	31 Dec 2020
Time-bound subordinated liabilities	198,042	245,053
Total	198,042	245,053

Subordinated loans are subordinated to other liabilities.

Issuing date	Nominal amount (SEK thousand)	Interest rate terms	Maturity date
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 31 Transactions with related parties

Transactions between Group companies refer to invoicing of services provided by subsidiaries. Transactions with other related parties in the table below refer to transactions between TF Bank and companies that largely have the same owner as TF Bank's largest owner TFB Holding AB, corporate identity number 556705-2997. All transactions are priced according to the market.

SEK thousand	31 Dec 2021	31 Dec 2020
The following transactions took place between companies within the Group:		
General administrative expenses	-18,341	-16,210
Total	-18,341	-16,210

SEK thousand	31 Dec 2021	31 Dec 2020
The following transactions have been made with other related parties:		
Interest income (transaction costs)	-47,957	-57,440
	890	-
General administrative expenses	-3,109	-3,301
Total	-50,176	-60,741
Acquisition of assets and liabilities from other related parties:		
Ecommerce Solutions	596,687	630,718
Total	596,687	630,718

SEK thousand	31 Dec 2021	31 Dec 2020
<i>Assets and liabilities at the end of the period as a result of transactions with other related parties:</i>		
Other assets	1,461	781
Other liabilities	14	343

NOTE 32 Shares and participations in Group companies

	TFB Service UAB	TFB Service SIA	TFB Service GmbH	TFB Service AB	Avarda AB - Group	BB Bank ASA
Country of registration and operation	Lithuania	Latvia	Germany	Sweden	Sweden	Norway
Operation	Administration	Administration	Administration	Administration	Financial	Financial
Number of shares	1	1	25,000	25,000	-	-
Percentage of shares owned by TF Bank, %	100	100	100	100	-	-
Carrying amount as at 31 December 2021	25	26	264	25	-	-
Operating income 2021	3,896	4,235	6,659	-	-	-
Profit before tax 2021	-15	876	381	0	-	-
Tax on profit 2021	-	-	-117	-	-	-
Average number of employees 2021	10	8	8	-	-	-
	TFB Service UAB	TFB Service SIA	TFB Service GmbH	TFB Service AB	Avarda AB - Group	BB Bank ASA
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	-	-	-
Carrying amount as at 1 January 2021	25	26	264	-	-	-
Shares issuance	-	-	-	25	-	-
Carrying amount as at 31 December 2021	25	26	264	25	-	-

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

Background

Information about the Bank's capital adequacy includes information in accordance with Chapter 6, Sections 3-4 of the Swedish FSA's regulations and general guidelines (FFFS 2008:25) on annual accounts of credit institutions and investment firms and related information contained in article 447 of Regulation (EU) No 575/2013 and Chapter 8, Section 1 of the Swedish FSA's regulations and general guidelines on regulatory requirements and capital buffers (FFFS 2014:12). 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 AB is the responsible institution and is under the supervision of the Swedish FSA. As a result, the Bank 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. TF Bank is classified as a small and non-complex institute in accordance to article 433 of supervisory regulation (EU) No 2019/876.

Information about own funds and capital requirements

The Bank's statutory capital requirements are governed by the Swedish Special Supervision of Credit Institutions and Investment Firms Act (2014:968), Regulation (EU) No 575/2013, the Act on Capital Buffers (2014:966) and the Swedish Financial Supervisory Authority's regulations and general recommendations on regulatory requirements and capital buffers (FFFS 2014:12) and the Swedish Financial Supervisory Authority's memorandum (FI dnr 20-20990) on the new capital requirements for Swedish banks.

The purpose of the regulations is to ensure that the Bank 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, Pillar 2 and the applicable buffer requirements.

On 10 February 2021 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 Bank 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 recognised in the balance sheet and is calculated by the Tier 1 capital as a percentage of the total exposure measure.

EBA's changed method for intangible assets deduction

In December 2020, a change took effect in the method for how intangible assets should be treated in own funds calculation according to Article 36 of (EU) 575/2013, which gives the possibility of deducting prudently valued software assets from the own funds. According to the previous method, the book value of intangible assets relating to software assets was deducted in its entirety from the own funds calculation, however, in the new method only the difference between the book amortisation of the software assets and the value based on prudent amortisation (three-years amortisation) is deducted from the own funds. The Bank choose to use the new calculation method starting from 1 January 2021.

Note 33 cont.

CAPITAL SITUATION ¹

SEK thousand	31 Dec 2021	31 Dec 2020
Common Equity Tier 1 capital (CET1)	1,237,589	973,823
Additional Tier 1 capital (AT1)	200,000	100,000
Tier 2 capital	198,042	245,053
Own funds ²	1,635,631	1,318,876
Risk exposure amount	10,079,383	7,582,576
- of which: credit risk	8,726,933	6,438,797
- of which: credit valuation adjustment	2,339	7,491
- of which: market risk	-	-
- of which: operational risk	1,350,111	1,136,288
Capital ratios		
CET1 capital ratio, %	12.3	12.8
Tier 1 capital ratio, %	14.3	14.2
Total capital ratio, %	16.2	17.4

REGULATORY CAPITAL REQUIREMENTS ¹

SEK thousand	31 Dec 2021		31 Dec 2020	
	Amount	Percent ³	Amount	Percent ³
Capital requirement under pillar 1				
CET1 capital requirement	453,572	4.5	341,216	4.5
Tier 1 capital requirement	604,763	6.0	454,955	6.0
Total capital requirement	806,351	8.0	606,606	8.0
Capital requirement under pillar 2				
CET1 capital requirement	46,834	0.5	44,696	0.6
Tier 1 capital requirement	62,445	0.6	52,145	0.7
Total capital requirement	83,260	0.8	74,493	1.0
- of which, concentration risk	81,944	0.8	73,294	1.0
- of which, currency risk	1,316	0.0	1,199	0.0
Total capital requirement under pillar 1 and pillar 2				
CET1 capital requirement	500,406	5.0	385,912	5.1
Tier 1 capital requirement	667,208	6.6	507,100	6.7
Total capital requirement	889,611	8.8	681,099	9.0
Institution-specific buffer requirement				
Total buffer requirement	282,444	2.8	212,312	2.8
- of which, capital conservation buffer requirement	251,985	2.5	189,564	2.5
- of which, countercyclical buffer requirement	30,460	0.3	22,748	0.3
Total capital requirement including buffer requirement				
CET1 capital	782,850	7.8	598,224	7.9
Tier 1 capital	949,652	9.4	719,412	9.5
Total capital	1,172,055	11.6	893,411	11.8
Capital available to use as buffer				
CET1 capital	737,183	7.3	587,112	7.7
Tier 1 capital	770,381	7.6	565,790	7.5
Total capital	746,020	7.4	637,777	8.4

¹ In accordance with the commission implementing regulation (EU) 2021/637 TF Bank AB discloses the information about capital adequacy and other information as per the template "EU KM1" in page 70.

² After any regulatory adjustments.

³ Capital requirements expressed as a percentage of the risk exposure amount.

Note 33 cont.

OWN FUNDS

SEK thousand	31 Dec 2021	31 Dec 2020
CET1 capital		
Share capital	107,500	107,500
Other reserves	72,365	62,762
Retained earnings including net profit for the period reviewed by the auditor	1,050,826	813,443
Adjustments to CET1 capital:		
- Deduction of foreseeable costs and dividends ¹	-21,500	-21,500
- IFRS 9 transitional arrangements	71,257	84,857
- Intangible assets ²	-32,657	-61,762
- Goodwill	-10,202	-11,477
Total CET1 capital	1,237,589	973,823
Additional Tier 1 capital		
Perpetual subordinated loan	200,000	100,000
Tier 2 capital		
Fixed term subordinated loan	198,042	245,053
Own funds	1,635,631	1,318,876

SPECIFICATION OF RISK EXPOSURE AMOUNT AND CAPITAL REQUIREMENT

SEK thousand	31 Dec 2021		31 Dec 2020	
	Risk exposure amount	Capital requirement 8 %	Risk exposure amount	Capital requirement 8 %
Credit risk under the standardised approach				
Corporate exposures	38,346	3,068	8,927	714
Household exposures	8,012,089	640,967	5,857,782	468,623
Secured by collateral	14,945	1,196	217	17
Exposures in default	390,444	31,236	327,336	26,187
Exposures to institutions with a short-term credit assessment	176,588	14,127	208,994	16,720
Equity exposures	597	48	555	44
Other items	93,924	7,514	34,986	2,799
Total	8,726,933	698,156	6,438,797	515,104
Credit valuation adjustment				
Standardised method	2,339	187	7,491	599
Total	2,339	187	7,491	599
Market risk¹				
Foreign exchange risk	-	-	-	-
Total	-	-	-	-
Operational risk				
Standardised approach	1,350,111	108,009	1,136,288	90,903
Total	1,350,111	108,009	1,136,288	90,903
Total risk exposure amount and total capital requirement	10,079,383	806,352	7,582,576	606,606

¹ Deduction of dividends from own funds has been made in accordance with the Board of Directors' proposal to the Annual General Meeting.

² Deduction of software assets in accordance with EBA's new calculation method for the deduction of intangible assets from 1 January 2021.

³ The capital requirement for foreign exchange risk is calculated in accordance with Article 351 of Regulation (EU) 575/2013.

Note 33 cont.

LEVERAGE RATIO

SEK thousand	31 Dec 2021	31 Dec 2020
Tier 1 capital	1,437,589	1,073,823
Leverage ratio exposure	13,751,040	10,517,624
Leverage ratio, %	10.5	10.2

NOTE 34 Pledged assets, contingent liabilities and commitments

SEK thousand	31 Dec 2021	31 Dec 2020
Pledged assets		
Restricted bank deposits ¹	48,536	33,346
Total	48,536	33,346

SEK thousand	31 Dec 2021	31 Dec 2020
Commitments		
Unutilised credit limits	1,974,365	957,332
Future total minimum lease payments for non-cancellable operating leases	18,391	22,733
Total	1,992,756	980,065

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

NOTE 35 Events after 31 December 2021

The situation in Ukraine and Russia has led to a sharp increase in geopolitical unrest and uncertainty in Europe. The financial market, which already in the beginning of 2022 showed great volatility with higher long-term interest rates, a depreciated Swedish krona and increased inflation, now risks being affected further. The long-term effects on the outside world and the global economy are impossible to predict at this point.

NOTE 36 Proposed appropriation of profit or loss

SEK	
Tier 1 capital instrument	200,000,000
Retained earnings	773,619,577
Profit for the year	277,206,467
	1,250,826,044
The Board proposes:	
a dividend of SEK 1.00 per share (21,500,000 shares)	21,500,000
to be carried forward	1,229,326,044
Total	1,250,826,044

Board of Directors' assessment of the proposed dividend

The proposed dividend will reduce the leverage ratio to 10.52 %. Against the background that the Company's operations remain profitable, the leverage 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 Restricted bank deposits refers to reserve requirements at central banks in Estonia, Finland, Latvia and Poland.

FIVE-YEAR OVERVIEW

KEY FIGURES ¹

SEK thousand	Parent company		Parent company		
	2021	2020	2019	2018	2017
Income statement					
Operating income	1,055,287	876,070	530,399	501,111	437,568
Operating expenses	-442,165	-340,755	-201,268	-168,208	-140,177
Net loan losses	-260,564	-272,676	-145,770	-124,940	-121,579
Operating profit	352,558	262,639	183,361	207,963	175,812
Profit for the year	277,206	202,719	161,748	182,994	150,373
Balance sheet					
Loans to the public	10,872,285	7,922,448	4,305,139	3,077,158	2,252,638
Deposit from the public	11,504,749	8,714,032	5,136,820	4,061,396	3,017,287
Key figures					
CET1 capital ratio, %	12.3	12.8	14.5	15.3	16.9
Tier 1 capital ratio, %	14.3	14.2	16.5	17.8	16.9
Total capital ratio, %	16.2	17.4	20.4	20.4	20.4
Employees (FTE)	236	187	114	93	78

¹ Comparative figures for 2017-2019 relates to data for the Parent Company TF Bank AB which has been disclosed in previous annual reports. Net loan losses for 2017 are reported according to IAS 39.

See separate section with definitions and reconciliation tables, page 68-69.

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 year attributable to the shareholders of the parent company divided by the average number of outstanding shares.

ADJUSTED OPERATING PROFIT

Operating profit for the year excluding items affecting comparability.

ADJUSTED RETURN ON ASSETS

Adjusted net profit for the year attributable to the shareholders of the parent company divided by average total assets.

ADJUSTED RETURN ON EQUITY ¹

Adjusted net profit for the year 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 ¹

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 year 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 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 ¹

Net loan losses divided by average loans to the public.

NEW LENDING

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

OPERATING INCOME MARGIN ¹

Total operating income divided by average loans to the public.

RETURN ON ASSETS

Net profit for the year attributable to the shareholders of the parent company divided by average total assets.

RETURN ON EQUITY ¹

Net profit for the year attributable to the shareholders of the parent company as a percentage of equity attributable to the shareholders of the parent company.

RETURN ON LOANS TO THE PUBLIC ¹

Net profit for the year attributable to the shareholders of the parent company divided by average loans to the public.

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.

¹ From 2021, the denominator in the key figure is calculated as the year's opening balance plus closing balance, divided by two. The key figure was previously presented based on rolling 12 months. The change has been implemented to increase clarity regarding the current period's financial development and to follow the practice that has been developed by comparable banks listed on Nasdaq Stockholm. The comparative figures in this report have been restated according to the new presentation format.

RECONCILIATION TABLES

KEY FIGURES ¹

SEK thousand	Parent company		Group		
	2021	2020	2019	2018	2017
Income statement					
Earnings per share, SEK	12.55	9.11	10.01	8.75	7.04
Net profit for the year attributable to the shareholder's of the Parent Company	269,875	195,769	215,160	188,126	151,459
Average number of outstanding shares, thousands	21,500	21,500	21,500	21,500	21,500
Key figures ²					
Operating income margin, %	11.2	12.2	14.0	16.5	18.1
Total operating income	1,055,287	876,070	768,864	627,641	511,570
Average loans to the public ³	9,397,367	7,209,114	5,472,503	3,802,757	2,822,786
Net loan loss ratio, %	2.8	3.8	3.4	4.0	4.6
Net loan losses	260,564	272,676	188,634	150,272	129,343
Average loans to the public ³	9,397,367	7,209,114	5,472,503	3,802,757	2,822,786
Cost/Income ratio, %	41.9	38.9	37.8	39.4	37.0
Total operating expenses	442,165	340,755	290,875	247,536	189,289
Total operating income	1,055,287	876,070	768,864	627,641	511,570
Return on equity, %	24.4	22.0	30.3	33.8	30.4
Net profit for the year attributable to the shareholder's of the Parent Company	269,875	195,769	215,160	188,126	151,459
Average equity attributable to the shareholder's of the Parent Company ³	1,107,198	889,387	710,858	556,020	498,830
Return on loans to the public, %	2.9	2.7	3.9	4.9	5.4
Net profit for the year attributable to the shareholder's of the Parent Company	269,875	195,769	215,160	188,126	151,459
Average loans to the public ³	9,397,367	7,209,114	5,472,503	3,802,757	2,822,786
Return on assets, %	2.3	2.1	3.0	3.6	4.1
Net profit for the year attributable to the shareholder's of the Parent Company	269,875	195,769	215,160	188,126	151,459
Average total assets ³	11,797,131	9,335,847	7,256,168	5,269,319	3,718,338
Adjusted key figures ⁴					
Adjusted earnings per share, SEK	12.55	9.11	10.01	8.01	7.04
Adjusted net profit for the year attributable to the shareholder's of the Parent Company	277,206	195,769	215,160	172,296	151,459
Average number of outstanding shares, thousands	21,500	21,500	21,500	21,500	21,500
Adjusted return on equity, %	24.4	22.0	30.3	31.0	30.4
Net profit for the year attributable to the shareholder's of the Parent Company	277,206	195,769	215,160	172,296	151,459
Average equity attributable to the shareholder's of the Parent Company ³	1,107,198	889,387	710,858	556,020	498,830
Adjusted return on loans to the public, %	2.9	2.7	3.9	4.5	5.4
Net profit for the year attributable to the shareholder's of the Parent Company	277,206	195,769	215,160	172,296	151,459
Average loans to the public ³	9,397,367	7,209,114	5,472,503	3,802,757	2,822,786
Adjusted return on assets, %	2.3	2.1	3.0	3.3	4.1
Net profit for the year attributable to the shareholder's of the Parent Company	277,206	195,769	215,160	172,296	151,459
Average total assets ³	11,797,131	9,335,847	7,256,168	5,269,319	3,718,338

¹ In order for the five-year overview to reflect a true and fair view, comparative figures for 2017-2019 relates to the Group with TF Bank AB as Parent Company.

² Calculation of capital ratios is shown in Note 33

³ The average has been calculated as opening balance plus closing balance, divided by two. In order for the key figures in 2020 to reflect a true and fair view, the Group's opening balance for year 2020 has been used.

⁴ Adjusted for items affecting comparability in 2018 that comprises reclassification of customer balances with inactive status that arose before 2018.

REGULATORY KEY METRICS

TEMPLATE "EU KM1 – KEY METRICS TEMPLATE" IS DISCLOSED BELOW AS PER THE TECHNICAL STANDARDS IN THE COMMISSION IMPLEMENTING REGULATION 2021/637.

SEK thousand		31 Dec 2021	31 Dec 2020
Available own funds			
1	Common Equity Tier 1 capital (CET1)	1,237,589	973,823
2	Tier 1 capital	200,000	100,000
3	Total capital	198,042	245,053
Risk-weighted exposure amount			
4	Total risk exposure amount	10,079,383	7,582,576
Capital ratios (% of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio, %	12.3	12.8
6	Tier 1 ratio, %	14.3	14.2
7	Total capital ratio, %	16.2	17.4
Additional own funds requirements to address risks other than the risk of excessive leverage (% of risk-weighted exposure amount)			
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage, %	0.8	1.0
EU 7b	- of which, to be made up of CET1 capital, %	0.5	0.6
EU 7c	- of which, to be made up of Tier 1 capital, %	0.6	0.7
EU 7d	Total SREP own funds requirements, %	8.8	9.0
Combined buffer and overall capital requirement (% of risk-weighted exposure amount)			
8	Capital conservation buffer, %	2.5	2.5
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State, %	N/A	N/A
9	Institution specific countercyclical capital buffer, %	0.3	0.3
EU 9a	Systemic risk buffer, %	N/A	N/A
10	Global Systemically Important Institution buffer, %	N/A	N/A
EU 10a	Other Systemically Important Institution buffer, %	N/A	N/A
11	Combined buffer requirement, %	2.8	2.8
EU 11a	Overall capital requirements, %	11.6	11.8
12	CET1 available after meeting the total SREP own funds requirements, %	7.3	7.7
Leverage ratio			
13	Total exposure measure	13,751,040	10,517,624
14	Leverage ratio, %	10.5	10.2
Additional own funds requirements to address risks of excessive leverage (% of leverage ratio total exposure amount)			
EU 14a	Additional own funds requirements to address the risk of excessive leverage, %	N/A	N/A
EU 14b	- of which, to be made up of CET1 capital, %	N/A	N/A
EU 14c	Total SREP leverage ratio requirements, %	3.0	3.0
Leverage ratio buffer and overall leverage ratio requirement (% of total exposure measure)			
EU 14d	Total SREP leverage ratio requirements, %	N/A	N/A
EU 14e	Overall leverage ratio requirements, %	3.0	3.0
Liquidity Coverage Ratio			
15	Total high-quality liquid assets (Weighted value – average)	1,537,966	1,131,705
EU 16a	Cash outflows – Total weighted value	812,403	686,291
EU 16b	Cash inflows – Total weighted value	376,288	482,853
16	Total net cash outflows (adjusted value)	436,115	203,438
17	Liquidity coverage ratio, %	353	556
Net Stable Funding Ratio			
18	Total available stable funding	12,111,551	9,288,295
19	Total required stable funding	9,460,775	6,946,774
20	NSFR ratio, %	128	134

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 in accordance with the International Financial Reporting Standards (IFRS/IAS), as adopted by EU. The annual report provides a true and fair presentation of the Company's financial position and result and the Director's Report provides a fair overview of the development of the operations, financial position and results of the Company and describes material risks and uncertainties that the Company faces.

Borås, 17 March 2022

John Brehmer
Chairman

Mari Thjømøe

Bertil Larsson

Charlotta Björnberg-Paul

Michael Lindengren

Sara Mindus

Mattias Carlsson
CEO

We submitted our Auditor's Report on 17 March 2022.

KPMG AB

Dan Beitner
*Authorised Public Accountant
Auditor in Charge*

AUDITOR'S REPORT

To the general meeting of the shareholders of
TF Bank AB (publ), corp. id 556158-1041

REPORT ON THE ANNUAL ACCOUNTS

Opinions

We have audited the annual accounts of TF Bank AB (publ) for the year 2021, except for the corporate governance statement on pages 77-87 and the sustainability report on pages 89-99. The annual accounts of the company are included on pages 11-71 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 TF Bank AB (publ) as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 77-87 and sustainability report on pages 89-99. The statutory administration report is consistent with the other parts of the annual accounts.

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

Our opinions in this report on the the annual accounts are consistent with the content of the additional report that has been submitted to the 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 TF Bank AB (publ) 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.

Other Matter

The audit of the annual accounts for year 2020 was performed by another auditor who submitted an auditor's report dated 18 March 2021, with unmodified opinions in the Report on the annual accounts.

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 of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts as a whole, but we do not provide a separate opinion on these matters.

Provisions for loan losses

See Note 17 and accounting principles on pages 29-33 in the annual account for detailed information and description of the matter.

Description of key audit matter	Response in the audit
TF Bank AB (publ)'s lending comprises of non collateral loans to private individuals. Loans are granted in several countries through the Company's three business segments Consumer Lending, Ecommerce Solutions and Credit Cards. The entity's loans to the public amounted to SEK 10,872 (7,922) million on 31 December 2021, corresponding to 81 (78) % of the entity's total assets. The entity's reserves for loan losses in the loan portfolio amounted to SEK 485 (393) million.	We have tested the entity's key controls in the lending process, including credit decisions, credit examinations, rating classifications and loan loss provisions. Controls tested included both manual controls and automatic controls in the Application system. We also tested general IT controls including authorisation Management for the relevant systems.
The reserves for loan losses in the entity's loan portfolio correspond to corporate management's best estimate of potentially occurring losses in the loan portfolio as per the balance-sheet date. For the entity there are complex calculations including critical judgements and estimates that are being made by management regarding the provisions for loan losses. This is the reason to why we believe that this is a key audit matter.	We have assessed the entity's interpretation of the IFRS 9 accounting standard in order to see that they have interpreted it in a reasonable way. We have tested the entity's key controls related to the loan loss provision process. We have also tested samples of the data that goes into the entity's models and the reasonableness of the calculations and assumptions being made by the entity's management when computing the size of the loan loss provision. In our audit we have used our own credit modelling experts to assist us in the various audit procedures that we have performed. In addition we have assessed that the information presented in the annual report regarding the provisions for loan losses include enough information to provide the reader an understanding of the entity's estimates in this area.

Other Information than the annual accounts

This document also contains other information than the annual accounts and is found on pages 1-10 and 101-104. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual 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, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual 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 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 that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts The Board of Directors and the Managing Director are responsible for the assessment of the company'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 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and

to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Auditor's audit of the administration and the proposed appropriations of profit or loss

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of TF Bank AB (publ) for the year 2021 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 Directors 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 TF Bank AB (publ) 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 type of operations, size and risks place on the size of the company'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 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.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our

opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the Esef report

Opinion

In addition to our audit of the annual accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for TF Bank AB (publ) for year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report NxthWnQLbDW/Cmto= has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of TF Bank AB (publ) 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of the assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of TF Bank AB (publ) by the general meeting of the shareholders on the 4 May 2021. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2021.

Stockholm 17 March 2022
KPMG AB

Dan Beitner
Authorised Public Accountant
Auditor in Charge

CORPORATE GOVERNANCE REPORT



CORPORATE GOVERNANCE REPORT

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

INTRODUCTION

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

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

OWNERSHIP

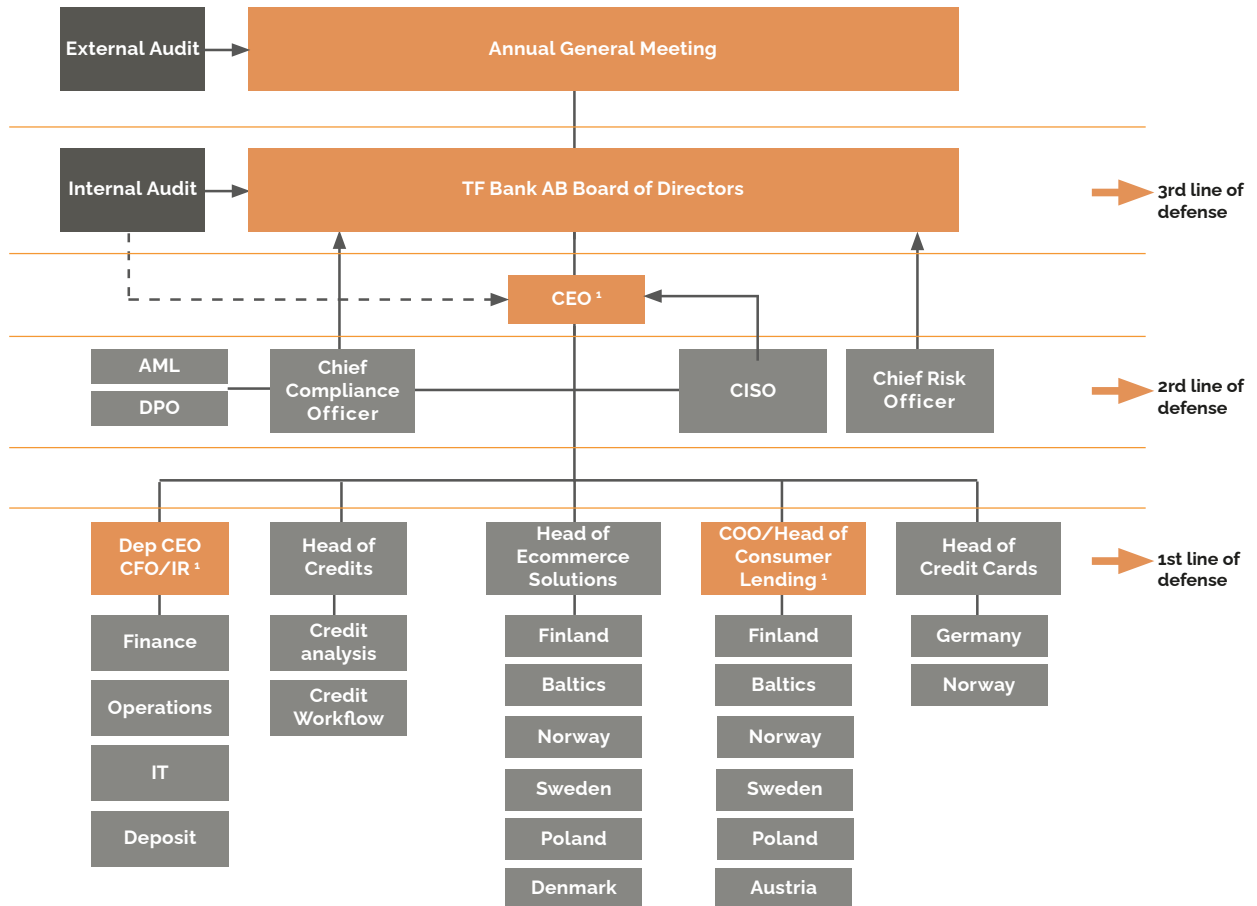
Ownership structure 31 December 2021:

	Owner	Number of shares	Share of equity, %
1	TFB Holding AB	6,517,375	30.31
2	Tiberon AB	3,239,291	15.07
3	Erik Selin Fastigheter AB	2,703,525	12.57
4	Proventus Aktiebolag	1,109,300	5.16
5	Jack Weil	900,200	4.19
6	Nordnet Pensionsförsäkringar AB	736,745	3.43
7	Nordea Nordic Small Cap Fund	510,264	2.37
8	Merizole Holding LTD	507,495	2.36
9	Carnegie Micro Cap	388,009	1.80
10	Avanza Pension	299,971	1.40
11	Skandia Småbolag Sverige	275,000	1.28
12	Pareto Investment Fund	237,000	1.10
13	Futur Pension	217,671	1.01
14	BNY Mellon NA	197,197	0.92
15	Ålandsbanken AB	190,390	0.89
16	CBLDN-EQ Nordic Small Cap Fund	170,000	0.79
17	Anders Klein	165,000	0.77
18	Six Sis AG	159,433	0.74
19	AB Monarda	156,000	0.73
20	Mattias Carlsson	154,432	0.72
	Other shareholders	2,665,702	12.39
	Total	21,500,000	100.00

Source: Euroclear

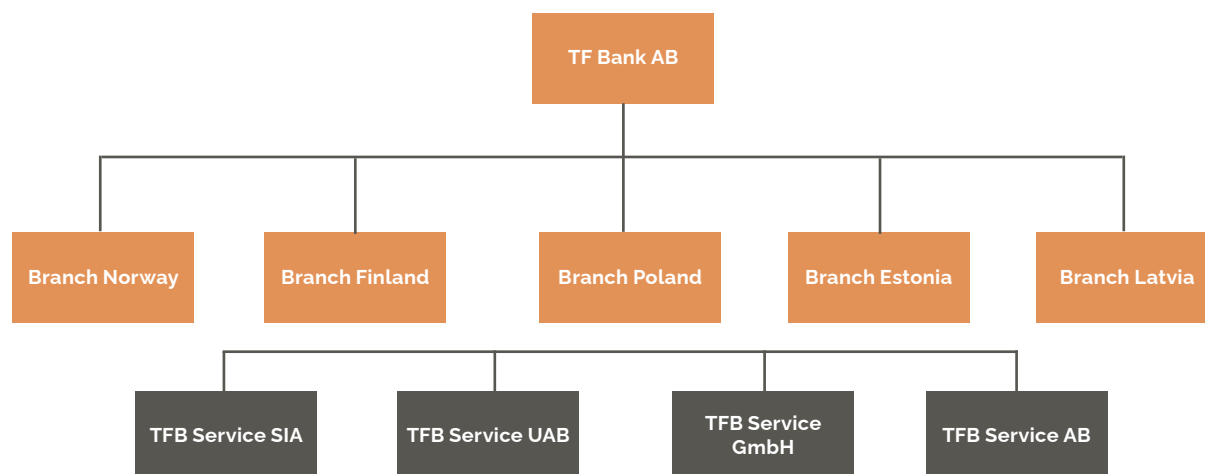
The largest owner, TFB Holding AB, with a total holding of 30.31 % as at 31 December 2021, is represented on the Nomination Committee through Paul Källenius.

CORPORATE GOVERNANCE AND RISK MANAGEMENT IN TF BANK



¹ Part of executive management.

COMPANY STRUCTURE



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

Parent Company	Subsidiaries	Corporate identity number	Interest	Consolidation (supervisory/consolidation)
TF Bank AB		556158-1041		
	TFB Service SIA	40203015782	100%	Full/full
	TFB Service UAB	304785170	100%	Full/full
	TFB Service GmbH	HRB 20886g B	100%	Full/full
	TFB Service AB	559310-4697	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 decisions on such issues as amendments to the Articles of Association, discharge from liability, adoption of balance sheets and income statements, dividends, election of board members, auditors and fees to board members and auditors. The Companies Act and Articles of Association contain rules governing the General Meeting and what this should include.

Annual General Meeting 2021

The 2021 Annual General Meeting (AGM) was held on 4 May 2021. Due to the Covid-19-pandemic and the restrictions that had been introduced to limit the spread of infection, the AGM was conducted by postal voting in advance, without physical participation. The AGM resolved in accordance with all proposals of the Board and the Nomination Committee. Among other resolutions, the AGM resolved on a dividend of 21,500 TSEK, corresponding to SEK 1.00 per share. It was further resolved that 891,943 TSEK should be balanced into new accounts. CEO and the Board of Directors were discharged from liability for the fiscal year 2020.

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

The AGM resolved to authorise the Board, on one or more occasions, to decide on new share issues, with or without deviation from shareholders' preferential rights, until the next AGM. The number of shares issued pursuant to the authorisation may not exceed an increase of twenty percent of the share capital based on the share capital of the Company at the time of the AGM 2021. It was also resolved to authorise the Board of Directors, to decide on the acquisition and transfer of own shares on or outside Nasdaq Stockholm or in accordance with an offer made to all shareholders. A maximum of so many shares may be acquired that the Company's holdings, including shares that have otherwise been acquired and held, will not exceed five percent of all shares in the Company.

The AGM resolved to adopt a Share programme 2021 in accordance with the Board of Directors' proposal. The programme has a three year duration and means that senior executives, certain other directors, key persons and specialists (in aggregate up to 25 persons), conditional upon that that certain terms are met, may receive up to 62,000 shares in TF Bank provided that they have acquired a corresponding number of shares.

The AGM resolved to amend the articles of association in accordance with the board of directors' proposal, with the purpose of, i.e., facilitating postal voting at future general meetings. The Articles of Association were also adopted to amendments in laws. The full Articles of Association as well as minutes and information regarding the 2021 AGM are available at www.tfbankgroup.com.

NOMINATION COMMITTEE

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

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 Proventus Aktiebolag
- Paul Källenius has been appointed Chairman of the Nomination Committee

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

The composition of the Nomination Committee was disclosed through a press release and on the Company's website on 27 October 2021.

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 2021, the Board held eleven meetings, of which four were ordinary meetings, five were additional/telephone meetings and two meetings were held by correspondence.

Date	Significant matters raised at the board meetings
2021-01-27	Year-end report 2020
2021-03-18	The adoption of the Annual Report for 2021 and Pillar 3 report
2021-03-25	Notice to attend the AGM on May 4 2021
2021-04-18	Interim report Q1 2021 and resolution to publish certain key figures on a monthly basis
2021-05-04 (const.)	Adoption of rules of procedures on the Board of Directors including rules of procedures on Audit Committee, Remuneration Committee and Risk and Compliance Committee respectively as well as adoption of CEO instructions. Appointment of authorised signatories
2021-06-14	ICAAP 2020 and updating policies
2021-07-12	Interim report Q2 2021
2021-09-22	Resolved on a pilot project concerning Consumer Lending in Denmark and issue Additional Tier 1 capital.
2021-10-17	Interim report Q3 2021 and resolution on financial targets
2021-11-16	Issuing Additional Tier 1 bonds up to SEK 150 million
2021-12-17	Approval of budget 2022, Updates of policies, guidelines and instructions. Resolution on annual plan 2022 and reviewing risk assessment of risk control and compliance

Board attendance was as follows:

Board member	Independent of major shareholders	Attendance
John Brehmer (Chairman)	No	11 of 11
Bertil Larsson	Yes	11 of 11
Tone Bjørnov (resigned at the AGM)	Yes	4 of 11
Charlotta Björnberg-Paul	Yes	11 of 11
Mari Thjømøe	Yes	11 of 11
Sara Mindus	Yes	11 of 11
Michael Lindengren (new elected at the AGM)	Yes	7 of 11

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

Reporting to the Board of Directors and Board committees

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

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

Remuneration Committee

The Remuneration Committee shall meet twice 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 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 2021 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 re-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 2021, the Remuneration Committee held two minuted meetings. Attendance at Committee meetings was as follows:

Board member	Attendance
Bertil Larsson (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 Mari Thjømøe and John Brehmer and by new election of Michael Lindengren.

All members of the Audit Committee have been members of the Board.

Board member Michael Lindengren took over as Chairman of the Audit Committee and Tone Bjørnov was dismissed from the Audit Committee.

In 2021, the Audit Committee held seven minuted meetings. Attendance at Committee meetings was as follows:

Board member	Attendance
Michael Lindengren (Chairman after the AGM)	4 of 7
John Brehmer	7 of 7
Mari Thjømøe	7 of 7
Tone Bjørnov (Chairman prior the AGM)	3 of 7

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

Risk and Compliance Committee

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

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

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

As the Risk and Compliance Committee has been newly established, in 2021, there have only been three minuted meetings. The participation in the committee work has been as follows:

Board member	Attendance
Sara Mindus (Chairman)	3 of 3
John Brehmer	3 of 3

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

Remuneration of Board members

The 2021 AGM resolved on the following remuneration for Board members:

- Chairman of the Board SEK 700,000,
- Other members of the Board SEK 350,000,
- 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,
- Chairman of the Risk and Compliance Committee SEK 100,000,
- 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 informed about the Company's operations and for ensuring that the Board is provided with as true and accurate information as possible as basis for decisions.

As at December 31, 2021, TF Bank's Executive Management comprised of Mattias Carlsson (CEO), Mikael Meomuttel (CFO) and Espen Johannesen (Chief Operating Officer).

Further information about Executive Management representatives is available at www.tfbankgroup.com and on page 102.

Remuneration of senior executives

The guidelines for remuneration of senior executives comprise CEO, CFO and other members of the Executive 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 AGM. The AGM in 2021 adopted the following guidelines for remuneration of TF Bank's senior executives.

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

TF Bank was founded 1987 and is an internet-based niche bank offering consumer banking services and e-commerce solutions through a proprietary IT platform with a high degree of automation. Deposit and lending activities are conducted in Sweden, Finland, Norway, Denmark, Estonia, Latvia, Lithuania, Poland, Germany 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 Bank's business strategy and the safeguarding of the Bank's long-term interests, including its sustainability, requires the Bank to be able to recruit and retain qualified members of staff. This means that the Bank must be able to offer a competitive remuneration package. The guidelines enable the Bank to offer a competitive remuneration package to its executive management.

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

The forms of remuneration, etc.

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

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

Furthermore, the following applies in accordance with the regulations in place with regards to remuneration in banks. Variable remuneration can be emanated in the form of shares, and there shall be a limit to the maximum result. Payment of variable remuneration shall be postponed and be made conditional on that the criteria on which the remuneration is based was

shown to be sustainable in the long-term and on that the Bank's position has not declined substantially. If the conditions for payment are not met, the remuneration shall be cancelled in whole or in part.

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

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

Termination of employment

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

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

Criteria for distributing variable remuneration

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

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

criteria must be determined based on the latest financial information published by the Company.

Salary and terms of employment for the employees

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

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

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

Deviations from the guidelines

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

Commission-based compensation for senior executives

In 2021, commission-based compensation amounted to SEK 1,136 thousand (318). 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 2021, KPMG AB was appointed auditor of the Company with Authorised Public Accountant Dan Beitner as auditor in charge.

Information about fees and reimbursement of expenses for the auditors is presented in Note 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 company-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, organisational structures and functions in software and hardware based on the Bank's information assets and its risk classification. The work of the information security function is based on TF Bank's Information Security instruction and Instruction for classification, marking and handling of information and IT systems. TF Bank's Chief Information Security Officer (CISO) is Navaz Sumar.

Third line of defence - Internal audit

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

The internal audit function reviews and assesses whether systems, internal controls and procedures are appropriate and effective and issues recommendations and monitors adherence to the recommendations. In 2021, the audit performed by the internal audit function in addition to the mandatory areas included TF Bank's handling of the requirements regarding its deposit system, handling of the regulations regarding compensation systems, measures against money laundering and information security.

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

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

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

Internal control relating to financial reporting is a process designed to provide reasonable assurance regarding the reliability of external financial reporting and whether the financial statements are prepared in accordance with generally accepted accounting

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

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

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

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

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

FURTHER INFORMATION

Further information regarding corporate governance in TF Bank is available at www.tfbankgroup.com.

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for that the corporate governance statement on pages 77-87 has been prepared in accordance with the Annual Accounts Act.

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

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

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of TF Bank AB (publ) by the general meeting of the shareholders on the 4 May 2021. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2021.

Stockholm 17 March 2022
KPMG AB

Dan Beitner
Authorised Public Accountant
Auditor in Charge

A photograph of a modern office interior. In the foreground, a wooden table holds a laptop, a smartphone, and some papers. A white chair is partially visible. In the background, a large window offers a view of a city skyline with tall buildings. A potted plant is on the left side of the frame.

SUSTAINABILITY REPORT

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, and which creates sustainable values for our stakeholders. Sustainability for us 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 2021. The report comprises TF Bank AB.

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 Bank amounts to 236 (187).

Sustainability governance

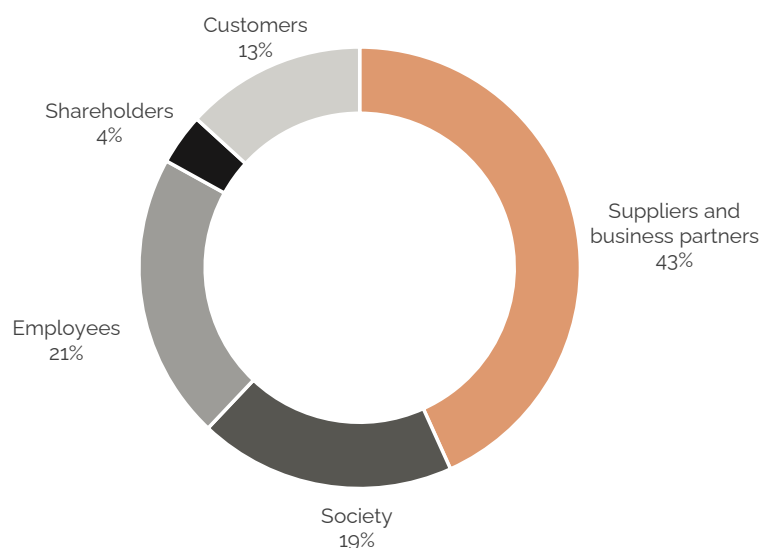
The Board of Directors adopts the sustainability policy and approves the Sustainability Report and is hence ultimately responsible for the Bank's sustainability work. The CEO decides on the sustainability strategy, including plans, goals and performance indicators, and report these to the Board. The 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 2022, our intention is to sign the 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, suppliers and business partners for purchases of services, shareholders in the form of dividends, and society at large in the markets where we are active through taxes and fees.



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 Compliance, Information Security and Risk Management functions and the third comprising the 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 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 2021
Customers (existing and new)	- Credit granting process - Customer service contacts - Marketing	- Credit assessment - Credit cards offering in Germany
Capital markets (shareholders, investors, analysts)	- 1-1 meetings - AGM - Press releases - Interim reports - Website	- Development for credit cards and e-commerce solutions - Impact from Covid-19 - Impact from increasing inflation/increased rates
Employees	- Intranet - Employee survey - Development talks	- Code of conduct - Handling of Covid-19 - Distance working

Materiality analysis

TF Bank's materiality analysis comprises an identification of the most material sustainability areas for the operations.

Prioritised

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

- 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)

Linked to focus areas

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

Sustainability program

In December 2020, TF Bank's Board of Directors adopted a long-term new sustainability program with four focus areas. The focus areas 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 (SDGs). Within each area, a number of measurable KPIs that show the development over time will also be used. 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 reduced climate impact through our services.	<ul style="list-style-type: none"> • Reduce own climate impact • Digital processes • Contribute to energy transition 	7

Responsible lending

KPIs	2021	2020
Loan loss ratio (%)	2.8	3.8
Income from late payments (%)	6.9	6.1
Number of loan applications	7,043,040	5,519,888
- Of which denied	3,485,867	2,652,344
Average loan size (SEK)	36,542	42,766
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 Bank's lending growth to be higher than the credit loss growth. Our goal is also to reduce the loan loss ratio annually. In 2021, loan losses decreased by 4 percent. Excluding the additional loan loss provision of SEK 30 million related to the uncertain macroeconomic situation during the initial phase of the pandemic in 2020, loan losses increased by 7 percent during 2021. At the same time, the loan loss ration decreased to 2.8 percent as a result of improved credit quality in the loan portfolio.

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 financial circumstances, we also offer customers the facility to take out insurance against suspension of payments due to unemployment or illness.

Should the customers still encounter problems repaying their loan, we are committed to helping them. TF Bank has specially 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.

Sub-area 3: Financial inclusion

Responsible lending is a necessary and important product category and function in a well-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 2021, we processed around 7.0 million loan applications (5.5), 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, our various geographical markets and difference economic conditions, has given 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 the loan.

Business ethics and governance

KPIs	2021	2020
Number of customer complaints	21	18
Number of reported GDPR breaches	0	0
Number of reports to whistle-blower function	0	0
Tax payments (SEK thousand)	107,990	86,970

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 Bank's Code of Conduct, which encompasses 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 Bank's employees. In 2022, a special educational effort on the Code of Conduct will be carried out. 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 Bank's compliance department carries out an annual review of suppliers in relation to the Code of Conduct.

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 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 directly subordinate 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 77-87.

Attractive employer

KPIs	2021	2020
Number of employees	236	187
- Of which women	126	99
- Share of women (%)	52	53
Share of female members of Board of Directors and executive management (%)	33	40
- In Board of Directors (%)	50	67
- In executive management (%)	0	0
- In extended management team (%)	16	-
Number of nationalities in Board of Directors	3	3
Average age of employees	35	34
Sick absence (%)	3.5	2.5
Staff turnover rate (%)	16.6	19.0
Number of part-time employed students	20	30

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, to work for a more even gender distribution within our operations 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, and all employees must have a good ergonomically 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 company's 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.

A JOURNEY WITHIN TF BANK

Since TF Bank was founded in 1987, competence development has been an important part of the business. One of the Bank's focus areas within sustainability is to be an attractive employer. TF Bank believes that the best way to achieve this, is for talented employees to develop and grow within the Bank. Nadja Garrote, AML (Anti-Money Laundering) officer, talks about her journey within TF Bank.

Nadja Garrote started working at TF Bank in February 2019. In just over two years, she has developed and advanced through four different positions within the Bank.

- I was recommended to apply for a position in Pre-collection by a friend who enjoyed working at TF Bank. Only after four days, I got the chance to work with customer service. In the autumn of 2020, I received the offer to start a new role in Back Office.

Nadja is one of several employees who have developed within TF Bank and the business continues to invest in its employees.

- At the beginning of 2021, I accepted my dream job at the AML department. The job advertisement was sent through internal channels a few weeks before Christmas 2020. For long, I have had an interest in AML and I never hesitated applying for the position. Throughout the recruitment process, I received support from various persons. Among others, from my, now previous, boss who supported me and pushed me to take this step in my career.

- The recruitment process was delayed and first after the new year I received the answer that I got the job. The tension was high and I was more nervous than I had ever been before. When I finally got the information, I was overjoyed. Being able to work with AML feels like a milestone both in terms of career and personality. It was therefore important for me to share this with my friends and acquaintances on social media.



After a few years with the Bank, Nadja has built up an understanding of TF Bank as a company and become part of the culture at the Bank. This is something that TF Bank sees great value in and that the Bank wants to take advantage of.

- The Bank is in an expansive phase and is constantly evolving. No two weeks are the same, which makes it so incredibly exciting to work here. Time flies when having fun, and time really flies at TF Bank.

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 is powered by 100 % green electricity and is environmentally certified according to ISO 14001.

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 Bank'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.

During spring 2022, TF Bank will assess the business's CO₂ emissions within scope 1 and scope 2, which will be published on the company's website.

Sub-area 2: Digital processes

TF Bank is 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 the 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 and Sweden are sent 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, Avarða Return Optimiser, 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. 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



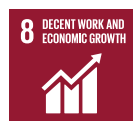
16.4 Significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organised crime
16.5 Substantially reduce corruption and bribery in all their forms



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.

THE AUDITOR'S OPINION REGARDING THE STATUTORY SUSTAINABILITY REPORT

The Board of Directors is responsible for the sustainability report on pages 89-99, and that it is prepared in accordance with the Annual Accounts Act.

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 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 opinion.

A statutory sustainability report has been prepared.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of TF Bank AB (publ) by the general meeting of the shareholders on the 4 May 2021. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2021.

Stockholm 17 March 2022
KPMG AB

Dan Beitner
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, Tiberon AB, Zebware AB.
Board member: Consortio Invest AB, Consortio Business Center AB.

Holdings in Company: 3 361 852 shares ¹

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



MICHAEL LINDENGREN
Board member since 2021.

Born: 1956

Education: Civilekonom (Handelshögskolan vid Göteborg Universitet).

Current directorships:
Chairman: Acrap AB.
Deputy chairman: Tidaholms Sparbank
Board member: Sparbanksstiftelsen Sjuhärad, Sparbanken Sjuhärad (publ) AB, Simplicity AB.

Holdings in Company: 2 000 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: Seilspport Maritimt Forlag AS, Billington Process Technology AS, ThjømøeKra-nen AS.
Board member: Hafslund Eco AS, FCG Fonder AB, Ice ASA, Tryg A/S, Norconsult AS, Sintef Eiendom Holding AS.

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: Minso Solutions AB, Minso Holding AB, Aktiebolaget Borås Tidning.
Board member: Conpera AB, Tore G Wärendstams stiftelse, Gota Media AB, BRF Aspölyckan, 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: K-Fast Holding AB, Besqab AB, Dreams AB, Colibri Ventures AB, Faboss Invest AB, Sara Mindus AB.

Holdings in Company: 22 500 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: Mekalasi Oy, Plastone Oy
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, 2021.

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: Hoist Finance AB (Chairman), Tobisflöte Holding AB (Chairman), Tronstad Consulting AB (Board member), TFB Service 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 Head of IR. Previous experience: Financial controller at Consortio Fashion Group AB (CFG).

Current directorships: Torhamnsskär Holding AB (Chairman).

Holdings in Company: 28 000 shares ^{1,2}



ESPEN JOHANNESSEN
COO

Born: 1981

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

Within the Bank 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: 45 198 shares ¹

AUDITOR



AUDITOR

DAN BEITNER
Authorised Public Accountant

Auditor in charge
KPMG AB

¹ Refers to directly or indirectly holdings as of December 31, 2021.

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.

A person wearing a blue helmet and a blue jacket is riding a bicycle on a paved path that winds through a hilly, grassy landscape under a dramatic, cloudy sky.

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